

# LEGISLATIVE RESEARCH UNIT

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## ROAD FUNDS FOR NON-ROAD USES

asked us on your behalf about other states that use some motor fuel tax revenues to fund non-road transportation, such as public transit. He said that Maryland has a "transportation fund" that supports public transit as well as roads, and asked whether other states have similar funds. He also asked whether any other state has a fund called "Transportation Fund" rather than "Road Fund." Most of the states listed below call their main fund supported by motor fuel tax revenues and vehicle license fees a "Transportation Trust Fund" or a similar name.

We contacted the Maryland Department of Transportation to ask about funds of other states that are similar to its Transportation Trust Fund. Its chief financial officer provided a report done in 2004 by the Maryland Department of Legislative Services that identifies nine states with transportation funds similar to Maryland's: Connecticut, Delaware, Florida, Louisiana, Pennsylvania, Tennessee, Vermont, Virginia, and Wisconsin. The report said those states and Maryland had "multi-modal transportation funds"—defined as funds supporting multiple transportation modes, including highways, mass transit facilities, ports, airports, and/or state police departments. The report also identified California and New Jersey as states funding public transit from motor fuel tax revenues. Alaska prohibits dedicated-purpose funds. The other 37 states have transportation funds primarily for roads—although some provide public transit funding at lower levels than in the states with multi-modal transportation funds.<sup>1</sup>

We describe below multi-modal transportation funds in the 10 states identified in the Maryland report. We also used a Federal Highway Administration publication<sup>2</sup> to find five other states that appear to provide significant public transit funding from motor fuel tax revenues. Some other states provide funds for public transit, but generally in small amounts.

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## States With Multi-Modal Transportation Funds

### Connecticut

The Special Transportation Fund was established in 1984 as a dedicated fund for the state's transportation system and its Department of Transportation operating costs. Its primary revenue source is the motor fuel tax, but it also receives proceeds of motor vehicle fees and miscellaneous income. In fiscal year 2002 (the last year for which the Department of Transportation published a report on the Fund) some revenues from the Fund were used to operate two passenger rail services, 15 urban bus services, and five rural bus services, and to support Dial-A-Ride services. The Fund provided over \$1.7 billion for transit projects in fiscal years 1985 through 2002.<sup>3</sup>

### Delaware

The Transportation Trust Fund is used to finance roads, highways, and other transportation facilities<sup>4</sup>—including airports, turnpikes, ports, bridges, tunnels, subways, or parking facilities, and all equipment, machinery, buildings, and land needed to provide transportation services.<sup>5</sup>

### Florida

At least 15% of all state revenues to the State Transportation Trust Fund must be used for public transportation projects, including seaports, airports, and public transit systems.<sup>6</sup> At least 10% of fuel sales tax receipts deposited into the Fund must be used for public transit and rail capital projects unless otherwise provided by law.<sup>7</sup>

### Louisiana

The state Constitution says that funds in the Transportation Trust Fund are to be used first for debt service and then for roads and bridges, the Statewide Flood Control Program, ports, airports, transit, traffic control purposes of the state police, and the Parish Transportation Fund. At least 1¢ per gallon of the state tax on gasoline and diesel fuels must be appropriated to the Parish Transportation Fund<sup>8</sup> and distributed to parishes (similar to counties) for costs of public transit, including transit operating expenses and buying rolling stock.<sup>9</sup>

## Maryland

Maryland's Transportation Trust Fund receives revenues from motor fuel taxes; motor vehicle registration, title, license, and other fees; some corporate income tax revenues; some transit operating revenues, such as fares and airport fees; bond proceeds; and federal aid. Most such revenues are distributed to the Department of Transportation to go to counties and municipalities.<sup>10</sup> All of those entities may use the funds to finance "transportation facilities"<sup>11</sup>—defined as airports, highways, ports, railroads, bridges, tunnels, subways, rolling stock, stations, terminals, parking areas, equipment, buildings, and other property or services related to rendering transit service.<sup>12</sup> The Department of Transportation provides funds to various state transportation agencies, including the Highway Administration, Transit Administration, Port Administration, Aviation Administration, and Motor Vehicle Administration.<sup>13</sup>

## Pennsylvania

The state's Motor License Fund, supported mainly by fuel tax revenues and vehicle fees, provides most state transportation funding. It funds highway and bridge improvements, airports, Department of Transportation administrative expenses, State Police highway patrol operations, and aid to local governments for transportation projects. General Fund appropriations subsidize mass transit and rail freight transport.<sup>14</sup>

## Tennessee

Most motor vehicle fees and fuel taxes go to the Highway Fund.<sup>15</sup> About 10% of its revenues are used for waterways, airports, railroads, public transit, and bicycle and pedestrian areas.<sup>16</sup> Each year \$3 million is appropriated from the Fund for mass transit projects.<sup>17</sup>

## Vermont

The Transportation Fund receives motor fuel tax proceeds, vehicle fees, revenues from the sales tax on aviation jet fuel, receipts from pilot and aircraft license fees, and miscellaneous sources.<sup>18</sup> Money appropriated from the Fund to the Vermont Agency of Transportation must be used for building and maintaining state highways, railroads, and airports; aid to municipalities for highways and bridges; general administration of the Agency; debt service on highway bonds; operating the public transit system, railroads, and airports; and Department of Motor Vehicles operations.<sup>19</sup> Three-eighths of 1¢ per gallon of the gasoline tax is used for conservation and maintenance of natural resources.<sup>20</sup>

## Virginia

There are two main transportation funds: the Highway Maintenance Operating Fund (HMOF) and the Transportation Trust Fund (TTF). Both receive some proceeds of the state gasoline tax, vehicle sales and use tax, and vehicle registration fee. The TTF also receives 0.5% of state sales tax proceeds.<sup>21</sup>

The HMOF is the primary source of state funding for road maintenance and operations. The TTF is the primary source of state and federal funds for highway construction, mass transit, airports, and seaports. Funds in the TTF are used for highways (78.7%),<sup>22</sup> mass transit (14.7%), ports (4.2%), and aviation (2.4%).<sup>22</sup>

## Wisconsin

The Transportation Fund may be appropriated for purposes including planning, construction, maintenance, and operation of highway, airport, harbor, ferry, railroad, bicycle, or pedestrian facilities or services; aid to local governments for transportation purposes; state enforcement of traffic laws; Department of Transportation administrative costs; and tourism marketing services.<sup>23</sup>

Almost half of the Fund goes for highway construction and maintenance. About one-third is distributed to local governments to help with maintaining and improving roads, public transit systems, railways, harbors, airports, and bicycle and pedestrian facilities. The remainder helps finance operations of the Department of Transportation, Department of Motor Vehicles, and State Police.<sup>24</sup>

## Other Funds for Transportation in Five States

### California

The Public Transportation Account (a part of the State Transportation Fund) is available only by appropriation for transportation planning and mass transportation purposes.<sup>25</sup> The Account receives a portion of revenues from the state sales tax on motor fuel.<sup>26</sup> Funds are used for bus and passenger rail services; funding public transit capital improvement projects in the state transportation improvement program; public transportation research; and support of some state agencies and local transportation planning agencies.<sup>27</sup>

All state funds that are available for capital improvement transportation projects must be divided between projects administered by the state (25%) and those administered by regional authorities (75%). Of the state-administered funds, 60% must be dedicated to highways outside urban areas and to

intercity rail improvements; at least 15% of that 60% (9% of the state-administered funds) must go to intercity rail. The state-administered funds must be used for transportation projects for moving people and goods, including state highways, intercity passenger rail, mass transit projects, and grade separation projects. Locally administered funds are allocated among counties, and may be used for state highways, local roads, public transit, intercity rail, pedestrian and bicycle roads, and other projects to improve transportation in a region.<sup>28</sup>

### Michigan

The Michigan Transportation Fund receives most motor fuel and vehicle taxes. One-tenth of the Fund's income each year (plus some general sales tax receipts<sup>29</sup>) goes to the Comprehensive Transportation Fund.<sup>30</sup> The Comprehensive Transportation Fund must be used, after payments for debt service and administrative costs, for grants to local governments or transportation authorities for public transportation projects.<sup>31</sup> Each year, at least 10% of these funds must be distributed for intercity passenger and freight transportation purposes.<sup>32</sup>

### New Jersey

The state Constitution says the Transportation Trust Fund is to be used for costs of planning, acquisition, engineering, construction, repair, and rehabilitation of the state's "transportation system."<sup>33</sup> The Fund receives revenues from motor fuel taxes, vehicle registration fees, and part of the state sales tax. Funds for capital projects are allocated among the Department of Transportation; NJ Transit (the state's public transportation corporation); and local governments.<sup>34</sup>

### New York

New York finances public transit mainly from two funds dedicated for that purpose:

The Dedicated Mass Transportation Trust Fund is to be appropriated for mass transit facilities, vehicles, and rolling stock; debt service or operating expenses for mass transit operating agencies; rail projects; and helping small and minority- or women-owned businesses in transportation construction projects.<sup>35</sup> It is funded mainly by a portion of the petroleum business tax.<sup>36</sup>

The Mass Transportation Operating Assistance Fund provides funding for transit system operations. It is supported mainly by a portion of the petroleum business tax, and a corporation tax and sales tax imposed in the Metropolitan Transportation Authority region.<sup>37</sup>

## Rhode Island

All motor fuel tax proceeds go to the Intermodal Surface Transportation Fund. The Rhode Island Public Transit Authority receives 7.25¢ (about 25%) of the tax on every gallon of motor fuel sold in the state, and the Department of Transportation gets 20.75¢.<sup>38</sup> The law does not specify the uses for these funds. But another law charges the Department of Transportation with preparing plans and implementation programs for transportation; for port and waterway facilities if the principal purpose is transportation and management of port properties, warehouses, and state piers used primarily as transportation facilities; and for maintaining an adequate level of rail passenger and freight service.<sup>39</sup> In 2007, the Department of Transportation provided funds for commuter rail services and bicycle and pedestrian areas.<sup>40</sup>

We hope this information is helpful. Please let us know if you need anything further.

Sincerely,



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## Notes

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5. Del. Code, tit. 2, subsec. 1303(u).
6. Fla. Stat., subsec. 206.46(3).
7. Fla. Stat., sec. 206.606.
8. La. Const., Art. 7, sec. 27.
9. La. Rev. Stat., sec. 48:753.
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11. Md. Transp. Code, secs. 3-202 and 8-408.
12. Md. Transp. Code, subsecs. 3-101(k) and (l).
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17. Tenn. Code, subsec. 67-3-901(f)(1)(B).
18. Vt. Stat., tit. 19, sec. 11.
19. Vt. Stat., tit. 19, sec. 12.
20. Vt. Stat., tit. 23, subsec. 3106(d).
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27. Cal. Pub. Util. Code, secs. 99312 and 99315.
28. Cal. Sts. & High. Code, secs. 163 and 164; California Department of Transportation, "Transportation Funding in California" (2008, downloaded from California Department of Transportation Internet site).
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30. Mich. Comp. Laws, subsec. 247.660(1)(f).
31. Mich. Comp. Laws, sec. 247.660d.
32. Mich. Comp. Laws, subsec. 247.660e(4)(b).
33. N.J. Const., Art. 8, sec. 2, par. 4.
34. New Jersey Transportation Trust Fund Authority, "NJDOT/NJ Transit Capital Program" (rev. Feb. 27, 2008, downloaded from New Jersey Transportation Trust Fund Authority Internet site).
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38. R.I. Gen. Laws, subsec. 31-36-20(a).

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