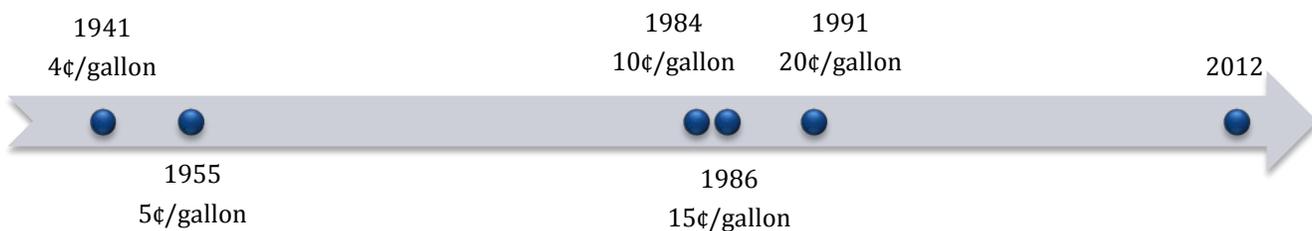


STATEWIDE MOTOR FUELS TAX

Description

The state of Texas levies a flat 20 cent per gallon tax on gasoline and diesel fuels. Of this 20 cents, the Texas Constitution dedicates 75 percent (15 cents) to the Highway Fund, and the remaining 25 percent (five cents) is dedicated to public education. This tax is one of the major sources of funding for transportation projects. The gas and diesel tax is included in the price of fuel you buy at the pump. As the price of gasoline fluctuates, the gas and diesel tax remains constant at 20 cents per gallon. The state motor fuels tax was last increased in 1991.



How Will This Help?

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

Ensure tax keeps 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 by narrowing the gap between revenue and expense.

Reduce need for excessive 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.

Who: State

Cost to Collect: Low

Sustainability: ●●●○○

Reliability: ●●●●○

Implementation: Easy

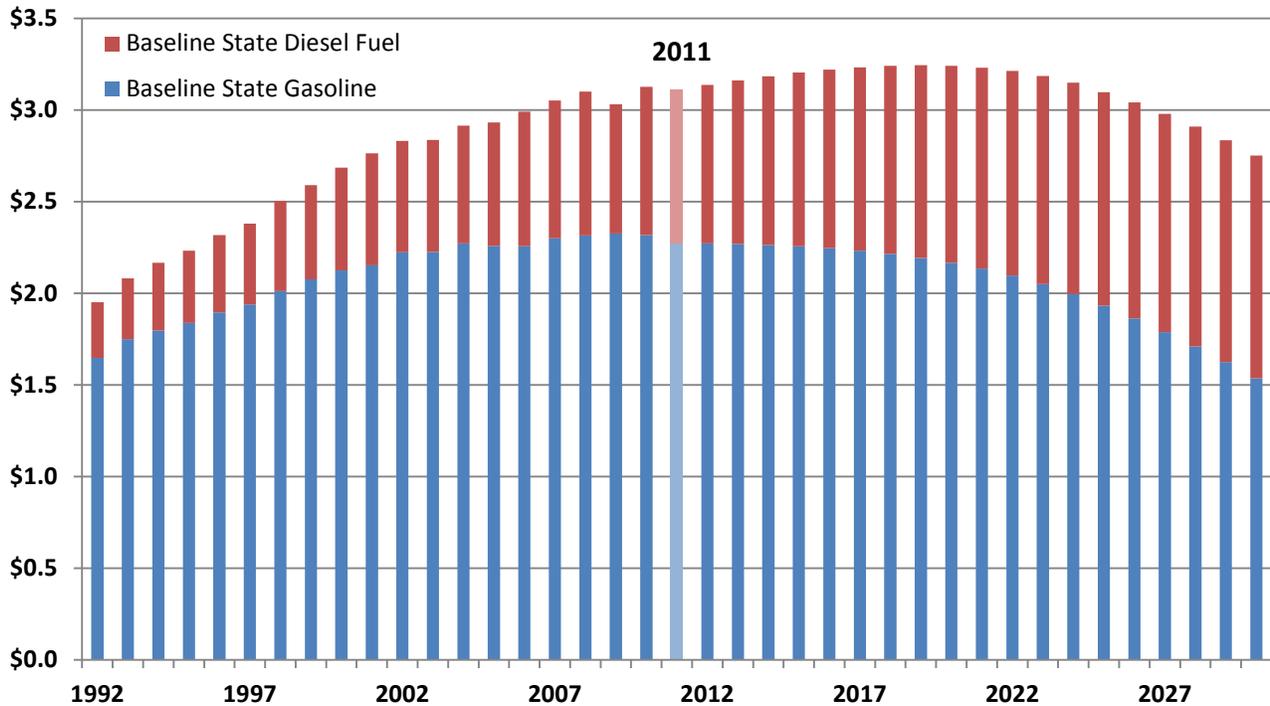
What's the Down-Side?

- **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 (see chart below). 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

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

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.

Motor Fuel Revenue (Billions of \$2010)



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.

Peer States

Current fuel tax rates in peer states and their national ranking from highest to lowest:

North Carolina:	0.302	Ranked 4 th
Pennsylvania:	0.300	Ranked 5 th
Ohio:	0.280	Ranked 8 th
New York:	0.245	Ranked 13 th
Texas:	0.200	Ranked 29th
Illinois:	0.190	Ranked 33 rd
Michigan:	0.190	Ranked 33 rd
California:	0.180	Ranked 37 th
Florida:	0.156	Ranked 46 th
Georgia:	0.075	Ranked 50 th



Around the Nation

Minnesota state lawmakers enacted a **five cent** motor fuels tax increase in 2008.

Oregon state lawmakers approved a **six cent** motor fuels tax increase to fund a \$1 billion transportation program in 2009.

Connecticut increased its diesel tax from 26 cents to 29 cents to take effect in July 2011. (SB 1239, 2011).

The District of Columbia increased the state gasoline tax from 20 cents to 23.5 cents per gallon.

Rhode Island raised the gasoline tax by \$0.02 from \$0.30/gallon to \$0.32/gallon.