



Gas prices hit highway budget

State looks for options as gas-tax income drops with less gasoline use

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With gas hovering around \$4 a gallon, North Carolina residents are buying less gasoline and more fuel-efficient cars.

That's good for the environment but not so good for the state's transportation budget, which gets 40 percent of its revenue from the tax of 29.9 cents a gallon.

The state collected \$24 million less in gas-tax revenues in fiscal year 2008, which ran from July 1, 2007, to June 30, 2008.

The trend is continuing into the new fiscal year. In July, the gas tax generated \$123 million -- \$7 million less than last July. Mark Foster, the chief financial officer for the N.C. Department of Transportation, said he expects a similar decline in August.

In light of the downward spiral in gas consumption and a rise in construction costs, the state will need to look for new ways to pump money into the N.C. DOT's budget, said Brad Wilson, the chairman of the 21st Century Transportation Committee.

The General Assembly appointed the committee in 2007 to study myriad pressing transportation issues, including alternatives to the state gas tax.

At the end of the year, the committee will present a list of recommendations to the General Assembly.

"In an age when people are conserving gasoline to save money and help break free of our oil addiction, this has been good for the environment," said Mayor Allen Joines, a member of the committee. "But this is no longer a viable way to raise money for roads. The committee recognizes that North Carolina has got sort of a perfect storm with regards to transportation. We have increased population, an increase in miles traveled but a flat revenue source."

The highway-use fee, which is in effect a 3 percent sales tax, is also down because people are buying smaller cars that get better gas mileage.

Wilson said that the committee has mulled over several options that will either supplement or replace the gas tax.

Some of those alternative sources of revenue include:

- Increasing fees for such things as automobile tags or getting a driver's license.
- Building toll roads.
- Getting more money back from the federal government for every dollar it contributes. From 1956 to 2006, the state got about 82 cents for every dollar it contributed to the federal Highway Trust Fund. Today, the state gets back 85 to 90 cents on the dollar, Foster said.
- Taxing drivers for every mile they exceed over a state average, though the technology to monitor that option is not yet in place, Wilson said.

"Is there technology available that you could track it efficiently and effectively and fairly? That's where we break down and stumble," he said. "I'm not satisfied that the technology is mature enough yet to move to that model entirely."

The committee tried to come up with ideas that put the burden on the user, much as state legislators did in 1921 when they first established the highway trust fund.

"They adopted a user-pay model, and the measure was how much fuel do you consume?" Wilson said. "That served us well for a long, long time, but that measure of use is now failing us."

However, he cautioned that none of the proposals has been fully developed.

"We haven't made any decisions," he said. "This is a work in progress."

Pat Ivey, the division engineer for the DOT in Winston-Salem, said that a shortfall in gas-tax revenue means that roads don't get built, repaved or maintained. Though the shortfall won't affect projects under way, it will delay future projects.

He said that it is too early to say which projects will be affected.

The trend toward less driving and more fuel-efficient cars has also driven down revenues for the federal Highway Trust Fund, which funnels billions of dollars to the states for road and bridge projects.

Earlier this month Congress and the Bush administration approved an \$8 billion rescue package for the fund after Transportation Secretary Mary Peters said that it would run out of money by the end of September.

The American Road and Transportation Builders Association, using Transportation Department figures, said that without the fix, federal highway aid to the states would drop from \$35 billion in the fiscal year ending Sept. 30 to \$24 billion in the next fiscal year 2009. It estimated that without congressional action, 379,000 jobs would be lost.

The N.C. DOT has imposed a hiring freeze amid the uncertainty about federal financing.

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 - The Associated Press contributed to this report.
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Downward trend

Less demand for gasoline has meant a decline in the amount of revenue that North Carolina collects from its motor-fuel tax:

Fiscal-year revenue - Amount

2006 - \$1.47 billion

2007 - \$1.58 billion

2008 - \$1.56 billion

One-month revenue - Amount

July 2008 - \$130 million

July 2009 - \$123 million

Source: N.C. Department of Transportation

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