



View from the Chair

Missouri Highways and Transportation Commission

Senate Bill Filed to Increase Fuel Tax to Close Funding Gap

March 5, 2015



Dear «GreetingLine»

I have written previously about the \$160 million funding gap MoDOT faces and have promised to discuss possible solutions. One possible – and partial – solution has been offered by Senator Doug Libla who last week filed Senate Bill 540 that would raise the tax on fuel by two cents each of the next three years, thereby increasing the tax on fuel from 17 cents to 23 cents per gallon.

Each one-cent increase in gas tax yields approximately \$39 million per year. Of that amount 15 percent goes to cities and 15 percent goes to counties. MoDOT receives 70 percent, or approximately \$27 million. That means it will take a six-cent increase to close the \$160 million gap. If passed by the General Assembly this session, the first two-cent increase would become effective January 1, 2016 and the gas tax would increase from 17 to 19 cents – still lower than all but one of our eight neighboring states. MoDOT would begin receiving the new revenue by the end of March 2016. By 2018, the increase would fully phase in bringing the total to 23 cents. Ironically, if the legislation in 1992 had indexed the fuel tax to keep pace with the Consumer Price Index, the fuel tax today would be more than 23 cents – and our problem today would not be as grave. SB 540 would avoid a similar result by indexing the fuel tax in the fourth year.

At the current time there are two transportation funding bills filed in the House. Rep. Keith English has filed HB 995 which would provide a one-year, two-cent increase and Rep. Dave Hinson has filed HB 738 which would convert the fuel tax from cents/gallon to a percentage. More on these later.

The 2-2-2 plan proposed by SB 540 and the two house bills, have a long way to go. The filing of legislation is only the first step. The vast majority of bills filed never even make it to a final vote – much less enactment. But the filing at least allows for conversation and public debate. Let the debate begin!

Onward!

Stephen R. Miller
Chairman

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