



TACIR

The Tennessee Advisory Commission
on Intergovernmental Relations



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MEMORANDUM

TO: Commission Members

FROM: Cliff Lippard
Executive Director

DATE: 18 December 2025

SUBJECT: Public Chapter 438, Acts of 2025 (Transportation Infrastructure Funding)—
Panel

The Tennessee Department of Transportation (TDOT) estimates it would cost more than \$30 billion to complete all the upgrades and repairs needed for the state's network of roads and bridges. But in recent years, the primary sources of revenue used to fund road and bridge projects in Tennessee—fuel taxes—have not grown at the same rate as the state's needs, largely because of increased fuel efficiency and inflation, and as a result are failing to keep up with rising construction costs. Tennessee's fuel tax rates are not indexed to inflation and have not increased since 2019. In recent years, the state has supplemented fuel tax revenue with other revenue to meet transportation funding needs, making one-time transfers from the general fund and earmarking a portion of the sales tax on new and used tires. Despite these efforts to provide supplemental funding, long-term concerns remain about declining revenue dedicated to funding the state's transportation infrastructure.

Seeing an opportunity to address these concerns, Senator Massey and Representative Vital introduced legislation in the 114th General Assembly that became Public Chapter 438, Acts of 2025, directing the commission to conduct a study and prepare a report with recommendations for establishing sustainable funding sources that meet the state's future, long-term transportation infrastructure needs. The report is due September 30, 2026.

The Act says the study and report must

1. identify the critical, long-term highway and bridge infrastructure needs of this state, the annual highway and bridge infrastructure funding gap, and the amount needed to fund the maintenance, repair, and modernization of existing highways and bridges across the state;
2. identify the recurring expenditures associated with the state highway fund, including, but not limited to, salary increases for employees of the department of transportation;
3. include a comprehensive review and analysis of appreciated sources of revenue that have the potential to grow over time and that will meet the critical, long-term highway and bridge infrastructure needs of this state, including, but not limited to, the following:
 - a. road usage fees;
 - b. rental car fees;
 - c. transportation network company fees;
 - d. retail delivery fees;
 - e. commercial vehicle road usage charges;
 - f. highway impact fees for heavy trucks;
 - g. dedicated state funds consisting of revenues from the collection of state sales tax from the sale of new or used vehicles and new or used tires in this state; and
 - h. other options that are based on variables, including, but not limited to, vehicle weight, or that account for variations in road usage and degree of damage caused to transportation infrastructure by vehicles of different sizes and configurations;
4. estimate the amount of revenue generated in this state from the sources of income identified above;
5. assemble information concerning the stakeholders affected by the appreciated sources of revenue identified above, including, but not limited to, the trucking industry, automobile dealers, and rental car, delivery, and transportation network companies; and

6. survey appreciated sources of revenue successfully used by at least three (3) other states to address their challenges in establishing sustainable transportation infrastructure funding.

In response to a request from Representative Dan Howell in September 2025, the report will also include an analysis of the economic effect of freight investments across the state, and the commission is working to enter into a contract with the Center for Transportation Research at the University of Tennessee to develop an economic model that estimates the effects of congestion.

Today, the commission will hear from a panel of stakeholders and transportation officials knowledgeable about this topic:

- RJ Gibson, Director of Government Affairs and Advocacy,
Tennessee Chamber of Commerce and Industry
- Brett Howell, Executive Director,
Tennessee County Highway Officials Association
- Kent Starwalt, Executive Vice President, Tennessee Road Builders Association
- Preston Elliott, Deputy Commissioner of Planning,
Tennessee Department of Transportation
- Natalie Kryzstof, Deputy Commissioner of Finance and CFO,
Tennessee Department of Transportation