

Virginia Lawmakers Approve Compromise Transportation Plan as Other States Continue to Explore Revenue Options

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By Sean Slone | Tuesday, February 26, 2013 at 5:07 pm



Lawmakers in Virginia wrapped up their legislative session Saturday by passing a sweeping, nearly \$900 million transportation plan that required compromise from both Republicans and Democrats and that some hope will now encourage other states to follow suit in finding new revenues to support transportation needs. Here are some resources on the particulars of the Virginia plan as well as a look at what's happening in more than a dozen other states.

Virginia: According to [Saturday's story in *The Washington Post*](#), motorists should expect to pay as much as \$15 more a month under the Virginia plan, which would cut retail taxes on diesel and gasoline, replace them with a wholesale tax on fuel distributors, raise the state sales tax and halt plans to toll Interstate 95. The legislation eliminates the state's 17.5 cents-per-gallon tax on gasoline, which had remained unchanged since 1987. The new wholesale tax on motor fuels will be indexed to keep pace with economic growth and inflation. The sales tax on nonfood merchandise would increase from 5 percent to 5.3 percent with more sales tax revenue going to transportation. Residents of the heavily trafficked Northern Virginia and Hampton Roads regions would see an additional sales tax increase (to 6 percent) with the additional revenues to be spent only on transportation projects in those areas.

The Post notes that while Republicans had to agree to raise taxes, Democrats had to accept the diversion of as much as \$200 million a year in general fund revenues to roads at the expense of schools, public safety and other services. Gov. Bob McDonnell had pushed for a new funding plan that would eliminate the gas tax, raise the sales tax and shift more revenues to roads.

Lawmakers ultimately revised McDonnell's plan, increasing the amount of revenue raised through taxes.

Reaction to the Virginia plan has run the gamut. Environmental groups and others have criticized the elimination of the gas tax for breaking with the tradition of the user fee, which requires drivers to pay at the pump for the roads they drive on. By lowering the price of gas at the pump, the incentive is created for people to drive more, they argue. More driving will lead to more congestion and more pollution as well as the need to invest still more in roads.

Some environmental groups are also expressing concern about the types of projects Virginia plans to spend its new revenues on. [In a press release](#), the Coalition for Smarter Growth and other groups cited two primary concerns: that the legislation doesn't commit the state to funding local roads but pushes that cost onto Northern Virginia and Hampton Roads and that it doesn't require wiser spending by the Virginia Department of Transportation. "Just four proposed projects—Route 460, Coalfields

Expressway, Charlottesville Bypass, and the Northern Virginia Outer Beltway—would consume \$5.5 billion that could be used for higher priority needs,” the groups said.

The Post also reported this week that some lawmakers in Northern Virginia are hoping McDonnell will use his line-item veto power to kill another controversial provision in the final legislation that would double the annual \$50 registration fee on electric vehicles and also apply it to hybrid and alternative fuel cars. The lawmakers argue the provision runs counter to the policies of other states that offer incentives for driving such vehicles since they promise to create less pollution.

Other State Activities

- **Connecticut:** As I reported on our webinar earlier this month, Connecticut policymakers are looking at the possibility of re-establishing tolls on state highways 30 years after they were removed. Last week, members of the legislature’s transportation committee got a briefing on electronic toll systems, *The Connecticut Post* reported. Despite having one of the nation’s highest state gas taxes, the Nutmeg State has about \$16 billion in unfunded road and bridge repairs and improvements that will be needed over the next 20 years, transportation officials say.
- **Idaho:** Transportation Department Director Brian Ness told lawmakers recently it’s time for the state to start having the discussion about how to come up with additional revenue to address a growing shortfall in highway maintenance funding, *The Idaho Statesman* reported. Ness said the governor’s office and the Idaho Transportation Department don’t have a legislative proposal to address the situation this year. A task force appointed by Gov. Butch Otter in 2010 concluded state transportation needs are underfunded by \$543 million annually.
- **Indiana:** House Bill 1011, which would allow voters in two counties to decide in a referendum whether to increase local income taxes to fund a mass transit expansion, made it past the House Ways and Means Committee earlier this month. It was expected to receive support in the full House but could face an uncertain future in the Senate, *The Indianapolis Star* reported.
- **Kentucky:** State Reps. Sannie Overly and Leslie Combs recently introduced legislation (HB 456) that would allow the state to enter into public-private partnerships to finance transportation projects. Another bill offered by the two legislators (HB 445) would authorize the Kentucky Transportation Cabinet to use design-build procurement methods for up to five demonstration road and bridge projects each fiscal year.
- **Maryland:** Some Maryland lawmakers are hoping that Virginia’s recent success in passing a transportation plan will rub off on them. *The Washington Post* reported this week that House Speaker Michael Busch cited renewed competition for jobs and economic activity as providing additional incentive for the state to take action. Senate President Thomas V. Mike Miller Jr. has proposed a three percent sales tax on gasoline and giving additional taxing powers to regional authorities and counties to raise money for projects. Miller has suggested his plan needs more vocal support from Gov. Martin O’Malley to be successful. Michael Dresser of *The Baltimore Sun* also wrote recently about what’s at stake as policymakers debate the transportation funding issue. A recent post on the Greater Greater Washington blog argued that increasing the gas tax could be a boost to the state’s economy.
- **Michigan:** A recent piece by Amy Lane of The Center for Michigan’s *Bridge Magazine* takes a closer look at Gov. Rick Snyder’s plan to bring in \$1.2 billion more annually to fix roads by increasing gas taxes and car registration fees. Other Republican leaders in the state aren’t getting behind Snyder’s plan, Paul Egan of the *Detroit Free Press* wrote earlier this month. *The Petoskey News* meanwhile reported that some expect the dialogue to shift to another option—raising the 6 percent sales tax. Despite the lack of agreement about policy options, lawmakers from both parties at a recent forum in Lansing said they’re dedicated to trying to find a solution, possibly as early as this summer, reports Tim Martin of Michigan Live.
- **New Jersey:** State Sen. Jim Whelan recently introduced a bill (S2531) which would ask drivers to self-report their mileage and pay a lump sum with their annual tax bill, an embryonic mileage-based user fee that would likely be hard to enforce and easy to evade. But a recent editorial in the (*Newark*) *Star Ledger* said pay-per mile taxes show promise and deserve serious conversation.
- **Oregon:** Some lawmakers want to divert lottery proceeds to the construction and operation of transit, passenger rail, and bike/ped projects, *The Oregonian* reported last week. Senate Bill 247 would also divert some proceeds to air, marine and freight rail projects. Another bill, Senate Bill 260, would authorize the issuance of lottery bonds to fund the fifth iteration of the Connect Oregon program, which has funded a number of air, marine, rail and public transit infrastructure improvements since its creation in 2005 (and which I wrote about in the March-April 2012 transportation-focused special issue of *Capitol Ideas* magazine).

- **Pennsylvania:** Senate Transportation Committee Chairman John Rafferty wants to raise an additional \$1 billion for transportation needs on top of the \$1.8 billion transportation plan offered recently by Gov. Tom Corbett by asking drivers to pay more to renew their license and registration, *The Morning Call* reported. Corbett's Transportation Funding Advisory Commission in 2011 recommended the state come up with \$2.5 billion over five years to meet transportation needs (see my 2012 Capitol Research brief on "Transportation Funding Commissions"). *The Pittsburgh Post-Gazette* had more on Rafferty's plan.
- **South Carolina:** Tim Smith of *The Greenville News* (who took part in our webinar earlier this month) reported that a proposal approved recently by the House Ways and Means Committee would send \$41.4 million in revenues from the sales tax on vehicles that in years past has gone into the General Fund to the state department of transportation instead to help fix the state's secondary roads.
- **Vermont:** Gov. Peter Shumlin said recently that revenues from a proposed new sales tax on gasoline are needed to close a shortfall in transportation funding and secure federal matching funds, WCAX reported.
- **Washington:** A plan proposed by House Democrats would raise an estimated \$9.8 billion over the next decade with a 10-cent gas tax increase, a new annual car tab fee, and more than \$3 billion in new bonds, *The Columbian* reported last week. The package includes \$450 million for the Columbia River Crossing. Republicans have expressed opposition to the gas tax increase and want any package put forth to go to Washington voters for approval. *The Seattle Times* had more on the plan and its chances this session. Larry Ehl of Transportation Issues Daily (also a guest on our recent webinar) reported that a politically diverse coalition of state business, labor, environmental and local government groups is supporting increased transportation investment in the state. You can read some of his recent coverage here and here.
- **Wisconsin:** Gov. Scott Walker wants to try to sell off 37 power and heating plants or other state assets to help offset some of the borrowing he has proposed as part of his two-year, \$6.4 billion transportation plan introduced earlier this month, *The Milwaukee Journal Sentinel* reported. In other news, the state legislature recently approved a constitutional amendment that will go before voters in November 2014. If approved, the amendment would prevent future raids on the state's transportation fund to fill other holes in the state budget.
- **Wyoming:** Earlier this month, Gov. Matt Mead signed into law a 10-cent-a-gallon gas tax increase that goes into effect on July 1 and is expected to raise roughly \$71 million in FY 2014. State highways will get \$47 million of that with \$16 million going for county roads and the rest for local roads and state parks, *The Casper Star Tribune* reported. Wyoming faces annual transportation funding shortfalls of \$135 million, according to state DOT officials. The passage of the state's first gas tax increase in 15 years won praise from Ed Rendell, co-chair of Building America's Future and former Pennsylvania Governor. "I applaud Wyoming's leaders for their commitment to investing in their state's economic future by increasing Wyoming's gas tax for the first time since 1998," Rendell said. "I encourage other policymakers in the states and the federal government to take a hard look at the many available revenue options that will allow repairs and upgrades to our roads and bridges."

Additional Reading

- Joshua Schank of the Eno Center for Transportation (a D.C.-based transportation think tank) blogged recently about how Gov. Bob McDonnell's proposal to eliminate the gas tax in Virginia stirred up the debate in the transportation community over whether it's wise to move away from the user pays system. "In the face of declining federal revenues, it is not surprising to see states trying to raise revenues for transportation in any way practical," he writes. "Governor McDonnell's proposal reflects this environment, with his emphasis on what he believes he might get through his legislature. Without stronger federal leadership, we are likely to see states trying any number of different strategies to raise revenues. Instead of focusing only on the user-pay principle, we should focus on creating a clear national policy that provides some amount of interoperability between states, gives states guidance, and helps states overcome political obstacles."
- Angie Schmitt at DC Streetsblog had a piece last week about the transportation funding proposals in three Midwestern states—Wisconsin, Ohio and Missouri.
- John Schwartz of *The New York Times* recently looked at how the issue of transportation funding is "bedeviling lawmakers at the state and federal level."
- The University of Texas at Austin recently issued a 300-page report called "The Economics of Transportation Systems: A Reference for Practitioners." It includes chapters on the "Costs and Benefits of Transportation," "Pricing of Transportation

Services,” “Investment and Financing,” “Project Evaluation,” and “Economic Impact Analysis of Transportation Investments and Policies.”

- The Transportation Research Board’s Strategic Highway Research Program has a new report on “The Effect of Public-Private Partnerships and Non-Traditional Procurement Processes on Highway Planning, Environmental Review, and Collaborative Decision Making.”