

STATEWIDE MOTOR FUELS TAX

Description

The state of Texas levies a flat 20 cent per gallon tax on gasoline and diesel fuels. Of these 20 cents, 15 cents is dedicated by the Texas Constitution to roadways, with the remaining 5 cents dedicated to public education. The tax is included in the price of fuel you buy at the pump. The state motor fuels tax was last increased in 1991. The average Texas driver pays \$9.52 a month in state fuel taxes. The net to the highway fund is \$7.14 a month per driver.

How Will This Help?

- **Provide additional funds for transportation.** Increasing the motor fuels tax rate would provide funds to reduce traffic congestion and help maintain the safety and quality of Texas roads and bridges.
- **Help tax keep pace with rising highway construction costs.** Since 1991, road construction and maintenance costs have almost doubled, while the motor fuels tax has remained at the same rate. Increasing the state motor fuels tax would help restore the purchasing power of the gas and diesel tax.
- **Reduce the 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 increasing 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.
- **Fuel tax revenues are eroded by increased fuel efficiency** – Fuel tax revenues will likely decrease over time as vehicles become more fuel efficient and alternative fuel vehicles become more common.

Estimated Funding Yield

1 cent/gal. increase: \$489 million more for transportation, \$163 million more for public education from 2014 to 2017.

5 cents/gal. increase: \$2.4 billion more for transportation, \$815 million more for public education from 2014 to 2017.

10 cents/gal increase: \$4.9 billion more for transportation, \$1.6 billion more for public 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.
- Voters/users would need to be educated regarding the costs and benefits.

Around the Nation

Minnesota enacted a five cent motor fuels tax increase in 2008. (SF 2521)

Oregon approved a six cent motor fuels tax increase to fund a \$1 billion program in 2009. (HB 2001)