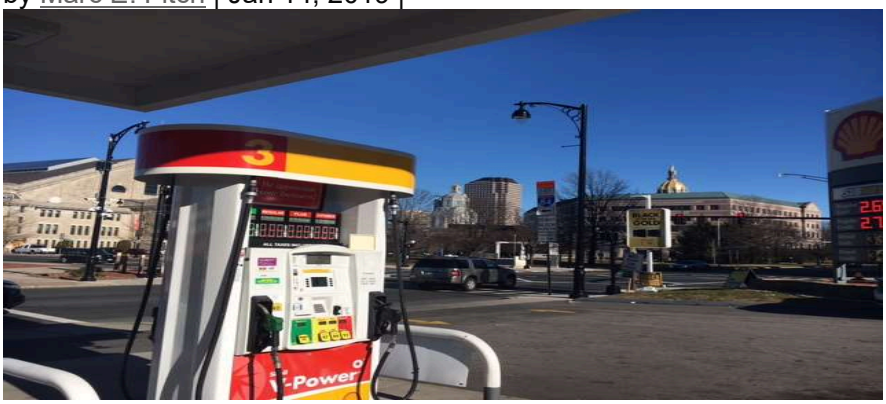
Reduce the Gas Tax for Tolls? A Look at the Numbers

by Marc E. Fitch | Jan 14, 2019 |



Democrat Leaders in the Connecticut House and Senate indicated they would be willing to reduce the gasoline tax in order to gain public and political support for tolls.

Senate President Martin Looney, D-New Haven, said he would be willing to cut gasoline taxes in exchange for tolling Connecticut's highways. During an interview on WTIC 1080, House Speaker Joe Aresimowicz, D-Berlin, also said he would be willing to talk about reducing the gasoline tax in exchange for approving tolls.
House Minority Leader Rep. Themis Klarides, R-Derby, said she didn't believe Democrats were serious.
Late in the 2018 session as the tolls fight heated up, Democrats offered ideas of cutting the gasoline tax modestly as part of a compromise, but none of the bills made it to the House floor.

Connecticut took in an estimated $505.3 million through the state's 25 cent per gallon gasoline tax in 2018, according to the Office of Fiscal Analysis in their breakdown of the 2018 - 2019 budget.

FY 18 Transportation Fund Revenue
(by revenue item - in millions)

Revenue Item	FY 18 $	% of Total
Motor Fuels Tax	505.3	31.4%
Sales Tax	415.8	25.8%
Oil Companies Tax	271.8	16.9%
Motor Vehicle Receipts	251.8	15.6%
Licenses, Permits and Fees	144.4	9.0%
Other Sources	21.6	1.3%
Gross Total	**1,610.7**	
Transfers	(5.5)	
Reductions	(16.7)	
NET TOTAL	**1,588.5**	

But under the latest tolling study, if Connecticut implemented tolls on both cars and trucks the state would take in $1.086 billion in revenue, and the state would net $950 million after accounting for operating and maintenance costs.

According to the study, 60 percent of the total toll revenue would come from in-state drivers, or $651 million, with the remaining 40 percent coming from out-of-state drivers.
So even if Connecticut eliminated the gasoline tax completely residents would still pay approximately $145 million more per year, based on the 2018 tolling study.

Connecticut drivers pay 43.8 cents per gallon in gasoline taxes -- the 7th highest rate in the country -- according to the Tax Foundation and the American Petroleum Institute. That figure includes Connecticut's 25 cent per gallon tax, plus an additional 18.8 cents in additional taxes such as the petroleum gross receipts tax.

The statewide toll system described in this report would yield an estimated $3.2 million in weekday revenue in 2023. This would result in more than **$1.086 billion** in gross annual toll revenue. A similar amount of annual revenue was estimated for 2040, even though a higher number of transactions or vehicle trips are expected. This is because the proportion of vehicles assumed to be equipped with an E-ZPass increases over time; hence, the average toll per transaction tends to be reduced over time (as would the operating costs as more drivers use E-ZPass).

Out-of-State Revenue. As shown in **Figure ES-5,** with the pricing strategies assumed, slightly more than **40 percent** of toll revenue would come from out-of-state motorists.

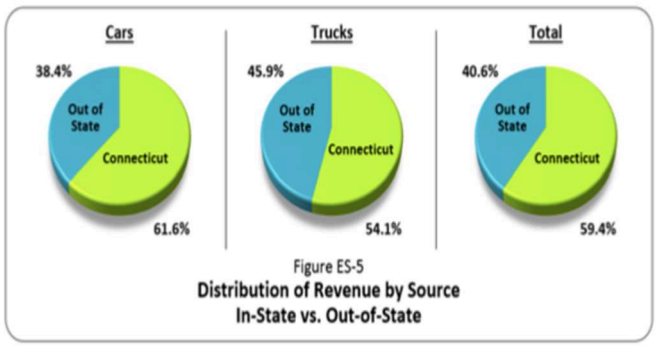


Figure ES-5
Distribution of Revenue by Source
In-State vs. Out-of-State

Trucks. Class 2 & 3 vehicles would contribute **29 percent** of the total revenue (not shown in pie chart). **46 percent** of the truck revenue would be from out-of-state trucks.

Passenger vehicles. Class 1 vehicles would yield **71 percent** of revenue (not shown in pie chart), and **38 percent** of that would come from out-of-state.

Democrat Leaders, however, have only mentioned reducing the gasoline tax, not eliminating it. During the 2018 session, the idea of reducing the gas tax by 2 cents per gallon was floated in an effort to gain public support for tolling.

A 2-cent reduction in the gasoline tax would mark an 8 percent reduction in overall gasoline tax revenue to the state – possibly saving residents $40.4 million per year in gas taxes while adding the $651 million in toll revenue.

The conversation about reducing the gasoline tax runs counter to both Gov. Dannel Malloy's 2018 proposal and the ideas put forth by Gov. Ned Lamont's Transportation Advisory Committee which recommended tolling cars and trucks and "adjusting the gasoline tax."

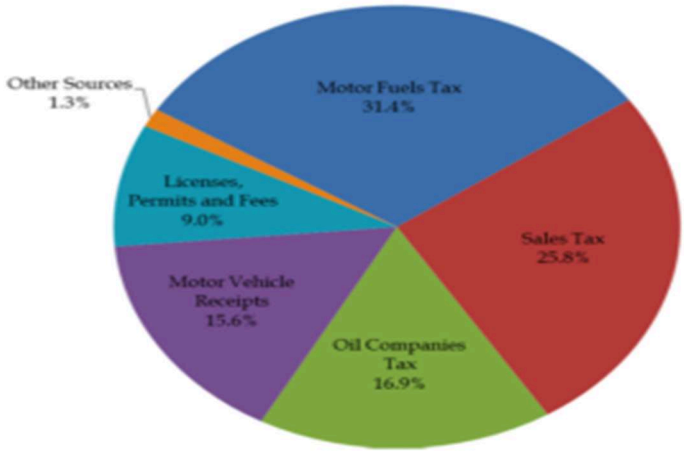
Malloy recommended increasing the gasoline tax by 7 cents per gallon along with implementing tolls. Under past tolling proposals, however, raising toll rates would likely be much easier than increasing the gasoline tax.
Connecticut's gasoline tax is set in statute, requiring a vote to increase the rate and therefore making it politically difficult in a state where residents react quickly to the thought of higher taxes, particularly at the pump.
But some of the 2018 tolling proposals called for establishing a state Transportation Authority, a quasi-public entity made up of appointed officials which would be in charge of setting toll rates, collecting revenue, and issuing bonds based on toll revenue.

The Transportation Authority would not be encumbered with the political pressure state lawmakers face, although, according to those bills, it would be required to hold public hearings.
Lamont's Transportation Advisory Committee also recommended creation of a state Transportation Authority.

To date, Lamont has continued to say he only supports tolls on large trucks, a proposal which would generate about $314 million total, according to the tolling study by CDM Smith.

After operating expenses, the state would likely take in $200 million per year from those trucks. The cost to construct the tolling gantries would run $372 million.

But Democratic Party leadership appears to be pushing tolls for both cars and trucks.
Toll proponents in the legislature say the state's gasoline tax is not generating enough revenue to meet future transportation needs as cars become more fuel efficient, and the state needs a new, more sustainable revenue source.



Connecticut also imposes a gross receipts tax on petroleum companies, which generated $271 million in 2018, although most indications are the gross receipts tax would not be touched.

The Special Transportation Fund also receives a portion of the state sales tax, and revenue from vehicle permits and fees and motor vehicle receipts. Federal funds are also obtained for road repairs and construction.

Debt service payments and the Connecticut Department of Transportation make up more than $1.2 billion per year of Connecticut's transportation funding.

As of now, the STF remains solvent, with a surplus of $175 million, according to the OFA.
Even if tolls are approved by the legislature it would likely be five years before Connecticut could gain federal approval and construct the gantries.

Malloy moved forward in seeking federal approval in 2018 by issuing an executive order forcing a $10 million environmental impact study, which is required by the Federal Highway Administration in order toll interstate highways.