



TESTIMONY

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SENATE BILL 262 AND AN INCREASE IN STATE FUEL TAXES

By Jakob Puckett

**Testimony before the Missouri Senate Transportation, Infrastructure,
and Public Safety Committee**

TO THE HONORABLE MEMBERS OF THIS COMMITTEE

My name is Jakob Puckett, and I am a policy analyst for the Show-Me Institute, a nonprofit, nonpartisan Missouri-based think tank that supports free market solutions for state and local policy. The ideas presented here are my own. This testimony is intended to provide relevant material regarding the potential increase of Missouri's fuel tax.

Upon the legislature's approval, Missouri Senate Bill 262 would place before Missouri voters in 2022 the option to increase the state's regular and diesel fuel taxes by 2 cents per year for five years, until the fuel tax reaches 27 cents per gallon in 2026. According to state law, 70 percent of these funds would be directed toward the state road fund to maintain roads and bridges under state jurisdiction,

and 30 percent would go to cities and counties to maintain roads under their jurisdictions.¹

The fiscal note for Senate Bill 262 expects that it would raise over \$400 million each year once fully phased in. Approximately \$288 million would be directed to the state and \$123 million directed to cities and counties.

Missouri's fuel tax of 17 cents per gallon was last raised in 1996. Due to inflation, 17 cents then are worth roughly 8 cents now. A 10 cent per gallon increase would roughly adjust the tax for inflation since 1996. However, the full 10 cent increase would not be in place until 2026, and we can reasonably expect more inflation in the coming five years.

Inflation is not the only force eating away at the value of fuel tax revenue. Better vehicle fuel economies mean that drivers get more bang for their gas tax buck. Since 2008, usage of

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Missouri's roads, as measured by vehicle miles traveled, has increased by 12 percent, while fuel tax revenue has actually decreased by 0.5 percent.² Additionally, the costs of construction materials have increased, often faster than inflation.³

These factors have stretched the road and bridge maintenance budget of the Missouri Department of Transportation (MoDOT). According to MoDOT, \$745 million of high-priority road and bridge projects go unfunded each year.⁴

This underfunding can have consequences beyond just crumbling roads. Keeping Missouri's roads and bridges in good condition is a prudent economic investment. According to the Missouri Chamber of Commerce, over 83,500 Missourians are employed in transportation and warehousing jobs that rely on quality roads.⁵ Over \$700 billion of products travel on Missouri's roads each year, and this total is projected to increase to \$1.2 trillion by 2030.⁶ MoDOT estimates that poor road quality costs the average Missouri driver \$59 per month in additional vehicle repair, tire wear, and fuel costs, with a total cost to all drivers statewide of \$3 billion per year.⁷ Academic research has also found that \$1 spent to keep a road in good condition today saves \$4 to \$5 dollars in future repair costs.⁸ MoDOT estimates that a 10 cent per gallon fuel tax increase would cost an average driver \$5 per month.⁹

Increasing fuel taxes to pay for transportation infrastructure has the benefit of tying road usage to paying for its upkeep to some extent, mitigated somewhat by increasing fuel economies and non-gasoline powered vehicles. As the National Surface Transportation Infrastructure Financing Commission has noted, funding roads through methods not related to their use promotes inefficient vehicle and travel choices. This, in turn, leads to faster road deterioration, wasted fuel, traffic congestion, and air pollution.¹⁰ While fuel taxes do not match road usage with payment for its upkeep as directly as tolling does, they do a better job than the most common alternative of funding roads through general sales taxes on items other than fuel.

Senate Bill 262's proposed fuel tax increase does not appear to be unreasonable. Fuel tax revenue is derived

from road users, and mostly in proportion to their use of the roads. The additional revenue at the state level may be able to fill some budget shortfalls, and cities and counties would also be able to spend more money on maintenance of local roads.

However, this increase in the fuel tax will not be sufficient to fully modernize the state highway system. As those expensive improvement projects become necessary, the state should continue looking for market-based solutions for highway funding such as tolling and ensuring the costs of road maintenance are fairly borne by the vehicles causing the most damage. Increasing the fuel tax should not be the end of the conversation for providing sustainable funding for one of Missouri's most important assets.

Jakob Puckett is an analyst at the Show-Me Institute.

ENDNOTES

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