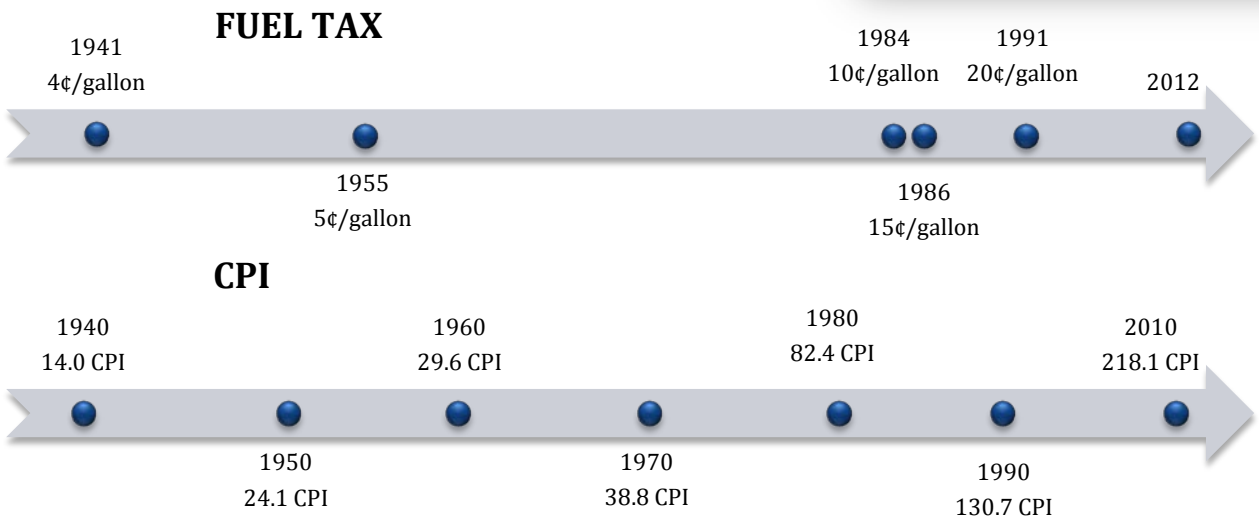
INDEX STATEWIDE MOTOR FUELS TAX

Description

The state of Texas levies a flat 20 cent per gallon tax on gasoline and diesel fuels. The tax is included in the price of fuel you buy at the pump. The state motor fuels tax is a fixed rate that was last increased in 1991. Indexing the gas and diesel tax rate to the Highway Cost Index or the Consumer Price Index (CPI) allows the tax rate to keep pace with the rate of inflation.

CBS DFW



How Will This Help?

Help tax keeps pace with rising highway construction costs – Since 1991, road construction and maintenance costs have almost doubled, while the motor fuels tax rate has remained constant. Indexing the state motor fuels tax would help maintain the purchasing power of the gas and diesel tax. Cost increases due to inflation would be countered by proportional gas and diesel tax increases.

Who: State
Cost to Collect: Low
Sustainability: ●●●●○
Reliability: ●●●●○
Implementation: Easy

Provide additional funds for transportation – Indexing the motor fuels tax rate would provide funds to reduce traffic congestion and help maintain the safety and quality of Texas roads and bridges.

Reduce need for borrowing – Texas has increasingly turned to bonds as a means of financing transportation improvements as the fuel tax has lost purchasing power. Texas could help slow a growing trend of using the "credit card" to pay for roadway projects by indexing the state motor fuels tax.

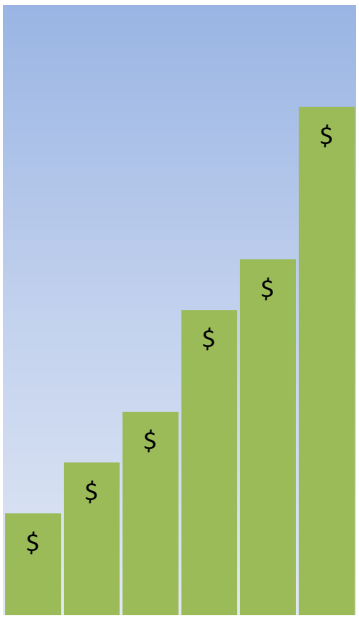
What's the Down-Side?

- **General opposition to tax increases –** The Legislature and the public have recently been opposed to tax increases.

For more information, please refer to: http://mobility.tamu.edu/mip/strategies.php.

mobility INVESTMENT PRIORITIES

- **Fuel tax revenues are eroded by increased fuel efficiency –** Fuel tax revenues will likely decrease over time. The expected growth in future population means more people traveling on the roadways and consuming more fuel. However, today's more fuel efficient cars and trucks pay lower fuel tax per mile than when the tax rates were last set twenty years ago. As vehicles become more fuel efficient and alternative fuel vehicles become more common, the number of gallons needed to go the same distance will decrease. While benefits such as a smaller carbon footprint and the ability to travel further per gallon are gained, the resulting decrease in fuel consumption means less gas and diesel tax revenue raised to tackle the rising transportation needs.



Estimated Funding Yield

Indexed to the Highway Cost Index: $1.0 billion more for transportation from 2014 to 2017, $340 million more for education from 2014 to 2017.

Indexed to Consumer Price Index: $484 million more for transportation from 2014 to 2017, $161 million more for education from 2014 to 2017.

Implementation Issues

- Very low cost to implement, no new technology or increased costs of compliance to users.
- Legislative action is required to implement this funding change; voter approval may be a desirable element.
- Voters/users would need to be educated regarding the costs and benefits.

Around the Nation

Vermont approved a new law that ties the gasoline tax to the rate of inflation starting July 1, 2012. This rate will be adjusted every April. (HB 438)

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