

## The Predicament of Funding Roads

Although gas prices have decreased this last week, the prior few weeks have been rough on Nebraska drivers. Due to refineries in Indiana and Illinois shutting down for routine maintenance and the unexpected maintenance shutdowns of refineries in Kansas and Wyoming, gas prices in Nebraska increased dramatically, and for a time Nebraska had the fifth highest average gas price in the nation, trailing only Hawaii, North Dakota, Minnesota, and Illinois.[\[1\]](#)

While the high prices were largely due to regional supply issues, they do raise the question of what affect government policy has on the prices, specifically, gas taxes.

The federal gas tax is set at 18.4 cents per gallon (cpg);[\[2\]](#) Nebraska's is set at 24.6 cpg-plus an accompanying 0.9 cpg fee on gas for a total of 25.5 cpg-and divided between state highways, city and county roads, and the Highway Trust Fund.[\[3\]](#) Nebraska's total gas tax is the 24<sup>th</sup> highest in the nation and higher than any of the neighboring states, Iowa and Colorado both have fuel tax totals of 22 cpg, South Dakota and Wyoming are both at 24 cpg, Kansas has the closest at 25 cpg, and Missouri's is only 18.8 cpg. When combined with the federal 18.4 cpg rate, Nebraskans pay a total of 43.9 cents for each gallon they buy at the pump.[\[4\]](#)

While gas taxes are widely understood to be a user fee for using government roads, they are no longer able to fully fund roads. A recent study by the Tax Foundation showed the amount Nebraska receives from "Fuel Taxes, Tolls, and Other User Taxes and Fees" only covered approximately 31.8 percent of road spending.[\[5\]](#) This shortcoming is only being exacerbated as cars become more fuel efficient, resulting in less gas being purchased and therefore less revenue. This reality has resulted in some policymakers, most notably Virginia Gov. Bob McDonnell, to advocate eliminating the gas tax altogether, replacing it with sales tax.[\[6\]](#)

The idea to use sales taxes to pay for roads is not a new one, and has even been partially implemented in Nebraska. In 2011, the Legislature passed LB84, earmarking 0.25 percent of the revenue from the state sales tax for roads projects from FY2013-14 until FY2032-33.[\[7\]](#) Since its passage this bill has been targeted for repeal twice because it sets aside nearly \$65 million annually and \$1.3 billion over 20 years from the general fund to various roads projects.[\[8\]](#)

Simply raising the gas tax will not solve road funding problems, but increasing other

taxes isn't a solution either. When it comes to roads funding, more innovation is needed that is both fair to consumers and effective in covering infrastructure costs.

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[1] Kevin Cole, "Nebraska, Iowa gas prices among most expensive in U.S.," *Omaha World Herald*, May 21, 2013. Accessed May 22, 2013, <http://www.omaha.com/article/20130520/NEWS/130529965/1694>; Gasbuddy.com, "Prices Nationally." Accessed May 23, 2013, [http://www.nebraskagasprices.com/Prices\\_Nationally.aspx](http://www.nebraskagasprices.com/Prices_Nationally.aspx).

[2] Tom Murse, "Federal Gas Tax Rates," June 28, 2011. Accessed May 23, 2013, <http://usgovinfo.about.com/od/incometaxandtheirs/a/Federal-Gas-Tax-Rates.htm>.

[3] Nebraska Legislature, "Taxes in Nebraska: Nebraska Motor Vehicle Fuel Taxes and Motor Vehicle Registration Fees History and Program Description." Accessed May 23, 2013, [http://www.nebraskalegislature.gov/app\\_rev/source/narrative\\_fueltax.htm](http://www.nebraskalegislature.gov/app_rev/source/narrative_fueltax.htm); Nebraska Legislature, "Taxes in Nebraska: Motor Vehicle Fuel Taxes and Registration Fees." Accessed May 23, 2013, [http://www.nebraskalegislature.gov/app\\_rev/source/motorvehicle.htm](http://www.nebraskalegislature.gov/app_rev/source/motorvehicle.htm); JoAnne Young, "Nebraska gas tax to go down Jan. 1," *Lincoln Journal Star*, December 18, 2012. Accessed May 23, 2013, [http://journalstar.com/news/local/nebraska-gas-tax-to-go-down-jan/article\\_42993e36-e775-57ef-81e9-1a31b244fc51.html](http://journalstar.com/news/local/nebraska-gas-tax-to-go-down-jan/article_42993e36-e775-57ef-81e9-1a31b244fc51.html).

[4] Tax Foundation, "State Gasoline Tax Rates, 2009-2013," March 21, 2013. Accessed May 23, 2013, <http://taxfoundation.org/article/state-gasoline-tax-rates-2009-2013>. In this article it shows Wyoming as having a 14 cpg tax, however they raised it earlier this year to 24 cpg, as noted in Betsi Fores, "States consider increasing gas taxes," *Daily Caller*, March 26, 2013. Accessed May 23, 2013, <http://dailycaller.com/2013/03/16/states-consider-increasing-gas-tax/>.

[5] Joseph Henchman, "Gasoline Taxes and Tolls Pay for Only a Third of State & Local

Spending," Tax Foundation, January 17, 2013. Accessed May 23, 2013, <http://taxfoundation.org/article/gasoline-taxes-and-tolls-pay-only-third-state-local-road-spending>.

[6] Brad Tuttle, "Virginia Is Worried Cars Are Becoming Too Fuel-Efficient," *Time Magazine*, January 16, 2013. Accessed May 23, 2013, <http://business.time.com/2013/01/16/virginia-is-worried-cars-are-becoming-too-fuel-efficient/>.

[7] Unicameral Update, "Bill diverting sales tax revenues to roads projects reduced, advanced," April 20, 2011. Accessed May 23, 2013, <http://update.legislature.ne.gov/?p=4379>.

[8] JoAnne Young, "Revenue Committee hears from supporters and opponents of roads funding repeal," *Lincoln Journal Star*, February 16, 2012. Accessed May 23, 2013, [http://journalstar.com/news/local/revenue-committee-hears-from-supporters-and-opponents-of-roads-funding/article\\_374a8f4f-e4a0-599d-8cd3-b1ab94b5b428.html](http://journalstar.com/news/local/revenue-committee-hears-from-supporters-and-opponents-of-roads-funding/article_374a8f4f-e4a0-599d-8cd3-b1ab94b5b428.html);

JoAnne Young, "Lincoln senator would repeal roads funding through sales tax," *Lincoln Journal Star*, January 24, 2013. Accessed May 23, 2013, [http://journalstar.com/legislature/lincoln-senator-would-repeal-roads-funding-through-sales-tax/article\\_818a4e07-db89-5147-9f0f-c4115a9aef0e.html](http://journalstar.com/legislature/lincoln-senator-would-repeal-roads-funding-through-sales-tax/article_818a4e07-db89-5147-9f0f-c4115a9aef0e.html).

