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# MEMORANDUM

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Date: July 1, 2015

To: The Honorable Chair and Members  
Pima County Board of Supervisors

From: C.H. Huckelberry  
County Administrator 

Re: **Transportation Revenue Increases**

As Arizona fails to meet critical transportation funding shortfalls, other states are actively engaged in increasing fuel taxes as of July 1, 2015. A number of states have increased their gas taxes up to 11 cents per gallon, including Idaho, Georgia and Washington. California has one of the highest gas taxes in the nation and is decreasing its gas tax by six cents per gallon.

All of this is happening at the same time federal highway funding is nearing an end. The federal government has indicated that unless federal infrastructure funding is approved by Congress on July 31, 2015, payments to state transportation departments will be reduced or eliminated.

I communicated with the Board of Supervisor in April regarding a number of states increasing their gas taxes. I am now attaching various articles regarding gas tax increases that have been or will soon be enacted in a number of states, along with the article regarding the Federal Highway Trust Fund nearing insolvency.

If Arizona is to remain economically competitive, the State Legislature and Governor must act now to increase transportation funding.

CHH/anc

## Attachments

c: Michael Racy, Racy Associates, Inc.  
John Bernal, Deputy County Administrator for Public Works  
Priscilla Cornelio, Transportation Director

# THE HILL (ONLINE)

## Six states increasing gas taxes on July 1

By Keith Laing - 06/29/15 03:24 PM EDT

Six states are scheduled to increase their gas taxes on July 1 to help pay for transportation projects, according to the Citizens for Tax Justice and the Institute on Taxation and Economic Policy (ITEP).

The groups said Monday that drivers in Idaho, Georgia, Maryland, Rhode Island, Nebraska and Vermont will be charged more at the pump beginning on Wednesday as a result of laws taking effect at the start states' new fiscal year.

A seventh state, California, is decreasing its gas tax by 6 cents, according to the group.

ITEP Research Director Carl Davis said Monday in a **blog post** that the states are increasing their gas taxes by a range of 0.35 cents to 7 cents per gallon in an effort to replace federal transportation funding that has largely dried up in recent years.

"While some drivers may view this as an unwelcome development during the busy summer travel season, the reality is that most of these 'increases' are simply playing catch-up with inflation after years (or even decades) without an update to the gas tax rate," Davis wrote.

"Moreover, these increases will fund infrastructure improvements that directly benefit drivers and other travelers — an especially important step at a time when Congress' commitment to adequately funding infrastructure remains highly uncertain," he continued.

The largest gas tax hike of the bunch is a 7-cent-per-gallon increase that is scheduled to take effect in Idaho, according to the tax watch groups.

Drivers in Georgia will face the second-largest tax hike of the week, when their prices at the pump go up by 6.7 cents per gallon.

Maryland is poised to implement a 1.8-cent-per-gallon increase, and Rhode Island is raising fuel levies by 1 cent per gallon, according to the report.

Nebraska and Vermont have the smallest gas tax increases, scheduled at 0.5 cents and 0.35 cents per gallon, respectively.

The pending increases are just in recent years, as states try to make up for a lack of federal infrastructure funding.

The additional money will be collected on top of an 18.4-cent-per-gallon federal gas tax charged to all drivers in the U.S. to fill the federal government's transportation funding coffers.

Lawmakers in Washington face a **July 31 deadline** to pass federal transportation funding before it expires, and they are **struggling** to come up with a way to pay for an extension.

Transportation advocates in Washington have pointed to states' willingness to raise their gas taxes as evidence that a hike in the national gas tax hike would be politically palatable.

Conservative groups in Washington have made clear they would consider an increase in the federal fuel levy a tax hike, however.

The federal gas tax has been the main source of transportation funding for decades, but it has not been increased since 1993, and more fuel-efficient cars have sapped its buying power.

While the tax hike has backing from business associations and unions, opposition from conservative groups, such as Heritage Action and the Club for Growth, led GOP leaders in the House to call it a nonstarter.

The federal government typically spends about \$50 billion per year on transportation projects, but the gas tax will only bring in \$34 billion annually without an increase.

The Department of Transportation has said the Highway Trust Fund will **run out of money** in late July or early August if Congress does not come to an agreement on an extension in the next couple of weeks.

# THE OLYMPIAN

## Deal not yet sealed, but gas-tax increase advances

By Jordan Schrader July 1, 2015 Updated 3 hours ago

The Legislature voted in Wednesday's early hours to approve the largest gas-tax increase in Washington's history and the first in a decade.

The 11.9 cents-a-gallon increase could pave the way for major highway spending in the South Sound. But approval of borrowing and spending plans tied to the taxes will have to wait.

Lawmakers were unable to finish their work for the year Wednesday, the fourth day of a third special session. Seeing the Senate [paralyzed by a dispute on school funding](#), the House sent its members home just before 3:30 a.m.

"It's kind of anticlimactic to leave it this way," House Transportation Chairwoman Judy Clibborn, D-Mercer Island, said, "but I do think the hard part is done."

The hard part was a day of vote-wrangling in the House capped by a 54-44 nailbiter of a vote to send the tax and fee package to the Senate for final approval. The Senate's 37-7 signoff hours later sent the plan to Gov. Jay Inslee for his signature.

The taxes won majority support from both parties in the Senate. In the House, Democrats mostly supported the tax plan and Republicans mostly opposed it.

The promise of completing state Route 167 to the Port of Tacoma, widening Interstate 5 near Joint Base Lewis-McChord and finishing other local projects helped persuade 18 of the 24 lawmakers who represent Pierce County to support the taxes, including majorities from both parties in both chambers.

Rep. Dick Muri, R-Steilacoom and a retired Air Force lieutenant colonel, said the bottleneck on I-5 in his district needs to be addressed to make it less likely scheduled Pentagon cuts would hit JBLM.

"The military's been loud and clear about the fact that we either fix it or we could lose mission," Muri said after the vote.

Rep. Christine Kilduff, D-University Place, opposed the measure. She said drivers in her district couldn't afford the gas tax increase despite the nearly \$500 million JBLM project in her district.

“The revenue vote is about who this burden falls on, and it falls on working families,” Kilduff said.

Rep. Jake Fey, D-Tacoma, invoked the 2013 collapse of the Skagit River Bridge for why lawmakers should fund infrastructure. Rep. Jesse Young, R-Gig Harbor, brought up Bertha, the tunnel-boring machine in Seattle, to argue that the state is mismanaging transportation projects.

Kilduff, Young, Carol Gregory, D-Federal Way, Graham Hunt, R-Orting, and Michelle Caldier, R-Port Orchard, opposed the measure. Supporting it were Muri, Fey, Laurie Jenkins, D-Tacoma, David Sawyer, D-Tacoma, Steve Kirby, D-Tacoma, Chris Hurst, D-Enumclaw, J.T. Wilcox, R-Yelm, Melanie Stambaugh, R-Puyallup, Linda Kochmar, R-Federal Way, Drew Stokesbary, R-Auburn, and Hans Zeiger, R-Puyallup, who in 2013 was the lone Republican supporting a gas tax but has since picked up more allies.

To secure the approval of the transportation package, House members would have to pass a spending plan as well as muster the 60 percent support necessary to approve bonds.

The gas tax would rise 7 cents Aug. 1 and another 4.9 cents July 1, 2016, to 49.4 cents. Fees such as those on vehicle weight would also go up as part of paying for more than \$16 billion in spending over 16 years.

The deal would allow Sound Transit to ask voters for \$15 billion in taxes to expand light rail.

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# Georgia's gas prices to rise 6 cents today

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ATLANTA — Beginning July 1st, Georgia's new gas tax will take effect to pay for an ambitious and comprehensive transportation and road construction campaign.

According to AAA, this will cost commuters between 6 and 7 cents per gallon. It's a part of a bill passed earlier this year to collect \$900-million dollars a year for transportation in Georgia.

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With the new month, comes the first Georgia gas tax increase, since 1971. "What you see with HB-170 is really a dedication by our legislature to say we need better for Georgia," says Natalie Dale, with Georgia DOT.

The federal Highway Trust Fund continues to shrink, with no long term solution in place. "We plan many years ahead and it's hard to plan projects that will make a difference in Georgia when we're not sure if we can rely on that federal funding," explains Dale.

Since 2009, Georgia has slipped from the state with the 9th best road conditions to 13th on that list. At the beginning of the year, Governor Nathan Deal made transportation a priority. The new money will help with a long backlog of maintenance

"We're going to focus a lot of these funds on things people want us to do, we know they need us to do; re-striping, resurfacing, littler pick up, trimming back some of those lower hanging trees, mowing. We're going to make our state beautiful again and address some of those safety issues," she explain.

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**THE SPOKESMAN-REVIEW**

April 8, 2015

**Idaho Senate approves gas tax increase**

Betsy Z. Russell

The Spokesman-Review

Tags: 2015 Idaho Legislature fuel tax gas tax road funding Shawn Keough Steve Vick transportation funding

**How they voted**

Here's how North Idaho senators voted on HB 312a:

- **Voting in favor:** Sens. Shawn Keough, R-Sandpoint; and Dan Schmidt, D-Moscow.
- **Voting against:** Sens. Bob Nonini, R-Coeur d'Alene; Sheryl Nuxoll, R-Cottonwood; Mary Souza, R-Coeur d'Alene; and Steve Vick, R-Dalton Gardens.

**BOISE – Idaho senators passed a phased-in 10-cent increase in the gas tax Tuesday as part of a road funding plan that's significantly higher than what the House approved earlier this week.**

Idaho senators took the \$20 million road-funding bill from the House and turned it into a phased-in, \$127 million plan.

The House bill would have raised registration fees on cars and trucks by \$15 apiece next year, plus imposed new fees on electric and hybrid cars. The amended

version from the Senate boosts the registration fee increase to \$25, slightly lowers the hybrid fee, and tacks on a 10-cent increase in the gas tax to be phased in over the next four years.

On Tuesday evening, the Senate approved the amended bill on a 22-13 vote, sending it back to the House.

**Senate Transportation Chairman Bert Brackett, R-Rogerson, noted that the state faces a \$262 million annual shortfall for maintenance of its roads and bridges. "It's been a long time arriving at this point, and I think this is a good compromise," he told the Senate. "Some think this is maybe too high, some think it is too low, but it is a good down payment on our shortfall."**

It's not clear how the House will view the amended bill; it earlier passed legislation for a 7-cent gas tax increase, but that was coupled with a cut in top income tax rates and elimination of the sales tax on groceries. The Senate killed that bill by unanimous consent, without a debate or vote. The rift between the House and Senate has extended Idaho's legislative session well past its March 27 target for wrapping up the year.

The phased gas-tax increase would start with a 4-cent boost on July 1, taking Idaho's 25-cent-per-gallon fuel tax up to 29 cents. That would be followed by a bump to 33 cents a gallon July 1, 2017, and another bump to 35 cents a gallon July 1, 2019.

Next year, the bill would raise an additional \$65.7 million for road work; by the end of the phase-in in 2019, it would raise \$126.6 million a year.

Sen. Steve Vick, R-Dalton Gardens, spoke out against the measure.

"This is a very large tax increase," he said. "In my opinion, to come in, in the best revenue year since I've been here, to take all of that money and allocate it and raise taxes on top of that, I don't think is frugal or conservative."

Brackett said failing to fund road maintenance is "a form of deficit spending," adding it's not conservative.

Senate Democrats tried to get the just-amended bill sent back to the Senate Transportation Committee for a public hearing, but their move failed on a 7-27, straight party-line vote.

"We had very strong opinions about having had a public process on the Senate side, which we haven't had a chance to have," said Senate Minority Leader Michelle Stennett, D-Ketchum.

But Brackett said the issue has been discussed for years.

"This issue did not just come up," he said.

Minority Democrats also opposed the new fees on electric and hybrid cars, which would charge a \$140 annual fee for electric cars and \$75 for hybrids.

"The surcharge on electrics and hybrids will disincentivize their use," argued Sen. Grant Burgoyne, D-Boise. "We need more of them, not less."

Burgoyne said there aren't enough of those vehicles in Idaho yet to impact roads; fees on them could be considered later, he said.

Sen. Shawn Keough, R-Sandpoint, countered that those drivers with vehicles that use less gas aren't paying in a "commensurate way."

"I think in the tradition of Idaho's user-pay system, if it's got wheels and runs on the road, it needs to pay the fee," Keough said.

That's because Idaho largely funds its roads with gas taxes, though that source has fallen woefully short in recent years. Idaho hasn't raised its 25-cent-per-gallon gas tax since 1996.

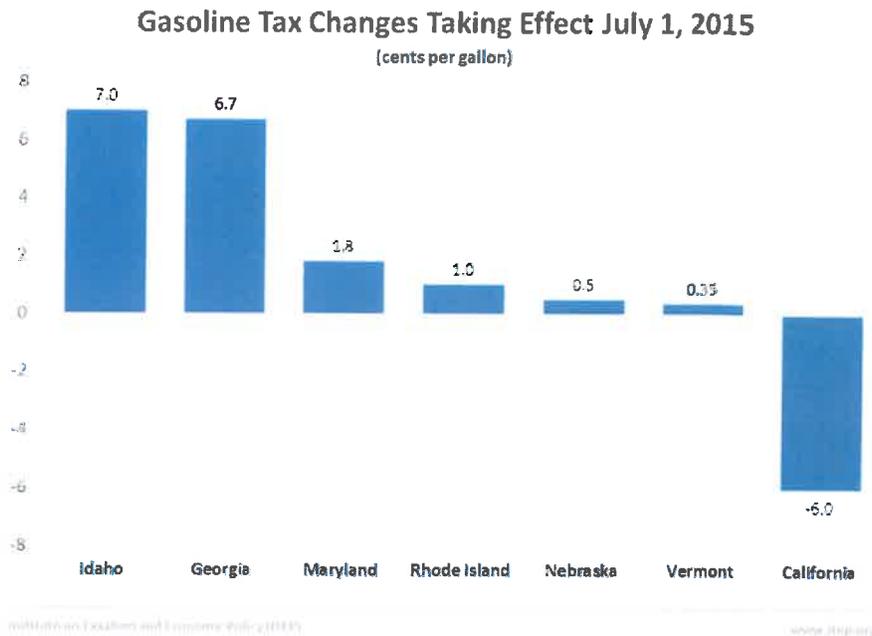
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## TAX JUSTICE BLOG (ONLINE)

June 29, 2015 11:59 AM

By Carl Davis, Research Director at ITEP

On Wednesday July 1, six states will raise their gasoline tax rates. While some drivers may view this as an unwelcome development during the busy summer travel season, the reality is that most of these “increases” are simply playing catch-up with inflation after years (or even decades) without an update to the gas tax rate. Moreover, these increases will fund infrastructure improvements that directly benefit drivers and other travelers—an especially important step at a time when Congress’ commitment to adequately funding infrastructure remains highly uncertain.



The largest gas tax increases are taking place in **Idaho** (7 cents per gallon) and **Georgia** (6.7 cents for gas and 7.7 cents for diesel). Each of these increases is occurring due to legislation enacted earlier this year. **Maryland’s** increase of 1.8 cents is a result of legislation signed by former governor (and current presidential candidate) Martin O’Malley in 2013. **Rhode Island’s** 1 cent increase is the first automatic update for inflation to take place under a law signed by former Gov. Lincoln Chafee in 2014 (Chafee is now a presidential candidate as well). Finally, **Nebraska’s** 0.5 cent hike and **Vermont’s** 0.35 cent increase are automatic changes resulting from these states’ variable-rate gas tax structures.

By contrast, the gasoline tax rate will fall by 6 cents in **California** and the diesel tax rate will drop by 4.2 cents in **Connecticut** as a result of laws linking those states’ gas tax rates to gas prices (a unique quirk in California’s law will cause the diesel tax to rise by 2 cents). These cuts will reduce the level of funding available for transportation at a time when basic infrastructure maintenance is already lagging far behind. Earlier this year, similar automatic cuts had been scheduled to take place in Kentucky and North Carolina, but lawmakers in both of these states wisely intervened by placing a “floor” on their gas tax rates that minimized the loss of infrastructure revenue.

# THE HILL

## Feds warn of highway funding cutoff

By Keith Laing - 06/19/15 04:49 PM EDT

The Obama administration is warning state transportation departments that it will have to stop authorizing payments for construction projects on July 31 unless Congress reaches a deal to extend federal infrastructure funding.

The current transportation funding measure is scheduled to **expire** on that date, and lawmakers are struggling to come up with a way to pay for an extension.

The Department of Transportation said Friday its Highway Trust Fund will dip below \$4 billion, which is the level that triggers "cash management procedures," on the day of the looming infrastructure deadline.

The agency revived a Highway Trust Fund ticker Friday that it has used in the past to warn lawmakers of the consequences of allowing the infrastructure funding measure to expire.

"With a shortfall in the Highway Trust Fund approaching, cash management steps are not far away," the transportation department said in a **blog post** on its website.

"Because the HTF supports critical roadwork by State DOTs, these cash management procedures will slow improvements and basic repairs on roads across the US," the blog post continued. "To keep Americans informed, we've posted on our website the projected cash flows for the HTF's Highway Account and Mass Transit Account."

Lawmakers are grappling with a shortfall in transportation spending that is estimated to be about \$16 billion per year, and they have not passed an infrastructure package that lasted longer than two years since 2005.

The current transportation funding legislation includes about \$50 billion in annual spending on road and transit projects.

The traditional source for transportation funding is revenue collected from the 18.4 cents per gallon federal gas tax. But the tax, which has not been increased since 1993, only brings in about \$34 billion per year.

Lawmakers have turned to other parts of the federal budget to fill the gap in recent years, but transportation advocates have complained the resulting temporary patches prevent states from completing long-term construction projects.

The Congressional Budget Office has estimated it will take about **\$100 billion to close the gap** long enough to pay for a six-year transportation funding bill, as requested by the Obama administration.

Transportation supporters have pushed for a **gas tax increase**. They say it would be about 30 cents per gallon now if it had been indexed to inflation in 1993.

Lawmakers have been reluctant to ask drivers to pay more at the pump, and Republicans have called an increase a **nonstarter**.

The Obama administration, meanwhile, has suggested lawmakers approve a six-year, **\$478 billion** transportation funding bill that it says can be paid for largely with taxes that could be collected on corporate profits that are stored overseas.

Republicans have said they are open to the idea, known as **repatriation**, but the parties have squabbled about how much to tax those corporate funds and whether it should be mandatory or voluntary.