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**Transportation Funding and Gas Tax Revenue**

Increasing use of public transportation and fuel efficient vehicles has led to a decline in gas tax revenue for many states. This gas tax revenue is for many states the principle source of funding for transportation projects; thus the continual decline in receipts from the tax has many states looking for alternative methods to fill the financial gap and keep transportation funding on an even keel. This report will focus on the vehicle mileage tax, public private partnerships, and consolidation as the principle mechanisms for either increasing revenue or decreasing spending. This report will analyze both American and European initiatives.

**Vehicle Mileage Tax**

The Vehicle Mileage Tax (VMT) is a proposed tax based on miles driven, not gallons of gas used. A Global Positioning System (GPS) mechanism installed in the vehicles would track the distance traveled. For its proponents, the

was a workable option for Oregon.<sup>4</sup> It found that privacy would be protected because information about where drivers travel would not be collected, except insofar as it would be used for "pricing zones," i.e. differentiating between travel in congested areas, rural roads, out of state, etc. Furthermore, the task force found tampering would be minimal, implementation while the gas tax was in place would be feasible.



trucks using the federal highway system. They are measured using GPS technology, and are calculated by truck weight, distance traveled, and emissions produced.<sup>20</sup>

### **Public Private Partnership**

Transportation experts cite public private partnerships (PPPs) as a way to address transportation funding shortfalls. Public private partnerships are contracts that enable the private sector to assume a traditionally public role in infrastructure projects; while holding the public sector ultimately responsible for the project and service to the public. Typically a PPP involves a government agency that contracts with a company to reconstruct, build, control, maintain, or finance a transportation facility.<sup>21</sup> PPPs are not suited for long term transportation projects; however, they reduce the upfront public costs as projects are completed at a faster rate. Other benefits of PPPs include improved efficiency in construction and maintenance, access to private capital, higher customer satisfaction, and enabling public agencies to focus on their strengths, such as long term service planning and environmental clearance.<sup>22</sup> PPPs do not create new money, rather they leverage private financial support to develop infrastructure. Thus, tolls and other sources of public revenue are needed in order to pay back private investments.<sup>23</sup>

PPPs have become popular among state legislatures, as 29 states and Puerto Rico have endorsed them for transportation projects. This development increased in 2010 as 21 states and the District of Columbia considered 52 legislative measures concerning transportation partnerships. Of those proposed, seven states adopted 11 measures, including an inclusive public private enabling statute in Maine.<sup>24</sup> States have created enabling legislation for state or local agencies to enter into PPPs agreements in order to fund highway and transit infrastructure projects. There has been considerable federal support for the use of PPPs. Many senior members from the United States Department of Transportation have expressly advocated for states to enact enabling legislation and enter into PPPs. In 2003, the Federal Highway Act Administrator, Mary Peter, stated, advo225 io /TT0 1 Tf -0.002 Tc 0.225 0 Td (In)Tj /C2\_0 1 Tf 0 Tc 0.77

completion. In a time of funding shortages at all levels of government, it is particularly important that we look to opportunities for the private sector to participate in funding transportation infrastructure improvements.<sup>25</sup>

Figure 1 demonstrates the breakdown of PPPs among the different states.

### Figure 1: Public Private Partnership Legislation<sup>26</sup>

#### Maine

Maine's Department of Transportation has utilized PPPs in order to fund infrastructure developments throughout the state. One example of a public private partnership has been the *Island Explorer* bus service in Acadia National Park (ANP). ANP receives more than three million visitors a year, primarily between the months of June and October. The park roads are congested and parking spaces are insufficient for the

created in 1999 to mitigate these problems. The partnership was originally an agreement between the Mount Desert Island League of Towns, the four island communities, Acadia National Park, and the Maine Department of Transportation. This partnership has expanded to include over twenty federal, state, local agencies, and private companies.<sup>28</sup> The Island Explorer is a seasonal, fare free, public transportation system that provides services to Acadia National Park, the communities on Mount Desert Island, and Schoodic peninsula. In its first operating season, it carried 140,000 passengers. By 2009, ridership exceeded 360,000. This project would not be able to operate without funding from private businesses, thus highlighting the benefits of public private partnerships. Other PPPs in Maine include:

- Highway Ellsworth, Route 1 and Route 3,
- Industrial Rail Access Program (IRAP),
- Small Harbor Improvement Program (SHIP),
- 511 Travel Information, and
- *Shoreline Explore* and *Mountaineer Explorer* bus services.

The Maine Department of Transportation notes how these types of partnerships have not been used to their full potential and how they would like to continue to develop them in order to support infrastructure developments.<sup>29</sup>

## Europe

Public private partnerships have played a prominent role in the development and finance of transportation infrastructure throughout Europe. France and Spain were the first two countries that employed PPPs to fund transportation projects, particularly tolled highways. In 1960, Spain began to invite concessionaries to build the *autopista* network and in 1970 France began private *autoroute* concessions. In the 1980s, the United Kingdom became the leader of PPPs for transportation projects. These forms of agreements were bolstered by the establishment of the European Union. The European Commission has initiated laws that regulate and standardize PPP procurement and practices, and created tools such as the European Investment Bank to regularly make loans to support the development of PPP initiatives within Europe.<sup>30</sup>

One of the most notable examples of PPPs is the London Underground. In May of 2003, the Department of Transportation entered into three 30 year PPPs for the maintenance and renewal of London Underground trains, stations, tracking, and signaling. These agreements allowed for an estimated 15.7 billion euro investment over thirty years from the private

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<sup>28</sup> Maine Department of Transportation, "Chapter 4: Investment Initiatives."

<sup>29</sup> Maine Department of Transportation, "Summary of the Capital Work Plan for FY 2012 2013," April 4, 2011, accessed May, 1, 2011, [http://www.maine.gov/mdot/planningdocs/bcwp2012\\_2013/summary.htm](http://www.maine.gov/mdot/planningdocs/bcwp2012_2013/summary.htm).

<sup>30</sup> Benjamin Perez and James March, First International Conference on Funding Transportation Infrastructure, "Public Private Partnerships and the Economics of Infrastructure," January 2011, <http://www.firstmonday.org/issue/jan11/perez-march>.

sector.<sup>31</sup> This split responsibility between the private and public sector in a

Governor Patrick had this to say about the gas tax increase:

Raising the gas tax is a last resort, and without it, our economy will suffer. Our long term job growth and economic security, along with the safety of our roads and bridges, depends upon both major reforms and new revenue now.<sup>36</sup>

## Oregon


In 2011, Oregon's Director of Transportation Matt Garrett announced his plan to improve the efficiency and financial sustainability of the department. Garrett's plan calls for a 5% reduction in staff over the next 5 years.<sup>37</sup> As opposed to lay offs, Garrett plans to use attrition to move the department to a 5% 9807-98505ex2250T\_d(1)TC2\_0150(8)TC3\_31WT316FD003101701FD0000



## Current Federal Developments

On March 30, 2011 the U.S. House of Representatives Subcommittee on Highway and Transit of the Committee on Transportation and Infrastructure heard testimony from John Njord, the Executive Director of the Utah Department of Transportation, concerning the future of the nation's "surface transportation programs."<sup>45</sup> Executive Director Njord's report focused on several areas of improvement and reform for the Federal Department of Transportation. One recommendation involved the consolidation of "federal funding silos."<sup>46</sup> Njord contends that states are having trouble appropriately funding projects in need due to the "complexities and restrictions associated with the various federal funding categories and numerous set asides. With funds divided into so many separate silos, each with their own eligibility criteria, the highest ranked needs can't always be funded since projects must match available funding sources."<sup>47</sup>

## Conclusion

The increased use of fuel efficient cars and public transportation has led to the decline of revenues from gas taxes. Revenues generated from gas taxes were used to support transportation infrastructure projects among different states. Thus, this decline has caused budget shortfalls for transportation departments. Transportation experts have proposed different solutions to mitigate these problems; such plans  states. generated to