Gas Tax Trends Drive Highway Funding Shift

Toll roads have become a key part of officials’ strategy to keep pace with growing local economies and populations. Many economists regard tolls as an efficient revenue source for road construction because such levies tax users of resources rather than society as a whole.1

However, greater reliance on toll roads has led to shifting priorities in infrastructure planning away from broader goals such as ensuring access for poor neighborhoods to major thoroughfare projects—and the opportunities these projects may bring. Officials must now add revenue projections and the coverage of bond debt for construction to their list of considerations for road placement.

Gasoline taxes have historically helped fund the construction of new highways, but this revenue hasn’t kept pace in recent years. While the price per gallon that Texas motorists pay at the pump has steadily increased over the past two decades, the portion attributable to taxes has not because taxes are set at a flat rate per gallon purchased rather than a percentage of the sales price. At 20 cents per gallon, the state gasoline tax hasn’t risen since 1991, while the Consumer Price Index has increased an average of 2.5 percent annually. The federal gasoline tax of 18.4 cents per gallon last rose in 1993.2

Reflecting largely flat gas-tax receipts and a booming population, Texas has led the nation in construction of toll roads since 1991, accounting for a quarter of those built from 1992 to 2008. The toll-road boom has occurred mostly in the fast-growing Houston, Dallas–Fort Worth and Austin metropolitan areas.3

A separate toll-road authority operates in each of the three metro areas, administering existing toll facilities and constructing new ones. The Harris County Toll Road Authority is responsible for 132 miles of roadway in metropolitan Houston, while the North Texas Tollway Authority operates almost 100 miles of highways in Dallas–Fort Worth and the Central Texas Regional Mobility Authority oversees about 84 miles in the Austin area. The agencies’ growth, measured in tolls collected, has been pronounced (Chart 1).

Toll-road agencies increasingly consider bond ratings almost as intensively as routes. Standard & Poor’s said its rating of A- on $266.25 million in North Texas Tollway Authority senior debt last November “reflects our view of the highly leveraged system of toll facilities that increasingly relies on higher traffic and revenue growth levels” to meet debt service. A Central Texas issue of almost $306 million last year was rated BBB-, S&P’s lowest investment grade. The Harris County authority’s debt is higher grade chiefly because the county, rather than an independent toll-road agency, stands behind the debt.

Road placement has generally occurred in areas where personal incomes have been higher, making the toll collections used to repay bonds more predictable and, thus, supporting the credit rating.

U.S. Department of Transportation-funded projects are subject to the Civil Rights Act of 1964, and siting cannot occur “with the purpose or effect” of “denying benefits” to any group. Often, road location provokes a more subtle decision involving a “trade-off between efficiency and equity,” according to a study by the Transportation Research Board of the National Academies.4

Providing what the study describes as “new services to the most mobile and economically secure travelers” may be at odds with “choices that distribute services more broadly across income groups.” But it's an age-old tension that toll roads, whatever their merits, cannot alone assuage.

Notes