



Transportation Funding Methods

January 2026 Report

Transportation Funding Methods

- **Request:** Identify funding methods being employed by other states in support of transportation infrastructure.
- **Agenda:**
 - Review Historical Funding Methods
 - Review Emerging Funding Methods
- **State Comparison Tables:**
 - Summary of Funding Methods by State
 - Gas Tax Rates by State
 - Diesel Tax Rates by State
 - Methods to Adjust for Inflationary Impacts

Historical Transportation Funding Methods

Funding Method	Description
Gas Tax	An excise tax imposed on the sale of gasoline. Those who use transportation infrastructure the most and/or have the heaviest vehicles (typically require more fuel) contribute more towards infrastructure maintenance. Every state taxes gas.
Use Fuel (Diesel) Tax	An excise tax imposed on the sale of diesel. Fuel tax receipts are often dedicated to transportation projects, in which case the fuel tax can be considered a user fee. Every state taxes diesel.
Registration Fees	Base fees for registering an internal combustion engine (ICE) vehicle. These fees vary by state and are calculated based on a variety of factors. Every state charges Registration Fees.
Vehicle License Tax (VLT)	VLT is a tax assessed against the value of a vehicle. The rate ranges anywhere from 0% to 8.25%, and some states have different tax rates based on the type of vehicle or the county where the vehicle was purchased. Only 4 states Do Not charge VLT.
Motor Carrier Fee	A motor carrier fee is charged to a company or person that transports property, passengers, or hazardous materials (HAZMAT) using commercial motor vehicles (CMVs). Every state charges Motor Carrier Fees.
Overweight Fees	Fees on overweight vehicles to protect the highway infrastructure and the driving public from damaging weights and increased hazards of over-loaded trucks. Every state charges Overweight Fees.
Tolls	Fees charged for using specific roadways, bridges, or tunnels, directly connecting the cost to the specific infrastructure usage. 35 states charge tolls.

Gas Tax

Summary:

- Arizona Gas tax = 18 cents per gallon
- Arizona has the 4th lowest gas tax among the 50 states
- Pennsylvania has the highest gas tax rate @ 61 cents per gallon
- Alaska has the lowest gas tax rate @ 8 cents per gallon
- Average gas tax for all states = 30.5 cents per gallon
- 24 states have adjustments for inflation

STATE	2019	2020	2021	2022	2023	1 Yr Diff (2022 - 2023)	5 Yr Diff (2019 - 2023)
Pennsylvania	58	58	58	58	61	6%	6%
California	47	51	51	54	58	7%	22%
Washington	49.4	49.4	49.4	49.4	49.4	0%	0%
Maryland	37	36	36	43	47	10%	28%
Illinois	39	40	40	40	47	15%	19%
Florida	37	38	38	39	41	5%	9%
North Carolina	36	36	36	39	41	5%	12%
Ohio	39	39	39	39	39	0%	0%
Oregon	34	36	36	38	38	0%	12%
West Virginia	35.7	35.7	35.7	35.7	37.2	4%	4%

New Jersey	37	37	37	37	37	0%	0%
Rhode Island	35	35	35	35	37	6%	6%
Indiana	31	32	33	34	35	3%	13%
Idaho	33	33	33	33	33	0%	0%
Montana	32	32	32	32	32	0%	0%
North Dakota	30	30	30	30	31	3%	10%
South Dakota	28	28	28	28	29	4%	8%
South Carolina	17	17	17	17	17	0%	0%
Virginia	16	16	16	16	16	0%	84%
Michigan	26	26	26	27	29	5%	8%
Tennessee	26	26	26	26	26	0%	0%
New York	26	25	25	25	26	4%	2%
Connecticut	25	25	25	25	25	0%	0%
Kansas	24	24	24	24	24	0%	0%
Mississippi	24	24	24	24	24	0%	0%
New Hampshire	24	24	24	24	24	0%	0%
North Dakota	23	23	23	23	23	0%	0%
Louisiana	20	20	20	20	20	0%	0%
Oklahoma	20	20	20	20	20	0%	0%
Texas	20	20	20	20	20	0%	0%
Mississippi	15	15	15	15	15	0%	0%

Arizona	18	18	18	18	18	0%	0%
New Mexico	17	17	17	17	17	0%	0%
Hawaii	16	16	16	16	16	0%	0%
Alaska	8	8	8	8	8	0%	0%
State Average	27.86	28.09	27.77	28.25	30.50		

Use Fuel (Diesel) Tax

STATE	2019	2020	2021	2022	2023	1 Yr Diff (2022-2023)	5 Yr Diff (2019-2023)
Pennsylvania	74	74	74	74	79	6%	6%
Illinois	47	47	48	48	54	13%	16%
Indiana	50	52	54	56	58	4%	16%
Washington	49.4	49.4	49.4	49.4	49.4	0%	0%
Connecticut	47	47	40	49	49	0%	6%
Ohio	47	47	47	47	47	0%	0%
Maryland	37	37	37	43	48	10%	28%
California	36	39	39	41	44	8%	23%
Florida	37	38	38	39	41	5%	9%
North Carolina	36	36	36	39	41	5%	12%
New Jersey	40	40	40	40	40	0%	0%
Oregon	34	36	36	38	38	0%	0%
West Virginia	35.7	35.7	35.7	35.7	37.2	4%	4%
Rhode Island	38	38	38	38	37	6%	6%
Georgia	31	31	32	33	35	7%	14%
Iowa	31.2	32	31.2	32	33.5	0%	0%
Maine	31.2	32	31.2	32	33	0%	0%
Montana	30	30	30	30	30	0%	0%
Utah	30.0	30	30	30	30	0%	0%
Arizona	26	26	26	26	26	0%	0%
South Dakota	30	30	30	30	30	0%	0%
Montana	30	30	30	30	30	0%	0%
Nebraska	30.6	34.1	28.6	25.7	29.8	15%	52%
Wyoming	27	27	27	27	27	0%	0%
South Carolina	22	24	26	28	28	0%	0%
Nevada	27	27	28	28	28	0%	0%
Tennessee	27	27	27	27	27	0%	0%
Kansas	26	26	26	26	26	0%	0%
Kentucky	27	22	22	22	26	19%	44%
Mississippi	27	27	27	27	27	0%	0%
Wyoming	24	24	24	24	24	0%	0%
New Hampshire	24	24	24	24	24	0%	0%
New York	24	24	23	24	24	4%	2%
North Dakota	23	23	23	23	23	0%	0%
Colorado	23	23	22	22	22	0%	0%
Oklahoma	20	20	20	20	20	0%	0%
Hawaii	20	20	20	20	20	0%	0%
State Average	29.36	29.60	29.16	29.77	33.15		

Summary:

- Arizona Diesel tax = 26 cents per gallon
- Arizona ranks 32 for diesel tax, tied with Kansas and Kentucky
- Pennsylvania has the highest diesel tax rate @ 61 cents per gallon
- Alaska has the lowest diesel tax rate @ 8 cents per gallon
- Average diesel tax for all states = 33.15 cents per gallon
- 24 states have adjustments for inflation



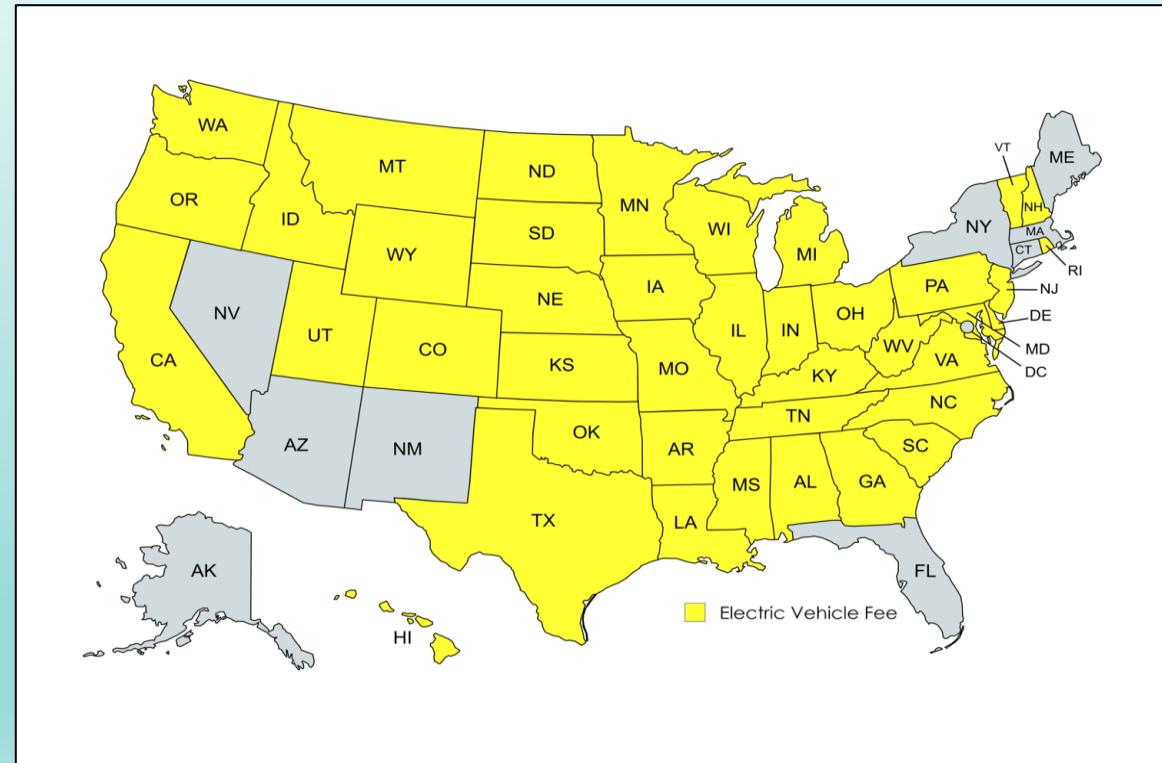
Emerging Funding Methods

Emerging Transportation Funding Methods

Funding Method	Summary
EV/Hybrid Registration Fee	An additional annual fee imposed on electric and hybrid vehicles during registration to offset the loss of fuel tax revenue.
Recreational Marijuana	Excise taxes applied to the sale or transfer of adult-use cannabis, with specific revenues dedicated to funding road and bridge repairs.
VMT/RUC/MBUF	A "pay-as-you-go" funding model (Vehicle Miles Traveled, Road Usage Charge, or Mileage-Based User Fee) that charges drivers based on the actual distance driven rather than the amount of fuel consumed.
EV Charging Station	Fees or taxes associated with the use of public charging infrastructure.
Retail Delivery Fee	A small surcharge applied to retail deliveries (such as online orders or restaurant deliveries) to address the increased impact on road wear and traffic congestion caused by delivery vehicles.

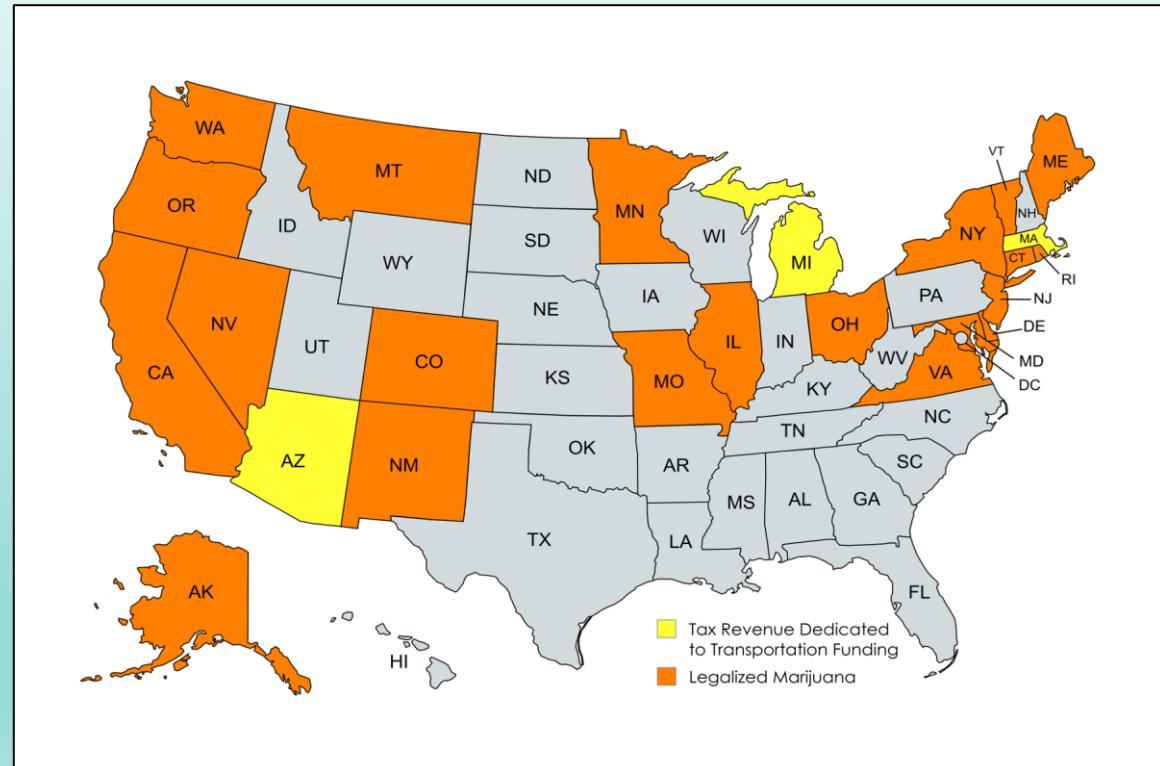
EV / Hybrid Registration Fee

- Additional registration fees for fuel efficient, plug-in hybrid electric vehicles (PHEVs), and/or battery electric vehicles (BEVs). Registration fees are often dependent on vehicle weight, price, fuel efficiency, and/or age.
- 41 states have an additional EV/hybrid registration fee.
- The fee is often determined by a combination of multiple factors, where relatively heavy/expensive/fuel efficient/new vehicles have highest fee.
- Many states differentiate between plug-in electric vehicles (PEV), plug-in hybrid electric vehicles (PHEV) and hybrid electric vehicles (HEV) with a reduced fee for the latter categories.
- Some states offer participation in RUC program in lieu of an annual EV registration fee.



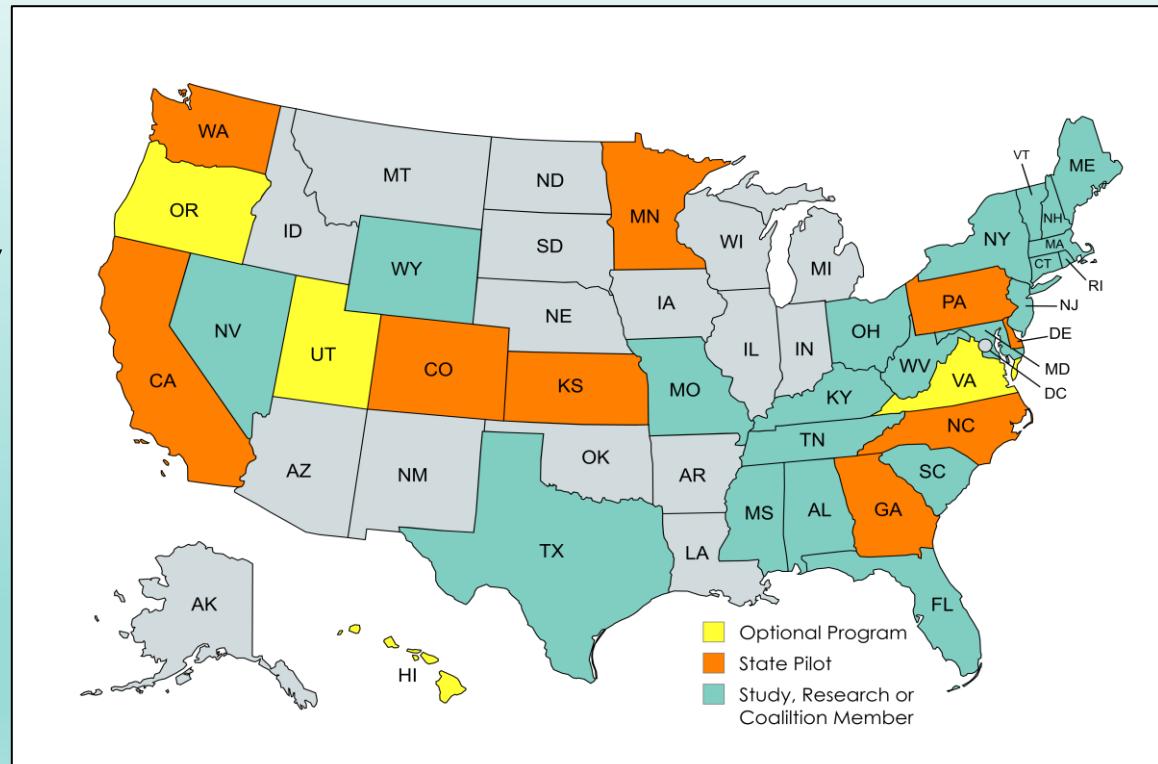
Recreational Marijuana

- Sales taxes and excise taxes imposed on recreational marijuana.
- Three of the 24 states that have legalized recreational marijuana dedicate portions of that revenue to transportation funding.
- Arizona applies a 16% excise tax to recreational marijuana sales, 25.4% of which is dedicated to transportation (Highway User Revenue Fund/HURF).
- Arizona Recreational Marijuana Revenues:
 - FY 2022 – FY 2025 average AZ annual revenue of \$164.0M
 - FY 2022 – FY 2025 average AZ annual distribution of \$40.2M (2.3% of HURF)



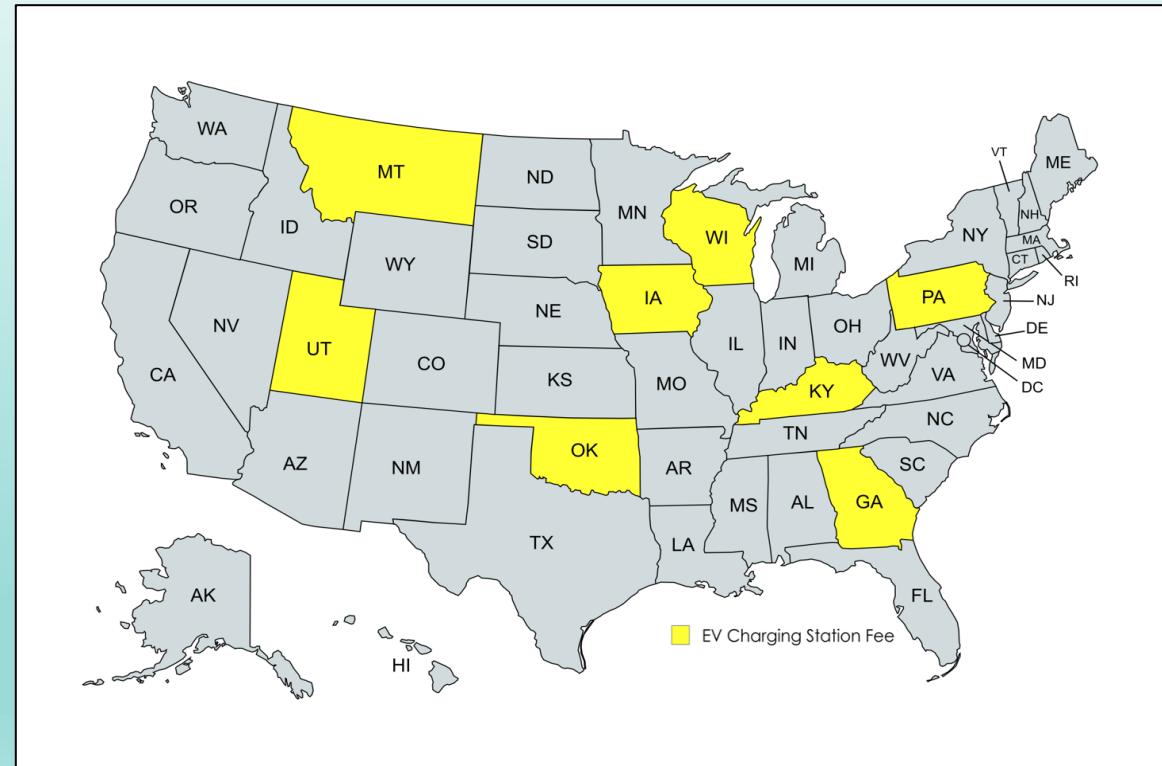
Vehicle Miles Travelled (VMT)/Road Usage Charge (RUC) / Mileage Based User Fee (MBUF)

- A funding method to tax drivers on the miles driven, versus traditional funding formula of fuel consumed.
- As vehicles become increasingly fuel efficient and the percent of electric vehicles in the passenger fleet grows, states are increasingly exploring this method to ensure all drivers contribute for their use of transportation infrastructure.
- This method directly links the miles traveled to public road and infrastructure revenue.
- Balances funding disparities between vehicle and fuel types.
- Optional program participation in 4 states.
- State pilot programs in 9 states; Study, research or coalition membership in 21 states.



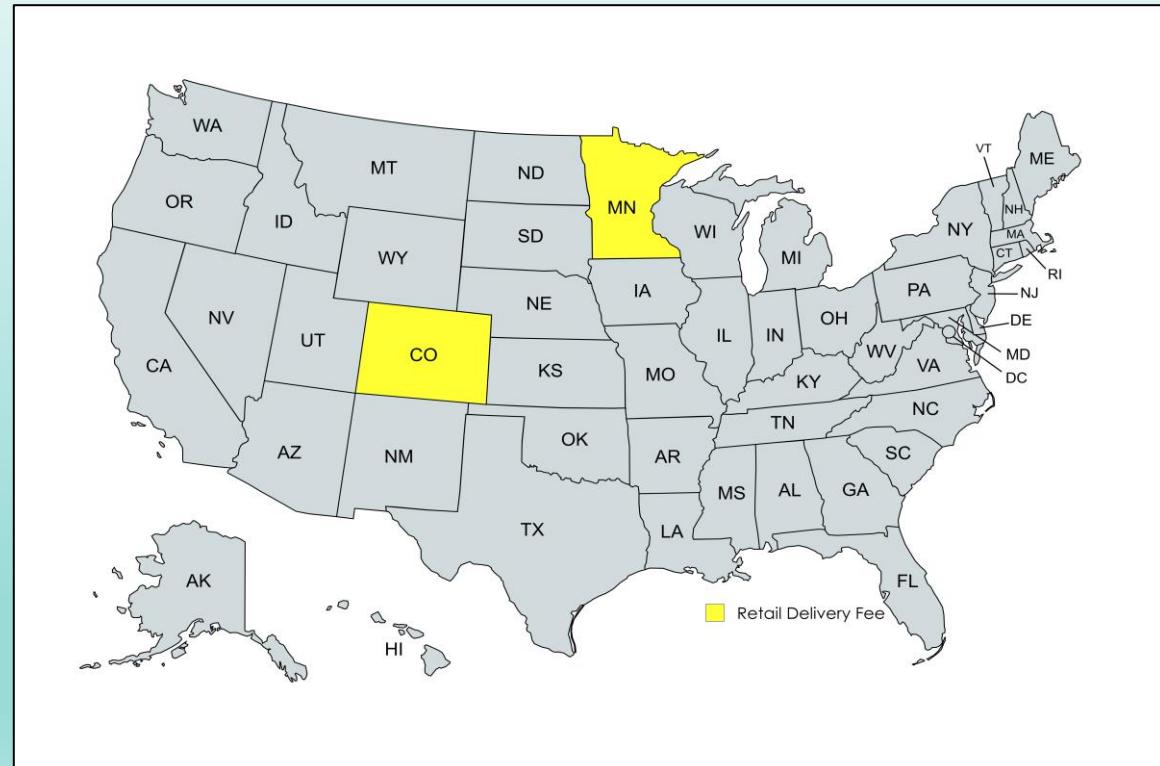
EV Charging Station Tax/Fee

- A per kilowatt-hour excise tax on electricity use at public electric vehicle charging stations.
- As states begin to expand their electric vehicle charging infrastructure, many are considering or implementing this method.
 - Currently implemented by 8 states
- Does not capture home charging.
 - ~80% of charging occurs at home chargers
- Applies gas tax ideology to emerging EV market.



Retail Delivery Fee by State

- Taxes or fees on retail deliveries.
- Response to increases in local delivery services.
 - Amazon Delivery, Uber Eats, DoorDash, etc.
- Delivery vehicles are often:
 - Heavier
 - Make frequent trips
- Exemptions provided based on:
 - Sales volume
 - Product type (food, pharmaceuticals, medical devices, infant care)
- Ensures that delivery vehicles contribute to infrastructure maintenance and improvements.



Methods to Address Inflationary Impacts

Method	Description	States
CPI (Consumer Price Index)	Adjustments to tax rates based on the change in prices paid by consumers for goods and services.	CA, FL, *GA, IL, *IN, *MD, MI, *NC, RI, VA
PPI (Producer Price Index)	Adjustments to tax rates based on the average change over time in the selling prices received by domestic producers for their output.	NY
Revenue Targets	Adjustments to tax rates to achieve a predetermined amount of transportation revenues.	NE, NJ
Population Growth	Adjustments to tax rates based on changes in state population.	*NC
Highway Construction Cost Index	Adjustments to tax rates based on price changes associated with highway construction costs.	AL, CO, MN, MS
Wholesale/Retail Fuel Price	Adjustments to tax rates based on changes in fuel prices at either the wholesale or retail level, typically combined with other techniques to achieve revenue stability despite volatility in fuel prices.	AR, CT, *IN, KY, *MD, PA, UT, VT, WV
Fuel Efficiency	Adjustments to tax rates based on changes in vehicle fuel economy to protect revenues from erosion due to rising vehicle fuel efficiency.	*GA



State Comparison Tables

Funding Methods by State

State	Historical							Emerging				
	Gas Tax	Use Fuel / Diesel Tax	Combustion Engine Registration Fee	VLT	Motor Carrier	Overweight Fee	Toll Roads	EV / Hybrid Registration Fee	Recreational Marijuana	VMT / RUC / MBUF	EV Charging Station	Retail Delivery Fee
Alabama	✓	✓	✓	✓	✓	✓	✓	✓				
Alaska	✓	✓	✓		✓	✓	✓	✓	◆			
Arizona	✓	✓	✓	✓	✓	✓			✓			
Arkansas	✓	✓	✓	✓	✓	✓		✓				
California	✓	✓	✓	✓	✓	✓	✓	✓	◆	✓		
Colorado	✓	✓	✓	✓	✓	✓	✓	✓	◆	✓		✓
Connecticut	✓	✓	✓	✓	✓	✓			◆			
Delaware	✓	✓	✓		✓	✓	✓	✓	◆	✓		
Florida	✓	✓	✓	✓	✓	✓	✓					
Georgia	✓	✓	✓	✓	✓	✓		✓				✓
Hawaii	✓	✓	✓	✓	✓	✓				✓		
Idaho	✓	✓	✓	✓	✓	✓						
Illinois	✓	✓	✓	✓	✓	✓	✓	✓	◆			
Indiana	✓	✓	✓	✓	✓	✓	✓	✓				
Iowa	✓	✓	✓	✓	✓	✓		✓				✓
Kansas	✓	✓	✓	✓	✓	✓	✓	✓				
Kentucky	✓	✓	✓	✓	✓	✓	✓	✓				✓
Louisiana	✓	✓	✓	✓	✓	✓	✓	✓				
Maine	✓	✓	✓	✓	✓	✓	✓	✓	◆			
Maryland	✓	✓	✓	✓	✓	✓	✓	✓	◆	✓		
Massachusetts	✓	✓	✓	✓	✓	✓	✓	✓	✓			
Michigan	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		
Minnesota	✓	✓	✓	✓	✓	✓	✓	✓	◆			
Mississippi	✓	✓	✓	✓	✓	✓	✓	✓				
Missouri	✓	✓	✓	✓	✓	✓	✓	✓	◆			
Montana	✓	✓	✓		✓	✓	✓	✓	◆			✓
Nebraska	✓	✓	✓	✓	✓	✓	✓	✓				
Nevada	✓	✓	✓	✓	✓	✓	✓		◆			
New Hampshire	✓	✓	✓		✓	✓	✓	✓				
New Jersey	✓	✓	✓	✓	✓	✓	✓	✓	◆	✓		
New Mexico	✓	✓	✓	✓	✓	✓	✓					
New York	✓	✓	✓	✓	✓	✓	✓		◆			
North Carolina	✓	✓	✓	✓	✓	✓	✓	✓				
North Dakota	✓	✓	✓	✓	✓	✓	✓	✓				
Ohio	✓	✓	✓	✓	✓	✓	✓	✓	◆			
Oklahoma	✓	✓	✓	✓	✓	✓	✓	✓				
Oregon	✓	✓	✓	✓	✓	✓	✓	✓	◆	✓		✓
Pennsylvania	✓	✓	✓	✓	✓	✓	✓	✓				
Rhode Island	✓	✓	✓	✓	✓	✓	✓	✓	◆			
South Carolina	✓	✓	✓	✓	✓	✓	✓	✓	◆			
South Dakota	✓	✓	✓	✓	✓	✓	✓	✓				
Tennessee	✓	✓	✓	✓	✓	✓	✓	✓				
Texas	✓	✓	✓	✓	✓	✓	✓	✓				
Utah	✓	✓	✓	✓	✓	✓	✓	✓		✓		✓
Vermont	✓	✓	✓	✓	✓	✓	✓	✓	◆			
Virginia	✓	✓	✓	✓	✓	✓	✓	✓	◆	✓		
Washington	✓	✓	✓	✓	✓	✓	✓	✓	◆			
West Virginia	✓	✓	✓	✓	✓	✓	✓	✓				
Wisconsin	✓	✓	✓	✓	✓	✓	✓	✓				
Wyoming	✓	✓	✓	✓	✓	✓	✓	✓				

KEY

- ✓ : Tax/fee imposed and used in transportation funding
- ✓ : Historical method adjusts to address eroding purchasing power
- ✓ : Emerging method adjusts to address eroding purchasing power
- ◆ : Tax/fee imposed but not used in transportation funding
- 🎓 : Study/Research or Coalition Membership
- ✈ : State Pilot Program

Gas Tax

■ Southwest States
■ Arizona (tied 46th
 of 50)
— States Average

STATE	2019	2020	2021	2022	2023	1 Yr Diff (2022-2023)	5 Yr Diff (2019-2023)
Pennsylvania	57.6	57.6	57.6	57.6	61.1	6%	6%
California	47.3	50.5	51.1	53.9	57.9	7%	22%
Washington	49.4	49.4	49.4	49.4	49.4	0%	0%
Maryland	36.7	36.3	36.1	42.7	47.0	10%	28%
Illinois	39.1	39.8	40.3	40.3	46.5	15%	19%
North Carolina	36.5	36.4	36.1	38.8	40.8	5%	12%
Florida	37.5	37.8	38.1	38.9	40.7	5%	9%
Ohio	38.5	38.5	38.5	38.5	38.5	0%	0%
Oregon	34.0	36.0	36.0	38.0	38.0	0%	12%
West Virginia	35.7	35.7	35.7	35.7	37.2	4%	4%
New Jersey	37.1	37.1	37.1	37.1	37.1	0%	0%
Rhode Island	35.0	35.0	35.0	35.0	37.0	6%	6%
Indiana	31.0	32.0	33.0	34.0	35.0	3%	13%
Idaho	33.0	33.0	33.0	33.0	33.0	0%	0%
Montana	32.8	32.8	33.3	33.0	33.0	0%	1%
Georgia	27.5	27.9	28.7	29.1	31.2	7%	13%
Iowa	31.5	31.0	31.0	31.0	31.0	0%	-2%
Wisconsin	30.9	30.9	30.9	30.9	30.9	0%	0%
Vermont	30.5	30.5	30.5	30.5	30.5	0%	0%
Alabama	26.0	26.0	26.0	30.0	30.0	0%	15%
Maine	30.0	30.0	30.0	30.0	30.0	0%	0%
South Dakota	30.0	30.0	30.0	30.0	30.0	0%	0%
Utah	30.0	30.0	30.0	30.0	30.0	0%	0%
Nebraska	30.6	34.1	28.6	25.7	29.9	16%	-2%
Virginia	16.2	16.2	26.2	28.0	29.8	6%	84%
Kentucky	24.6	24.6	24.6	24.6	28.7	17%	17%
Michigan	26.3	26.3	26.3	27.2	28.6	5%	9%
Minnesota	28.5	28.5	28.5	28.5	28.5	0%	0%
South Carolina	22.0	24.0	26.0	28.0	28.0	0%	27%
New York	25.8	25.5	24.7	25.4	26.2	3%	2%
Tennessee	26.0	26.0	26.0	26.0	26.0	0%	0%
Connecticut	25.0	25.0	25.0	25.0	25.0	0%	0%
Arkansas	24.8	24.8	24.8	24.6	24.7	0%	0%
Missouri	17.0	17.0	19.5	22.0	24.5	11%	44%
Kansas	24.0	24.0	24.0	24.0	24.0	0%	0%
Massachusetts	24.0	24.0	24.0	24.0	24.0	0%	0%
Wyoming	24.0	24.0	24.0	24.0	24.0	0%	0%
New Hampshire	23.8	23.8	23.8	23.8	23.8	0%	0%
Nevada	24.0	23.8	23.8	23.8	23.8	0%	-1%
Colorado	22.0	22.0	23.7	23.7	23.7	0%	8%
Delaware	23.0	23.0	23.0	23.0	23.0	0%	0%
North Dakota	23.0	23.0	23.0	23.0	23.0	0%	0%
Louisiana	20.0	20.0	20.0	20.0	20.0	0%	0%
Oklahoma	20.0	20.0	20.0	20.0	20.0	0%	0%
Texas	20.0	20.0	20.0	20.0	20.0	0%	0%
Mississippi	18.4	18.4	18.4	18.4	18.4	0%	0%
Arizona	18.0	18.0	18.0	18.0	18.0	0%	0%
New Mexico	17.0	17.0	17.0	17.0	17.0	0%	0%
Hawaii	16.0	16.0	16.0	16.0	16.0	0%	0%
Alaska	8.0	8.0	8.0	8.0	8.0	0%	0%
State Average	27.86	28.09	27.77	28.25	30.50		

Use Fuel (Diesel) Tax

■ Southwest States

■ Arizona (tied 32nd of

50)

— States Average

STATE	2019	2020	2021	2022	2023	1 Yr Diff (2022-2023)	5 Yr Diff (2019-2023)
Pennsylvania	74.1	74.1	74.1	74.1	78.5	6%	6%
Indiana	50.0	52.0	54.0	56.0	58.0	4%	16%
Illinois	46.6	47.3	47.8	47.8	54.0	13%	16%
Washington	49.4	49.4	49.4	49.4	49.4	0%	0%
Connecticut	46.5	46.5	40.1	49.2	49.2	0%	6%
Maryland	37.5	37.1	36.9	43.5	47.8	10%	28%
Ohio	47.0	47.0	47.0	47.0	47.0	0%	0%
California	36.0	38.5	38.9	41.0	44.1	8%	23%
North Carolina	36.5	36.4	36.1	38.8	40.8	5%	12%
Florida	37.5	37.8	38.1	38.9	40.7	5%	9%
New Jersey	40.1	40.1	40.1	40.1	40.1	0%	0%
Oregon	34.0	36.0	36.0	38.0	38.0	0%	12%
West Virginia	35.7	35.7	35.7	35.7	37.2	4%	4%
Rhode Island	35.0	35.0	35.0	35.0	37.0	6%	6%
Georgia	30.8	31.3	32.2	32.6	35.0	7%	14%
Iowa	33.5	33.5	33.5	33.5	33.5	0%	0%
Idaho	33.0	33.0	33.0	33.0	33.0	0%	0%
Alabama	27.0	27.0	29.0	31.0	32.0	3%	19%
Maine	31.2	31.2	31.2	31.2	31.2	0%	0%
Vermont	31.0	31.0	31.0	31.0	31.0	0%	0%
Wisconsin	30.9	30.9	30.9	30.9	30.9	0%	0%
Virginia	20.2	20.2	27.0	28.9	30.8	7%	52%
South Dakota	30.0	30.0	30.0	30.0	30.0	0%	0%
Utah	30.0	30.0	0.3	0.3	30.0	9275%	0%
Nebraska	30.6	34.1	28.6	25.7	29.9	16%	-2%
Montana	30.2	30.2	30.3	29.8	29.8	0%	-1%
Michigan	26.3	26.3	26.3	27.2	28.6	5%	9%
Arkansas	28.8	28.8	28.8	28.4	28.5	0%	-1%
Minnesota	28.5	28.5	28.5	28.5	28.5	0%	0%
South Carolina	22.0	24.0	26.0	28.0	28.0	0%	27%
Nevada	27.0	27.0	27.8	27.8	27.8	0%	3%
Tennessee	27.0	27.0	27.0	27.0	27.0	0%	0%
Arizona	26.0	26.0	26.0	26.0	26.0	0%	0%
Kansas	26.0	26.0	26.0	26.0	26.0	0%	0%
Kentucky	21.6	21.6	21.6	21.6	25.7	19%	19%
Missouri	17.0	17.0	19.5	22.0	24.5	11%	44%
New York	24.0	23.7	22.9	23.6	24.4	3%	2%
Massachusetts	24.0	24.0	24.0	24.0	24.0	0%	0%
Wyoming	24.0	24.0	24.0	24.0	24.0	0%	0%
New Hampshire	23.8	23.8	23.8	23.8	23.8	0%	0%
North Dakota	23.0	23.0	23.0	23.0	23.0	0%	0%
Colorado	20.5	20.5	22.2	22.2	22.2	0%	8%
Delaware	22.0	22.0	22.0	22.0	22.0	0%	0%
New Mexico	21.0	21.0	21.0	21.0	21.0	0%	0%
Louisiana	20.0	20.0	20.0	20.0	20.0	0%	0%
Oklahoma	20.0	20.0	20.0	20.0	20.0	0%	0%
Texas	20.0	20.0	20.0	20.0	20.0	0%	0%
Mississippi	18.4	18.4	18.4	18.4	18.4	0%	0%
Hawaii	16.0	16.0	16.0	16.0	16.0	0%	0%
Alaska	8.0	8.0	8.0	8.0	8.0	0%	0%
State Average	29.36	29.60	29.16	29.77	33.15		



Questions