



Fuel Tax Increase Policy Development 2015

Issue:

The state's network of highways and roads plays a very pivotal role in moving agricultural goods from one place to another. This network allows products to be transported to the consumer. Road building costs continue to rise with flat revenues. A major issue for legislators is how to fund these road projects and keep them maintained.

Questions:

1. Should Farm Bureau support an increase in the fuel tax?
2. If there is an increase, should a higher percentage go to county road infrastructure?
3. How much should an increase be?
4. What impact would this have on farming operations?

Background:

The gas tax was increased to 21.4 cents per gallon in 1989 and the diesel tax was set at 18.4 cents per gallon in 1990. Total revenue for roads, which includes vehicle registration fees, is approximately \$792 million and rises to \$1.86 billion when coupled with federal funds. The three most basic expenditure areas for which TDOT spends revenues are: (1) for resurfacing, bridges, major reconstruction, new construction, consultant contracts, right-of-way purchases, and to match federal funds.), (2) funding for highway maintenance contracts and (3) basic operating costs and administrative expenses.

Tennessee's gas tax is the thirteenth lowest in the nation and the diesel tax is the seventh lowest. This means only a handful of states have lower fuel taxes than Tennessee. Tennessee's revenues per capita is the lowest in the U.S. A one cent increase in the fuel tax yields approximately \$30.9 million. A one cent increase in the diesel tax yields approximately \$9.6 million.

A state comptroller report indicates Tennessee's current fuel tax revenues are not expected to be sufficient to maintain existing highways and meet long-term transportation demand. Fuel tax revenues have stagnated and are not expected to increase. This also applies to county highway road funding. This off-session, Senate and House Transportations Committee members, Governor Haslam and others hope to find solutions by visiting constituents and searching broadly for new approaches.

Farm Bureau Policy:

Fuel Taxes

Good highways, roads, and bridges are of vital interest to agriculture and to rural people. Road use taxes should be used exclusively for the construction and maintenance of roads and bridges. If increased fuel taxes are needed, the gallonage basis, rather than percentage of price, should be adopted. Off road fuel should not be taxed.

County and city governments should have no authority to levy fuel taxes.

The Federal Highway Trust Fund should be designated an off-budget item to ensure road use tax funds are not involved in the general revenue deficit dispute. If the trust fund is kept in the budget, a cap should be placed on the amount of money in the trust fund. Road-use tax collections would cease when the cap is reached.

Highways and Roads (Partial)

We urge the Legislature to strengthen the highway, bridge, and rural road program with a high priority for adequate funding. Funding for road construction should be accomplished on a pay-as-you-go basis instead of bonded indebtedness. We will oppose any efforts to shift revenues to interstate highways, major roads and streets or transit systems at the expense of our rural road system. We oppose the construction of new federal highways within the state which have questionable benefit.

All monies appropriated for rural roads should be supervised closely to assure their expenditure for the purpose authorized. We oppose the distribution of road funds on a population basis.