

Arizona Rural Transportation Summit: Beyond the Horizon

October 18, 2023

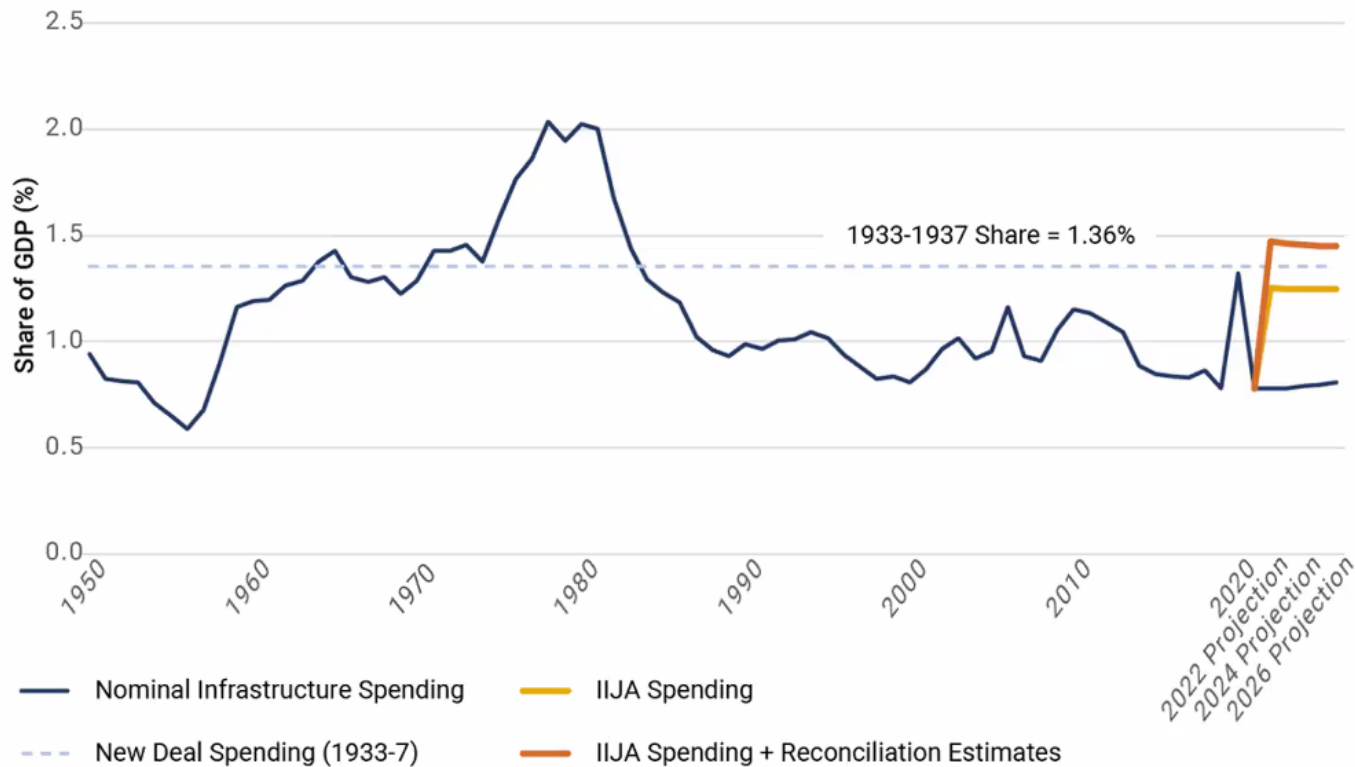
Erich Zimmermann

Deputy Director/Transportation Director, NARC

The National Association of Regional Councils (NARC) serves as the national voice for regions by advocating for regional solutions to address a variety of community challenges.

- Formed more than 50 years ago by NLC and NACo
- Based in Washington, DC, NARC advocates for regional solutions on many issues, including transportation, housing, aging, economic development, public safety, and resiliency.
- We hold three conferences each year:
 - Policy Conference in Washington, DC each February
 - Annual Conference in June (next location: Atlanta, GA)
 - Executive Directors Conference in October
- www.NARC.org

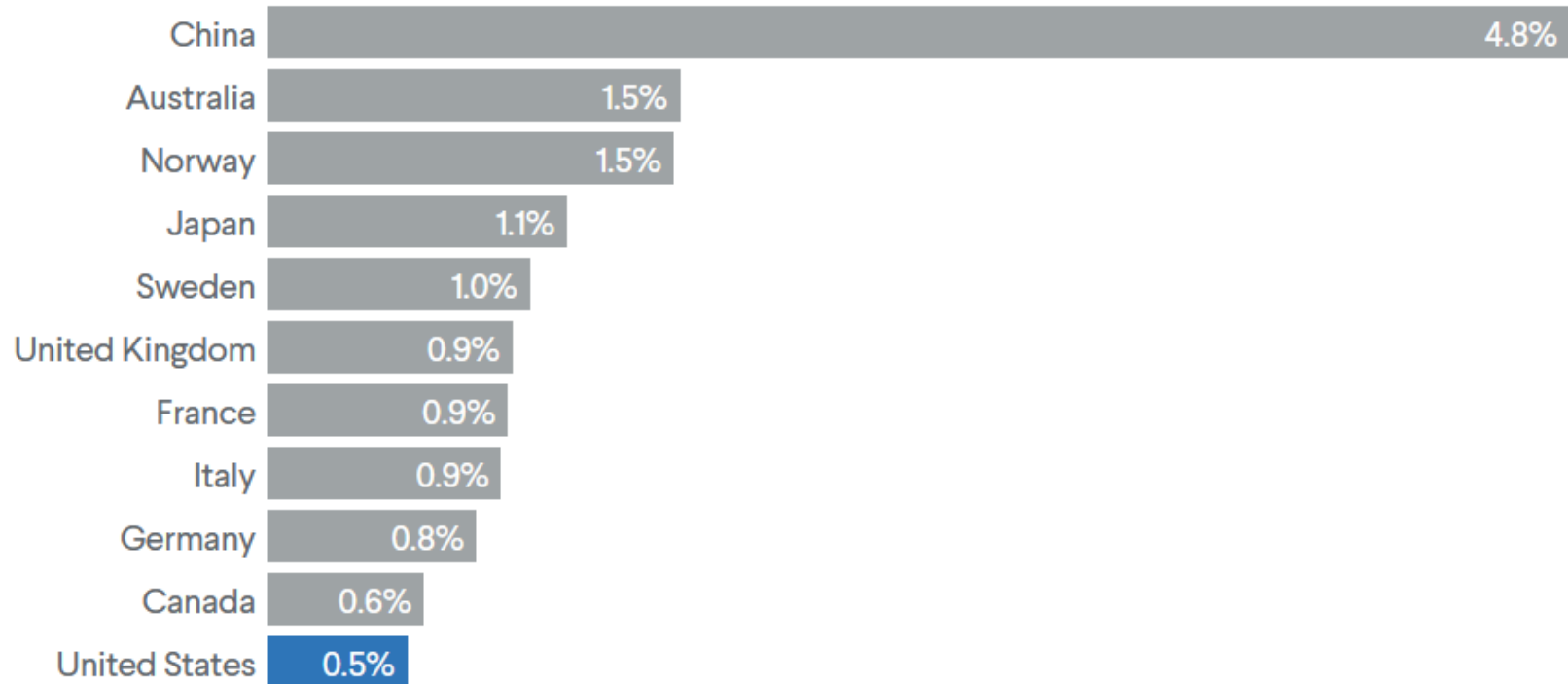
Macro: Infrastructure spending will surpass the New Deal



Source: Brookings Institution

U.S. Invests Less in Transportation Than Other Developed Countries, China

Annual inland infrastructure investment as a percentage of GDP, selected countries



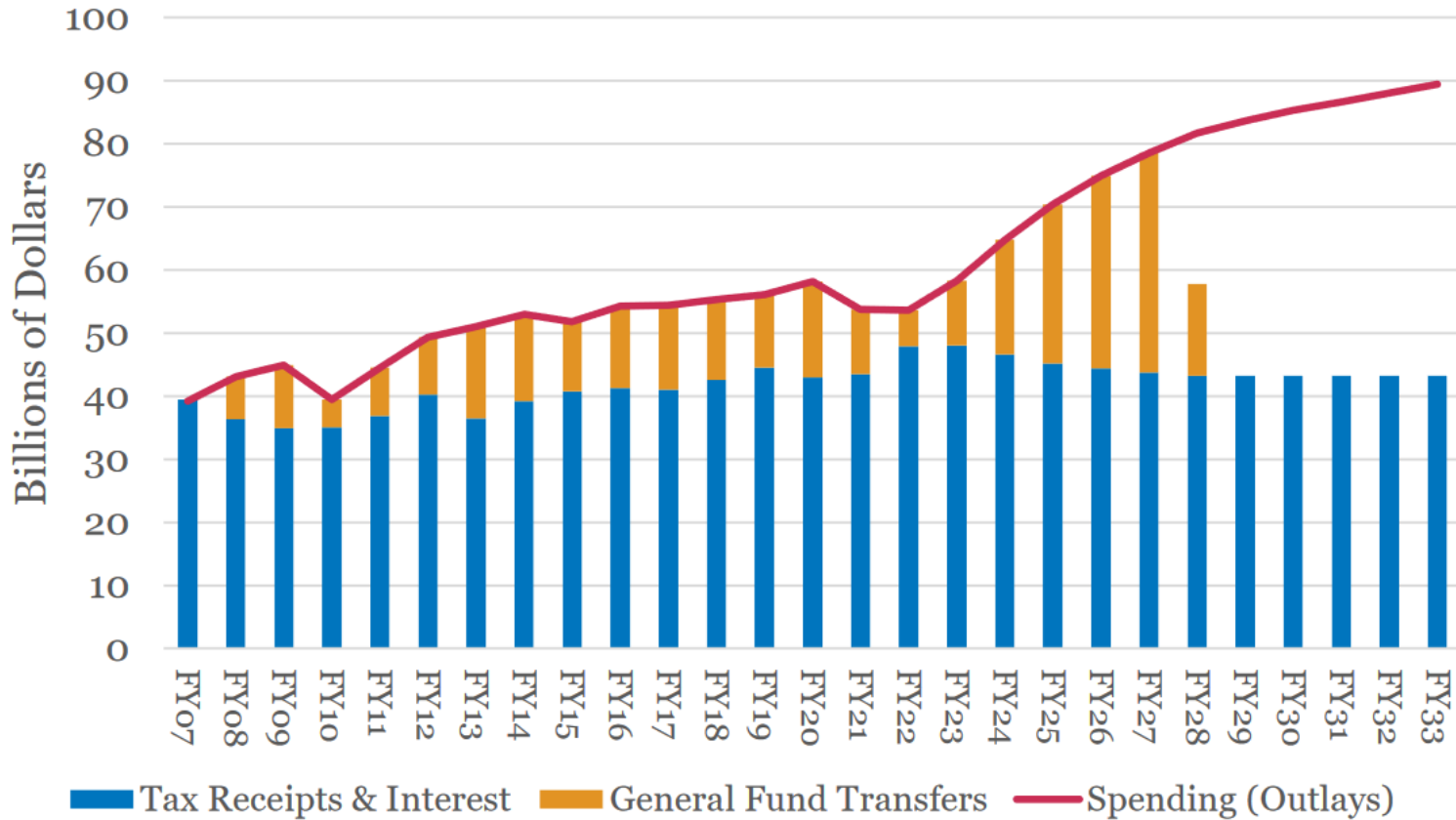
Note: Data is from 2021 or the most recent year available. Inland infrastructure includes roads, rail, inland waterways, maritime ports, and airports. All sources of financing are accounted for.

Source: Organization for Economic Cooperation and Development.

COUNCIL *on*
FOREIGN
RELATIONS

Highway Trust Fund Fiscal Cliff

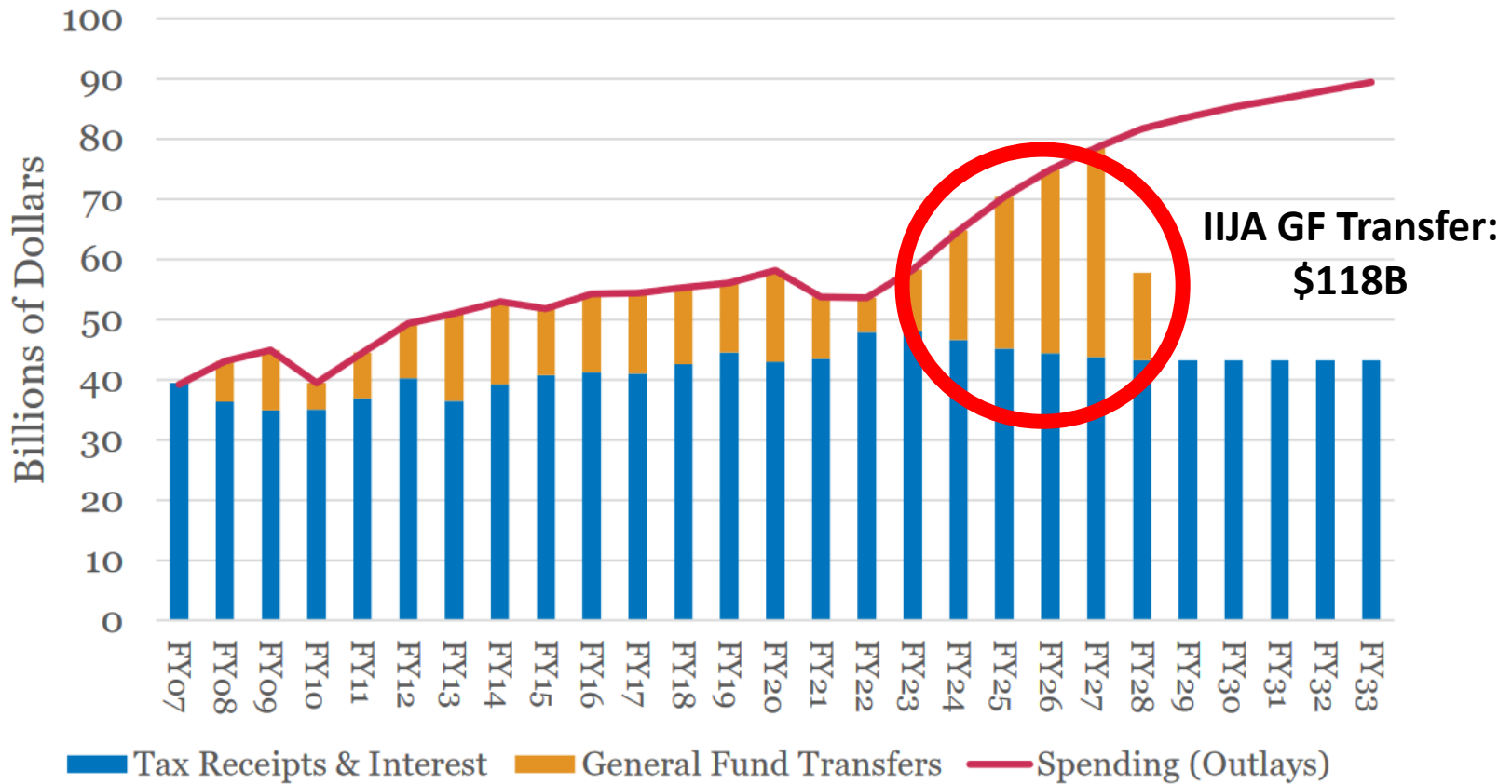
FIGURE 12: HIGHWAY TRUST FUND FY 2007-2022 (ACTUAL),
FY2023-2033 (CBO BASELINE)



Source: Eno Foundation *General Fund transfers shown in the year the transferred funds are spent.*

Highway Trust Fund Fiscal Cliff

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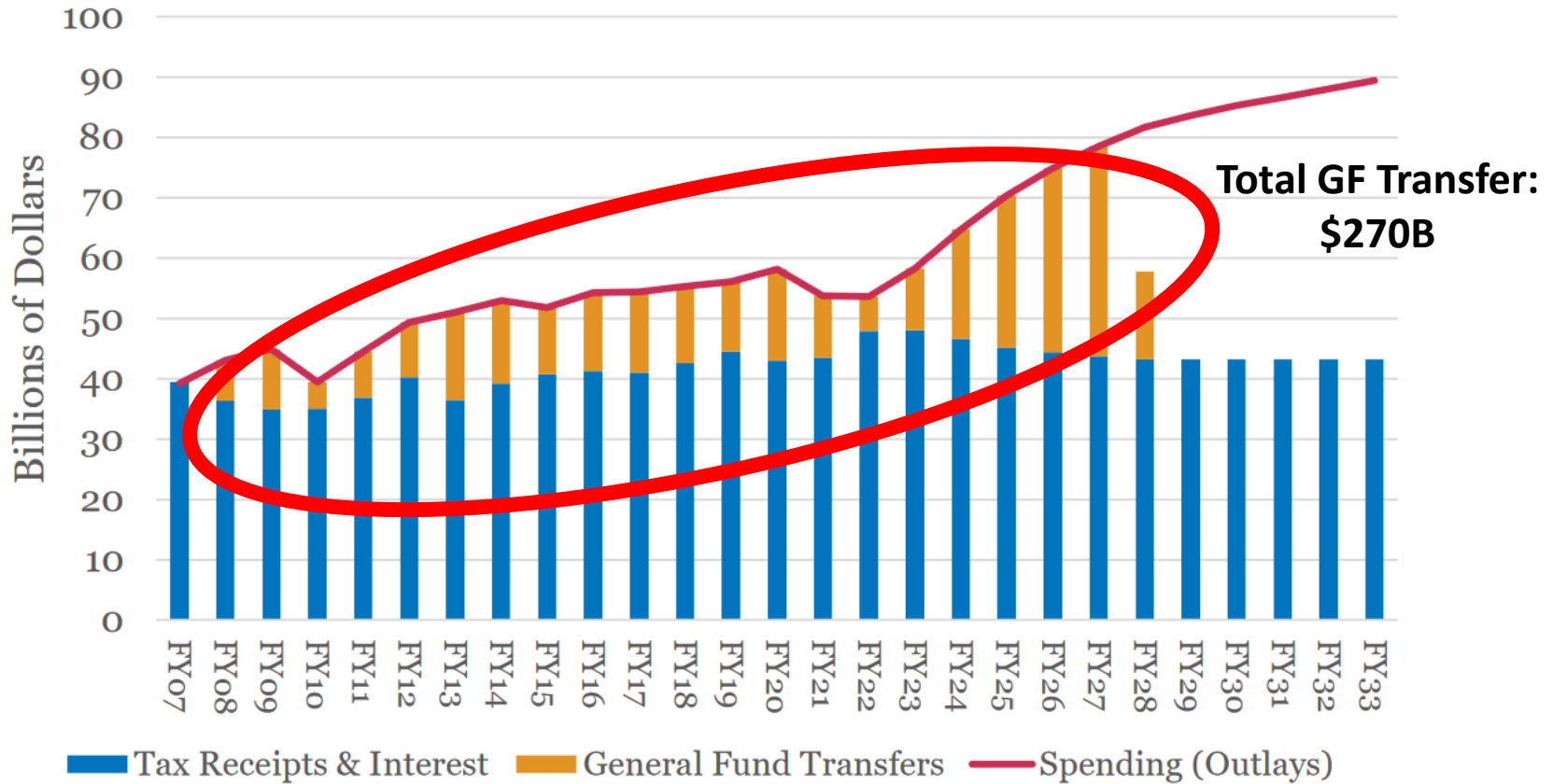


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Highway Trust Fund Fiscal Cliff

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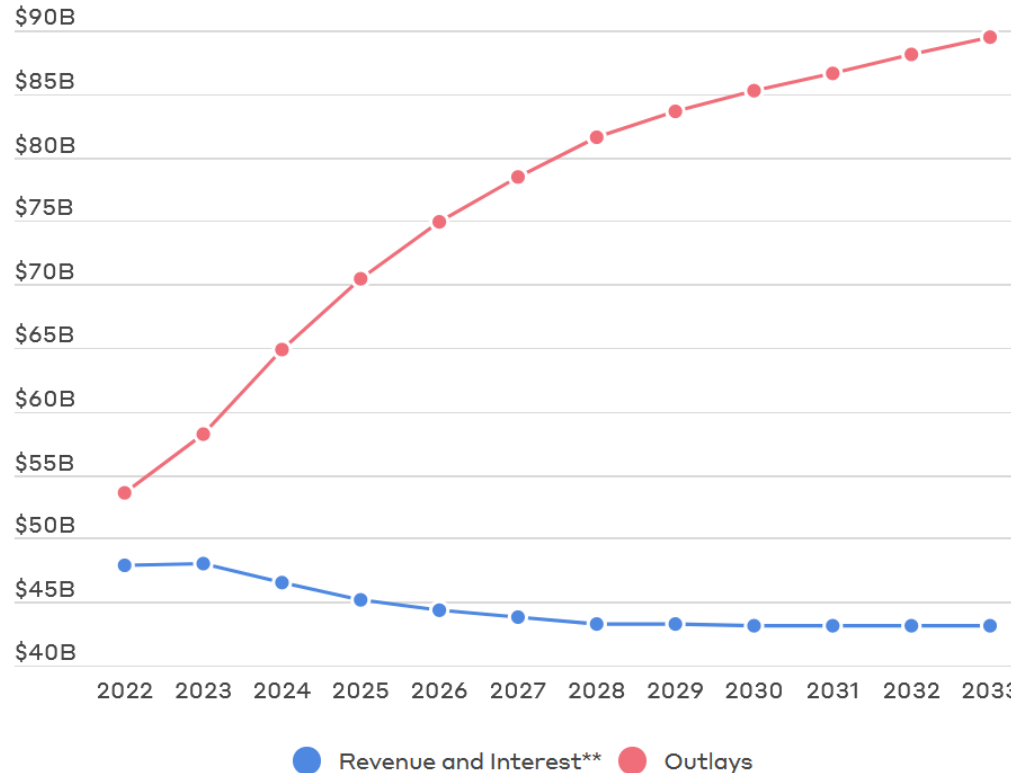


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Highway Trust Fund Fiscal Cliff

Projected Annual Revenue and Outlays for the Highway Trust Fund*



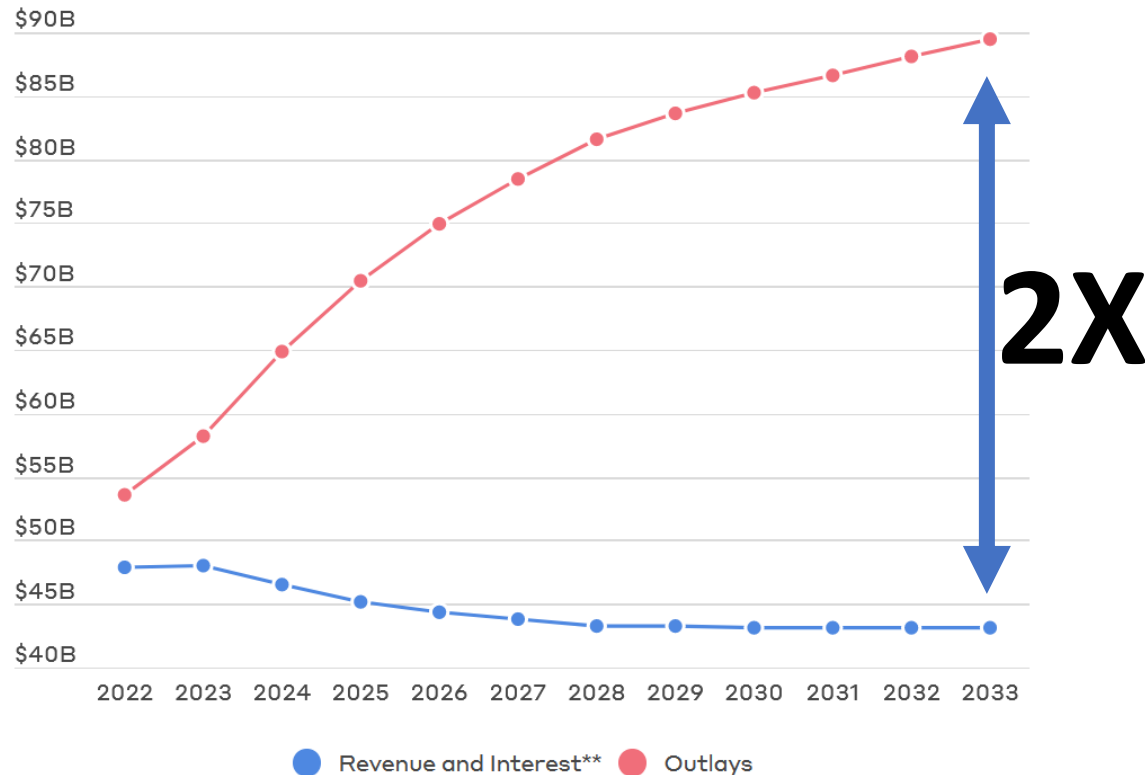
*Combined Highway and Transit Accounts

**Excludes intergovernmental transfers

Source: [Congressional Budget Office](#)

Highway Trust Fund Fiscal Cliff

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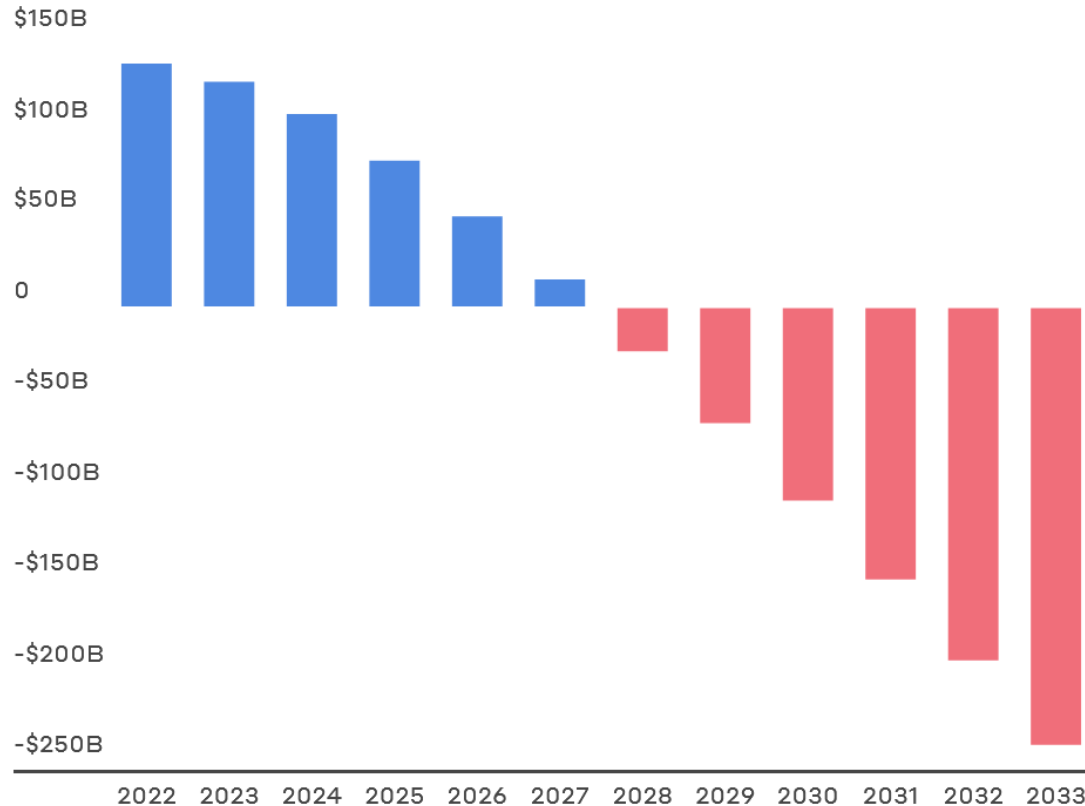
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Highway Trust Fund Fiscal Cliff

Projected End of Year Balances and Shortfalls for the Highway Trust Fund*



*Combined Highway and Transit Accounts

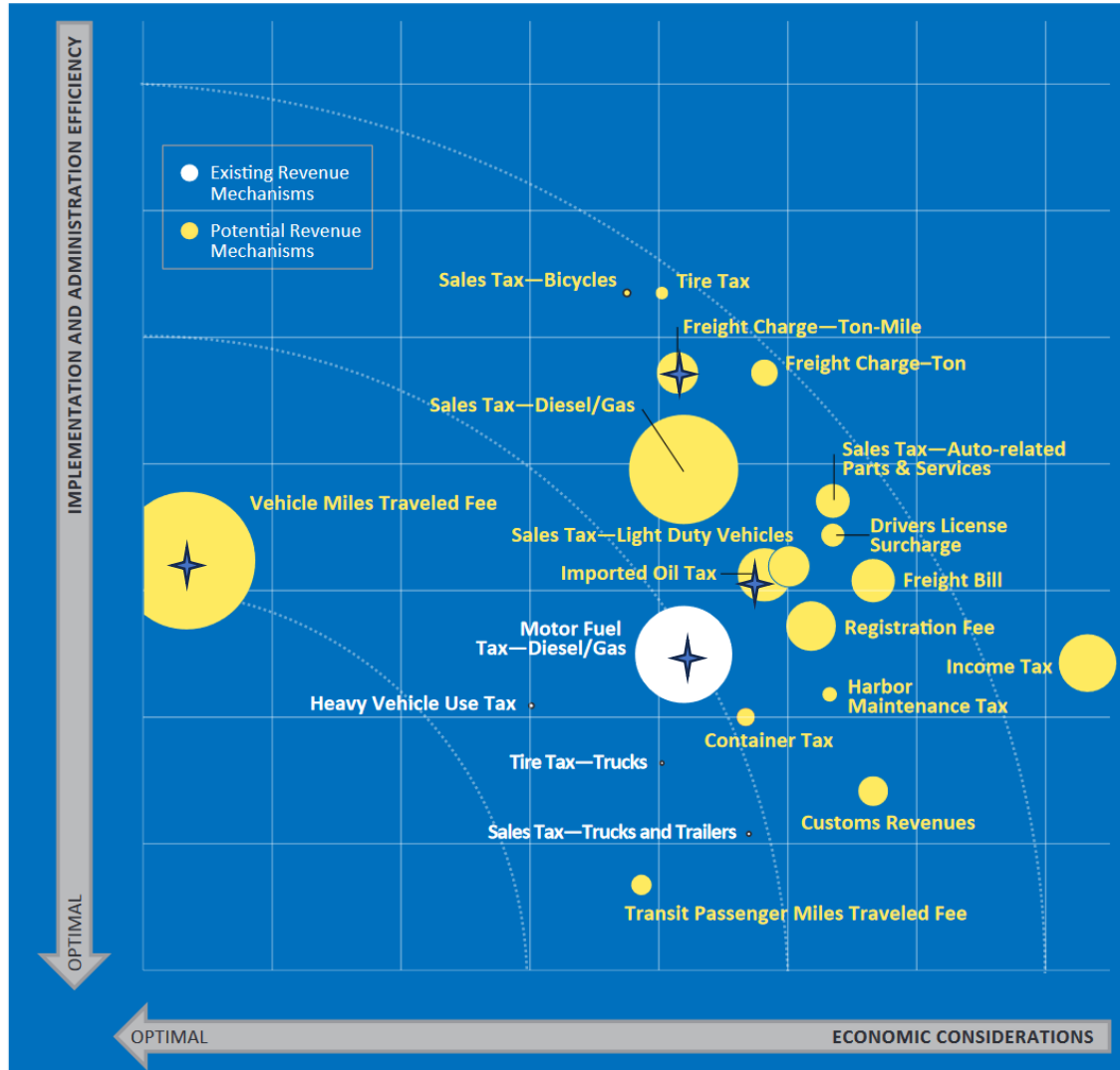
Source: [Congressional Budget Office](#)

10 Options to Secure the Highway Trust Fund

Policy	% of Shortfall		
	Savings Through 2031	With Spending Cliff	With Spending Extended
Revenue Options			
Increase gas and diesel tax rates by 15 cents	\$185 billion	115%	85%
Impose a 1 cent per mile VMT tax on all vehicles	\$135 billion	85%	65%
Impose a 5 cent per mile VMT tax on commercial trucks only	\$140 billion	90%	65%
Impose a \$5 per barrel tax on oil	\$140 billion	90%	65%
Impose a \$20 per ton carbon tax in place of the gas tax	\$300 billion	190%	140%
Spending Options			
Freeze highway spending at FY 2022 levels	\$15/\$25 billion	10%	10%
Replace Surface Transportation Block Grants with matching grants'	\$70 billion	45%	35%
Cut federal transit spending in half	\$50/\$60 billion	30%	30%
Reduce federal share of the National Highway Performance Program by 15 percent^	\$50 billion	30%	25%
Repeal the Davis-Bacon Act	\$25 billion	15%	10%
<i>Memo: Allow Infrastructure Investment and Jobs Act spending to expire after FY 2026</i>	\$0/\$55 billion	n/a	25%

Source: Committee for a Responsible Budget

Policy Optimality Considerations for Federal Revenue Options (\$ in billions)

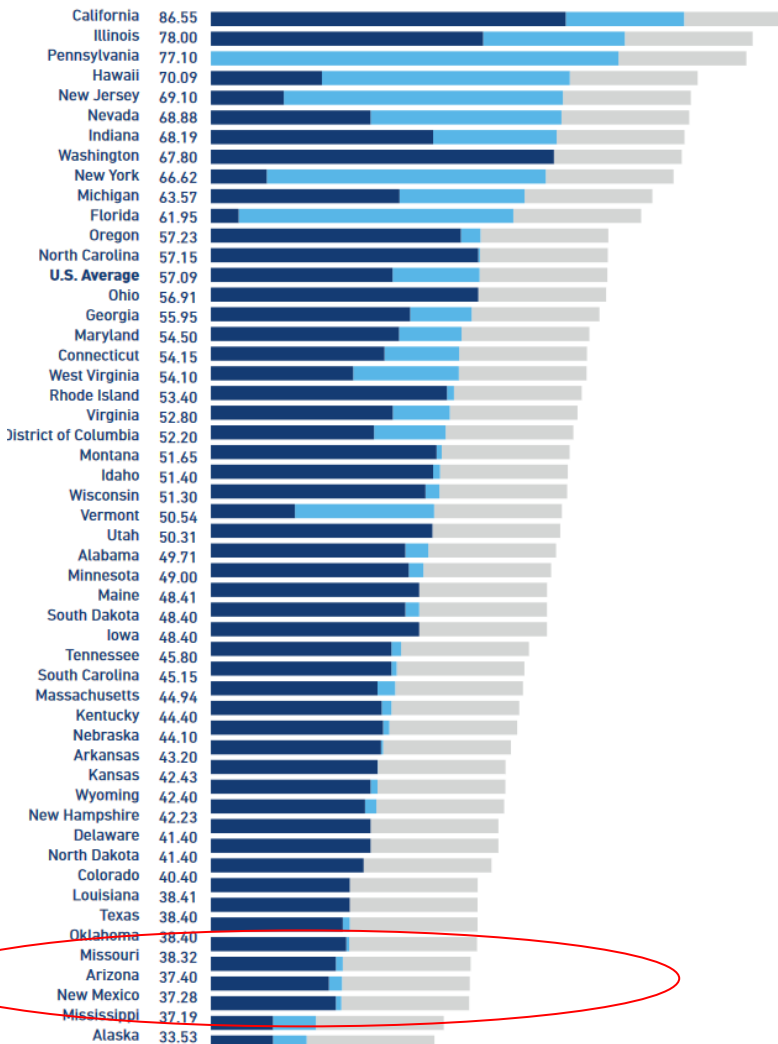


Source: AASHTO

State Funding Solutions

GASOLINE MOTOR FUEL TAXES BY STATE

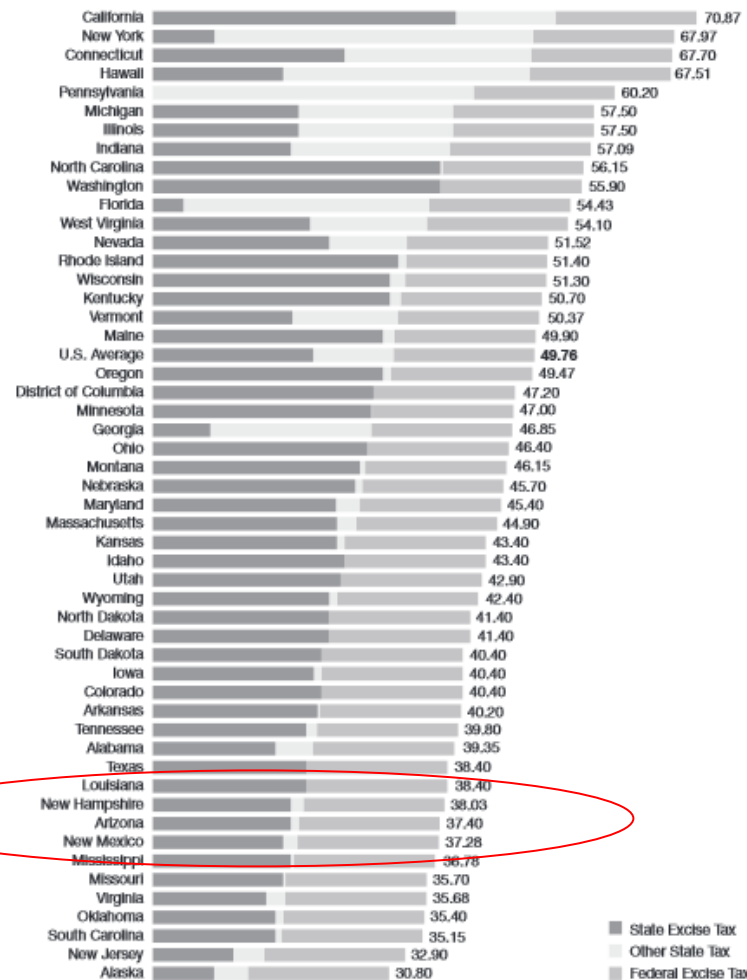
(cents per gallon) (2022)



AMERICAN PETROLEUM INSTITUTE

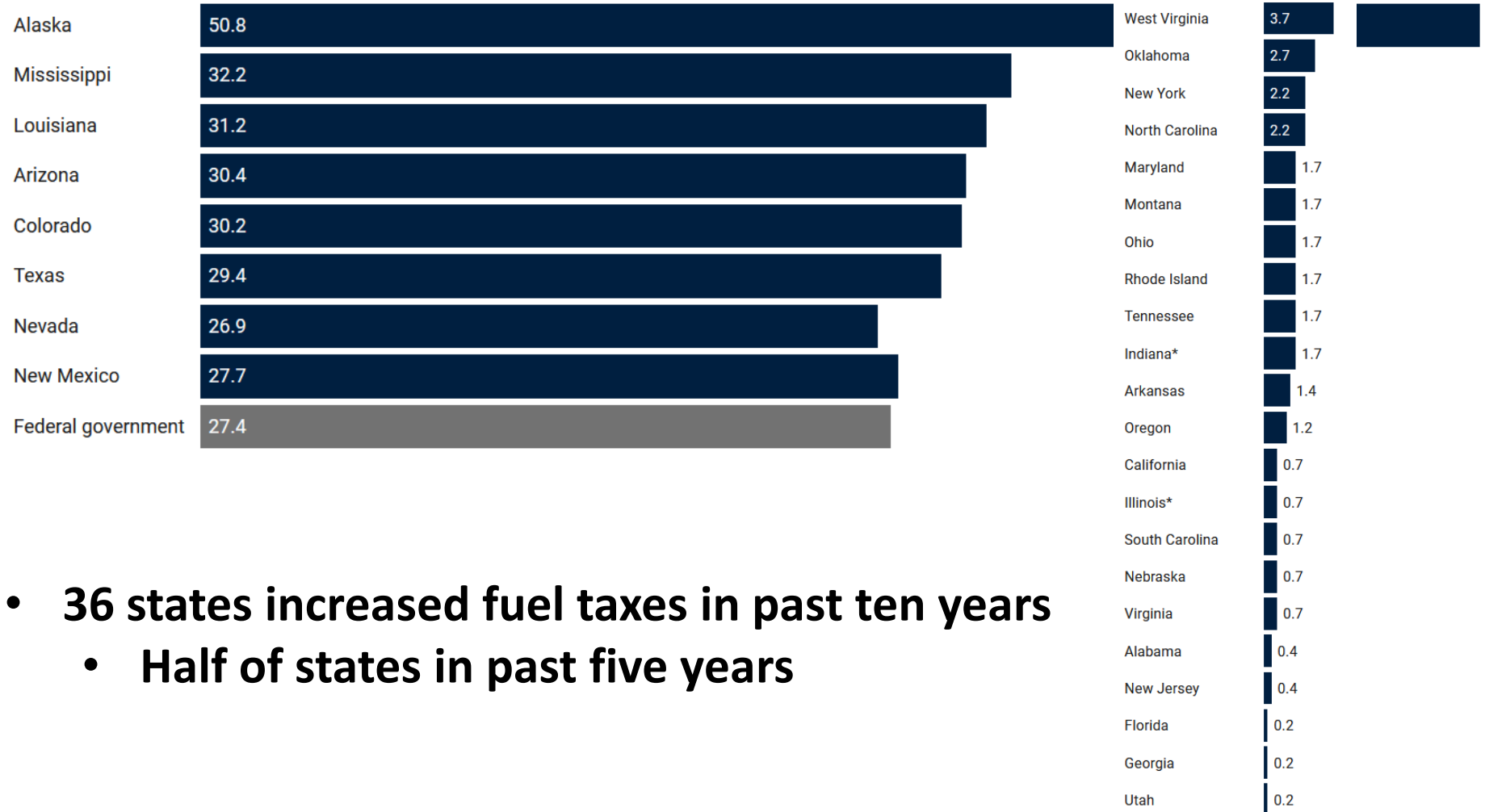
STATE MOTOR FUEL TAXES 2014

Gasoline Motor Fuel Taxes as of January 1, 2014



Years Since Last Gasoline Tax Increase

As of March 1, 2021



- **36 states increased fuel taxes in past ten years**
 - **Half of states in past five years**

“Beyond the Horizon”

Overcoming the Triple Whammy

- **Inflation** eroding the purchasing power of the fuel tax
 - Especially in states where it's been so long since last tax increase
 - Tax would need to be \$0.43/gallon to have same purchasing power
- **Efficiency** of the vehicle fleet is increasing, resulting in reduced relative collections
 - EVs are an even bigger problem, no fuel taxes at all
- **VMT Growth Rate Slowing**
 - <1% per year

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Shorter Term

- **Raise the state gas and diesel taxes**
- **State Fee on EVs**
 - **32 states have some sort of EV registration fee**
 - **19 also have a plug-in hybrid fee**
 - **5 states have indexed these fees**
 - **Flat fees vs. weighted tiers**
 - **Some states commit some portion of EV chargers and other related infrastructure**
- **Electric Fuel Excise Tax**
 - **Taxing the electricity to fuel EVs at non-residential charging stations as a fuel**
 - **Iowa, Kentucky, Pennsylvania, Oklahoma**

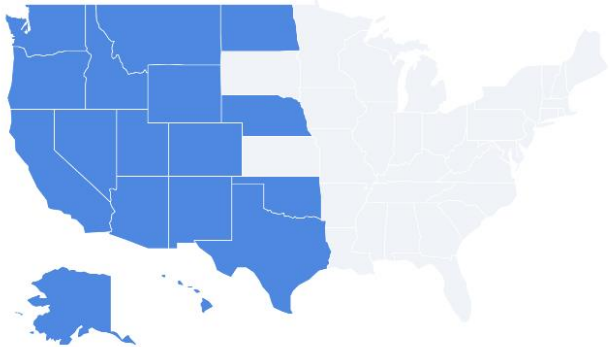
Medium Term

- **Tolls and Express Lanes**
 - **19 states currently use this mechanism**

Longer Term (needs some short-term action, too)

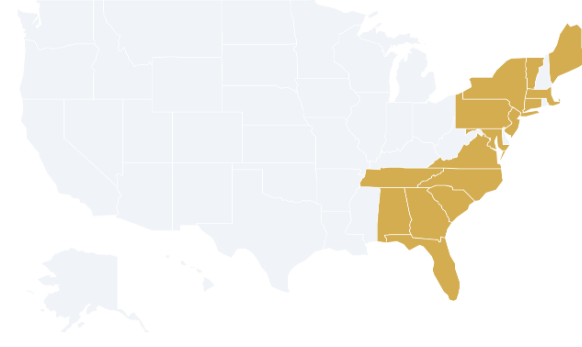
- **RUCs/VMT Fees/Mileage-based User Fees**
 - **OR, UT, VA, HI are collecting revenue from a MBUF**
 - All are voluntary, only OR allows non-EV drivers
 - **37 states and D.C. have studied or piloted**
 - **2 major regional studies**
 - **RUC Alliance (western U.S.)**
 - **Eastern Transportation Coalition (ETC)**

Western Road Usage Charge Consortium (RUC West)



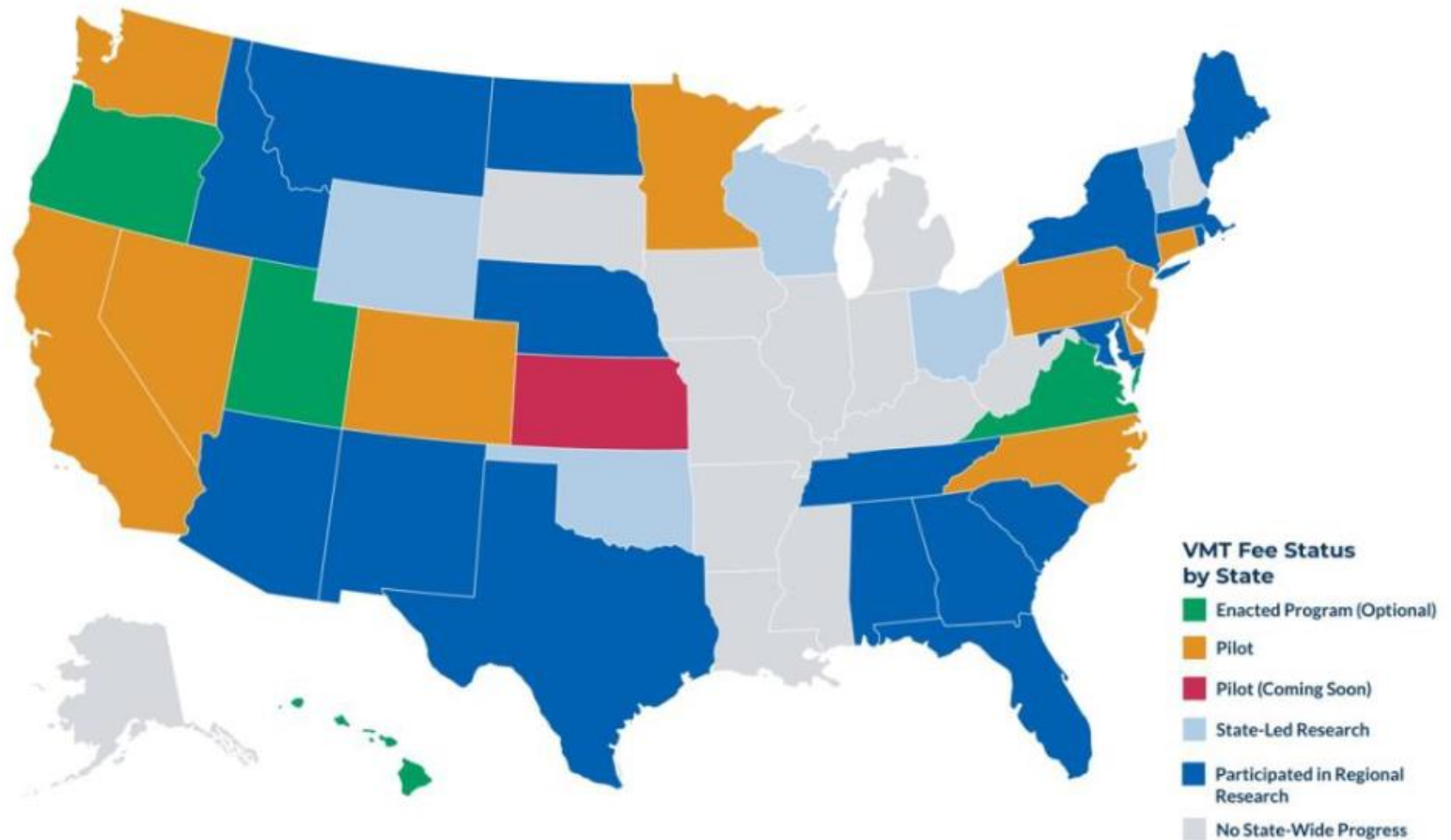
Source: U.S. Government Accountability Office

The Eastern Transportation Coalition

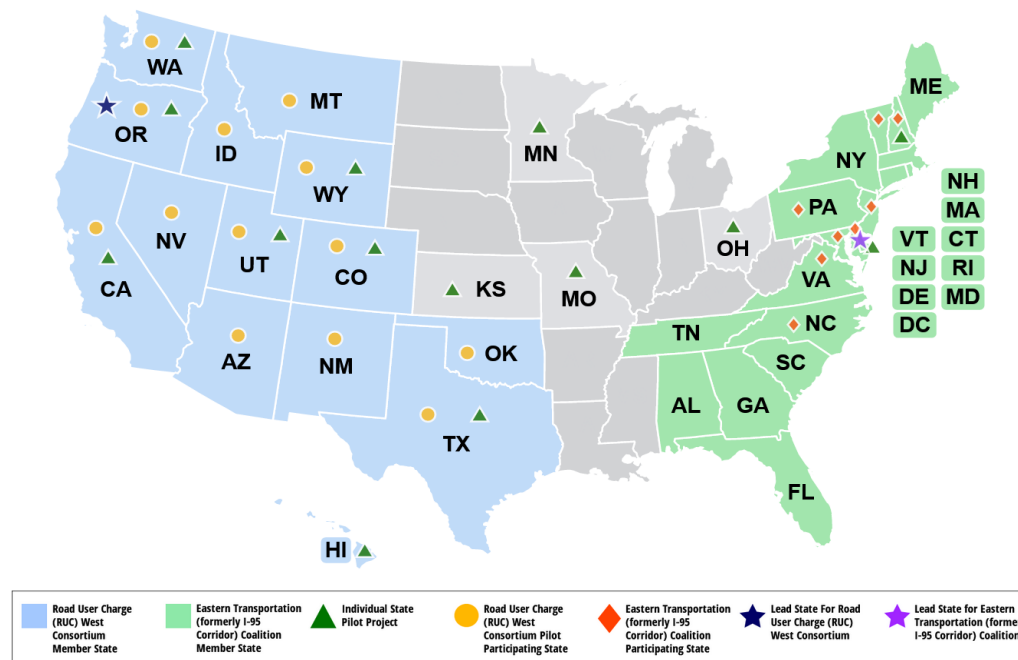


Source: U.S. Government Accountability Office

FIGURE 14: MAP OF STATE RESEARCH, PILOTS, AND PROGRAMS



- **National Motor Vehicle Per-Mile User Fee Pilot:** to study the potential for a national per-mile fee to replace gas tax: \$50M
 - Current Federal Register notice to seek nominations to Federal System Funding Alternative Advisory Board
- **Strategic Innovation for Revenue Collection:** reauthorized to provide support for state-level pilots: \$75M



Thank you!

Erich Zimmermann

erich@narc.org

202-618-5697

October 29-31



 @NARCRegions #RegionsLead