



SENATE FISCAL OFFICE  
ISSUE BRIEF

**Motor Fuel Tax**

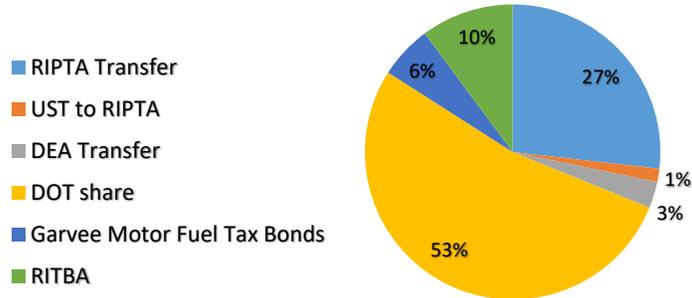
OCTOBER 17, 2022

This issue brief contains information concerning Rhode Island’s Motor Fuel Tax. It presents preliminary information about the motor fuel tax, details the various agencies, offices, and authorities that receive its appropriation, and provides information concerning the biannual projection report, which includes the per penny yield and its projected growth in yield.

**MOTOR FUEL TAX PRELIMINARY INFORMATION**

Rhode Island’s Motor Fuel Tax (Gas Tax) is \$0.345 per gallon purchased and currently ranks as the 12<sup>th</sup> highest in the nation. The tax consists of \$0.34 per gallon of state motor fuel tax and \$0.005 per gallon for the environmental protection regulatory fee. Each penny is estimated to yield \$4,593,213 during FY2023. The following tables show the projected revenue from the gas tax as well as its

FY2023 Motor Fuel Tax, Cents per Gallon



distribution schedule in Fiscal Years 2022, 2023, and 2024. Every two years, the consumer price index (CPI) is applied to the State’s statutory formula to determine the gas tax. The gas tax is expected to be raised \$0.01/gallon in FY2024, with the additional funds appropriated to the Department of Transportation.

The \$0.345 tax is transferred to the following departments, authorities, and funds:

<b>Fund Transfers, Gross \$ (W/O Biodiesel Exemption)</b>	<b>FY2022</b>	<b>FY2023</b>	<b>FY2024</b>
RIPTA Transfer	\$41,188,715	\$42,487,220	\$42,779,616
UST to RIPTA	2,131,852	2,199,061	2,222,915
OHA Transfer	4,452,834	4,593,213	4,624,823
DOT share	81,264,221	83,826,137	89,027,849
Garvee Motor Fuel Tax Bonds	8,905,668	9,186,426	9,249,647
RITBA	15,584,919	16,076,246	16,186,882
<b>Total</b>	<b>\$153,528,209</b>	<b>\$158,368,303</b>	<b>\$164,091,732</b>
<b>Fund Transfers (In Cents)</b>			
RIPTA Transfer	9.25¢	9.25¢	9.25¢
UST to RIPTA	0.5	0.5	0.5
DEA Transfer	1	1	1
DOT share	18.25	18.25	19.25
Garvee Motor Fuel Tax Bonds	2	2	2
RITBA	3.5	3.5	3.5
<b>Total</b>	<b>34.5¢</b>	<b>34.5¢</b>	<b>34.5¢</b>

Source: Office of Revenue Analysis, May 2022 Estimate

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**FUND TRANSFERS*****Rhode Island Public Transit Authority******\$42.5 million in FY2023, 9.25¢ per gallon***

The Rhode Island Public Transit Authority (RIPTA) is projected to receive \$42.5 million in gas tax revenue in FY2023, reflecting 32.5 percent of the Authority's \$131.2 million FY2023 Board Approved Budget. Gas tax revenue is the Authority's second largest source of funding and the largest State subsidy in their operating budget. RIPTA uses gas tax revenue as a state match in order to procure additional federal funds for capital projects, often at a rate of 20.0 percent state funds to 80.0 percent federal funds. RIPTA has \$6.9 million of gas tax revenue budgeted for capital expenditures in FY2023. The Authority plans to use revenue collected from the motor fuel tax to fund a number of initiatives in FY2023 such as:

- **Paratransit Study:** The Authority will expend \$75,000 to conduct a study of their current operations and paratransit bus services, resulting in the design of a statewide program that addresses the transportation needs of seniors and individuals with disabilities. The Authority currently offers the RIDE program, which is a paratransit service for individuals whose disabilities prevent either the independent use of the fixed route system, or travel to and from bus stops. The study will specifically focus on the needs of elderly and disabled individuals who use the fixed route system but do not live within three quarters of a mile from a fixed route, as required by ADA paratransit services.
- **Fixed Route Fleet:** The Authority will expend \$6.4 million to match federal funds in order to purchase 54 buses (40- Diesel, 14 Electric) which are expected to be delivered during the 2<sup>nd</sup> Quarter of FY2023. The Authority's current fixed-route fleet plan involves replacing 40-foot vehicles after they surpass 12-years or 500,000-miles.
- **Flex Vehicles:** The Authority will expend \$173,874 to purchase 5 vehicles for the Flex route, which is a fixed-route service with destination signs and a farebox but is operated using smaller vehicles similar to the ones performing paratransit service. The total purchase is \$869,370 and reflects \$173,874 in gas tax revenue and \$695,496 in matched federal funds.
- **East Side Tunnel:** The Authority will expend \$1.9 million to repair the East Side Tunnel. The East Side Tunnel requires structural and drainage repairs as well as safety improvements. RIPTA originally planned to use RICAP funds to complete the project but due to issues related to COVID-19, the Authority will be using gas tax revenue as the state match.

***Underground Storage Tank to RIPTA******\$2.2 million in FY2023, .5¢ per gallon***

RIPTA is projected to receive an additional \$2.2 million in FY2023 from gas tax revenue associated with the environmental protection regulatory fee and the Underground Storage Tank (UST). Pursuant to RIGL 46-12.9-11, the State charges a 1¢ environmental protection regulatory fee per gallon pumped, which is evenly divided between the Underground Storage Tank Review Board and RIPTA. The .5¢ appropriated to the Underground Storage Tank Review Board, which is not considered motor fuel tax, is held in the Underground Storage Tank Trust Fund, to ensure that the environmental and public health impacts of underground storage tank leaks are addressed in a prompt and effective fashion. RIPTA combines both motor fuel tax transfers, totaling \$44.7 million for the Authority, and will use them to fund the aforementioned initiatives.

***Office of Healthy Aging******\$4.6 million in FY2023, 1¢ per gallon***

The Office of Healthy Aging (OHA), a program within the Department of Human Services, is projected to receive \$4.6 million from gas tax revenue in FY2023. These funds are redirected to RIPTA in order to support the Authority's reduced fare bus pass program for the elderly and individuals with disabilities. The reduced fare bus pass program grants qualifying low-income seniors and individuals with disabilities free bus travel for two years but requires individuals to pay a \$10 processing fee. RIPTA estimates that approximately 15,000 individuals have free-fare bus passes and take nearly 6.4 million trips annually.

**Motor Fuel Tax****Department of Transportation****\$83.8 million in FY2023, 18.25¢ per gallon**

The Rhode Island Department of Transportation (RIDOT) is projected to receive \$83.8 million in gas tax revenue in FY2023, reflecting 10.5 percent of the Department's \$796.7 million FY2023 Budget as Enacted. Gas tax revenue serves as the Department's primary source of funding for federal aid match, which allows Rhode Island the opportunity to receive additional federal aid to fund its transportation programs.

Additionally, RIDOT plans to use revenue collected from the motor fuel tax to fund a number of initiatives in FY2023 such as:

- **Winter Maintenance Operations:** RIDOT will expend \$14.5 million in gas tax revenues to fund the winter maintenance initiative. This funding is used to pay vendor contracts in addition to purchasing salt, sand, and de-icers to ensure roadways are clear and free of winter debris. The initiative includes \$5.2 million for snowplowing and sanding, \$3.8 million for road maintenance and repairs and \$2.1 million in overtime wages.
- **Other Maintenance Division Expenses:** RIDOT will expend \$12.1 million in gas tax revenues to fund additional maintenance expenses, which includes landscaping and the removal of debris, sand and graffiti.
- **Vehicles/Equipment Maintenance Expenses:** RIDOT will expend \$3.6 million in gas tax revenues for capital purchases such as vehicle and equipment upgrades. The planned purchases intend to replace the Maintenance Division's existing vehicle fleet and includes heavy trucks, sweepers, loaders, backhoes, and tractors.
- **RhodeWorks Legal Services:** RIDOT will expend \$3.4 million from gas tax revenues for legal services related to the State's tolling program. In July 2018, the Rhode Island Trucking Association as well as the American Trucking Associations, Cumberland Farms Inc., M&M Transport Services Inc., and New England Motor Freight filed a lawsuit against Rhode Island, challenging the constitutionality of the State's tolling program. The State is being represented by the law firm Adler, Pollock and Sheehan. On September 21, 2022, Rhode Island received a court order requiring the cessation on the collection of truck tolls, but the ruling is currently being appealed.

**GARVEE Motor Fuel Tax Bonds****\$9.2 million in FY2023, 2¢ per gallon**

The State is projected to receive \$9.2 million from gas tax revenue as an appropriation to reduce the debt associated with the State's Grant Anticipation Revenue Vehicle (GARVEE) bonds in FY2023. GARVEE bonds enable the State to pay debt service and other bond-related expenses with future Federal-aid highway funds. The bonds generate up-front capital for major highway projects at generally tax-exempt rates and enable the State to construct projects earlier than if using traditional pay-as-you-go grant resources.

**Rhode Island Turnpike and Bridge Authority****\$16.1 million in FY2023, 3.5¢ per gallon**

The Rhode Island Turnpike and Bridge Authority (RITBA) is projected to receive \$16.1 million from gas tax revenue in FY2023, reflecting 42.3 percent of the Authority's total operating revenue of \$38.0 million. The Authority's total operating expenses are \$13.8 million in FY2023, which could be sourced entirely from the gas tax revenue. These expenses include bridge inspections, insurance, contractual services, wages/salaries/benefits, and others. The Authority also uses gas tax revenue to repair and maintain the Jamestown Verrazano Bridge, the Mount Hope Bridge, the Newport Pell Bridge, and the Sakonnet River Bridge.

**PER PENNY YIELD**

The Office of Revenue Analysis provides a projection of the motor fuel tax revenue biannually, in both May and November. The most recent report, released in May of 2022, includes audited figures from FY2021, as well as projected figures for FY2022, FY2023, FY2024, FY2025, FY2026, and FY2027. The

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figures include an estimated appropriation for each office, agency or authority, projected increases to the motor fuel tax, in addition to the tax’s per penny yield and its projected growth.

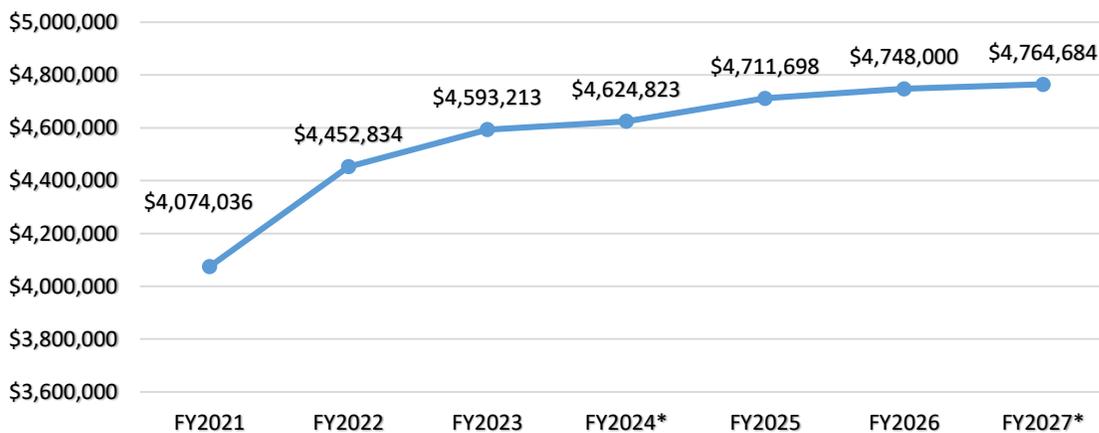
The per penny yield is an estimate of the revenue that each penny of the motor fuel tax generates. The total projected revenue can be calculated by multiplying the per penny yield by 34.5, the state’s current gas tax. The following table and graph display the projected revenue changes from FY2021-FY2027.

	Per Penny Yield	Projected Growth in Yield
FY2021	\$4,074,036	-1.5%
FY2022	\$4,452,834	9.3%
FY2023	\$4,593,213	3.2%
FY2024*	\$4,624,823	1.1%
FY2025	\$4,711,698	1.9%
FY2026*	\$4,748,000	1.0%
FY2027	\$4,764,684	0.4%

Source: Office of Revenue Analysis May 2022 Estimate

\* Designates a year with an estimated increase to the motor fuel tax.

**Projected Yield Per Penny**



Source: Office of Revenue Analysis May 2022 Estimate

\* Designates a year with an estimated increase to the motor fuel tax.

The projections indicate an annual increase to the yield, however the projected growth in yield is expected to decrease overtime. This decrease could be related to a shift from gas-powered vehicles to ones powered by electricity. Individuals who drive electric vehicles do not pay the motor fuel tax but do enjoy the same access and use of state roads as those who do. If this trend were to continue, as well as the declining growth in yield, a reliance on motor fuel tax could exacerbate funding gaps in the coming years.