

BR SUB ON TRANSPORTATION

EXECUTIVE ORDER 2026-235

OVERVIEW



MISSION

To provide a safe, efficient, environmentally sound and fiscally responsible transportation system that delivers economic opportunity and enhances the quality of life in Kentucky.

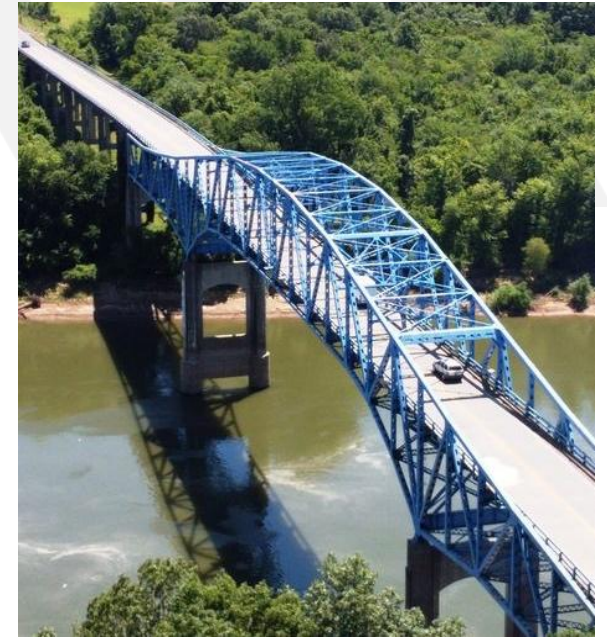
VISION

Striving to be national leaders in transportation who provide transportation infrastructure and services for the 21st century that deliver new economic opportunities for all Kentuckians.



Executive Order 2026-235

- Declared a state of emergency relating to gas prices
- Freezes any increase in motor vehicle property taxes in 2027
- Urges Congress to suspend the federal gas tax until the end of the year
- Freezes the Motor Fuels tax rate at current levels for FY27
- Reduces the Motor Fuels Tax Rate 10-cents/gallon



E.O. 2026-235

ROAD FUND IMPACT

10-cent per gallon reduction, effective May 11

Estimate impact to the Road Fund at **\$26.8 million for one month**

- \$11.8 M less funding for counties and cities
- Direct impact to KYTC is about \$15 million

Freezing the rate, effective July 1

Prevents the statutory tax increase of 0.6 cents from taking place

- The enacted budget relied on a Road Fund tax rate that was 1.4 cents lower than the current rate
- The budgeted rate will generate about **\$42 M more** annually to the Road Fund
 - \$23.5 M more for the Transportation Cabinet
 - \$18.5 M more for counties and cities



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HIGHWAY CONSTRUCTION IMPACT

Depends on how long the reduction is in effect. Very little (or no) impact if in effect for two months since higher usage rate could offset effects of the reduced tax rate.

Construction Projects – Projects vary in completion time (and in “spend out”). Each year, KYTC spends more on previously authorized projects than on newly authorized projects. Leadership will reduce planned new authorizations of projects that “spend out” quickly (Resurfacing), to reduce FY27 spending.

Cash Management Spending Plan requires leadership to meet monthly to review authorizations and maintain sufficient reserves. KYTC will delay authorization of new projects before adjusting currently authorized projects.



REVENUE SHARING IMPACT

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KYTC typically processes three payments for County Road Aid and Municipal Road Aid (Aug, Jan, July – 60/30/10%) and two for Rural Secondary (Aug, July – 90/10%). The last payment can be more or less than 10%, depending on actual revenues, so they are referred to as “make whole” payments.

Estimated Impact on July "Make Whole Payments"

If reduction lasts:	1 month	1.5 months
County Road Aid	\$ (4,480,100)	\$ (6,720,100)
Rural Secondary	(5,434,800)	(8,152,300)
Municipal Road Aid	(1,885,100)	(2,827,600)
	<u>\$ (11,800,000)</u>	<u>\$ (17,700,000)</u>

Impact on FY26 total payments

	1 month	1.5 months
	-3.3%	-4.9%
	-3.3%	-4.9%
	-3.3%	-4.9%
	-3.3%	-4.9%



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REVENUE SHARING IMPACT (cont'd)

State funding for the Department of Rural and Municipal Aid's major programs **will** align with collections, per statute, for the current fiscal year and in the upcoming biennium.

For FY27, counties and cities will receive less funding in August, and we will adjust payments throughout the year as the situation becomes clearer. As has been done in the past, we may add a payment to the schedule.

If the 10-cent reduction stays in effect through Dec. 2026, the funding available for County Road Aid, Rural Secondary, and Municipal Road Aid would be about 16.9% less than the Consensus Forecast Group's official estimate.





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QUESTIONS?



transportation.ky.gov

Shaun.McKiernan@ky.gov

