

# Governor Beshear's Gas Tax Suspensions

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## The Benefits and the Impacts

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# What Happened

- May 5: Governor declares state of emergency
  - Suspends 10 cents of the current 26.4 cents per gallon gas tax (~38%)
  - Beginning July 1<sup>st</sup>, suspends increase of 0.6 cents per gallon triggered by the increase in the average wholesale price of fuel in Kentucky
- May 11: The 10 cents per gallon suspension goes into effect
- Governor's stated purpose for suspensions: *"The "pain at the pump" is hurting Kentucky families."*

# Benefits & Impacts on Kentucky Families-10 Cent Suspension

- Saves average Kentucky driver (15,000 miles per year, 25 miles per gallon)
  - \$5/month in gas tax
  - \$1.15/week in gas tax
- Impacts on Kentucky's Road Fund
  - Reduces revenues by \$25 million/month
  - This means \$4.6 million less per month for county roads
  - This means \$1.9 million less per month for municipal roads

# Benefits & Impacts on Kentucky Families-0.6 Cent Suspension

- Saves average Kentucky driver (15,000 miles per year, 25 miles per gallon)
  - \$0.30/month in gas tax
  - \$0.07/week in gas tax
- Impacts on Kentucky's Road Fund
  - Reduces revenues by \$1.5 million/month

# Points to Consider

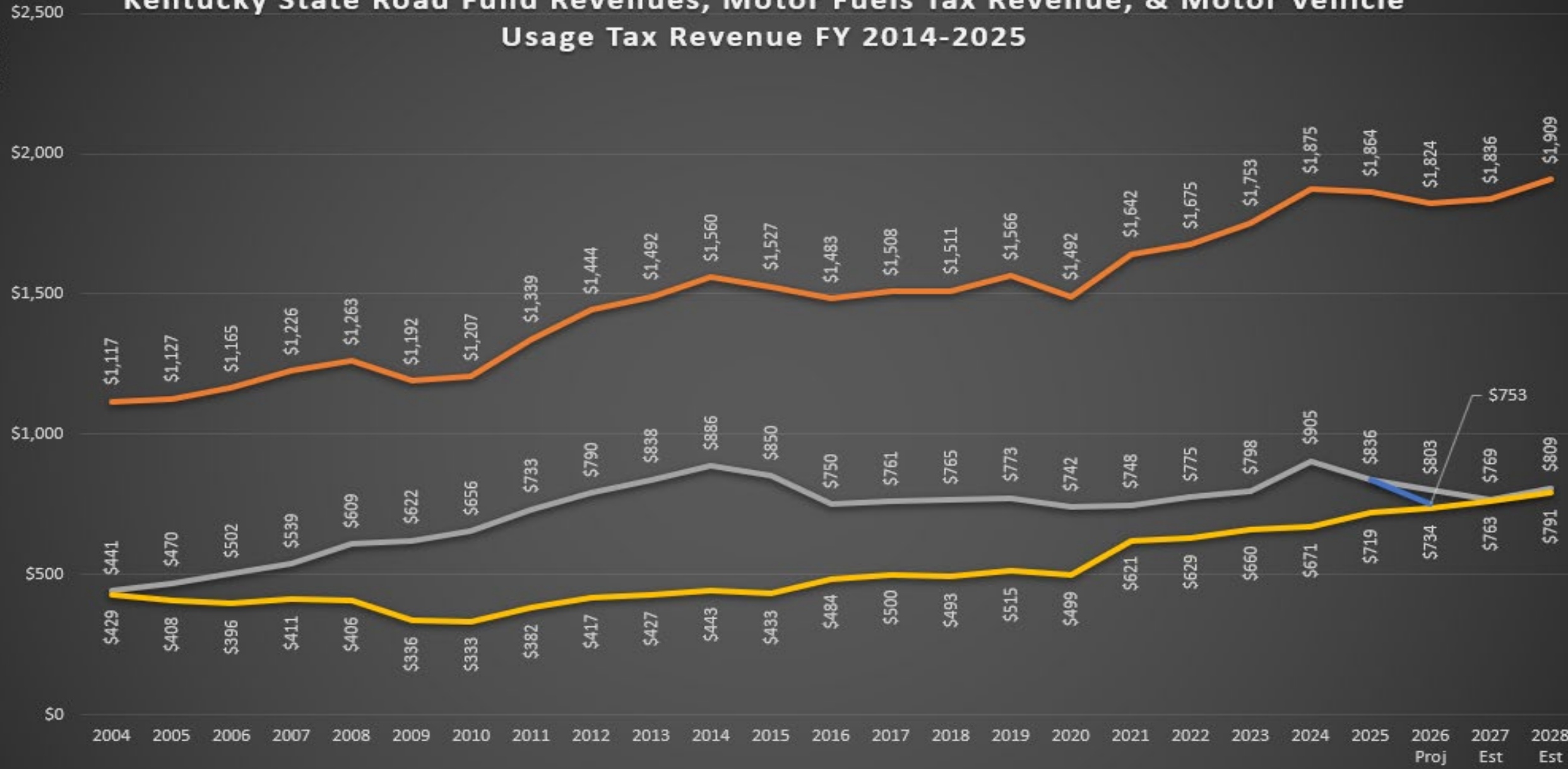
- The estimated monthly savings from both - \$5.30/month
  - Equivalent of one McDonald's hamburger happy meal/month
  - Equivalent of one Starbucks iced coffee
  - Equivalent of an additional 1.3 gallons of regular unleaded/month
  - Mostly a symbolic savings for the average Kentuckian
- The impacts of suspension - \$26.5 million/month
  - Delayed/deferred roadway maintenance and repairs
  - Delayed/deferred projects to rehabilitate or improve roadways
  - Potential premature wear and tear on vehicles (tire damage, front end alignments, etc.)
  - Loss of about \$8 million/month from non-Kentucky users of our roadways (~ 30% of gas tax paid is by vehicles not registered in Kentucky)

# The Importance of Kentucky's Gas Tax

- The largest funding mechanism for Kentucky Road Fund ~ \$800 million/year
- The only dedicated funding source for rural secondary, county, and city roads
- Closest funding mechanism we have to a true user fee
- The suspensions represents a nearly 40% reduction of this critical funding mechanism

# Kentucky State Road Fund Revenues, Motor Fuels Tax Revenue, & Motor Vehicle Usage Tax Revenue FY 2014-2025

MILLIONS

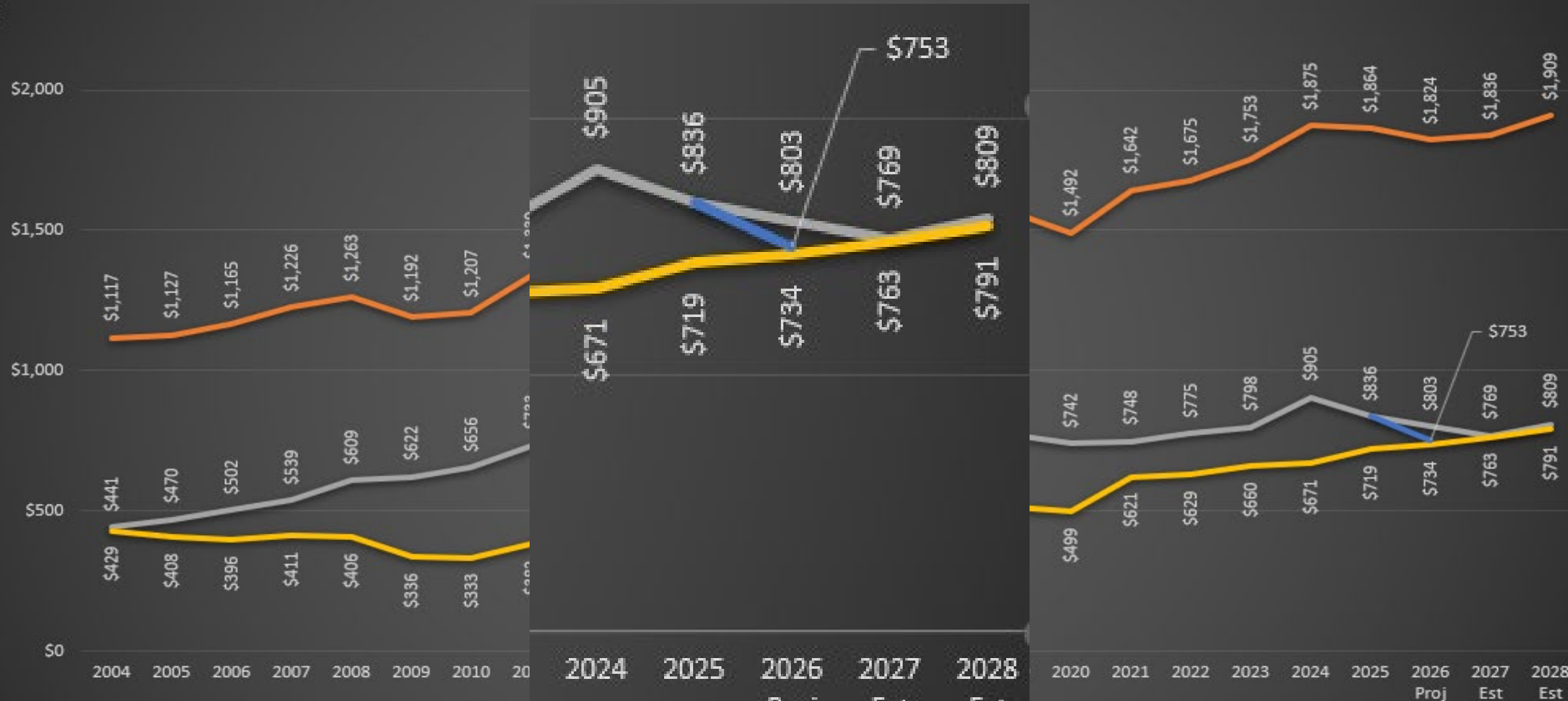


State Road Funds    Motor Fuels Tax    Motor Vehicle Usage Tax    2026 Suspension



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# Final Thoughts

- General Assembly has made historic general fund investments in transportation – over \$1 billion
- General Assembly making investments in counties and cities to help address growing roadway needs
- Gas tax suspensions by Governor Beshear have negative impact on addressing Kentucky's transportation needs
- Encourage the General Assembly to
  - Take action to reduce the ability of this or future governors from politicizing the state gas tax
  - Backfill lost state road fund revenues from the state rainy day fund
  - Take actions to generate needed transportation funding to maintain and improve Kentucky's roadways