

A red toy car, resembling a Volkswagen Beetle, is shown on a black track. The car is positioned on a white background with a faint grid pattern. The car is facing towards the bottom left of the frame.

Are you really paying \$1.25 for a gallon of gas these days? This was the gas price in 1993, when gas tax was raised by federal government for the last time.

States provide about the other half of all surface transportation funding through different funding sources such as sales

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taxes on fuel and suppliers, motor vehicle and rental car sales tax, vehicle registration/license/title fees, tolls, vehicle weight fees, general funds, interest income, and others. Again, state gas sales tax is the most important source of transportation funding for the local governments. Unfortunately, 36 states levy a fixed-rate tax (no indexing), hence effective gas tax rates have plummeted by 29%, or 9.5 cents per gallon since they were last increased². This translates to \$10B a year of lost revenue for states each year. Consequently, putting transportation construction projects on hold by local governments is not an isolated case these days.

What to do now

To look positively at funding shortage! It is hoped that this would initiate out-of-the-box thinking amongst local state agencies. Meaning, prior to exhausting all our efforts in finding new sources of money, focus on **maximizing** the potential of the transportation money that is already being collected. Some key ideas, of many, that requires public agencies to embrace new cultural mind-shifts are:

1. First and foremost is to implement a phasing out plan of commonly practiced "borrow and spend" and change internal policies to promote "tax and spend" business practice. Spending upfront through bonding will not only put a heavy burden on tax payers for a longer period, but also cost them many times more. It will definitely discourage communities to support any new tax initiatives proposed by local governments. Some public agencies even use borrowed money to pay their employees. A few examples of "borrow and spend" bad practices and tools (practiced by over 45 states) are: Toll on new construction projects, general obligation or revenue bonds, GARVEE bonds, and Private Activity bonds. Relatively better practices and tools include TIFIA federal credit assistance, state infrastructure banks, public-private partnership, and design-build.
2. Maximize spending money on maintenance, preservation, and restoration of our existing transportation infrastructure – not on building new roads that use most of the not-enough-revenue for a structure that we can't even afford to keep up in the longer term. US infrastructure is rated D+ and requires \$87B annual funds necessary to significantly improve

conditions and performance of roads and bridges. A plan needs to be crafted to deal with worst cases of maintenance and preservation to ensure public safety and longer life of our transportation infrastructure.

3. Enforce accountability of elected and appointed officials for the long term viability and sustainability of the investment programs which should lead to support of transportation agency's "performance-based" programs.
4. Revise FHWA additional rules, documentation, reviews, and compliance requirements on smaller federal-aid projects (the majority of current projects receiving federal aid are indeed in the smaller project category). GAO (US Government Accountability Office) has prepared a report³ that was published in January 2014. The report includes examples of two similar projects

constructed in Florida, one federally funded, and one not, with a huge gap between their cost and construction schedule, see below. In this report GAO recommends that FHWA "explore administrative flexibilities and potential dollar thresholds under which it may not be cost effective for local agencies to administer federal-aid projects."

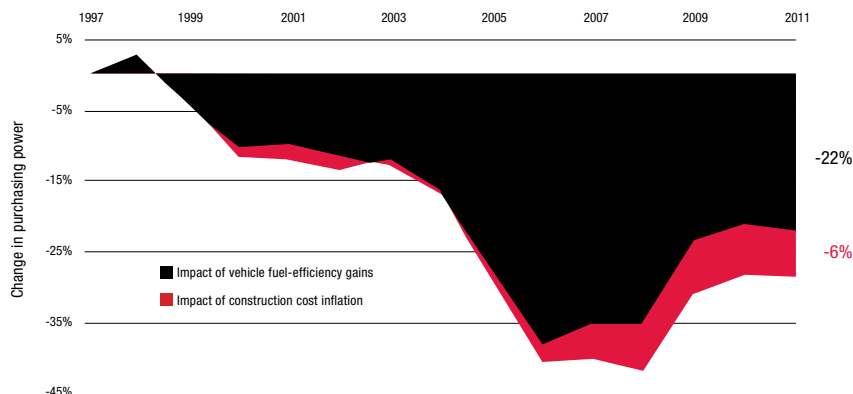
What local governments have initiated so far?

In addition to such required cultural and business practice changes, time is of essence. Since congress is unlikely to enact the President's corporate tax reform proposal (or any other tax reform proposal) this year, some states have already started to find other funding sources. Recent State Transportation funding proposals have included:

- Raising fuel taxes (15 states)
- Sales taxes on fuel (14 states)

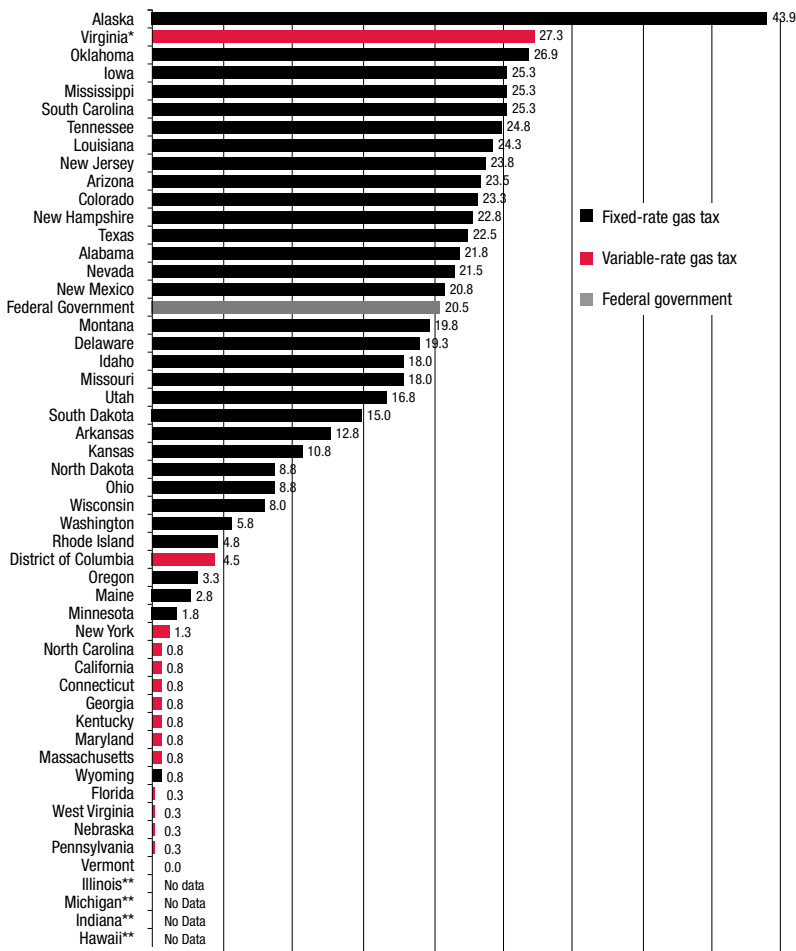
"Since congress is unlikely to enact the President's corporate tax reform proposal (or any other tax reform proposal) this year, some states have already started to find other funding sources."

Figure 1: Purchasing power of the gas tax has dropped 28 percent since 1997
Decline is due mostly to construction cost inflation



Source: ITEP analysis of data from the Federal Highway Administration (FHWA)

Figure 2: Years since last gasoline tax increase
As of April 1, 2014



* Virginia's gasoline tax was converted to 3.5 percent of wholesale gas prices effective in 2013, but this resulted in a decrease in the gas tax rate.
** These four states' gas tax rates change frequently because they apply their general sales tax to retail gas prices. Looking just at the gasoline excise tax, the number of years since the last gas tax increase took effect in these states is 24.3 in Illinois, 16.7 in Michigan, 11.3 in Indiana, and 6.8 in Hawaii.

What is H.R. 3636?

@8 &+. +. 'k' The Update, Promote, and Develop America's Transportation Essentials (UPDATE) Act&L' k' Z&to gnd' h' Yk' 'f' Y' - ([f]l' Y&f' 'j' jYdlYp' f' [j] Yk' 'gn' j' l' 'f' pl' l' j] 'q' Yj' k' g' 'Ykg&f' 'Yf' \ 'd' k' &A'Yhhjgn' \ \$&o' gnd' jY&k' 'Yjgm' \ 'f' - ('gn' j') ('q' Yj' k' Yf' \ [gnd' l'] e' h' g' jY&j] 'd' 'kge' 'h' j' kknj' 'g' 'g' &f' [Yd_gn] j' f' e' f' l' k&

Will VMT replace Gas Tax?

L'] 'Y' [l' l' Yl' '9e'] j&f' Yf' k' Yj] ' \ j&f' ' d' k' k' Yf' \ 'h' d' 'Y&f' [q' o' &f' g' f' l' m' l' g' &e' h' jgn' 'e' Yc' k' l'] 'Ykg&f' 'l' Yp' Yf' ' n' f' k' n' l' Y&f' YZ&f' 'n' f' &f' 'kgnj' [] &A' k' l'] Y\ 'g' &n' k&f' 'Yk' l' Yp' l' g' 'n' f' l' jYf' k' h' g' jYl' Y&f' ' f' jYk' l' m' l' m'] \$Y' NE L' 'j'] 'Y' j'] k' 'e' g' l' g' k' l' k' ZYk' \ 'g' f' l'] 'd' j' g' Y' \ 'n' k' Y'] 'e'] Yknj' \ 'f' e' &f' Y'] &NE L' [gnd' \$&f' l'] ' &f' l'] j' e' \$' h' Yk' 'gnd' l'] 'Yk' l' Yp' 'e'] 'Yf' &e' &Kge'] 'Yn'] 'phj'] k' k' \ ' [g' f'] j' f' l' Yl' NE L' [gnd' Z'] 'Yf' &n' k&f' ' g' l'] 'd' h' j&n' Y' [q' Yk' &f' l' Y&f' 'f' 'g' j' e' Yl' &f' 'k' ' m' l' &f' \ ' &go' n'] j' \$Yk' Yf' q' \ Yl' Y' [g&f' l' Y&f' ' k' q' k' l'] e' 'h' g' k' k' Y' j&f' l' g' h' j&n' Y'] 'f' 'g' j' e' Yl' &f' ' g' &n' k'] j' k' \$NE L' h&f' l' h' j' g' Y' e' k' Y' [j' g' k' k' l'] ' [gnd' l' j' q' 'Yn'] 'phj'] \ 'n' Y' j&n' k' g' h' l' &f' k' l' g' ' h' j' g' l'] [l' l'] 'h' j&n' Y' [q' g' &h' Yl' &f' k' Yf' l' k& NE L' ['Y' j'] k' [Yf' Z'] 'd'] j' Y' 'l' Y'] 'j' &f' &f' Y' ' &f' l' f' m' e' Z'] j' g' &f' l' f' l' k' h'] j' 'e' &f' l'] 'Y' \ 'd' k' k' g' &o'] j'] 'g' j' o'] f' l'] 'l' j' Yn' d' g' l' [n' k' l' g' j' Y' n' Y' &f' Z' d' 'j'] 'ZYk' \ 'g' f' ' [g' f' k&f'] j' Yl' &f' k' k' m' l' 'Yk' l&e' 'g' &f' l' Yn' d' [g' f' l'] k' l' &f' l' d' n' d' k' g' f' Y' Y' [&f' l' q' h'] g' &f' j' g' Y' \$l' q' h'] Yf' \ 'o'] a' l' g' l'] n'] 'd' d' \$ n'] 'd' d'] e' &f' k&f' l' d' n' d' k' \$Yf' \ 'g' o' f'] j' &f' Yf' [&f' d' [Yh' YZ&f' &G' j' &f' [Yf' Z'] Y' [g' e' Z&f' Yl' &f' g' &f' l' Yf' \ 'n' Y' &f' Z' d' 'j'] k' ' L'] j'] Yj' ' \ 'a' j'] f' l' o' Yk' Y' NE L' 'j'] [Yf' Z'] &e' h' d' e'] f' l'] \ &A' Y' Z' j' g' Y' k'] f' k'] \$l'] ' Yh' h' d' Yl' &f' g' &f' NE L' 'j'] k' k'] f' n&f' k&f' l' \ ' l' j' g' m' l' '] 'n' k'] g' &f' Yn'] 'd' d' \ 'n&f' l' g' [Yh' l' m'] 'l'] ' \ 'k' l' Yf' [] ' \ 'j&n'] f' Z' q' ? HK' g' j' g' l'] j' l'] ['f' g' d' d' q' s' o' &f'] [gnd' &f' gnd'] h' Yq' e'] f' l' k' Yl' l'] 'Yk' h' m' e' h' \$Z&f' l' \$g' j' Ym' l' g' e' Yl' &f' \ 'n' f' l' &f' k' 'g' j' Y' h' j' h' Y&f' ' [n' k' l' g' e'] j' Y' [[gnd' l' &f' ? HK' n' f' &f' k' g' f' Y' n'] 'd' d' [Yf' j'] [g' j' \ 'k' l' Yf' [] \$Yk&f' &f' l' g' l'] 'Yh' h' j' g' h' j&n' Y' l' Yp&f' \ 'm' j&f' l' &f' l' &f' Yf' \ ' [Yd' n' d' l'] 'l'] 'Ye' gnd' l' g' o'] \ &G' f' d' l'] ' 'f' Yd' Z&f' l' 'f' 'g' j' e' Yl' &f' o' gnd' \ 'Yn'] l' g' Z'] j'] d' Yk' \ 'gnd' k&f' l'] 'n' f' &f' l' g' h' j' g' l' [l'] h' j&n' Y' l' q&

A' l'] 'M' f&f' \ 'k' l' Yl'] k' \$Y' NE L' 'j'] ' [n' j'] f' l' d'] p&f' k' k' Yk' h' Yl' g' &f' l' &f' l' \ 'h&f' l' h' j' g' Y' e' 'g' j' - \$ (('ngnd' l']] j' k' &f' 'G' j'] 'g' f' Yf' \ 'g' j' l' j' m' c' k' &f' &f' l' g&f' k&f' &f' l' j' f' Yl' &f' Y&f' \$?] j' e' Yf' q' \$9m' k' l' j&f' \$K&f' n' Yc&f' \$l'] '] ' r'] [' J'] h' n' Z&f' l' H' g&f' l' Y' \$&f' n' f' Yj' q' Yf' \ ' Ko' &f' l' j' d' f' \ 'Yn'] &e' h' d' e'] f' l'] \ 'n' Y' j&n' k' 'g' j' e' k' g' &f' NE L' 'j'] k' \$&f' l' &f' l' g' l' j' m' l' c' k&

¥ N] 'd' d'] _&f' l' Yl' &f' l'] k' Z' 'k' l' Yl'] k' l'
¥ N] 'd' d' e' &f' k' l' j' Yn'] d' \ 'j'] \$NE L' h&f' l' K' l' m&f' k' Z' 'k' l' Yl'] !
¥ N] 'd' d' e' &f' k' l' j' Yn'] d' \ 'j'] \$NE L' > j' Y'] o' g' j' c' 'g' j' h&f' l' K' l' m&f' k' Z' 'k' l' Yl'] k' l'
¥ Kh' [&f' d' j'] k' g' j' Yl' p' k' 'g' j'] d' l' j&f' g' j' Yd' j' f' Yl&n'] 'm' d' \ 'n'] 'd' d' k' Z' 'k' l' Yl'] k' l'
¥ < &f'] [l&f' _&f' Yk' l' Yp' h' j' g' []] \ 'k' l' g' \ 'd'] [l' l' j' Yf' k' h' g' j' Yl' &f' l' n' k'] k' Z' 'k' l' Yl'] k' l'
¥ K' l' Yl'] 'k' Yd' k' l' Yp' l' g' o' Y' \ 'l' j' Yf' k' h' g' j' Yl' &f' l' Z' 'k' l' Yl'] k' l'
¥ J'] \ 'n' f' &f' _&f' Yk' l' Yp' Z' m' l' &f' []] Yk&f' _g' l'] j' j' Yl' p' k' 'g' j' Y' f' l' &f' []] Yk'] 'g' j' l' j' Yf' k' h' g' j' Yl' &f' l' Z' 'k' l' Yl'] k' l'
¥ L' g&f' l' Z' - 'k' l' Yl'] k' l'
99K&f' l' g' \ 'Yk' [Yd' n' d' l'] \ 'k' g' e'] ' &f' l' k' l' j' Yl&n'] j' Yl'] k' Z' () , l' l' Yl' l'] l' f' l' g' h' j'] n'] f' m'] 'n' f' &f' l' _&f'] ['Yf' &f' e' k' [gnd' l'] f'] j' Yl']

for the local governments as surface transportation revenue options, these suggesting increases are:
VMT on light duty vehicles (2-cent/VMT) (\$53.8B), Sales tax on fuel-gas (7.5% of sales) (\$33.5B), Freight charge-All Modes (0.5-cent/Ton-mile) (\$23.7B), Income tax (personal (partial deduction) (1% of taxes) (\$15B), Sales tax on fuel-Diesel (10% of sales) (\$13.8B) Excise tax on gas (increase) (10-cent/gal) (\$12.8B), Freight bill (All modes, 1% of sales) (\$8.3B) Freight bill (truck only 1% of sales) (\$7.2B), Freight charge (truck only) (0.5-cent/Ton-mile) (\$6.9B), Harbor maintenance tax (0.5%) (\$6.6B). Clearly, the top two considerations are VMT and gas tax increase.

