

MEMORANDUM

DEPARTMENT OF TRANSPORTATION

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DATE: 17 August 2011
TO: Transportation Commissioners
FROM: Herman Stockinger, Director, Office of Policy and Government Relations
RE: Financial Information on State Departments of Transportation

In response to inquiries from the Transportation Commission about transportation funding methods of state Departments of Transportation, DTD staff reviewed state transportation ballot issues and enacted state legislative transportation bills from 2010 back to 2008. OFMB staff examined transportation funding for Colorado, its neighboring states, and for Georgia and Florida.

Bills or ballot issues that were limited to design-build, public private partnerships, and bond issues were not included in the ballot issue and legislative bill research because CDOT already has the ability to use those financing methods. Summaries of the research are attached in two charts entitled *State Transportation Ballot Issues: 2010-2008* and *Enacted State Transportation Bills: 2010-2008*.

Ballot Issues

Of the eight ballot issues reviewed, only one passed. The successful measure eliminated California's authority to use state fuel tax revenues to pay debt service on transportation bonds and to use vehicle license fee revenues for anything other than transportation.

The ballot issues that failed included such ideas as a temporary, 10-year transfer of funds to a road and bridge construction fund from a fund to which oil and gas royalties are funneled in Alabama; two that proposed surcharges on either vehicle license fees or annual motor vehicle fees for state parks and wildlife refuges in California and trauma care in Georgia; and two severance tax ballot issues and another issue that would have reduced or eliminated taxes and fees on vehicle purchases, registrations, leases and rentals over a four-year period in Colorado.

State Bills

In the state legislatures, legislators were aware of financial straits facing transportation, as evidenced by the introduction of about 220 separate bills. Of the bills introduced, 29 transportation funding bills passed the state legislatures and were enacted. One of the more ambitious ones was a wide-ranging transportation program called Transportation Works for Kansas using hikes in vehicle registration fees based on weight of vehicles to pay for it. The Kansas bill also allows transfers for transit, rail, and aviation from the State Highway Fund

beginning in 2013. Increased registration fees also were among the funding methods in Colorado (for FASTER), Idaho, Illinois, Iowa, Nebraska, and Oregon.

Other types of transportation funding permitted or increased included:

- Motor fuel taxes: Four states - Idaho, Indiana, Nebraska, and Rhode Island – increased their motor fuel taxes statewide, while Kentucky prevented the state gasoline tax from dropping 4 cents per gallon by keeping it at the same level of 22.5 cents per gallon. Idaho's increase came from eliminating the 10 percent (2.5 cents per gallon) tax exemption for biodiesel and gasohol.
- Motor vehicle sales and lease taxes: Louisiana approved gradually increasing the percentage of motor vehicle sales taxes going for transportation through 2014, when the percentage will be at 100 percent.
- Sales tax for transit: California, Georgia, Illinois, and North Carolina all approved sales tax increases or time extensions for transit.

Other transportation funding methods were:

- Indexing toll rates to the Consumer Price Index in Florida.
- Raising fees for a number of Division of Motor Vehicle services, with the additional revenues to go to state highways, in Idaho.
- Privatizing rest areas in Arizona.
- Tying the motor fuel tax rate to the rate of inflation and adjusting the gas tax rate annually in Vermont.

Financing Mechanisms

The chart entitled *Comparison of Funding Sources for Transportation in Selected States* shows various transportation finance categories for Colorado, for its neighboring states, and for Florida and Georgia. Items of interest include:

- Colorado, Arizona, New Mexico, Utah, Wyoming, Florida and Georgia all have some ability to issue bonds. The Colorado and Georgia DOTs contain enterprises or authorities which may issue revenue bonds on their own behalf. Florida must request the Division of Bond Finance to issue bonds. In Arizona, New Mexico, Utah, and Wyoming, the State Treasurer or the state Departments of Finance issue the bonds for the DOTs.
- The state constitutions of Colorado, Arizona, Kansas, Wyoming, and Georgia require the dedication of user fees for transportation.
- States with higher base gas taxes than Colorado (\$0.22/gal gasoline; \$0.205/gal diesel) are Kansas (\$0.26/gal gasoline; \$0.22/gal diesel), and Utah (\$0.245/gal gasoline and diesel). However, Nebraska supplements its fixed rate of \$0.103/gal with a wholesale tax of 5 percent, based on gas prices, which currently equals ~\$0.264/gal, and Florida supplements its fixed rate of \$0.122 with a Consumer Price Index--indexed rate that varies by county

and ranges between \$0.29 and \$0.35/gal.

- Colorado has the highest base registration fee at \$59 (including FASTER), and additionally has a specific ownership tax. The ownership tax does not go for transportation. Arizona, Kansas, Nebraska, New Mexico, Wyoming and Georgia all have value-based property taxes, similar to the specific ownership tax, all of which fund local governments. In New Mexico, vehicle property taxes are used for local and state highway purposes.
- Colorado, New Mexico, and Wyoming are the only states researched that make no appropriation from the General Funds, or state sales tax revenues, to fund transportation. Arizona received a \$54,600 General Fund appropriation in FY 2011, but that may not be a normal funding stream for the state.
- In other sources of revenue, Utah received \$52 million in mineral lease revenues and \$35.4 million in charges for services and royalties in FY10; Wyoming, \$72 million in severance taxes and mineral royalties; and Florida, \$600 million in toll revenues, as well as documentary stamp taxes and rental car taxes.

Overall, Colorado seems to be fairly well in the middle on most issues in comparison to our neighbors. While some states have lower fuel taxes, others are able to charge more. It is interesting to note that most indexing is to fuel costs, which if set in the wrong environment, could result in less revenue instead of more.