COMMONWEALTH OF KENTUCKY
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Opinion: Gov. Andy Beshear's Suspension of Gas Tax Increase Among Several Steps Taken to Help Kentuckians in Volatile Economy

By Jim Gray

FRANKFORT, Ky. (June 28, 2022) – Extraordinary times call for extraordinary leadership.

That's what Gov. Andy Beshear displayed in issuing an emergency regulation that temporarily froze the state tax on motor fuels, effectively blocking what otherwise would have been an automatic 2-cents-per-gallon increase on July 1.

The Governor knows that many Kentuckians are struggling in the current, volatile economy, and he recently has taken multiple actions on their behalf:

- Stopping a spike in vehicle property taxes resulting from soaring values for used cars and trucks. Kentuckians will be saved $340 million over two years.
- Advocating for Indiana to agree to join Kentucky in calling for a Tolling Body meeting to minimize the toll rate increase on the Ohio River Bridges between Louisville and southern Indiana for fiscal year 2023. Indiana's refusal will cost bridge users nearly $400 million over the life of the project.
- Declaring a state of emergency and activating state price-gouging laws to protect Kentucky families from overpriced gasoline and other motor fuels.
- Supporting legislation to temporarily reduce Kentucky's 6% sales tax to 5%. It would have saved Kentuckians $873 million.
- Asking the U.S. Environmental Protection Agency for a waiver of the requirement for costly "reformulated" fuel in the Louisville metro area. It adds as much as 30 cents per gallon to the pump price.

The emergency regulation on the motor fuels tax is consistent with Gov. Beshear's earlier actions – holding down, as much as he can, prices at the pump for gasoline and diesel. The savings to consumers will amount to an estimated $35.4 million.

At the same time, the Governor's action prompted some questions about how Kentucky's highway construction and maintenance program would be affected.

It was a reasonable question. The "gas tax" is a major revenue stream to the Kentucky Road Fund, which pays for the Kentucky Transportation Cabinet and its highway program.

The short answer is that our highway program will not be set back. The $35.4 million in anticipated savings to consumers amounts to about 1.6% of the transportation budget. The Transportation Cabinet will adjust and adapt – just as Kentucky consumers have been adjusting and adapting to the ups and downs of the economy. The cabinet will continue with all the projects – more than 1,500 across Kentucky – that are in process today.

One factor in our favor was passage of the Infrastructure Investment and Jobs Act – now called the Bipartisan Infrastructure Law. For Kentucky, it provided an unprecedented level of federal highway funding – $4.6 billion over five years, an increase of $683 million.

The gas tax was set to increase on July 1 in accordance with Kentucky law, which ties the tax rate to the average wholesale price (AWP) of fuels. The rate is adjusted annually, on July 1, to reflect changes in AWP. Gov. Beshear's regulation halts the new increase until at least January, when the legislature will be back in session and can take permanent action.

Gov. Beshear is to be commended for using, in a focused way, the authority he possesses to help his fellow Kentuckians in the short term. In the long term, Kentucky needs a creative solution to its funding of a transportation program. The 2022 General Assembly took a step in that direction by enacting new fees on hybrid and electric vehicles (EVs).

The user-fee model of a gas tax served us well for many years. But it is inadequate for an age of ever more efficient vehicles and hybrids that pay less and less at the pump – not to mention the EVs, which pay nothing at the pump.

I should know. I drive an EV.

Jim Gray, of Lexington, is Secretary of the Kentucky Transportation Cabinet.

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