

# 2021 POLICY GUIDES

## Funding For Road Construction And Maintenance

### Issue

This year, LB542 was introduced and prioritized by Sen. Lynne Walz and cosponsored by Sens. Mark Kolterman and Mike Moser. LB542 sought to utilize bond financing to accelerate completion of the highway construction projects identified in the Build Nebraska Act by leveraging a portion of Build Nebraska Act funds to maximize Nebraska's pay-as-you-go philosophy. Some of the main reasons for the bill were to insulate our highway funding from federal uncertainty, rising interest rates and construction inflation. The bill was advanced from the Revenue Committee on March 3 with a 7-0 vote. The bill is currently on General File with AM401 and has been held over until 2022 legislative session.

### BACKGROUND

Highway Trust Fund - Nebraska historically has been a “pay-as-you-go” state, using the traditional revenue sources to fund the needs of the state highway system. State funds are derived from three primary highway user revenue sources: (1) 60% comes from fuel taxes, (2) 30% is generated from sales taxes on new and used motor vehicles and trailers, and (3) 10% comes from motor vehicle registration fees. Approximately 60% is designated to the Department of Roads, and 40% to the cities and counties of Nebraska.

Approximately \$232 million of the state highway trust fund revenue is set aside for routine highway maintenance, administration, capital facilities, supportive services, carrier enforcement, transit, rail, construction overhead and the Federal Fund Purchase program. This expenditure level was reduced by \$10.5 million through FY-16 legislative appropriation action. The remaining revenue is available for the state highway construction program.

**Build Nebraska Act** – One quarter of 1% of general fund sales tax revenue is designated for Nebraska roadways. Eighty-five percent is for the state surface transportation projects, estimated at approximately \$63 million. Fifteen percent is for local roads and streets, estimated at approximately \$11 million.

Additionally, about \$8.2 million of recreation road, grade crossing, and state-aid bridge funds are available for projects both on and off the state highway system.

### FARM BUREAU POLICY

Current Farm Bureau Policy does not support or oppose utilizing bonding for financing state roads. Long standing FB policy that was first adopted prior to 1997 specifically says, “Bonding as a means of financing state highway construction is not acceptable.” That policy was in effect until 2015 when we adopted the policy on roads funding that excluded the bonding statement while leaving the remaining language intact. A 2010 policy discussion guide presented the question to our membership asking if Nebraska should increase the use of bonding to fund road construction.

**ROADS FUNDING (2020).** We oppose changes to the distribution of dollars from the state highway trust fund unless the changes would benefit rural areas. We support increased funding for highways in rural areas and establishing a minimum average price of motor fuel to be used for calculating the motor fuel tax, which could help avoid roads funding falling short as prices dip. Taxes collected from highway users should be strictly used for road construction and maintenance. We support an independent study to see if there are ways to run the Nebraska Department of Transportation and its programs more efficiently. Additional funding provided to cities and counties must be used only on the construction or maintenance of roads. If the Legislature determines additional funding for road construction and maintenance is necessary, we support increasing the motor fuels tax and/or increasing the sales tax with the money going to the Highway Trust Fund for road construction and maintenance. We oppose the use of general funds or the levying of any tax on agricultural products, including ethanol, to fund road construction or maintenance. We support legislation mandating Indian tribes that have fuel tax agreements with the state to collect and remit all motor fuel tax on sales of motor fuels from any person who does not hold a tribal membership card. State/Tribal Fuel Tax Agreements shall not allow retail motor fuel outlets that are not located within an Indian reservation to be included in the agreement. We believe electric vehicles should be taxed to offset the lack of fuel tax.

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## **BENEFITS**

Proponents argue bonding has been used effectively in other states, would allow projects to move forward quickly, avoids cost increases, and takes advantage of current, relatively low, interest rates.

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## **CONCERNS**

Opponents argue other states have struggled to pay off bonds and fear Nebraska would face similar struggles.

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## **QUESTIONS**

1. Should Nebraska Farm Bureau policy support bonding for certain situations for funding road construction?
2. Should Nebraska continue to “pay-as-you-go” when it comes to new road construction?
3. What other ways can Nebraska improve our highway systems and complete new projects in a timely manor?