The status quo has a firm grip on the national transportation crisis. For at least three years, a lack of adequate funds to maintain—never mind improve—the nation’s aging road and transit network has stymied critical work. Declining gas tax revenues exacerbate the dilemma, creating a serious shortfall of money to keep the nation’s roads, bridges and other transportation systems in good shape. The American Society of Civil Engineers has given most U.S. infrastructure failing grades for several years running.

Activity in Congress earlier this year raised hopes that a federal transportation authorization spanning more than one calendar year would finally be passed. This would have allowed state transportation officials to plan with more certainty. Although both the Senate and House have now passed bills, the possibility of reconciling their differences in conference—and thus of any long-term authorization before the November elections—remains uncertain.

This leaves state lawmakers once again unsure of what will come out of Washington, D.C., and burdened with finding new ways to pull together enough money to maintain their decaying roads and bridges.

Necessity is the mother of invention, however, and this crisis has inspired the imaginations of state lawmakers. Transportation funding, finance and efficiency measures, both innovative and traditional, are being crafted to forestall a catastrophe—at least for the moment. Here are a few proposed solutions being considered nationwide.

Building Bridges With the Private Sector

States are increasingly turning to the private sector to help move big transportation projects forward. Public-private partnerships allow private companies to assume typically public responsibilities, such as financing and operating roadways—for a return on their investment. Thirty-two states and Puerto Rico now allow these partnerships for roads or bridges, and so far, at least 18 states have considered related bills in 2012 sessions.

Pennsylvania House Bill 3. This measure would allow the state, cities and other public bodies to enter into partnerships with private companies to develop, operate or finance transportation facilities. The bill—like enabling statutes in several other states—also provides a broad framework to guide how partnerships would be chosen, approved and carried out.

Sponsor: Representative Rick Geist (R). “This bill will enable Pennsylvania to partner with the private sector, and to engage its financial resources and efficiencies to help rebuild our transportation infrastructure, where feasible and beneficial to the commonwealth. While these partnerships alone cannot solve what has become an enormous transportation infrastructure funding problem, they certainly are a critical tool for us to have at our disposal.”

Traveling an Old Route

Every state taxes gasoline and diesel, and those taxes are the biggest single source of highway funding in half the states. Yet, many haven’t raised their gas taxes in years, even as the purchasing power of fixed-rate,
cents-per-gallon taxes has plummeted in light of inflation and rising construction costs. As a result, the real value of state gas tax revenues has dropped by $10 billion nationwide each year, according to the Institute on Taxation and Economic Policy. Revenues from the federal gas tax—unchanged since 1993 and the main source of federal transportation funding—are declining for the same reasons.

**Iowa Senate File 2224:** Iowa is one of a handful of state legislatures to consider gas tax increases this year. This bill would raise taxes on gas and diesel by up to 10 cents a gallon over two years—the first increase since 1989. The bill also seeks to improve accountability and efficiency in the transportation system, and to study tax options for alternative fuel, hybrid and fuel-efficient vehicles.

**Sponsor:** Senator Tom Rielly (D). “Iowa’s total need for transportation investment is $1.6 billion more every year than we are getting right now, and this proposed dime increase in the fuel tax would generate $220 million to meet our most critical needs. This legislation would put people back to work and improve the safety of our roads—and, by charging both in-state and out-of-state drivers, is the most equitable way to come up with additional revenue.”

*This legislation was sponsored by the Iowa Senate Transportation Committee, which is chaired by Rielly.*

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**The Road Less Traveled**

Given concerns about the long-term sustainability of gas taxes, states are also looking for new options. Under discussion are fees or taxes on alternative fuel vehicles or electric vehicles, or on the alternative fuels themselves, such as natural gas. About half the states now tax some alternative fuels, and nearly all of them use at least some of the revenues for transportation.

**Kansas House Bill 2455:** The original version of this bill made Kansas the first state to propose a fee on electricity sold at vehicle charging stations. As signed into law, the legislation now requires the state Department of Transportation to solicit public input on the long-term feasibility of relying on the gas tax to fund both state and local transportation projects, and to develop policy recommendations by 2014.

**Sponsor:** Representative Tom Sloan (R). “As fuel efficiency and non-gasoline-fueled vehicles increase, revenues to state highway funds decrease. Some states are exploring vehicle miles traveled fees, higher registration fees or other options. This bill was introduced to require plug-in electric vehicle owners to pay the equivalent of the gas tax; as amended and passed, it calls for the department of transportation to convene stakeholders and determine the best course of action long-term to maintain appropriate highway funding streams.”

*This legislation was sponsored by the Kansas House Energy and Utilities Committee, at the request of committee member Sloan.*
Closing a Loophole

One widely discussed potential gas tax replacement is a fee drivers could be charged based on the number of miles they drive. Called vehicle miles traveled or VMT fees, they only have been tried in pilot projects to date in the United States, and few related bills have passed in recent years. Still, the idea continues to draw serious interest as a possible solution to funding shortfalls, with the added advantage of being able to charge motorists in proportion to the wear and tear they inflict on the roadway. So far, at least 16 states have planned or implemented pilot projects, according to the Nevada Department of Transportation.

**Arizona House Bill 2257:** Arizona’s bill was one of a few 2012 proposals that aimed to ensure drivers of electric cars would still contribute to highways—in this case, by creating a penny-per-mile tax for electric vehicles only. The legislation, which did not pass out of committee, also had a unique feature: To maintain the new tax’s purchasing power, the bill would have indexed the tax rate to inflation each year.

**Sponsor: Representative Steve Farley (D).** “The only way to solve our state’s transportation funding crisis is to create a reasonable system of user fees that does not depend on any one type of fuel, and does reflect real use of the transportation system.
Taking a Toll

Transportation experts agree the current transportation funding system, which relies heavily on fuel taxes, is not sustainable. As the purchasing power of fuel taxes continues to drop, more states are turning back to how transportation improvements were first funded in the United States: tolling.

In the late 1700s, as the new nation grew, so did its need for passable roads, many of which were operated by private turnpike companies and paid for with tolls. But with the rise of public roads and fuel taxes, interest in tolling declined. In recent years, the idea has gained traction in light of funding shortfalls, electronic tolling capabilities, and growing interest in public-private partnerships.

About 40 states have laws that authorize tolls, and at least 36 have toll facilities run by statewide, regional or private operators. Many of these use state-of-the-art electronic toll collection systems that allow drivers to pay without stopping their cars, reducing operating costs as well as lines.

At least 10 states have also developed special facilities called high-occupancy toll lanes. These lanes allow solo drivers to use high-occupancy vehicle lanes if they pay a toll. This approach can not only bring in revenue, but also can ease traffic jams as more cars move off congested lanes.

—Jaime Rall and Simon Workman, NCSL

This bill proposes a new way of collecting sustainable revenues for transportation by closing a loophole that currently allows drivers of electric vehicles to use our roadways without paying their fair share toward their construction and maintenance.”

Farley made his comments before the bill failed to pass out of committee.

Directing the Money

Raising new revenues isn’t the only transportation funding issue on the table this year. Some lawmakers want to ensure existing transportation money is actually spent on transportation. Every state except Alaska dedicates certain funds to transportation, and laws in several states prohibit using that money for other purposes. Still, in a 2011 NCSL survey, seven states reported recent diversions of transportation money despite such restrictions. This year, at least four state legislatures have considered bills to protect transportation revenues further.

**Alaska House Joint Resolution 4 and House Bills 30 and 31:** Alaska is the only state that bans dedication of state revenues to any special purpose. This year, for the second two-year session in a row, a legislative package was considered that would have changed that—for transportation, at least. The measures would have created and supported a new, constitutionally dedicated Alaska Transportation Infrastructure Fund that could be used only to fund transportation projects.

**Sponsor: Representative Peggy Wilson (R).** “The well-being of Alaska’s citizens depends on a reliable transportation system. These measures would create a dependable revenue stream from year to year that will allow the state to manage current congestion and maintenance projects and to
access valuable natural resources. Also, the dedicated, multimodal Alaska Transportation Infrastructure Fund will support 100-percent state-funded projects, which are cheaper and faster compared to highly prescriptive federal programs."

Wilson made her comments before the bills failed to pass.

Borrowing With Business in Mind

The trend is growing for states to borrow or leverage existing money to advance transportation projects. States finance transportation using bonds, federal debt financing and credit assistance, and state infrastructure banks, among others. The most common of these is state bonds. Forty-four states, the District of Colombia and Puerto Rico allow bonding, and transportation bond measures are considered every year in statehouses across the country.

Maine Senate Paper 282. This bill takes an economic development approach to transportation bonding. It would ask voters to approve $62 million in bonds to repair and reconstruct highways and bridges, but with a twist: The bonds would pay for projects that are vital not only to public safety, but also to business expansion in the state, as identified in consultation with the business community.

Sponsor: Representative Bill Diamond (D). “Highway bonding is a critical piece of the overall funding package needed for the construction and surfacing of roads and highways in Maine. This $62 million bond package will only begin to address the critical need for road and bridge repair—a need that has grown significantly in recent years.”

Joung H. Lee, associate director for finance and business development for the American Association of State Highway and Transportation Officials, discusses transportation policy in an interview at www.ncsl.org/magazine