

Title: **Where does the gas tax really go?**
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Guest Opinion

Where does the gas tax really go?

BY SOUTH CAROLINA POLICY COUNCIL

If lawmakers want to send more of the gas tax to roads, they're free to do it. So why don't they?

When the gas tax hike bill (H.3516) was going through the House, House leadership circulated a flyer purporting to show how revenue from the gas tax is currently spent.

Of the 16.75 cent tax, says the flyer, only around one penny goes to "address current state system needs such as congestion, safety enhancements, bridges, and improving pavement conditions."

While that's technically true about current allocations, it's not true by law – it's true because lawmakers prefer it that way. The state code allocating the gas tax paints a very different picture.

How the law allocates the gas tax

The current gas tax is 16.75 cents. Here is how the law directs that money to be spent:

> 10.34 cents to the Department of Transportation (DOT) — 12-28-2720, 12-28-2725

> 2.66 cents to the county transportation funds — 12-28-2740

> 2 cents (approximately) to DOT's state highway fund

> 1 cent to the State Transportation Infrastructure Bank (STIB) — 11-43-160

> 0.5 cent to the Department of Health and Environmental Control (DHEC) — 12-28-2355

> 0.225 cent to DOT's non-federal state highway fund — 12-28-2355

> 0.025 cent to the Department of Agri-

culture (DOA) — 12-28-2355

> 0.0013 cents to the Department of Natural Resources (DNR) — 12-28-2730

Of these allocations, only the transfers to the DNR, DOA, and DHEC do not go to roads in some way, and this year a proviso in the House version of the budget would suspend the DOA transfer and give that revenue to the DOT as well (this proviso is not in the Senate version). This means that 16.2 cents of the state gas tax does indeed go to roads.

How much of this money goes to paving?

Directing funds to infrastructure in general does not mean the money goes to paving. State law places additional constraints on this funding.

For instance, the DOT must transfer \$50 million of non-tax revenue to the STIB every year, in addition to contributing the equivalent of one cent of the gas tax as mentioned above. STIB only funds new roads and expansions of existing roads; it does not maintain or repair existing ones.

Revenue in the state highway fund goes to everything from road construction and maintenance to purchasing right-of-way for highway construction projects to overhead for issuing and administering permits.

The important thing to note, however, is that most of the gas tax spending itself is discretionary – meaning that while the law permits it to go to different things, nothing in the state code prohibits the money from going to pothole paving.

Who decides how the gas tax is currently spent?

The DOT's budget is controlled by the DOT Commission, which in turn is controlled by a few legislative leaders. Over 12 cents of the gas tax is under the direct control of the DOT and most could be spent on the maintenance of existing infrastructure if the agency so chooses.

Hence the need for structural reform before any discussion of increasing revenue: the less accountable an agency is, the more likely it is to make decisions suitable to the preferences of its managers – in this case, legislative leaders and commissioners – rather than the preferences of the taxpayers.

The situation with STIB is even worse. That agency has historically financed projects in only a few of the state's 46 counties, and doesn't fund maintenance or repair.

That, in essence, is why roads in some counties have fallen into disrepair, even as DOT's budget over the last ten years has steadily grown and most of the gas tax goes to roads already.

In short, if only one cent of the gas tax is going to paving, lawmakers are free to change that formula – and they ought to change it before asking taxpayers to clean up the mess created by the state's failure to prioritize.

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