State Transportation Spending Update

NCSL Alternative Transportation User Fees Foundation Partnership

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Current State
Fiscal Conditions
State fiscal conditions over the past several years have been heavily impacted by combination of federal COVID-19 aid and rising state tax collections.

States experienced double-digit growth in revenue collections in both fiscal 2021 and fiscal 2022 while total balances and rainy day funds reached record levels.

State spending growth remained strong in fiscal 2023 partly due to one-time expenditures. Revenue growth slowed from record highs in fiscal 2023, although most states once again ended the year with a budget surplus as revenues exceeded projections.

Most fiscal 2024 budgets are assuming continued slower spending growth. Revenue forecasts for fiscal 2024 remain conservative.

States have taken steps to prepare for an economic slowdown. Actions include building up rainy day funds, using one-time funds for one-time purposes, making additional pension payments, and paying down long-term debt.
Fiscal 2024 Proposed Budgets Call for Modest Spending Growth After Two Years of Double-Digit Percentage Increases

Annual General Fund Spending Changes, Fiscal 2007 To Fiscal 2024 (Percentage Change)

Note: Fiscal 2024 figure is based on governors’ recommended budgets.
After Two Fastest Growing Years on Record, Revenues On Track for Small Declines in Fiscal 2023 and Fiscal 2024

Annual General Fund Revenue Changes, Fiscal 2007 To Fiscal 2024 (Percentage Change)

Note: Fiscal 2023 figure is estimated as of spring 2023 and fiscal 2024 figure is projected based on governors’ recommended budgets.
TOTAL STATE EXPENDITURES
By Fund Source

Estimated Fiscal 2022

Federal Funds, 38.0%

General Funds, 36.6%

Bonds, 1.8%

Other State Funds, 23.6%

Source: NASBO State Expenditure Report
State Transportation Spending
Total state expenditures are all federal and state funds. State funds are general funds and other state funds combined, excluding bonds.
## TOTAL STATE EXPENDITURES PERCENTAGE SPENDING GROWTH
### BY PROGRAM AREA

<table>
<thead>
<tr>
<th>Program Area</th>
<th>Percentage Growth</th>
</tr>
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<tbody>
<tr>
<td>K-12</td>
<td>8</td>
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<tr>
<td>Higher Ed</td>
<td>9.4</td>
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<tr>
<td>Public Assist.</td>
<td>7.5</td>
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<tr>
<td>Medicaid</td>
<td>10.2</td>
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<tr>
<td>Corrections</td>
<td>7.9</td>
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<tr>
<td>Transport.</td>
<td>19.5</td>
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<tr>
<td>All Other</td>
<td>1.9</td>
</tr>
<tr>
<td>Total</td>
<td>7.3</td>
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</tbody>
</table>

*Total state expenditures include spending from general funds, other state funds, bonds, and federal funds to states.*

**ESTIMATED FISCAL 2022**
STATE FUNDS EXPENDITURES PERCENTAGE SPENDING GROWTH
BY PROGRAM AREA

K-12  Higher Ed  Public Assist.  Medicaid  Corrections  Transport.  All Other  Total

8.9  9.3  2.3  9.5  12.5  17.8  15.8  12.3

ESTIMATED FISCAL 2022

*State Funds are general funds and other state funds combined, excluding bonds
In Fiscal 2019, General Funds were 5.3%, Other State Funds 60.1%, Bonds 8.1%, and Federal Funds 26.4%
Motor Fuel Taxes Gradually Decline as a Share of Transportation Fund Revenue as Vehicle Sales & Use Taxes and Other Sources Grow

Source: NASBO State Expenditure Report.
New Transportation Funding Options
States are facing diminishing buyer power from both state and federal fuel tax revenue

33 states have raised fuel tax revenues since 2013 - Many of the actions were part of multi-year plans and combined with other revenue-raising actions

Federal fuel taxes have not been raised since 1992, are not adjusted for inflation, and the Highway Trust Funds has required transfers

Declining purchasing power has led states to examine alternative revenue sources

There are currently around 100 revenue sources used for roads and bridges according to AAHSTO
Alternative Revenue Sources for Transportation

• **Road Usage Charges:**
  - Also known as vehicle-miles traveled fees or mileage-based user fees, these fees charge people based on the number of miles driven instead of how much fuel they buy.
  - They have been used in states such as Oregon and Utah, while other states continue to look at the option.

• **Vehicle Fees and Taxes:**
  - These include registration fees on passenger vehicles, vehicle title fees, and other taxes and fees.
  - In recent years, many states have created new fees for electric and hybrid vehicles.
  - According to AASHTO, 30 states have additional fees for electric vehicles and at least 20 have fees for hybrid vehicles.
Alternative Revenue Sources for Transportation (continued)

• Fees at Charging Stations:
  • These fees vary in structure and are charged to drivers who use public electric vehicle charging stations.
  • According to the NCSL, at least four states have implemented fees at charging stations (Iowa, Kentucky, Oklahoma, and Pennsylvania).

• Tolls and Express Lanes:
  • At least 19 states charge tolls for the use of specific roads, according to AASHTO.
  • Revenues from the tolls are often required to be spent on the toll facilities.
  • States may also include express lanes on certain roads. These allow drivers the option to pay a specified fee to drive on dedicated lanes to help avoid traffic congestion.
Looking Ahead
Looking Ahead

Overall states remain in a strong fiscal position.

However, the double-digit revenue growth and one-time revenue from fiscal 2021 and fiscal 2022 will not continue.

Transportation spending has been bolstered by both federal COVID-19 aid and the Infrastructure Investment and Jobs Act (IIJA).

While additional federal support is helpful, it is not enough to meet all infrastructure demands.

States will need to continue examining alternative funding sources for transportation to meet current and future demands.