

League of Municipalities Sends Action Alert To Members In Support Of SB 20 Gas Tax Bill

By Administrator

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RALEIGH, (SGRToday.com) - The League of Municipalities is urging its members to rally behind Senate Bill 20, a bill it says is "crucial to the stability of transportation revenues."

The Alert to local government officials reads:

"Please contact your House and Senate members to express your support for SB 20 IRC Update/Motor Fuel Tax Changes. Earlier today, Senate leaders rolled out this legislation, which is crucial to the stability of transportation revenues, and the Senate Finance and Appropriations committees each gave their approval to the bill. The legislation is expected to be considered on the Senate floor on Wednesday and Thursday, before moving to the House for consideration.

The bill will very quickly cut the state motor fuels tax by 2.5 cents per gallon, but subsequently create a new, higher floor for the tax which should provide stability for the transportation revenue stream going forward. As you are aware, cities and towns maintain the majority of road miles within their borders, and roughly one quarter of the money spent for this purpose comes from state Powell Bill funds. If the gas tax remains unchanged, it is expected to fall by as much as 6 to 8 cents per gallon, as it is pegged to wholesale fuel prices. This will lead to an overall drop in transportation dollars of \$300 to \$400 million, with a significant decrease in Powell Bill money, which was \$147 million last year.

The League is supporting this legislation as it supports member goals of addressing transportation needs at the state and local level going forward. Cities and towns also stand to lose substantial sums without legislative action. The new gasoline tax floor should provide stability for both state transportation dollars and Powell Bill funds. The new formula also should help those dollars to grow in the future assuming gasoline prices rise at some point.

However, the 2.5 cent cut in the tax that is included in the legislation will mean less Powell Bill funds in the coming fiscal year. Under current law, the tax is adjusted every six months to reflect the ups and downs of fuel prices. The current formula sets it as the sum of 17.5 cents plus either 3.5 cents or 7 percent of the average wholesale price, whichever is greater.

The Senate bill would change the formula, setting the tax at 17.5 cents plus either an additional 17.5 cents (to make the minimum rate of 35 cents) or 9.9 percent of the average wholesale fuel price, whichever is greater. It would also set the gas tax once a year, on January 1, as opposed to the current system of reassessing the gas tax every 6 months. The initial 2.5 cents cut to the tax would take effect March 1, while the other changes would become effective Jan. 1, 2016.

This legislation may represent the best chance to protect state transportation and Powell Bill funding streams over the long-term. Please contact your legislators and ask them to support SB 20 to bring stability to transportation dollars."

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