



# **TN Advisory Commission on Intergovernmental Relations**

*December 18, 2025*

## How is the Program Funded?

- We Need -- Long-Term Sustainable Funding!
- Current Revenue Streams:
  - Gas and Diesel User Fees
  - Vehicle Registration Fees – Includes EVs & Hybrids
  - Sales Tax on Tires (Redirected from General Fund)
  - General Fund Transfers (Occasionally)

# Highway & Bridge Funding

## Gas & Diesel User Fees

- Are the Gas & Diesel User Fees a Dying User Fee?
  - Answer: **No**
  - Nearly 70% of State Revenues
  - Nearly 85% of Federal Revenues
  - 40% of Revenues in TN Paid by Out-of-State Drivers
- Have More Fuel-Efficient Vehicles Impacted It
  - Answer: Yes
  - CAFE Standards Harder to Meet/Are they Going Away?
- Have Electric and Hybrid Vehicles Impacted It
  - Answer: Somewhat
  - Impact May Slow Due to Reduced Demand

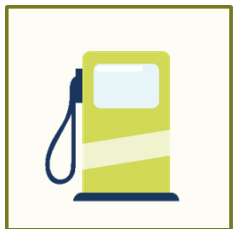
### TN State Fuel Tax



26¢  
per gallon

since 2017

### Federal Gas Tax



18.4¢  
per gallon

since 1993

# Highway & Bridge Funding

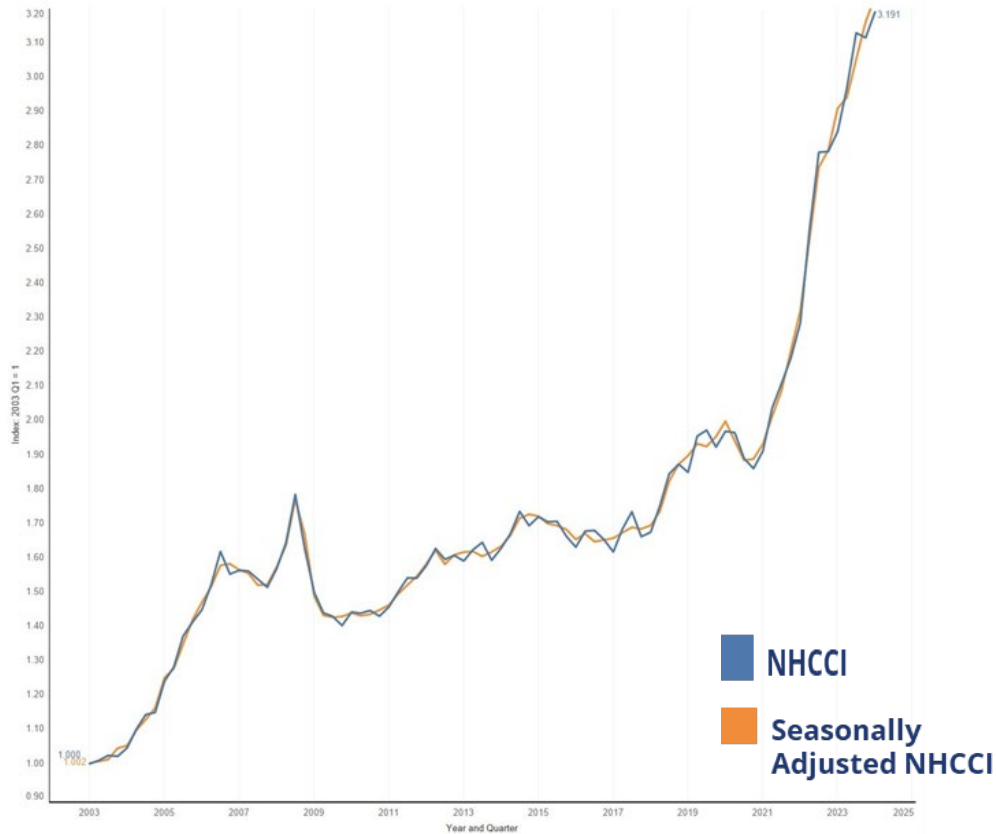
## State User Fee Collections

Category	FY22 Actual	FY23 Actual	FY24 Actual	FY25 Actual	FY26 Budgeted
Gas	\$529M	\$532M	\$532M	\$537M	\$536M
Diesel	\$235M	\$233M	\$234M	\$234M	\$237M
Special Petroleum	\$39M	\$39M	\$39M	\$39M	\$40M
Vehicle Registration	\$309M	\$215M	\$313M	\$332M	\$317M
Tire Tax	\$0	\$0	\$0	\$0	\$80M
<b>Subtotal</b>	<b>\$1.112B</b>	<b>\$1.019B</b>	<b>\$1.118B</b>	<b>\$1.142B</b>	<b>\$1.210B</b>
<b>% Change</b>	<b>4%</b>	<b>0%**</b>	<b>0%</b>	<b>2%</b>	<b>-1%*/6%</b>

\*Variance without tire tax.

\*\*Due to normalizing for vehicle tax registration holiday; Results in \$1,113 in FY23

## Inflationary Effects on Highway Construction



While the CPI has steadily increased, inflationary effects on highway construction costs have been even more significant

### Average Cost Escalation Since FY19

Concrete Pipe	+101%
Guardrail	+80%
Concrete	+77%
Labor	+56%
Concrete Catch Basins	+55%
Steel	+55%
Aggregate	+49%
Hot Mix Asphalt	+47%
Earthwork	+45%
Pavement Markings	+39%

# Highway & Bridge Funding

## Inflation & Indexing

- Inflation Has Had an Extraordinary Impact on the Highway & Bridge Construction Program
- However, the General Fund has Grown Due to Increases in Inflation
- 2/3 of the General Fund is Indexed (Sales Tax Revenue)
- Tax on Tires is Indexed
- Registration Fees on EVs & Hybrids are Indexed
- Legislation is Passed Nearly Every Year Increasing Fees Due to Inflation & Employee Costs
- Yet, We Don't Index the User Fee that Brings in the Majority of the Revenue to the Road Fund!



# Highway & Bridge Funding

## Other Options

- Tax Retail Package Deliveries – 2 States (CO & MN)
- Tax Transportation Rideshare Trips (Uber & Lyft) – 18 States, Including KY, NC, SC, GA, & AL
- Tax Electric Vehicle Charging Stations – 8 States, Including KY & GA
- Permanent and One-Time Additional General Fund Transfers
- Vehicle Registration (Tags) for ALL Trailers
- Future Funding – Vehicle Miles Travelled (VMT) or Road Usage Charges

# Questions?

