



# TESTIMONY

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## HOUSE BILL 1594: REPEALS THE INCREASE TO THE TAX ON MOTOR FUEL

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**Testimony before the Missouri House Special Committee on  
Government Oversight Education Committee**

Thank you for the opportunity to testify. Our names are Elias Tsapelas, senior policy analyst, and Jakob Puckett, policy analyst. We are from the Show-Me Institute, a nonprofit, nonpartisan, Missouri-based think tank that advances sensible, well-researched, free-market solutions to state policy issues. The ideas presented here are our own and summarize Show-Me Institute research regarding the fuel tax increase passed last year in Senate Bill 262.

Show-Me Institute analysts have previously submitted testimony in support of increasing Missouri's state fuel tax.<sup>1</sup> Last year, when Senate Bill 262 was introduced, Jakob submitted testimony in support. As introduced, the bill would have placed 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 reached 27 cents per gallon in 2026. Later,

the bill was amended to increase the yearly gas tax hike to 2.5 cents per gallon, along with a refund mechanism for the new tax, and the referendum provision was removed.

We support funding transportation through user fees, in this case fuel taxes, because user fees connect road usage to maintenance for upkeep. The Missouri Department of Transportation (MoDOT) has stated that it has a backlog of unfunded, high-priority transportation projects totaling \$745 million each year. Given MoDOT's stated need for more funding and the importance of the state highway network to Missouri's economy, we supported SB 262's gradual fuel tax increases to bridge the gap between Missouri's road usage needs and funding to maintain them. But the refund provision that allowed for the circumvention of voter approval of the proposal requires additional scrutiny of the bill.

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Prior to SB 262, Missouri had not raised its gas tax in more than 25 years. It's not a coincidence that our state's most recent tax hike came before Article X, Section 18(e) of Missouri's Constitution went into effect. This section of our state constitution, part of the Hancock Amendment, purportedly protected taxpayers from the General Assembly raising taxes above a certain threshold without voter approval. Every other time that a gas tax hike had been considered since Article X, Section 18(e) was enacted, the issue was sent to voters, where it was then defeated. Last year, with the help of a convoluted refund scheme for new gas tax revenues, the General Assembly decided to pass SB 262 with the hope that voter approval would not be needed. While we still do not know whether SB 262 will ultimately violate Article X, Section 18(e), there's reason to believe it could. Even the fiscal note for SB 262 noted it was a serious possibility. Raising taxes in a manner that may violate the state's Constitution in an effort to avoid the public's input on the issue is certainly not a good way to govern. Given what we know now regarding the enormous influx of federal funds for road maintenance, HB 1594 offers lawmakers an opportunity to consider changing course to avoid setting such a precedent.

As mentioned, the situation regarding funding Missouri's roads does not look the same as it did last year, even though SB 262's fuel tax increase has only begun to take effect. Due to the federal Infrastructure Investment and Jobs Act (IIJA), Missouri will receive \$6.5 billion from the federal government to use for road maintenance and \$484 million for bridge maintenance. Missouri can also expect to receive \$400 million over five years to reduce transportation emissions, enhance transportation resilience, and improve safety. Additionally, Missouri can compete for billions of dollars more in funding for bridge investment and megaprojects.<sup>2</sup>

Given the new fiscal outlook for road funding in Missouri, lawmakers should consider whether SB 262's fuel tax increases are necessary in the immediate future. IIJA funding is available for five years. SB 262's fuel tax increase would be fully phased in after five years, representing an approximately \$500 million increase in revenues compared to current levels.<sup>3</sup> If lawmakers deem the extra fuel tax revenue from SB 262 to be unnecessary in light of the availability of IIJA funding, it may be worthwhile to consider creative solutions regarding the future of the fuel tax increase.

However, lawmakers and MoDOT officials should also consider the limitations placed on using IIJA funds from the Federal Highway Administration's (FHWA) recently released guidance. The FHWA's guidance restricts IIJA funding to projects that meet certain criteria, which may affect MoDOT's intended use of the money. For instance, the FHWA states that IIJA funding decisions should prioritize the maintenance of the existing road and bridge network rather than any expansion. In practice, this directive means that the FHWA will fast-track environmental review for many types of projects, but not those that involve expanding road and bridge capacity—which could result in years of delays for expansion-related projects even if those projects would meet critical transportation needs.<sup>4</sup> While there may be fewer critical expansion projects than maintenance projects, it is important for policymakers to understand the limitations placed on IIJA funds.

MoDOT has already released a list of projects it would like to use IIJA funds for and should review those projects with the FHWA's guidance in mind to see which might be affected by limitations on the use of funding imposed by the IIJA.<sup>5</sup>

Given this the new situation and the bad precedent set by SB 262, it would be worthwhile for policymakers to reassess last year's fuel tax increase and determine if it is still the best path forward for Missourians.

## ENDNOTES

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