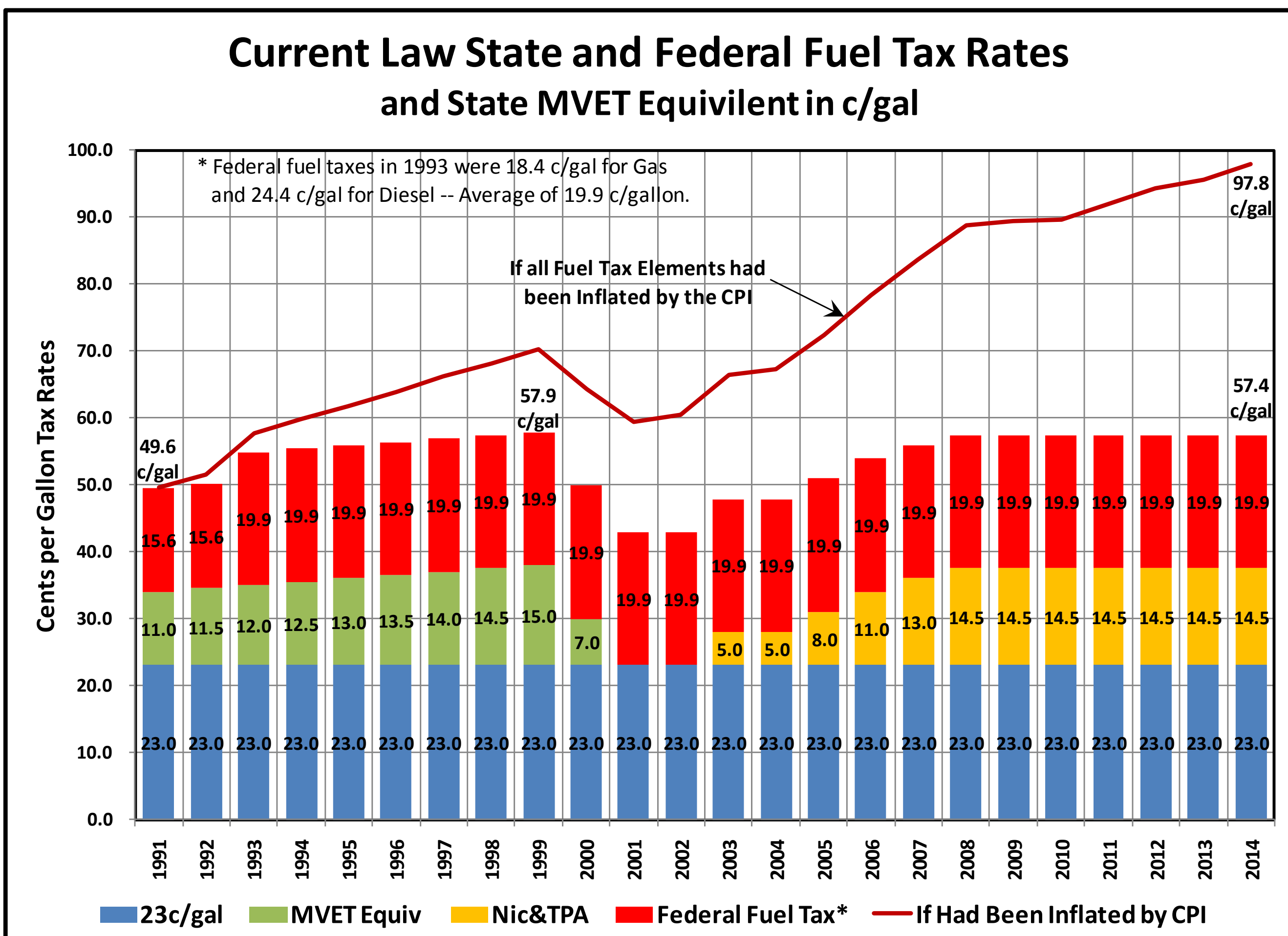
The Major Neglect of Roadway Funding

By James W. MacIsaac, P.E. June 2, 2014

Last week we watched the WSDOT attempt to repair the aging expansion joints on I-5 with little more than a chewing gum budget. Over the past two decades this region has poured more and more new tax funding into our transit systems, even though the daily transit share of person trips in the region continued to decrease. In 2000 when the Motor Vehicle Excise tax dedicated to highway and transit system use was eliminated, transit immediately increased its sales tax rates to largely offset the revenue losses.

Though the MVET revenue provided 40% of road funding revenues (fuel tax and MVET revenues) by 1999, no urgency was placed on restoring that 40% loss of road funding for several years. The MVET had been increasing faster than CPI inflation. It had increased from 32% of road revenues (exclusive of permit and weight fees) in 1991 to 40% by 1999. Finally in 2003 the Legislature approved the 'Nickel' fuel tax increase. It only restored about one-third of the MVET revenue loss. And without being indexed by inflation, that increase immediately began to deflate in relation to the former MVET revenues.

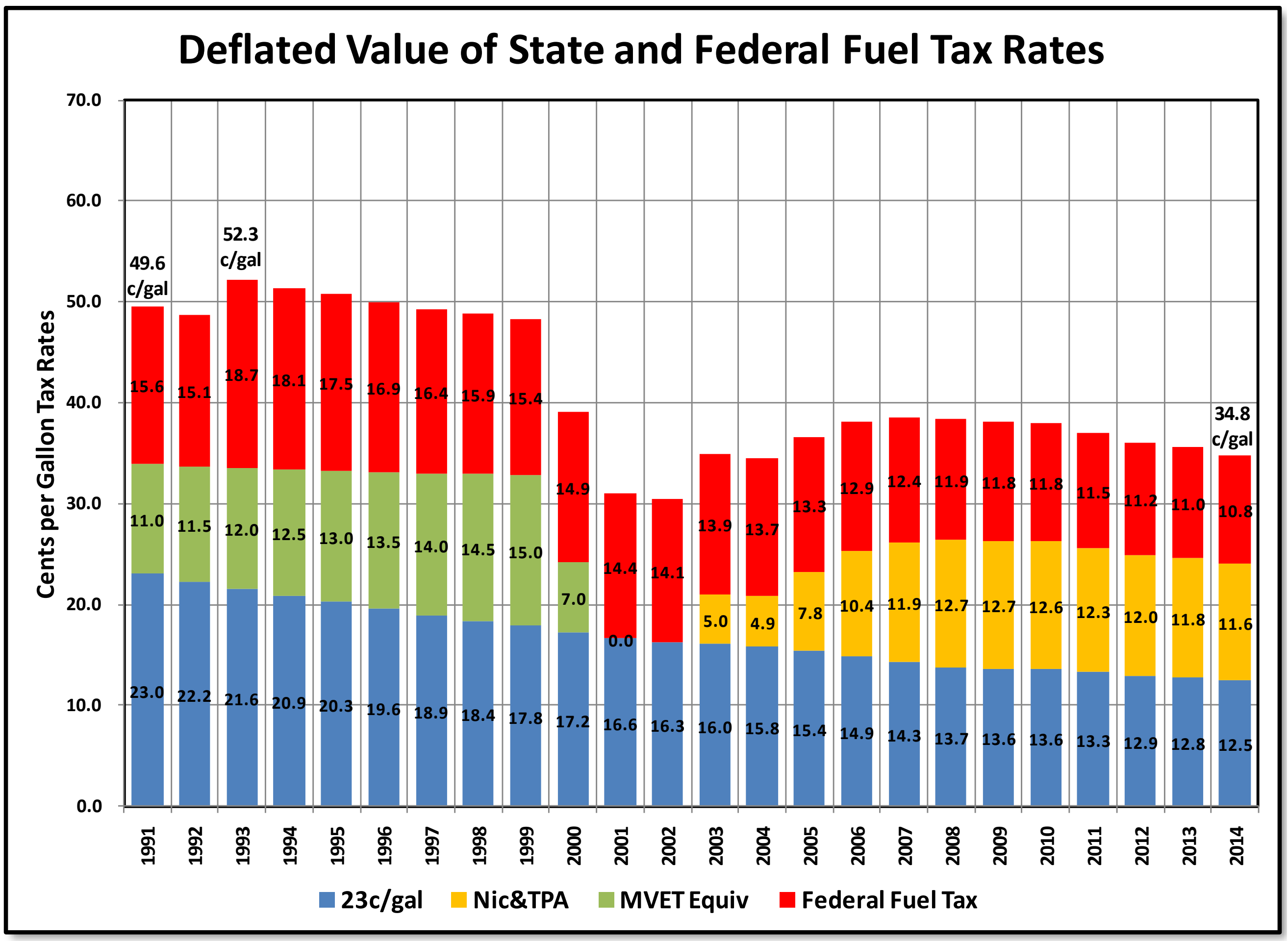
Beginning in 2005, the 9.5% TPA fuel tax began to be phased in. But without inflation indexing, it still had not matched the 1999 combined fuel tax and MVET equivalent tax rates. Since 2008 road fund rates per gallon of fuel again begin to deteriorate against inflation. Likewise, the federal fuel taxes were last adjusted in 1993 without inflation indexing, and have never since been increased.



The above chart shows how the combined state and federal fuel tax rates plus state MVET equivalents in c/gallon reached 57.9 c/gallon by 1999, lagging the CPI growth rate from 1991 due to the lack of indexing. Then the great falloff as the MVET revenues disappeared. Even with the 'Nickel' and TPA state fuel tax increases, the combined state and federal fuel tax rates barely reached the 1999 levels by 2008, and remained fixed at 57.4 c/gallon ever since.

If the state and federal fuel taxes had been indexed by the Seattle CPI to maintain the 1991 funding levels, they should have reached 97.8 c/gallon by 2014 to maintain the 1991 road funding level.

As an alternative way of viewing the loss in road buying power, the next chart shows how the fuel tax rates have been eroded away against CPI inflation. Combined state and federal road buying power has decreased from the equivalent of 52.3 c/gallon in 1993 to the equivalent of 34.8 c/gallon by 2014. The original 23c/gallon state fuel tax declined by nearly half to an equivalent buying power of 12.5 c/gallon in 2014. The 'Nickel' and TPA state fuel tax increases had only about matched the 1991 buying power of the former MVET that was eliminated in 1999. The federal fuel tax average increased from 15.6 c/gallon in 1991 to 19.9 c/gallon in 1993 and eroded to 10.8 c/gallon by 2014.



Keep in mind that all of the above reflects tax rates only. Actual revenues also grow by the growth in fuel consumption. However, the increasing fuel efficiency of gas powered vehicles and the increasing share of duel powered and electric vehicles has nearly ended the growth rate of fuel consumption in the vehicle fleet.