

Tolls and Transportation Funding

By: Paul Frisman, Principal Analyst
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Issue

How many states have toll roads? In what other ways do states fund transportation projects?

Summary

According to the National Conference of State Legislatures (NCSL), 42 states, the District of Columbia, and Puerto Rico authorized or operated some form of tolling in 2012. Twenty-eight states and Puerto Rico operated statewide toll facilities, 14 states (including some with statewide facilities) had regional toll facilities, and nine states and the District of Columbia authorized tolling but had no state or regional toll facilities. In addition, 20 states and Puerto Rico had privately operated toll facilities. More information can be found on this [NCSL web page](#).

According to this [2016 NCSL report](#), states have used a variety of other methods to fund highway construction, including such traditional means as fuel taxes, motor vehicle fees (e.g., title and registration fees), and sales taxes. Other, less common, revenue streams include specific sales taxes on fuel or motor oil, vehicles, or rental cars; revenue from outdoor advertising (e.g., billboards); overweight/oversize vehicle permit fees; speed and traffic camera revenue; fees on electric vehicles; and impact fees (one-time fees paid by developers to help defray project costs).

States also finance transportation projects by using a variety of financing mechanisms to borrow against or leverage these revenue streams. Historically, states have financed transportation projects by issuing General Obligation (GO) or revenue bonds. In recent years, states have also taken advantage of other financing methods, including “GARVEE” bonds, state infrastructure banks, “TIFIA” credit assistance, “design-build” construction contracts, and public-private partnerships. A brief description of some of these financing mechanisms follows.

GARVEE (Grant Anticipation Revenue Vehicle) bonds are state-issued financial instruments whose principal and interest are primarily repaid by future federal-aid funds, and which generate capital for major transportation projects at tax-exempt rates. Before GARVEE bonds were created in 1995, states could not use federal aid funds to secure bonds. In 2006, Connecticut authorized the State Bond Commission to issue up to \$1.3 billion in GARVEE bonds ([PA 06-136](#)).

State Infrastructure Banks (SIBs) are state-created revolving loan funds to finance large transportation projects. Federal and state matching funds are generally used to start these banks, but states can contribute additional money or seek additional federal money. According to the [Council of State Governments](#), 32 states and Puerto Rico had entered into 609 infrastructure bank loan agreements through the end of 2008.

Transportation Infrastructure Finance and Innovation Act (TIFIA). Under this program the federal government provides states with low-cost loans, loan guarantees, and lines of credit for eligible transportation projects. More information on TIFIA can be found [here](#).

Public-Private Partnerships (P3s) allow public agencies to leverage the expertise and financial resources of private industry. According to [NCSL](#), 33 states, the District of Columbia, and Puerto Rico had enacted P3 enabling legislation for transportation projects as of January 2016.

Design-build contracts streamline transportation project delivery by combining design and construction services into a single fixed-fee contract.

Table 1, below, shows some of the transportation revenue streams and financing mechanisms used by Connecticut and nearby states.

Table 1: Transportation Revenue Streams and Financing Mechanisms of Nearby States

State	Revenue Streams			Financing Mechanisms					
	Fuel tax	Motor Vehicle Registration Fees	Tolls	State Bonds	SIB	GARVEE bonds	TIFIA	Public-private partnerships	Design-Build
Connecticut	*	*		*		(see note)			*
Maine	*	*	*	*	*	*			*
Massachusetts	*	*	*	*		*		*	*
New Hampshire	*	*	*	*		*	*		*
New Jersey	*		*	*		*			
New York	*	*	*	*					*
Rhode Island	*	*	*	*	*	*			
Vermont	*	*		*	*				*

Source: [Transportation Governance and Finance: A 50-State Review of State Legislatures and Departments of Transportation, NCSL, November 2016.](#)

Note: Authorized by PA 06-136

Additional Information

More information on transportation funding sources can be found in these two reports of the National Governors Association Center for Best Practices:

[How States and Territories Fund Transportation: An Overview of Traditional and Nontraditional Strategies.](#)

[Innovative State Transportation Funding and Financing: Policy Options for States](#)

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