



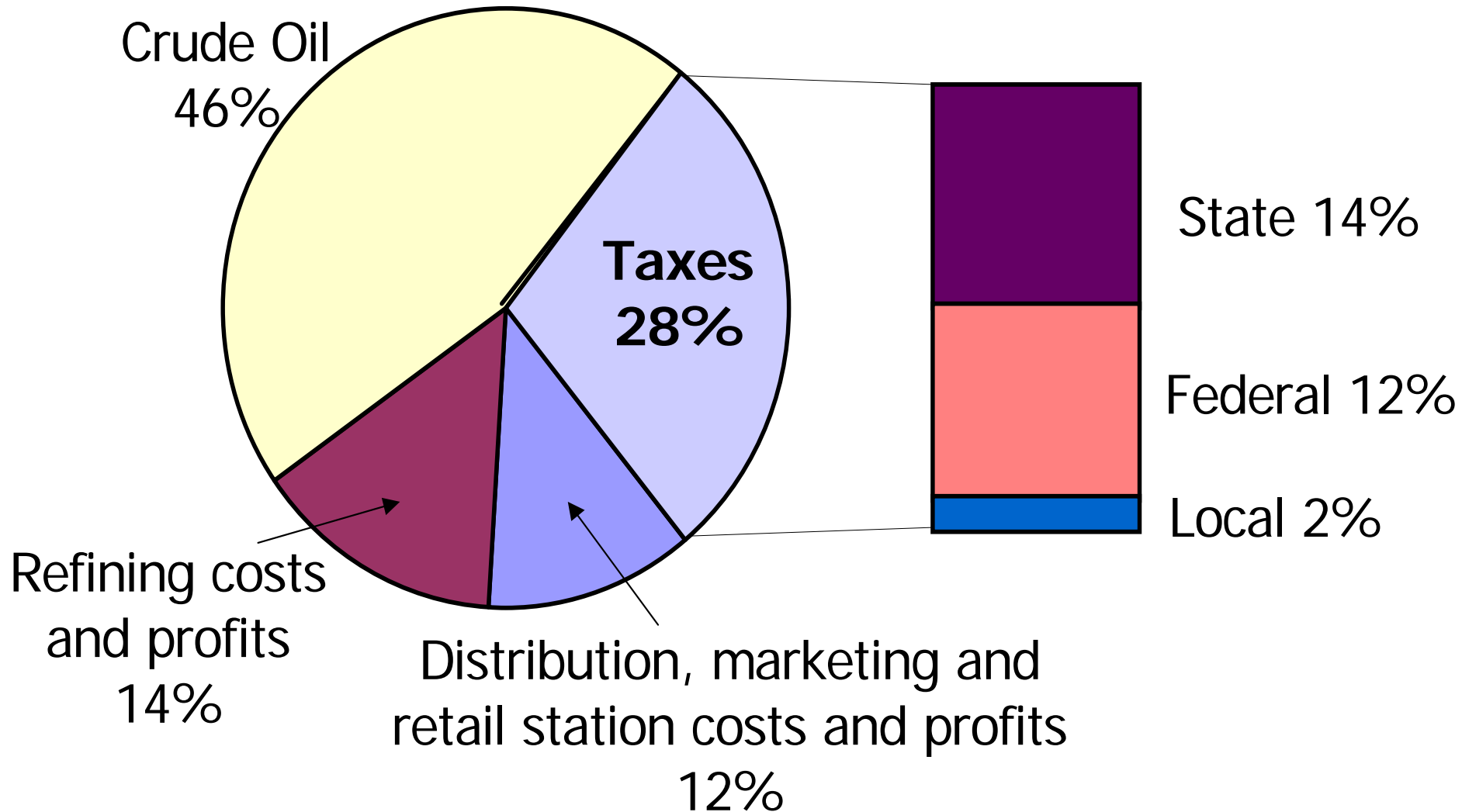
# **The Brookings Institution**

**Center on Urban and Metropolitan Policy  
Robert Puentes, Senior Research Manager**

## **Fueling Transportation Finance: A Primer on the Gas Tax**

**American Federation of State, County, and Municipal Employees  
Transportation Conference  
April 29, 2003**

# Components of the Retail Price of Gasoline



# Major Questions

- **Describe the use of the federal and state gas taxes;**
- **Assess impacts on state and local transportation systems and funding;**
- **Detail the rules governing the use of gas tax revenues;**
- **Analyze trends in gas tax revenues and receipts over time;**
- **Develop policy responses to improve the current use and distribution of gas tax revenues.**

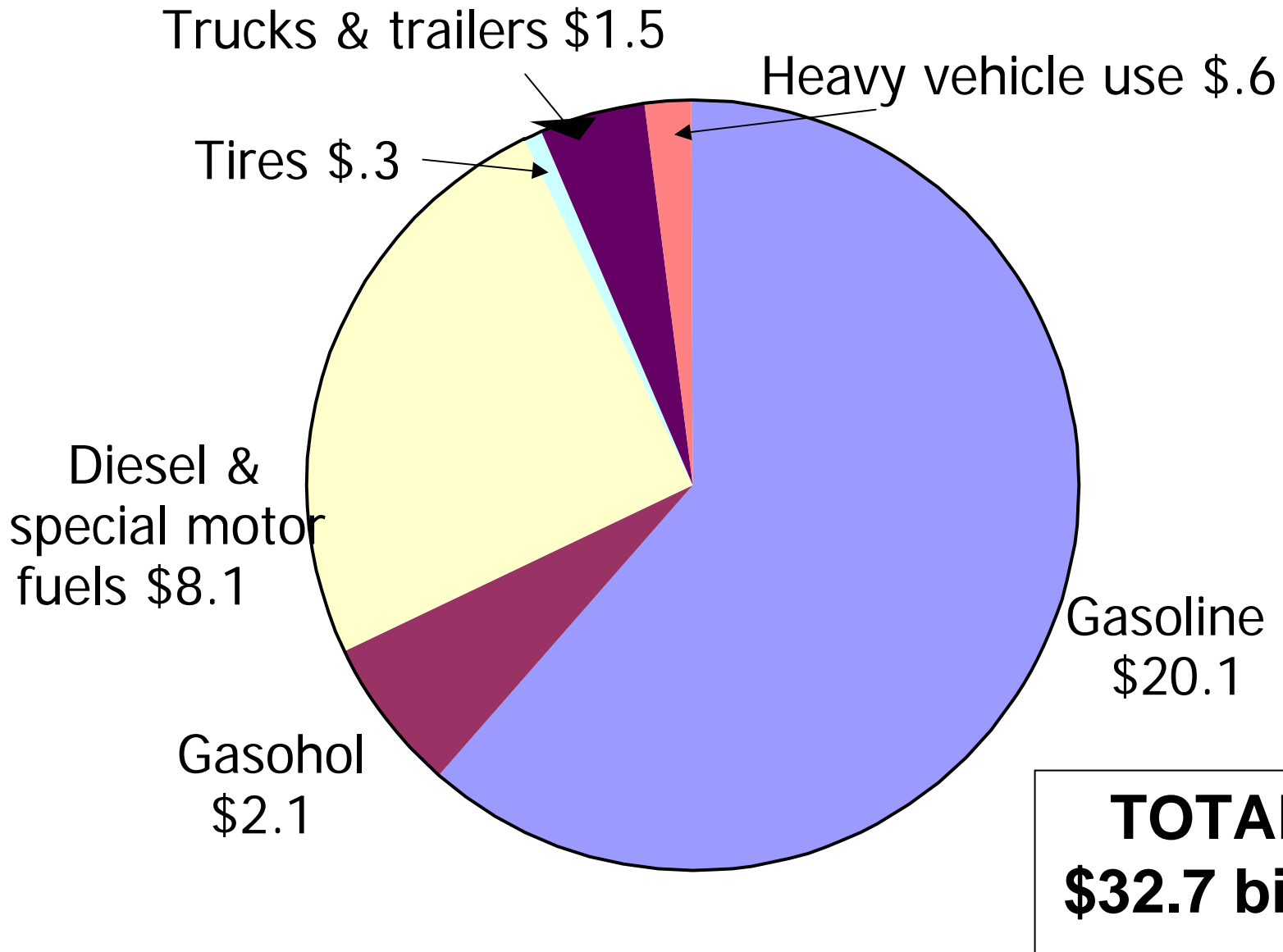
# History and Current Role - State Tax

- **First levied in Oregon in 1919. Within ten years, every state followed suit.**
- **Initiated originally on the state level as “manufacturers’ excise taxes.”**
- **Each state distributes the revenues based on a unique and complex formula.**
- **A portion are distributed by formula to cities, counties, etc. but principally, the state departments of transportation retain the funds.**

# History and Current Role - Federal Tax

- **Federal receipts originally accrued in general fund and subject to allocation process.**
- **1956: Federal-Aid Highway Act earmarked receipts to roadways.**
- **1956: Highway Revenue Act created the Highway Trust Fund (HTF), which remains the principal repository.**
- **1982: Surface Transportation Act split gas tax receipts into two accounts. Mass Transit Account and highway account.**

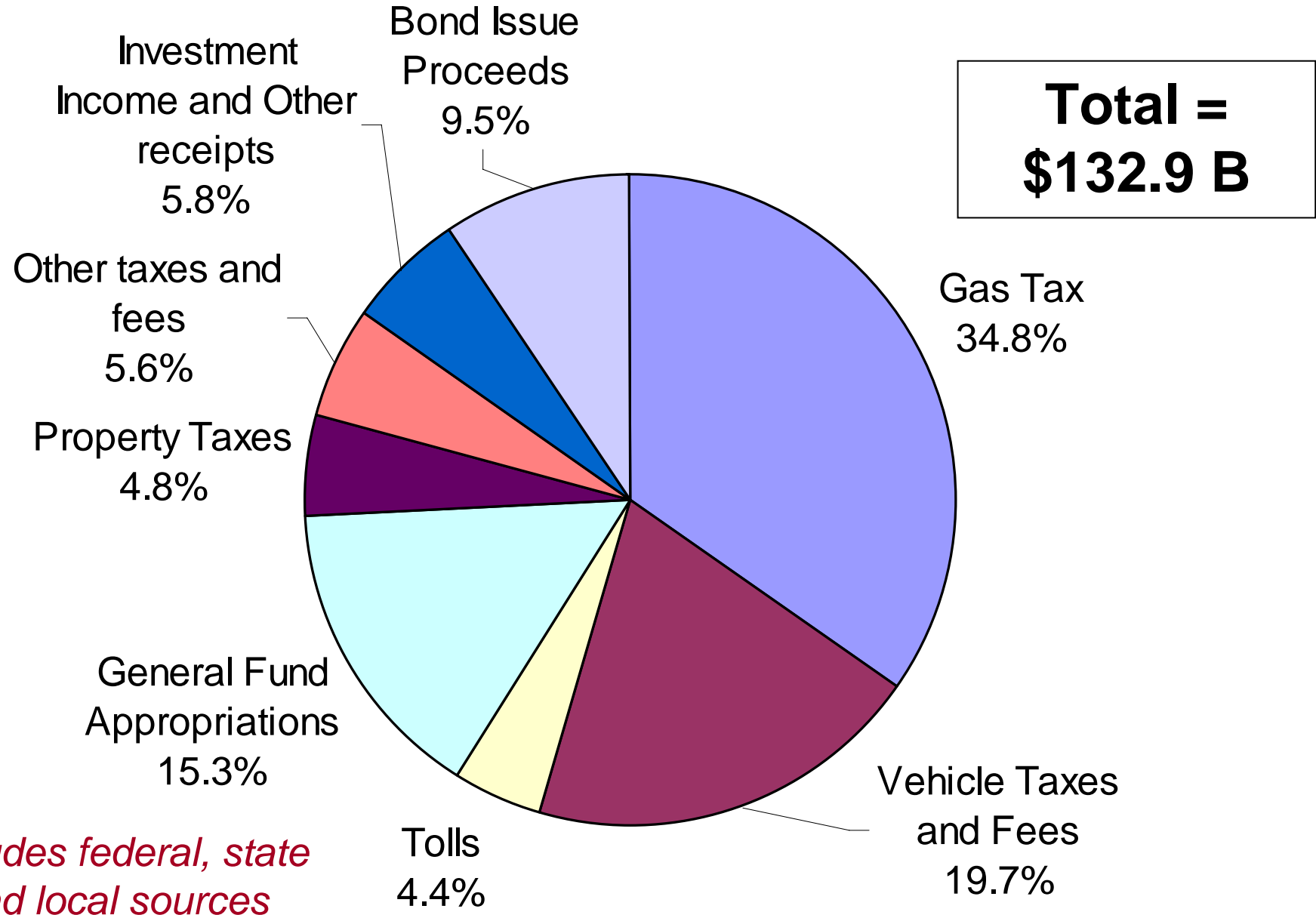
# Source of HTF Receipts, 2001



# Main Findings

**A) In 2001, more than one-third of the \$133 billion in highway revenues came from federal and state gas taxes. State gas taxes alone made up 21.6 percent of all highway revenues in 2001.**

# Revenue Sources for Highways, 2001





# Primary Source for State Highway Revenues, 2001

## Gas Tax (29)

Nevada	Michigan
Arkansas	Washington
Louisiana	Maryland
Tennessee	Minnesota
Ohio	Kansas
Nebraska	South Carolina
Mississippi	Florida
Wisconsin	Oklahoma
North Carolina	Illinois
Texas	Iowa
Pennsylvania	California
Maine	Colorado
Oregon	Virginia
Utah	Arizona
Michigan	New York

## Federal Payments (17)

Alabama	West Virginia
Idaho	South Dakota
Montana	New Mexico
Missouri	Vermont
New Hampshire	Hawaii
North Dakota	Georgia
Connecticut	Rhode Island
Wyoming	Dist. of Col.
	Alaska

## Tolls

Delaware

## Vehicle Tax

Kentucky

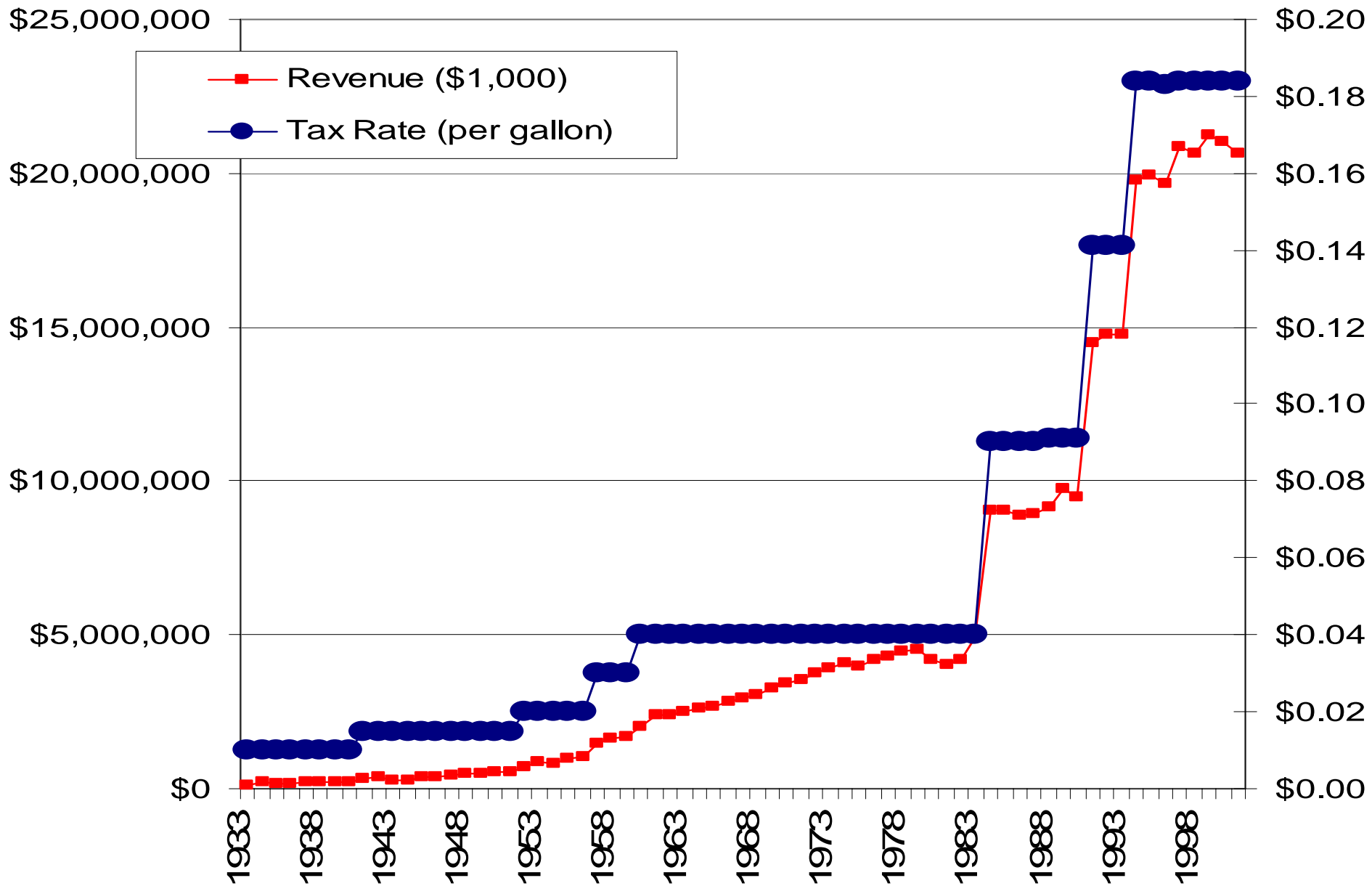
## Bond Proceeds

Indiana  
Massachusetts  
New Jersey

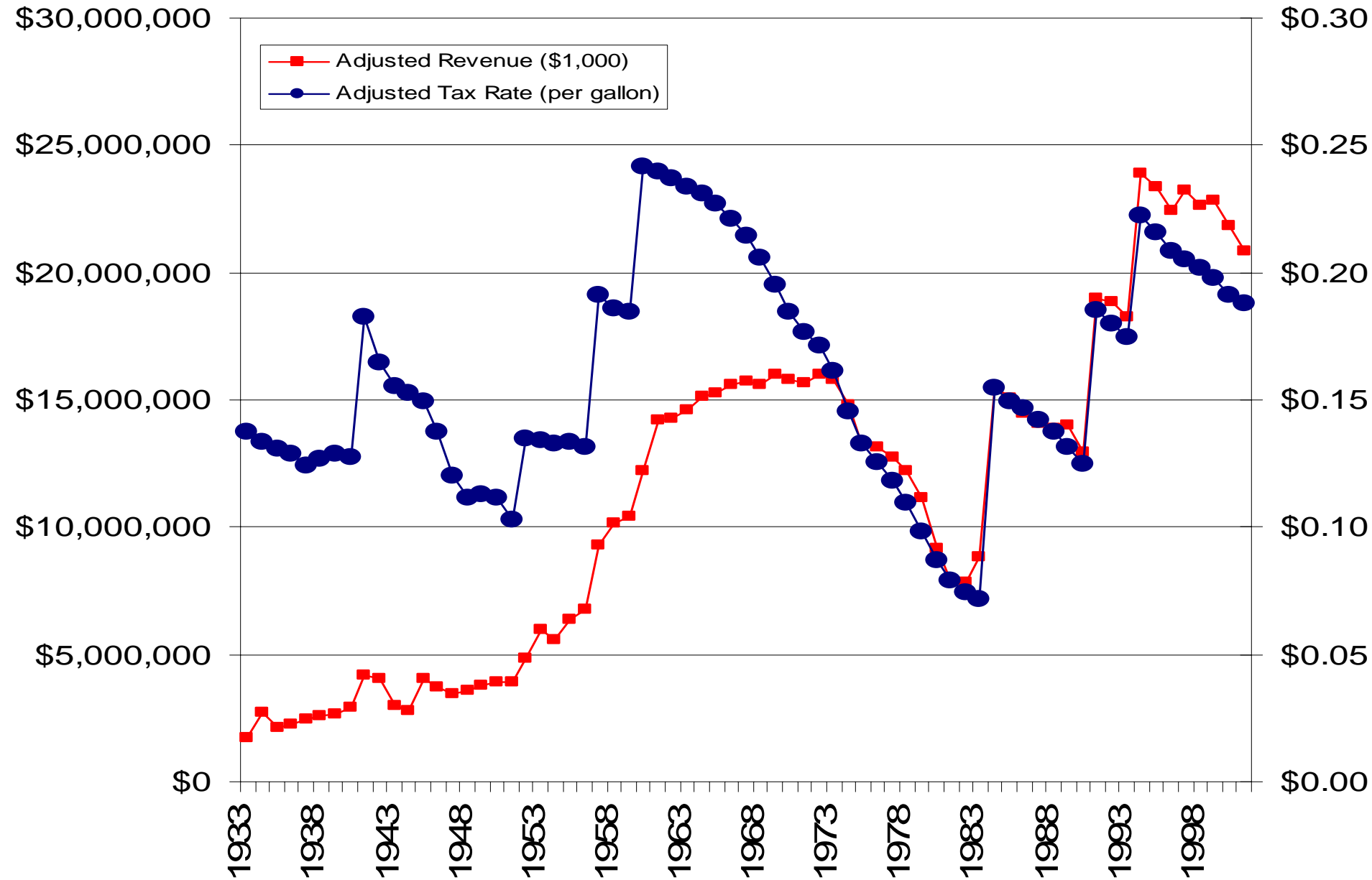
# Main Findings

**B) After years of steady growth, federal and state gas tax receipts have plateaued.**

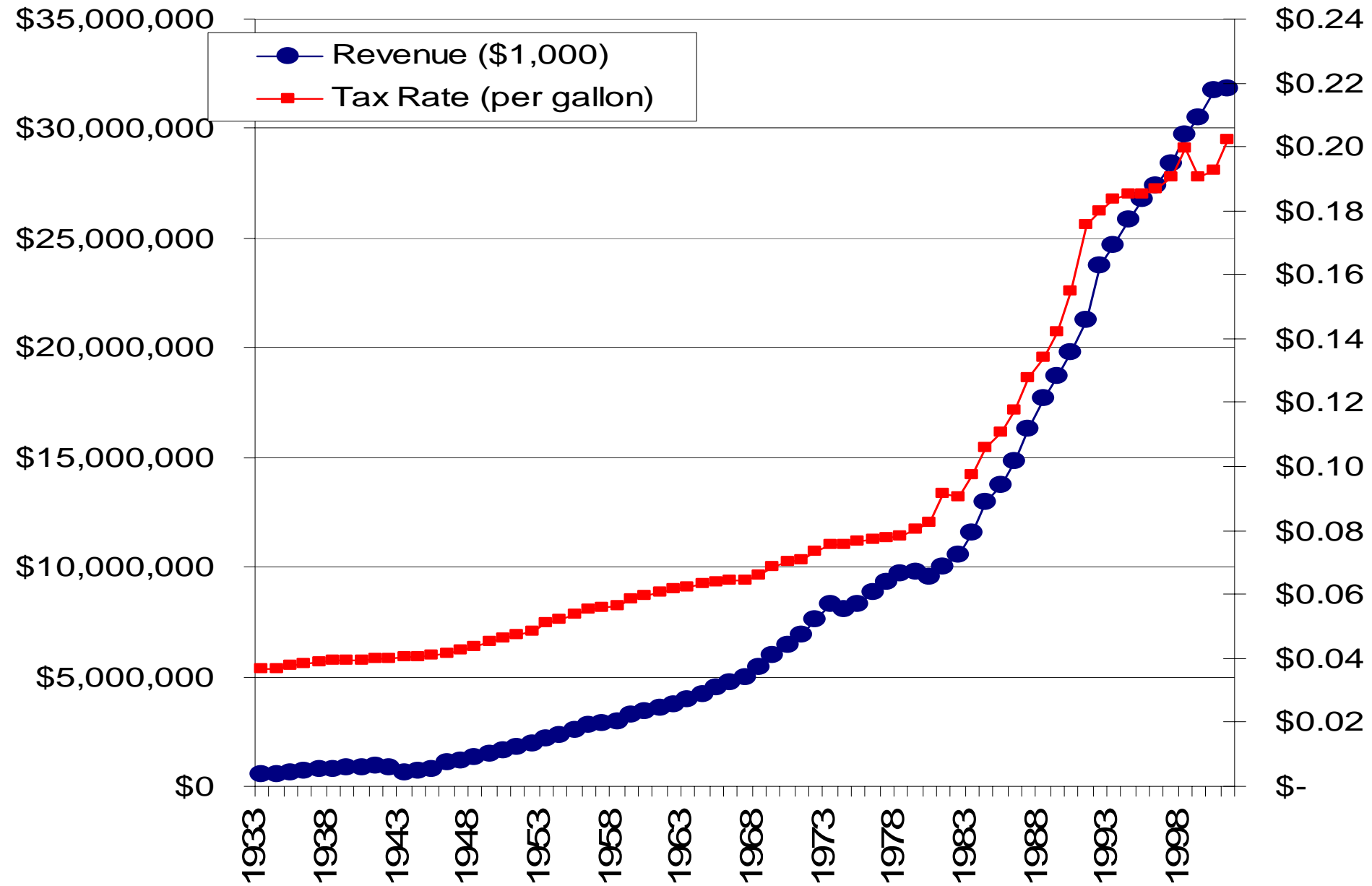
# Federal Rates and Revenues



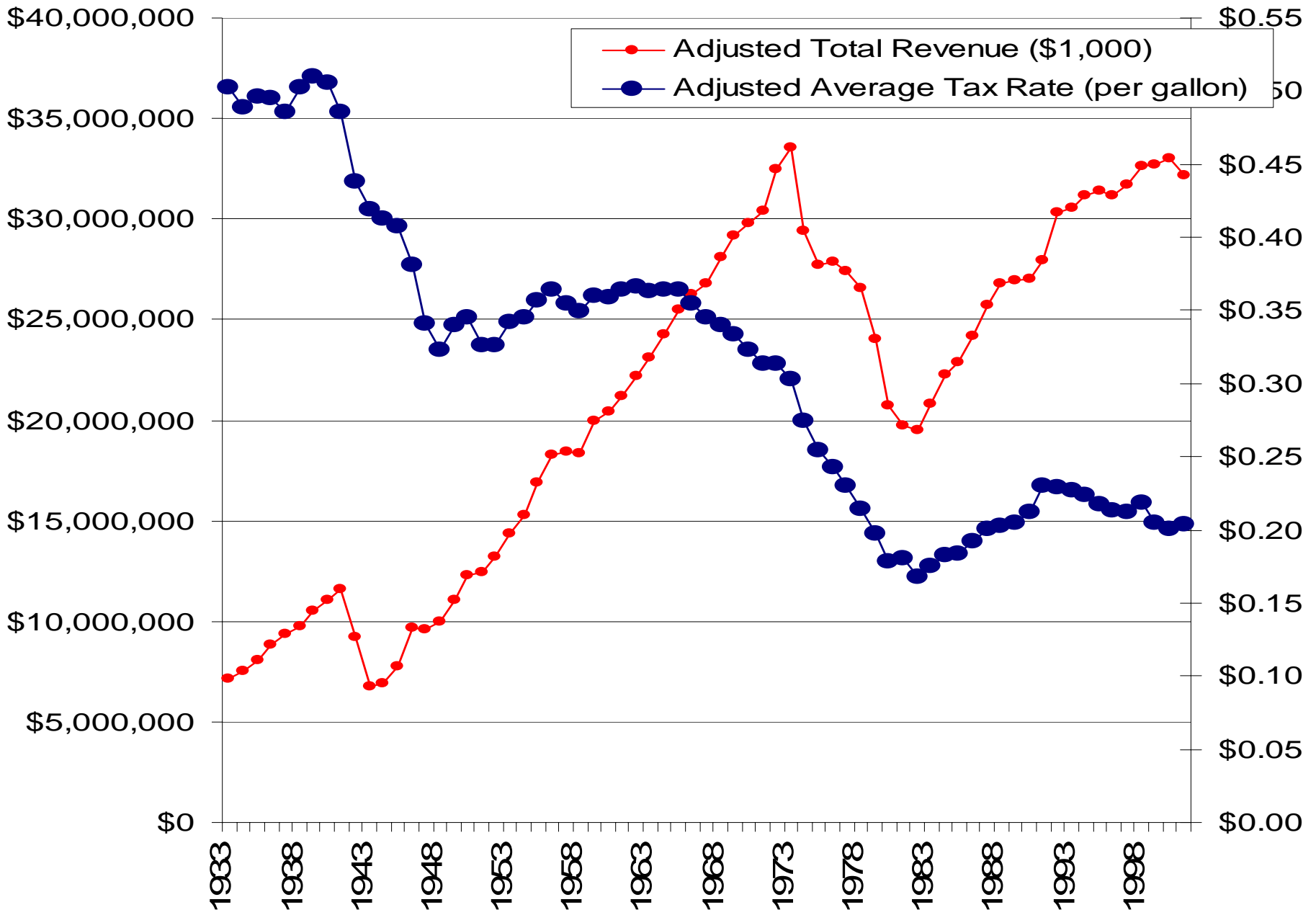
# Adjusted Federal Rates and Revenues



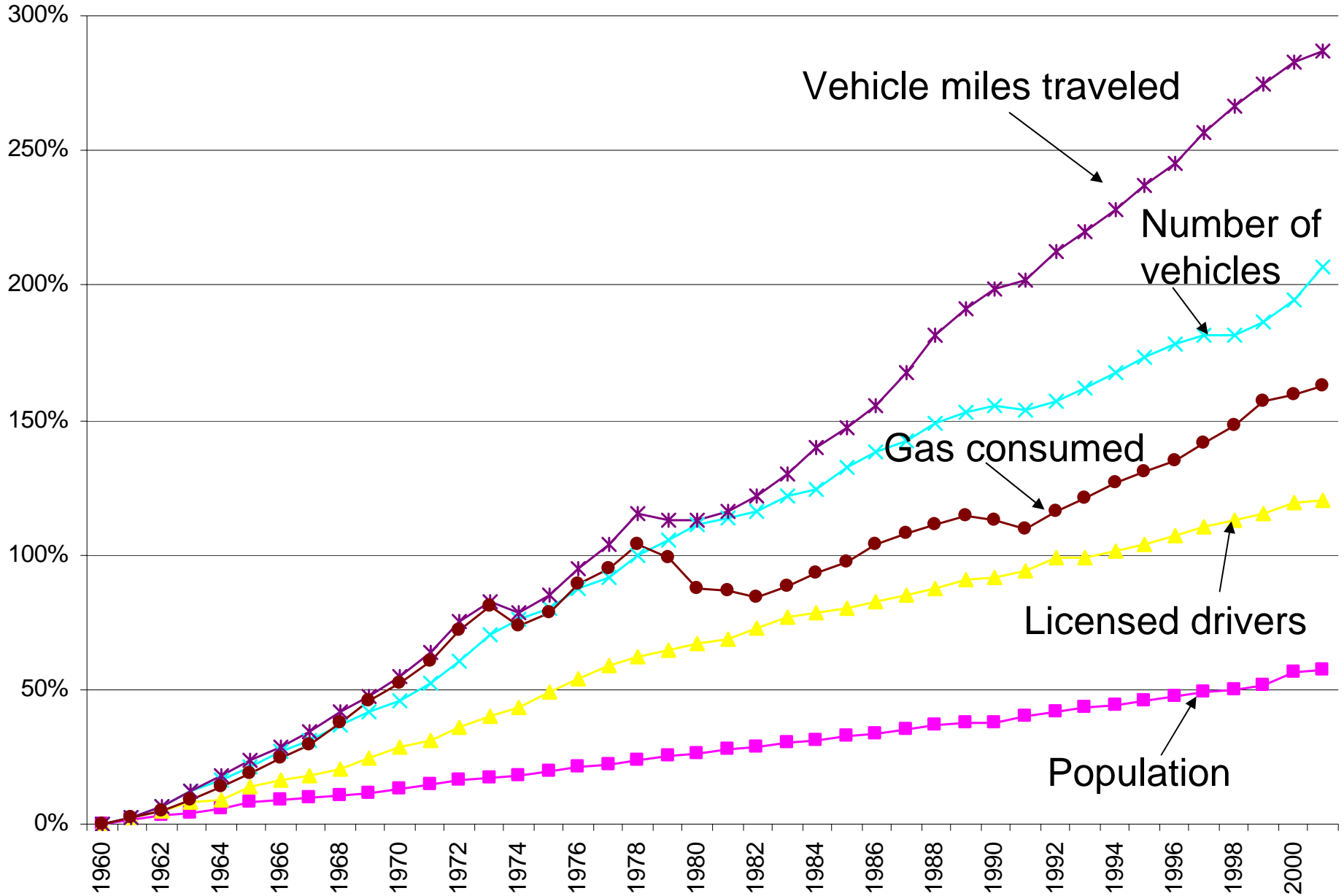
# State Rates and Revenues



# Adjusted State Rates and Revenues



# Conditions Underlying National Fuel Consumption

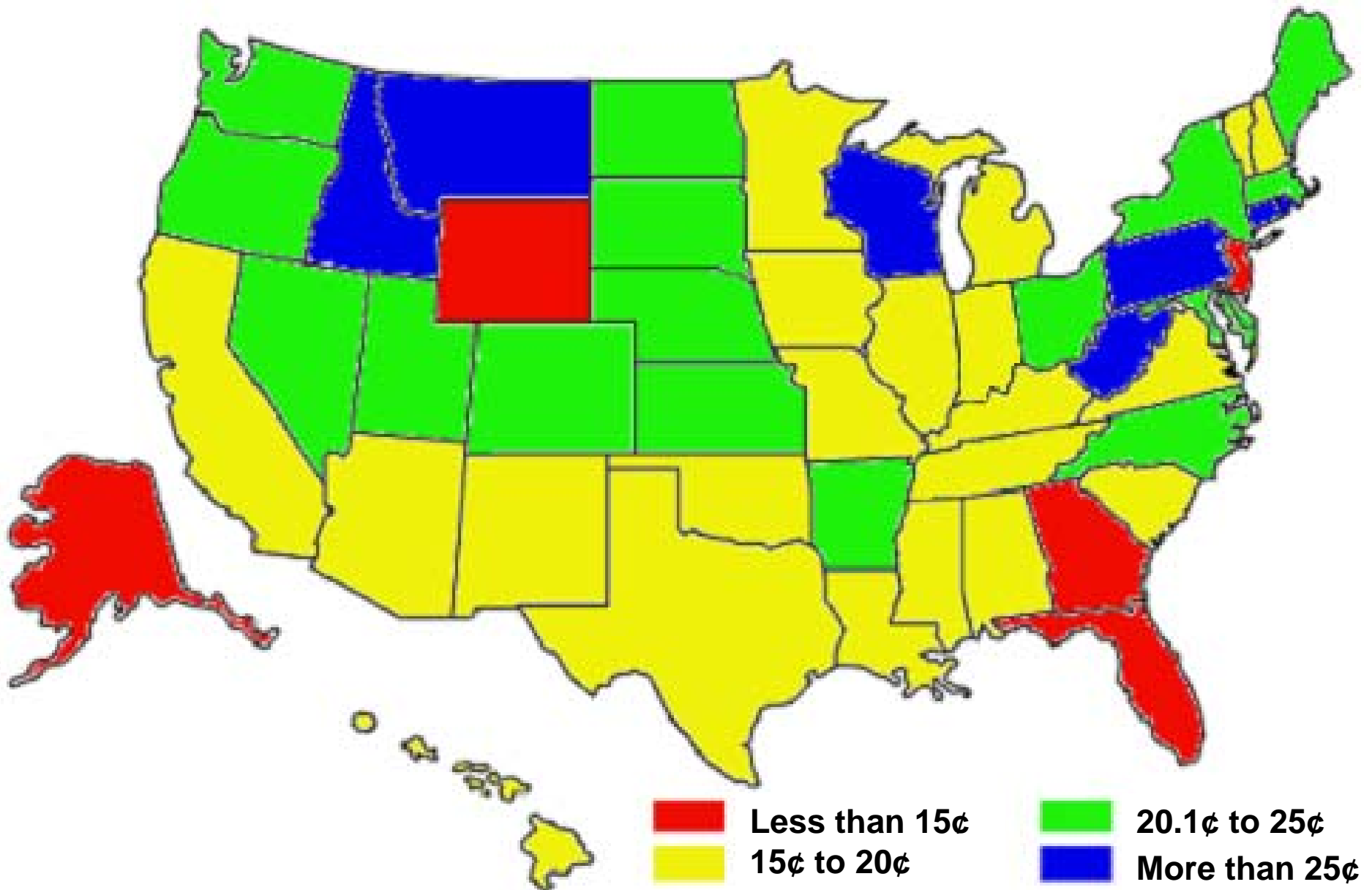


# Main Findings

**C) Twenty-eight states have raised their gas tax rates since 1992, but only three have raised the rate enough to keep pace with inflation.**



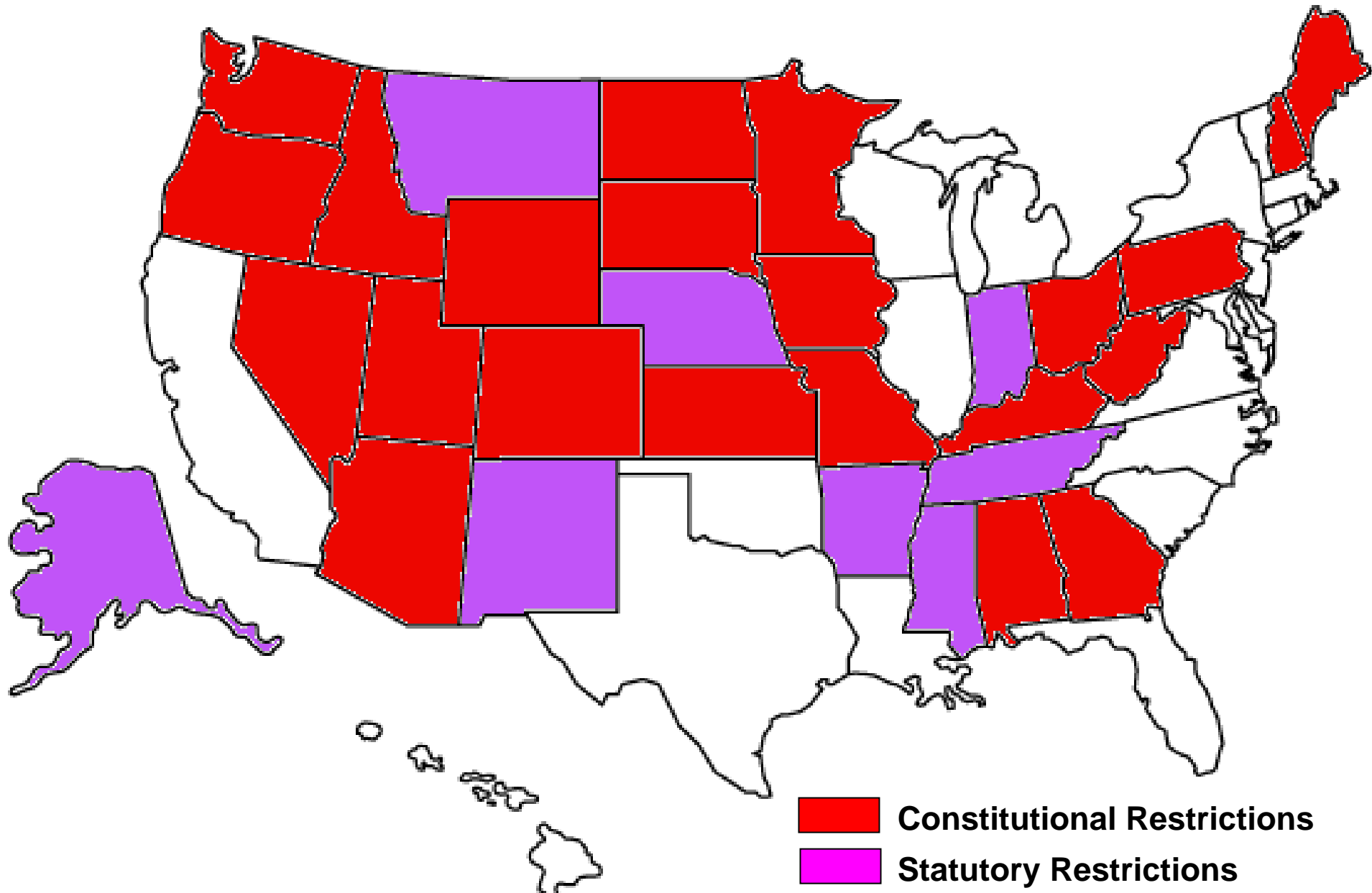
# State Gas Tax Rates



# Main Findings

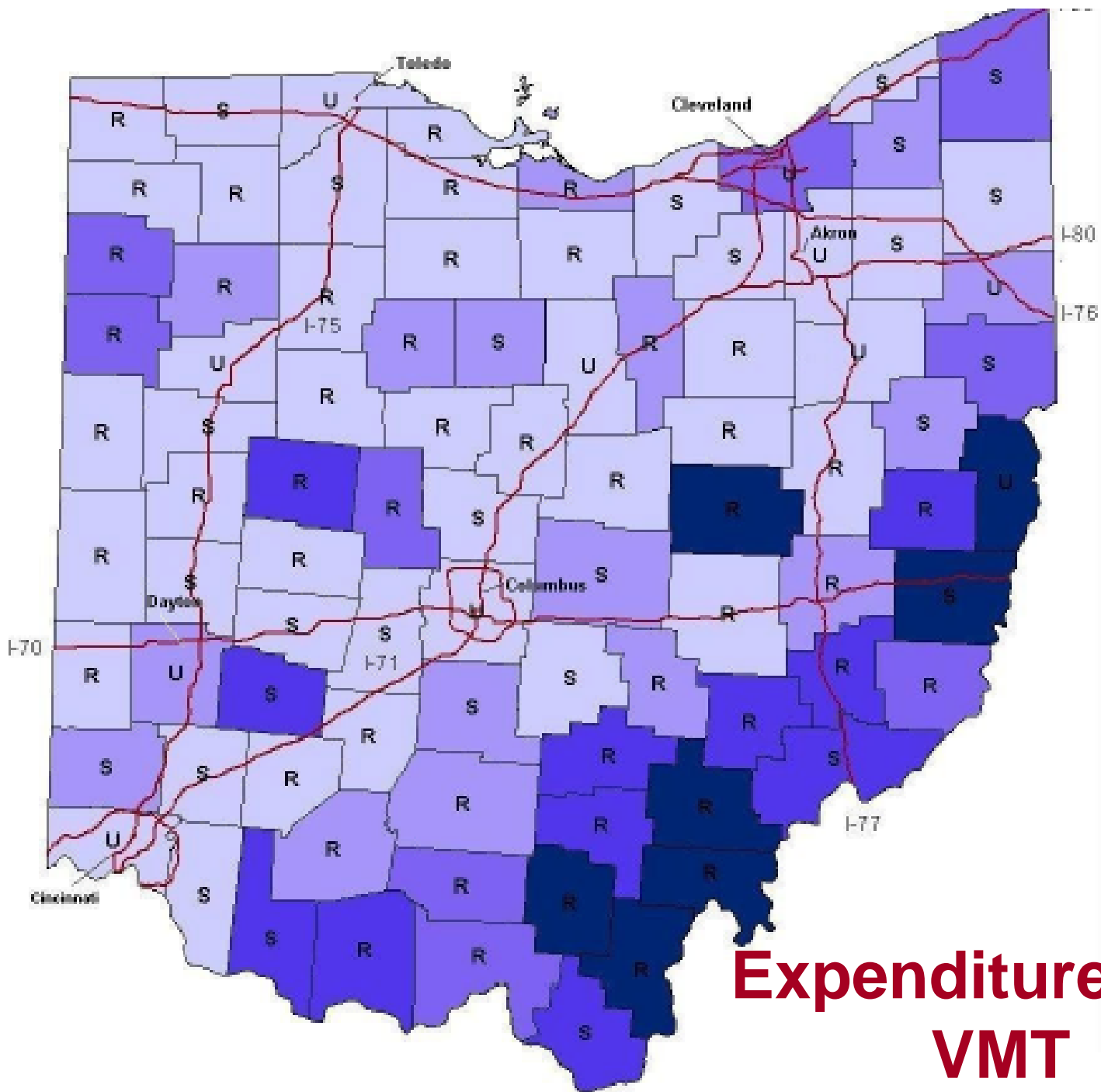
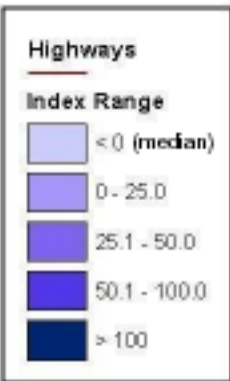
**D) Thirty states restrict the use of their gas tax revenues to highway purposes only.**

# State Gas Tax Restrictions

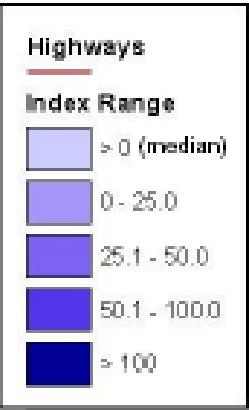
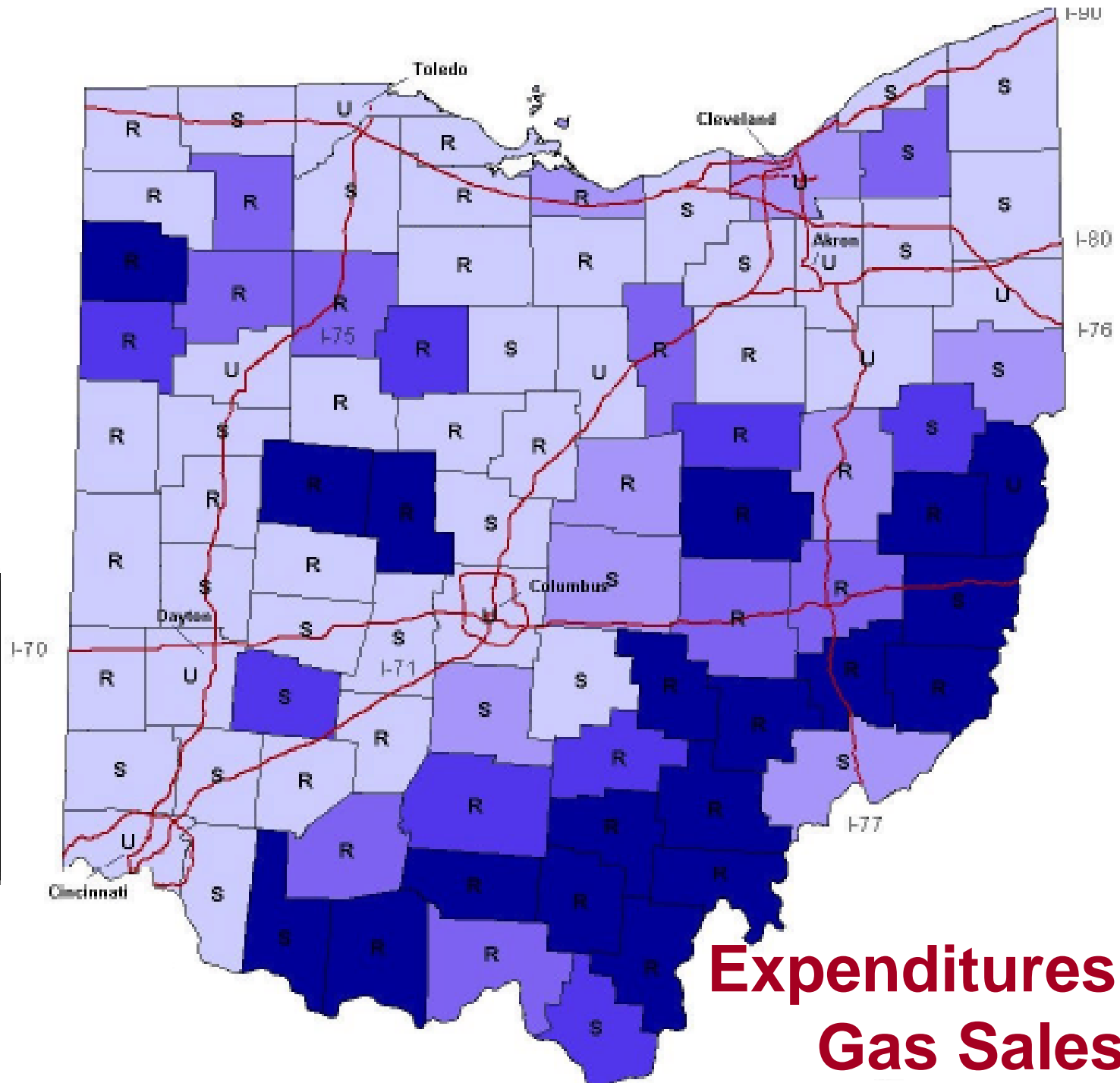


# Main Findings

**E) The distribution of the gas tax within some states appears to penalize cities and urban areas.**



**Expenditures per  
VMT**



# Expenditures per Gas Sales

# Conclusions / Policy Recommendations

- **Allow gas tax revenues to be spent on a balanced variety of modes and projects.**
- **Reconfigure formulas to avoid penalizing urban places and metro areas.**
- **States should only consider raising the gas tax after instituting applicable reforms.**
- **Disclose more information about gas tax collection and allocation.**

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