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States Consider New Transportation Funding Options: NASBO

In recent years, states have begun responding to the diminishing buying power of motor fuel revenue. States are concerned that in the long term, the current structure of state and federal fuel tax revenue will not be able to meet infrastructure funding needs as most gas taxes are set at fixed rates and do not rise with inflation, new vehicle fuel economy continues to increase, and the sale of electric vehicles rapidly grows. Since 2013, 33 states have taken actions to raise their fuel tax revenues. Many of the actions resulted from multi-year transportation plans and were combined with other revenue-raising actions. While motor fuel taxes have been impacted by the rise in vehicle fuel efficiency and the increase in electric vehicle sales, they currently remain the largest revenue source for transportation. According to NASBO's State Expenditure Report, in fiscal 2022 motor fuel taxes represented 38.4 percent of transportation fund revenue, followed by license and registration fees (19.8 percent), vehicle sales and use taxes (10.4 percent), tolls (1.3 percent), and all other (30.1 percent).

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