Funding Beyond the Feds:
How State Governments Generate Active Transportation Funding

Safe Routes PARTNERSHIP

Increasingly, states are responding to calls to make walking and biking safe, convenient, and connected by creating funding streams for pedestrian and bicycle safety education, sidewalks, bike lanes, crosswalks, and other street features that support active transportation. While states can access federal funds to build active transportation infrastructure, due to increasing demand and decreasing revenue from the federal gas tax,[1] many states are generating their own revenue to fund transportation, including active transportation. [Making Strides: 2020 State Report Cards on Support for Walking, Bicycling, and Active Kids and Communities] reveal that 30 states dedicate state funding to walking, bicycling, and Safe Routes to School. The amounts of funding range widely (around $25,000 to $149 million annually), and the sources of revenue filling the active transportation coffers are varied as well. Here are some of the more popular methods that local governments use to generate funds for active transportation.

Transportation Bonds

Bonds are, in essence, a loan. They are a financing mechanism involving long-term debt, in which the state receives money up front from bond purchasers and pays them back over time with interest. Bonds are a very common source of transportation funding. Bonds can only be used to fund infrastructure; not operations or ongoing costs.

State Taxes

By passing dedicated increases to sales taxes, excise taxes, income taxes, or fuel taxes states can produce significant revenue for transportation. Some states require taxes to be approved by voters instead of elected officials, and may require a supermajority of voters to agree to a tax increase. Fourteen states require a legislative supermajority and voter approval for new taxes, and six states require voter approval to exceed a spending cap.[2] Although elected officials are often wary of voter resistance to tax increases, historically more than 75 percent of local and state transportation financing measures are successful at the ballot box.[3]

Gas/Fuel Taxes

State gas taxes are among the methods commonly called upon to generate additional transportation funding that includes active transportation. Fuel tax increases are likely the most significant state funding mechanism for transportation generally; 28 states and D.C. have raised fuel taxes since 2013.[4]

Fees

States use a wide range of fees to generate revenue for transportation. Fees can be a popular choice for policymakers because they can be passed legislatively without a supermajority and do not need to be voted on by constituents like many taxes. Philosophically, some support fees because they see them as putting the cost of providing a service on those using it; others oppose fees because they erode the communal sense of people funding the government, which then provides public goods. Fees that are used to pay for transportation or active transportation include the following:

- Vehicle registration/vehicle transfer/license fees are common in most states. At a minimum, such fees need to cover the operational costs of registering vehicles and drivers, but these fees may also be used to generate funds for infrastructure. Some states dedicate a portion of these fees to active transportation.
- Electric vehicle special fees: A number of states have passed special fees for electric or hybrid vehicles, often annual fees of $100-$200.[5] Electric and hybrid vehicles pay the same annual registration fees as other vehicles, but pay fewer or no gas taxes, so a number of states have imposed these special fees as partial compensation.
- Specialty license plates: Specialty license plates (Share the Road plates or bike plates) are available in around half of the states for an additional fee. All or part of the additional fee goes to support walking or biking in the state; some states allow the money to go directly to an advocacy group, while in other states the money goes to a state fund for safety education or infrastructure.

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Lottery

State lotteries are a popular revenue generator for many states. While many states have directed lottery revenue to education, a few have used lottery revenue to fund transportation. Lotteries tend to earn 20-35% proceeds and may bring in from under $100 million to over $1 billion per year.[6]

Fines

Traffic fines, including those from red light cameras and speed cameras can generate significant amounts of money for infrastructure, Safe Routes to School, crossing guards, and other active transportation needs. Cautionary note: Using traffic fines and fees to address transportation needs also brings a set of concerns. Because fines and fees are rarely adjusted for the income of the person fined, these costs have little deterrent impact on those who are well to do, but can be financially devastating for people who are low-income. In addition, camera placement and dangerous infrastructure mean that fines often end up disproportionately targeting people in low-income communities and communities of color.[7]

Allocation of general funds or transportation funds

General funds are derived from the overall taxes and fees collected from residents and others, which are then allocated to various budgets. These funds vary in amount, depending upon the state of the economy and other factors. They are flexible revenue, which can be allocated for a variety of purposes. States can appropriate portions of their general funds for active transportation, and many do. In addition, some states have passed laws requiring a certain percentage of transportation funds be spent on active transportation. For example, Oregon and Michigan both require 1% of certain transportation funds be spent on active transportation.[8]

Just say "no" to bicycle registration fees

Bicycle registration fees are occasionally discussed as a potential source of funding for active transportation, but they are widely regarded as a bad idea. Bicycle registration fees have the potential to discourage active transportation – they create a hassle, they are outside the bounds of what people are used to or expect to do, and they require people to pay for using a form of transportation that has positive externalities for our streets, our health care costs, and our environment.

Transportation packages

At the state level, often legislatures pass comprehensive funding for transportation that bundles together several of these financing mechanisms. It spreads the burden of cost across the population and user groups. Transportation packages typically generate significant revenue, and active transportation advocates that have advocated for some funding from the package as part of broader coalitions typically enjoy greater success – and significant amounts of money for walking and biking – than when advocating alone for dedicated pots of funding.

Conclusion

Decisions regarding which approach to advocate for in a given state are often based upon a combination of considerations—state constitutional restrictions, state law, political palatability, other initiatives that are in the works, and more. Understanding the full range of options, and their pros and cons, can be important to these decisions.

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