



GOVERNORS' BUDGETS FOR FY2020: TRANSPORTATION AND INFRASTRUCTURE

April 1, 2019

Overview

This year, governors made several significant recommendations related to transportation and infrastructure. Over the past six years, more than half the states have taken actions to raise their fuel tax revenues. Many of the actions were the result of multi-year transportation plans and were combined with other revenue-raising actions. At least seven governors this year, including four in the Great Lakes region, proposed new increases in state gas taxes to help meet transportation and infrastructure demands. If the seven proposals pass, it would raise to 33 the number of states that have increased motor fuel taxes since 2013. In addition to raising fuel taxes, other proposals include new bond sales, added tolling, new electric and hybrid vehicle fees, increasing motor vehicle sales taxes, and increasing vehicle registration fees. Also related to infrastructure, at least 11 states included the expansion of broadband internet, particularly to increase access in underserved communities.

Below are summaries of significant executive-level proposals regarding transportation and infrastructure for fiscal 2020, along with links to supporting documents. The state examples are meant to be illustrative but not exhaustive.

Alabama

On March 5th, Governor Kay Ivey called a [special session](#) to address the state's ongoing infrastructure issues. The special session was focused on legislation to levy an additional excise tax on gasoline and diesel fuel; legislation to provide for effective legislative oversight of the Alabama

Department of Transportation; and legislation to provide the Alabama Highway Finance Corporation with authority to borrow money and issue bonds for the purpose of improving the Alabama State Docks and the Mobile Bay ship channel. In calling the special session, the [governor](#) noted that, "It's time to make our crumbling infrastructure system a problem of the past." On March 12th, Governor Ivey signed legislation increasing the state's [gas tax](#) and other transportation revenue, as well as legislation allowing the state to borrow for the [Mobile Ship Channel](#). Specifics on the enacted legislation include: phasing-in a 10-cent increase of the gas tax over three years; making automatic adjustments to the gas tax up to a cent every two years beginning in 2023; imposing a \$200 annual fee on electric vehicles; implementing a \$100 fee on plug-in hybrids; and allowing the state to borrow up to \$150 million for improvements at the Port of Mobile.

Arkansas

On February 11th, Governor Asa Hutchinson and legislative leaders announced details of a proposed two-part, \$300 million, [highway plan](#). [Legislation](#) for the first part of the long-term plan was signed by the governor on March 12th and provides \$95 million annually for transportation through user fees and dedicated funds from casino revenue. Specific [funding](#) includes: increasing the wholesale sales tax on gasoline by 3 cents and diesel by 6 cents, generating \$58.1 million; additional registration fees for hybrid and electric vehicles, providing \$2.0 million; and dedicating \$35 million from casino tax revenues and restricted reserve funds or other general revenue. On March 7th, the legislature passed a [resolution](#) supporting the second part of the long-term transportation plan. The



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resolution gives voters the opportunity to vote on extending a 1/2-cent sales tax increase approved in 2012, generating \$205.6 million a year for highways. After signing legislation approving the highway funding plan, the [governor](#) said, “Our roads are vital to so many areas of everyday life. We need good streets to get to work, school, stores, and doctor appointments. Our farmers need good roads to deliver their crops to the market. We need great highways if we are going to compete for the industry and business that are crucial to continuing to improve our quality of life. We have done this for ourselves and for our future.”

Connecticut

On February 20th, Governor Ned Lamont released his [budget proposal](#) for fiscal 2020-2021. As part of his budget recommendation, the governor proposed additional investments in [infrastructure](#) through electronic tolling. The governor noted that Connecticut’s [transportation](#) fund is on track to become insolvent soon and that urgent action is needed to pass a modernized and efficient transportation system. Additionally, the governor has said that he does not support further raising the gasoline tax, which he believes is already too high, or additional borrowing, which would add to the state’s debt. In place of raising the gas tax or additional borrowing, Governor Lamont put forward two [options](#) for additional funding for the transportation system. The first plan would toll only trucks and could generate \$200 million annually if applied to all major state highways. The second plan would apply to both trucks and cars, generating \$800 million annually, while providing a discount to Connecticut drivers. In discussing his plan, the [governor](#) said, “A reliable, sustainable revenue source – 40 percent of which will be paid for by people who don’t even live here – is necessary to make the infrastructure investment we need to get our state growing again. My plan includes discounts for Connecticut EZ-Pass holders and frequent commuters and assistance for low-income individuals and families, as well. Simply put, a 21st century economy cannot be supported by a 20th century transportation system.”

Hawaii

On January 24th, Governor David Ige proposed [legislation](#) to increase the state’s gas tax and vehicle fees. In justification

for the proposal, the [administration](#) said, “The fate of the state’s ability to provide safe and efficient roadways to the public relies on its ability to require the needed funding for all highway programs and projects.” The proposed legislation would increase the state’s gas tax from 16 cents to 22 cents for Oahu residents, and from 16 cents to 21 cents for residents of the other islands. The legislation also calls for increasing annual registration fees from \$45 to \$50, as well as raising the state vehicle weight tax. In addition to the current proposal, the administration is examining creating a [road usage charge](#) system in the future, in which drivers would pay for the number of miles driven.

Michigan

On March 5th, Governor Gretchen Whitmer called for additional infrastructure funding in her fiscal 2020 [budget proposal](#). The governor’s [Fixing Michigan Roads Plan](#) is centered around three tenets: a sustainable long-term solution to improve state road condition to 90 percent good or fair in ten years by targeting investments to the most highly-traveled roads; replacing diversions from the General Fund with constitutionally protected revenues, freeing up existing state funds for investments in education; and providing a tax offset to mitigate the impact for low income families. The plan calls for a cumulative 45-cent motor fuel tax phased-in in 15-cent increments, raising the state gasoline and diesel taxes from 26.3 cents to 71.3 cents. The measure would generate \$2.5 billion in new transportation revenue when fully phased-in. In addition, the governor called for increasing the earned income tax credit from 6 percent to 12 percent of the federal credit over two years to help mitigate the impact of the motor fuel tax increase on working, low-income families. In discussing her plan, the [governor](#) said, “We have the worst roads in the country, and I am proposing a plan that will permanently fix our roads while keeping the costs fair for seniors and low-income families. I know this won’t be easy, but with one historic vote we can make the investments that are necessary to finally start fixing the damn roads.”

Minnesota

Governor Tim Walz released his two-year [budget proposal](#) for fiscal 2020 and fiscal 2021 on February 19th, calling for added investments in transportation and infrastructure.



The proposal noted that Minnesota's transportation system is aging and struggling to keep up with the demands of a growing population, and that the state will need \$18 billion over the next 20 years above current revenues to simply operate and maintain current roads and bridges. The recommended [transportation funding plan](#) includes a series of measures: a 20-cent gas tax increase phased in over two years, and indexing the gas tax to inflation beginning in fiscal 2023, raising \$6.5 billion over 10 years; increasing the registration tax to raise approximately \$4 billion over ten years; increasing the motor vehicle sales tax from 6.5 percent to 6.875 percent, raising \$300 million for roads and bridges over 10 years, and \$205 million for transit purposes; and authorizing \$2 billion in trunk highway bonds over 8 years starting in 2022. Additionally, to help lower- and middle-income residents pay for transportation investments, the governor proposed increasing the Working Family Credit by \$100 for single recipients and \$200 for married filing jointly recipients. In discussing his recommendation, the [governor](#) said, "My budget proposes a 20-cent increase in the gas tax to keep Minnesotans safe, help businesses and farmers get goods to market, and ensure nothing like the I-35 bridge collapse happens again. This is not a choice between whether we want the gas tax or not. It is a choice between living in a state with the best transportation system in the country or one with crumbling roads and bridges that risk our safety and keep away businesses."

Missouri

On January 16th, Governor Michael Parson released his [fiscal 2020 budget proposal](#) with a focus on infrastructure. In his [recommendation](#), the governor called for using \$351 million in bonding proceeds for 250 bridges statewide in need of critical repair or replacement. The governor also called for using \$5 million for a rural broadband expansion, \$50 million for a transportation cost-share program with local communities, \$10 million for multipurpose water resource programs, and \$20 million for deferred maintenance at higher education institutions. The governor stated that accelerating the repair or replacement of bridges will in turn free up funding for additional transportation projects. Additionally, the [governor](#) said, "Missouri has one of the nation's largest highway systems with one of the

lowest levels of funding in the country – it is now time to fix Missouri's infrastructure needs."

Montana

Governor Steve Bullock released his fiscal 2020-2021 biennial [budget proposal](#) on November 15th. In his recommendation, the governor proposed investing \$290 million in infrastructure, including over \$148 million for local projects for drinking water, wastewater, bridges and other purposes, financed through a combination of cash and bonds. In his State of the State speech, the [governor](#) called on the legislature to support additional transportation funding and said, "We rank 47th in state debt, per capita. Other states have chosen to incur reasonable borrowing rather than passing on crumbling infrastructure to their kids. We are out of step with the rest of the country. Break the logjam. This session, let's deliver infrastructure for Montana for now and for future generations of Montanans."

North Carolina

Governor Roy Cooper released his fiscal 2020-2021 [budget](#) on March 6th. In his budget, he called for \$4.5 billion in added investments in [infrastructure](#) through a combination of voter-approved bonds, state agency receipts, general funds, and limited obligation financing. The governor noted in his proposal that the state's AAA credit rating affords it the lowest interest rates, and that a blended approach to address capital means that the state can maintain its level of debt service while providing for the ongoing need for modern, safe buildings and infrastructure. The governor called for placing \$3.9 billion in general obligation bonds on the 2020 ballot. The \$3.9 billion would go towards: directing \$2 billion in a school construction bond to build and renovate schools; directing \$800 million to begin addressing water and sewer infrastructure; investing \$500 million to improve higher education facilities; investing \$500 million for the community college system; and investing \$100 million for cultural infrastructure. Additionally, the governor proposed using \$288 million in limited obligation bonds for strategic state agency investments, and \$315 million in general fund receipts to improve building efficiency, ensure safety, and plan for future projects.



Ohio

On February 20th, Governor Mike DeWine proposed a [transportation budget](#) that would increase the state's motor fuel tax by 18 cents beginning on July 1st. Earlier, on February 15th, the [Advisory Committee on Transportation Infrastructure](#) recommended an increase in the motor fuel tax to maintain and improve Ohio's transportation system. The governor's proposal would increase the state motor fuel tax rate from 28 cents to 46 cents per gallon beginning in fiscal 2020 and would index the rate with the consumer price index (CPI) beginning in fiscal 2021. It is estimated that the 18-cent increase in the gas tax would raise an additional \$1.2 billion for state and local transportation infrastructure projects in fiscal 2020. The measure is currently being considered by the legislature, which has proposed decreasing the size of the gas tax increase. The [governor](#) has stated that he is willing to work with the legislature, but believes that the 18 cents is the minimum increase needed to adequately address an estimated \$1.2 billion annual hole in the budget for state and local roads and bridges.

Pennsylvania

On January 31st, Governor Tom Wolf released details of his [Restore Pennsylvania](#) plan. The proposal calls for investing \$4.5 billion over the next four years in significant, high-impact projects funded by the monetization of a severance tax. In speaking about his plan, the [governor](#) said, "It is far past time that Pennsylvanians stop allowing our commonwealth to be the only state losing out on the opportunity to reinvest in our communities. And as long as that is allowed to continue – my vision of a restored Pennsylvania that is ready to compete in the 21st century economy will never become reality." Areas in which the governor has called for added infrastructure investments include: high speed internet access; storm preparedness and disaster recovery; downstream manufacturing, business development, and energy infrastructure; demolition, revitalization, and renewal; and transportation capital projects.

Wisconsin

Governor Tony Evers presented a two-year [budget proposal](#) for fiscal 2020 and 2021 on February 28th, while calling for a new approach to transportation financing. The governor's budget proposal recommends a \$6.6 billion transportation investment through raising the motor fuel tax, increasing heavy vehicle registration fees and title fees, and activating the hybrid vehicle surcharge fee. Specific revenue changes include: raising the motor fuel tax by 8 cents per gallon and eliminating the markup on motor fuel; restarting indexing of the Motor Fuel Tax to the consumer price index; increasing heavy truck registration fees by 27 percent; increasing the title fee on original or transfer vehicle titles; and collecting the hybrid vehicle fee. At the same time, the proposal authorizes the lowest amount of new bonding for highway purposes in the last two decades and ends the transfer of general purpose revenue to the Transportation Fund. The [governor](#) highlighted his plan in his budget address saying, "I'm proposing the largest biennial investment in transportation in Wisconsin state history. But this won't be a one-time fix. We're going to raise more than \$600 million in new revenues to fix our roads, bridges, and highways and make sure that our transportation fund is sustainable for our future."

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