

DATA BULLETIN:
**AN EXAMINATION OF KENTUCKY'S ROAD FUND
REVENUES AND EXPENDITURES**



MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS



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September 16, 2021

To the People of Kentucky:

The Auditor of Public Accounts (APA) has reviewed public data regarding Kentucky's road fund. Auditor Harmon's motto has been to "Follow the Data," so to help with that, we intend to highlight data from time to time that is of public interest.

The purpose of this review is to inform the public about road fund receipts and expenditures relating to infrastructure across the Commonwealth based on publicly available data. The information provided is from state agencies or organizations outside of state government, unless indicated otherwise. Therefore, the data being made available has not been audited by the APA.

If you have information related to the road fund or other uses of public funds, please contact our office at 1-800-KY-ALERT.

Sincerely,

A handwritten signature in cursive script that reads "Farrah Petter".

Farrah Petter
Assistant Auditor of Public Accounts

Introduction

This data bulletin is intended to provide a high-level overview of the financial activity in Kentucky's road fund. This includes descriptions of the various taxes and fees that support the road fund, descriptions of the Commonwealth agencies most reliant on those funds, what agency activities the road fund is supporting, and a brief discussion about the oversight of the road fund. Where applicable, certain comparisons have been made to external measurements, such as inflation and fuel prices, to compare the road fund's relationship to changes in these metrics. Unless otherwise noted, we used data from fiscal years 2018, 2019, and 2020.

The Kentucky Constitution provides the broad parameters of the road fund.

Ky Constitution § 230 Money not to be drawn from Treasury unless appropriated; annual publication of accounts; certain revenues usable only for highway purposes

No money shall be drawn from the State Treasury, except in pursuance of appropriations made by law; and a regular statement and account of the receipts and expenditures of all public money shall be published annually. No money derived from excise or license taxation relating to gasoline and other motor fuels, and no moneys derived from fees, excise or license taxation relating to registration, operation, or use of vehicles on public highways shall be expended for other than the cost of administration, statutory refunds and adjustments, payment of highway obligations, costs for construction, reconstruction, rights-of-way, maintenance and repair of public highways and bridges, and expense of enforcing state traffic and motor vehicle laws.

Users of the Road Fund

Kentucky Transportation Cabinet

The Kentucky Transportation Cabinet (KYTC) is responsible for managing and maintaining over 27,500 miles of roadway and 14,349 bridges. Kentucky has the eighth-largest state road system and the seventh largest inventory of state-maintained bridges in the United States.

The Commonwealth of Kentucky Six-Year Highway Plan was enacted in 2020 and states, "the plan is based on a total revenue of \$6.1 billion, consisting of \$1.1 billion to address the backlog of pavement and bridge needs, \$0.9 billion in federally dedicated funds, and another \$0.5 billion for federal GARVEE debt service payments. Beyond these obligations, there is an additional \$3.6 billion for highway project funding through FY 2026."

KYTC utilizes funds from the state Road Fund, which is a fund of the Commonwealth that accounts for and reports the proceeds of taxes, fees, and charges that are restricted or committed to activities related to the preservation and maintenance of roads and proceeds from highway bonds issued by the Kentucky Turnpike Authority. KYTC relies on federal funding to support certain infrastructure projects. However, that federal funding is outside the scope of this data bulletin. KYTC also utilizes the road fund for personnel, administrative, and other operational expenses. These expenditures are displayed in Charts 11 and 12. For KYTC expenditures by Department, see Appendix B.

Users of the Road Fund (Continued)

Kentucky State Police

The Kentucky State Police (KSP) force is the statewide law enforcement agency of the Commonwealth. KSP was established in 1948. State Troopers are assigned to 16 regional posts and Commercial Vehicle Enforcement officers are assigned to 6 regions. KSP is responsible for the enforcement of criminal and traffic laws, along with white-collar crime, organized crime, electronic crime, racketeering, and drug-related crime. KSP also provides protection for the Governor, Lieutenant Governor, their families, and their property. The current organization is comprised of four offices: Commissioner's, Administrative Services, Operations, and Technical Services. KSP primarily utilizes the road fund for a portion of its personnel expenses as can be seen in Charts 11 and 13.

Other Agencies

Other cabinets utilizing the Road Fund, with primary departments in parenthesis, are as follows: Tourism, Arts and Heritage (Artisan Center at Berea), Energy and Environment (Department for Environmental Protection), Finance and Administration (Office of the Secretary and Department of Revenue), and Cabinet of the General Government (Office of Homeland Security and State Treasurer). Table 1 shows the road fund amounts, in total, spent by these agencies outside of the Kentucky Transportation Cabinet and Kentucky State Police.

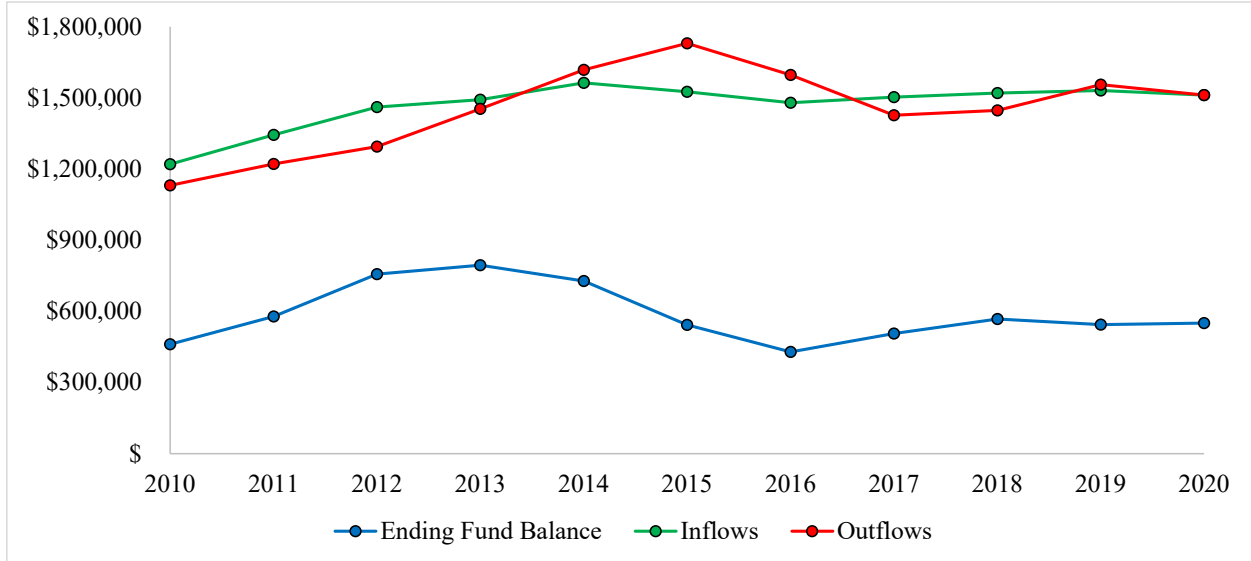
Table 1: Road Fund Expenditures by Cabinets Other Than Kentucky Transportation and Justice and Public Safety for fiscal years 2018, 2019 and 2020

<u>Cabinet</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Finance and Administration	\$ 3,219,540	\$ 3,729,073	\$ 3,773,362
General Government	512,963	554,810	562,000
Tourism, Arts and Heritage	445,200	544,000	553,000
Energy and Environment	320,900	320,900	320,900
Total	<u>\$ 4,498,603</u>	<u>\$ 5,148,783</u>	<u>\$ 5,209,262</u>

Source: Commonwealth Accounting System, eMARS

Inflows, Outflows, and Road Fund Balance

Chart 1: Inflows, Outflows, and Ending Fund Balance for the Road Fund for fiscal years 2010 through 2020

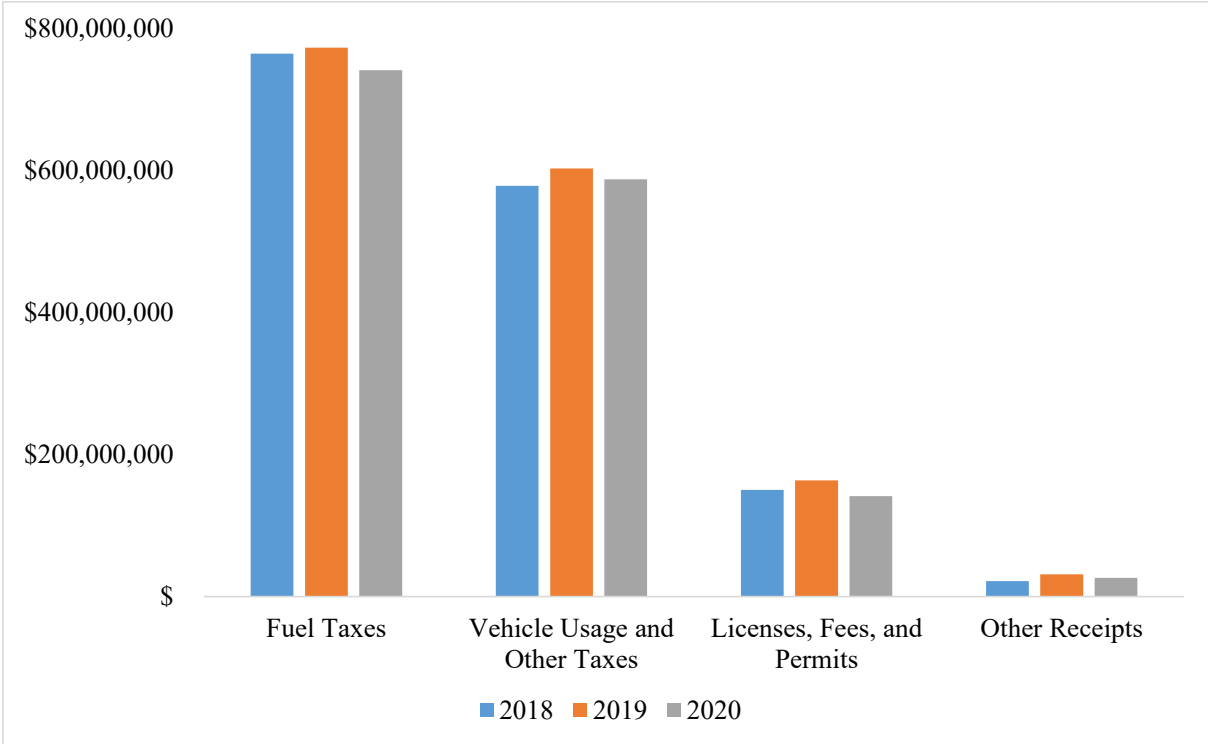


Source: Commonwealth Annual Comprehensive Financial Report (in thousands)

Chart 1 depicts the Inflows (receipts) and Outflows (expenditures and net transfers) for the Road Fund. Inflows consist of fuel tax receipts, motor vehicle usage receipts, and other charges. Categories of these inflows are described in Charts 2 and 3. Outflows consist of construction, maintenance, personnel expenditures and transfers of funds to service outstanding debt. These categories are described in Charts 7 and 8 as well. Ending Fund Balance is also included to present the remaining balance each year in the Road Fund. Naturally, for years in which Inflows exceed Outflows, Ending Fund Balance will increase.

Road Fund Revenue Sources

Chart 2: Classification of Receipts for fiscal years 2018, 2019 and 2020

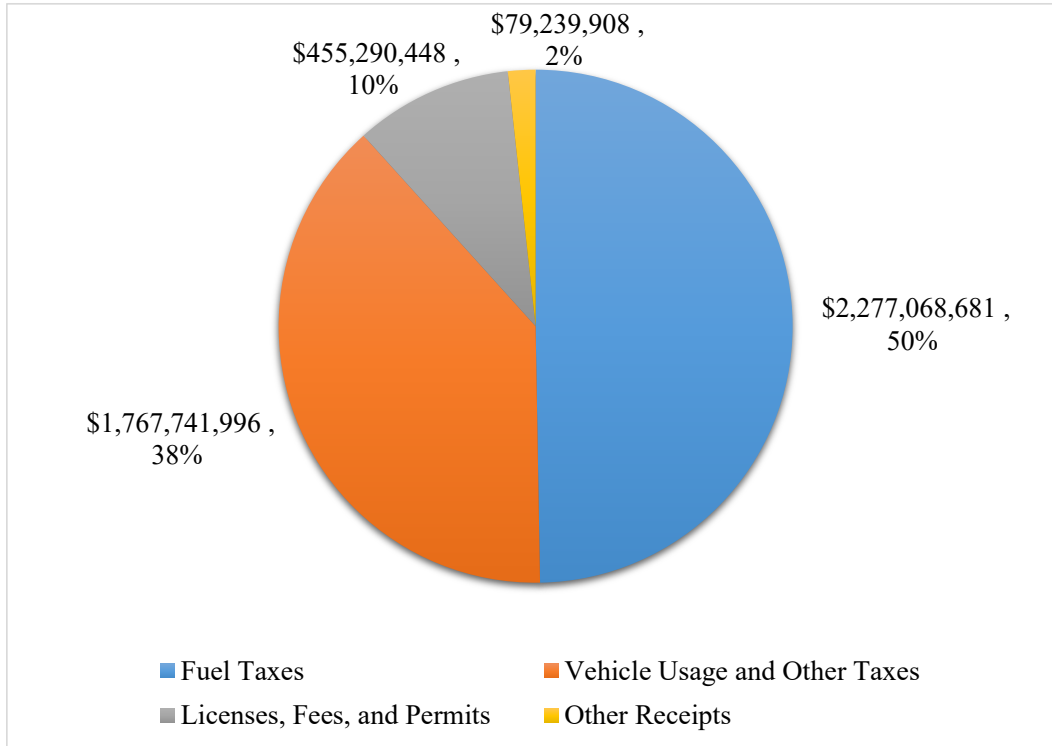


Source: Commonwealth Accounting System, eMARS

Chart 2 depicts the classification of Road Fund receipts for fiscal years 2018, 2019, and 2020. Fuel Taxes and Vehicle Usage Taxes are the predominant revenue streams for the road fund. Fuel Taxes are, generally, taxes paid per gallon of gas purchased. Vehicle Usage and Other Taxes include primarily taxes on the transfer and sale of vehicles.

Road Fund Revenue Sources (Continued)

Chart 3: Combination of Receipts in Total by Category for fiscal years 2018, 2019 and 2020



Source: Commonwealth Accounting System, eMARS

Chart 3 aggregates the data from Chart 2 in order to depict the sources of revenue, by amount and percentage, for the Road Fund in total for the fiscal years 2018, 2019 and 2020. The total amount of revenue for the three fiscal years is \$4,579,341,033.

Fuel Taxes

In 1920, the Commonwealth adopted the motor fuel tax in order to generate revenue for the maintenance and upkeep of the public roadway systems throughout Kentucky. These motor fuel taxes are levied on gasoline, liquefied petroleum gas (LPG) and special fuels (predominately diesel fuel) which are sold for use in motor vehicles operated on Commonwealth of Kentucky public highways.

An excise tax of 9% of the average wholesale price of motor fuel, rounded to the nearest one-tenth of one cent (\$0.001), is paid on a per-gallon basis on all gasoline and special fuels sold within the Commonwealth. This tax is applied to the per-gallon selling price charged by motor fuel vendors. However, a minimum wholesale price of \$2.177 per gallon was established for fuel sold after April 1, 2015. This is known as the wholesale floor price. This wholesale floor price is used when the average wholesale price of motor fuel, which is calculated on an annual basis, falls below \$2.177 per gallon.

Road Fund Revenue Sources (Continued)

The excise tax of 9% based upon the wholesale floor price accounts for \$0.196 in additional cost to motor fuel consumption. In addition to this excise tax, a supplemental highway motor fuel tax is included at the rate of \$0.05 per gallon of gasoline and \$0.02 per gallon of special fuel. The combination of the excise tax, supplemental highway tax, and special fuel tax amount to \$0.266.

Commercial motor carriers also pay an additional gasoline surtax of 2% of the average wholesale price on the amount of gasoline and 4.7% on the amount of special fuels used in operations on public highways of the Commonwealth.

For the year ended June 30, 2021, fuel tax revenue was the largest portion of funds received during fiscal year 2021 as it accounted for \$748.4 million of the \$1.6 billion in total funds collected, or 46.8% of the total Road Fund receipts.

Vehicle Usage and Other Taxes

Another method of generating revenue for the Road Fund that the Commonwealth utilizes is the 6% motor vehicle usage tax. The largest portion of the motor vehicle usage revenue comes from the usage tax applied when a vehicle is transferred from one owner to another. Taxing methodology for this tax is determined based upon whether the vehicle being transferred is new or used.

The U-Drive-It (UDI) usage tax is another optional means for payment of the motor vehicle usage tax on vehicles that are verified for rental or lease use only. This method of payment for motor vehicle usage tax allows UDI permit holders to defer the 6% usage tax by remitting a monthly tax based on 6% of the monthly rental or lease charge of a qualifying vehicle. The usage tax reported on the monthly tax returns is based on the fair market rental or lease value of the vehicle.

Lastly, commercial motor carriers pay a weight distance usage tax of \$0.0285 per mile on vehicles with a combined licensed weight greater than 59,999 pounds. Only miles driven on Kentucky public highways are used to calculate this tax.

For the year ended June 30, 2021, motor vehicle usage tax revenue accounted for \$704.1 million of the \$1.6 billion in total funds collected, or 44% of the total Road Fund receipts for fiscal year 2021.

License, Permit and Privilege Fees

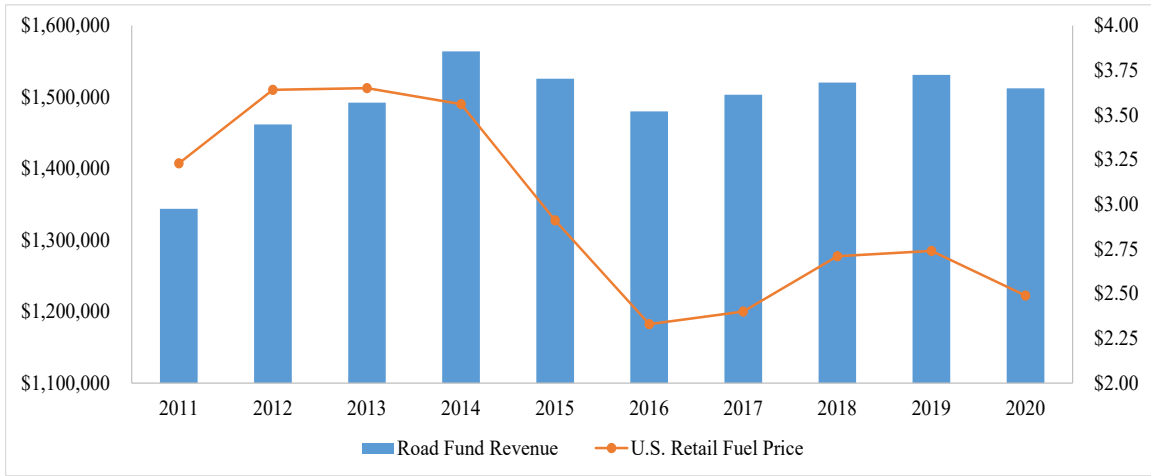
The fees associated with the registration of vehicles and the issuance of driver's licenses and other permits relating to motor vehicles, such as U-Drive-It permits distributed by the Kentucky Transportation Cabinet, help generate revenue for the Road Fund. Truck proportion registration, where commercial trucks are assessed a per-vehicle registration fee based on the gross weight of the vehicle, and passenger car license plate revenues are responsible for most of the funds generated in relation to licenses, permits and privilege fees.

Other Receipts

This category includes items such as fees collected from the public outside of the scope of the other categories, proceeds from the sale of assets, compensation for property damage and miscellaneous receipts.

Road Fund Revenue In Relation to Fuel Prices

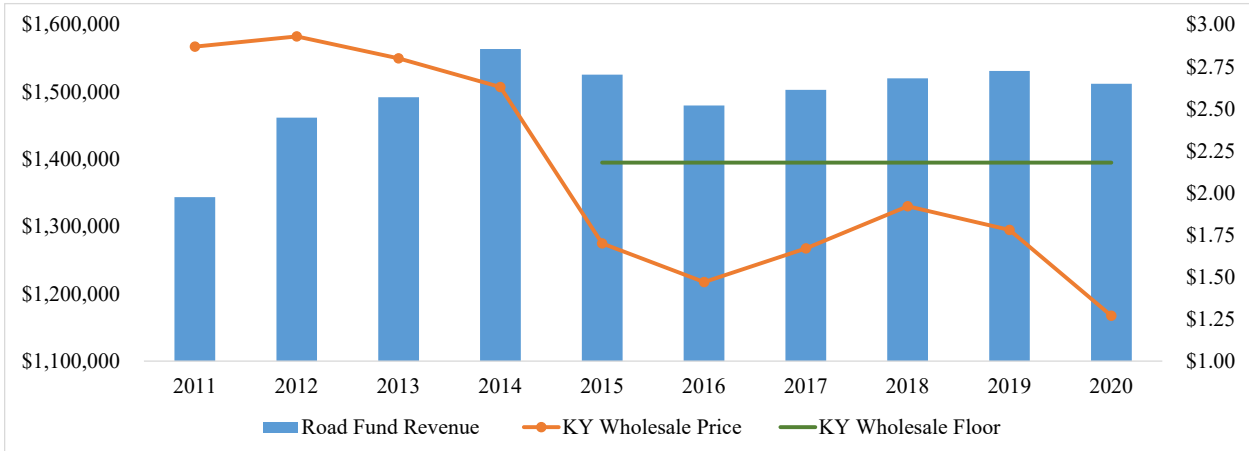
Chart 4: Road Fund Revenues and Retail Fuel Price for fiscal years 2011 through 2020



Source: Commonwealth Annual Comprehensive Financial Report (in thousands), U.S. Energy Information Administration.

Chart 4 depicts the actual retail fuel price in relation to road fund revenues. Despite significant declines in average retail price between 2014 and 2016, the road fund receipts did not decrease in kind. This is primarily due to the presence of the wholesale price floor, established in 2015 which is illustrated in Chart 5. Important to note is that fuel consumption, as well as the price of fuel, is a key driver of tax receipts.

Chart 5: Wholesale Fuel Prices and Road Fund Revenue for fiscal years 2011 through 2020

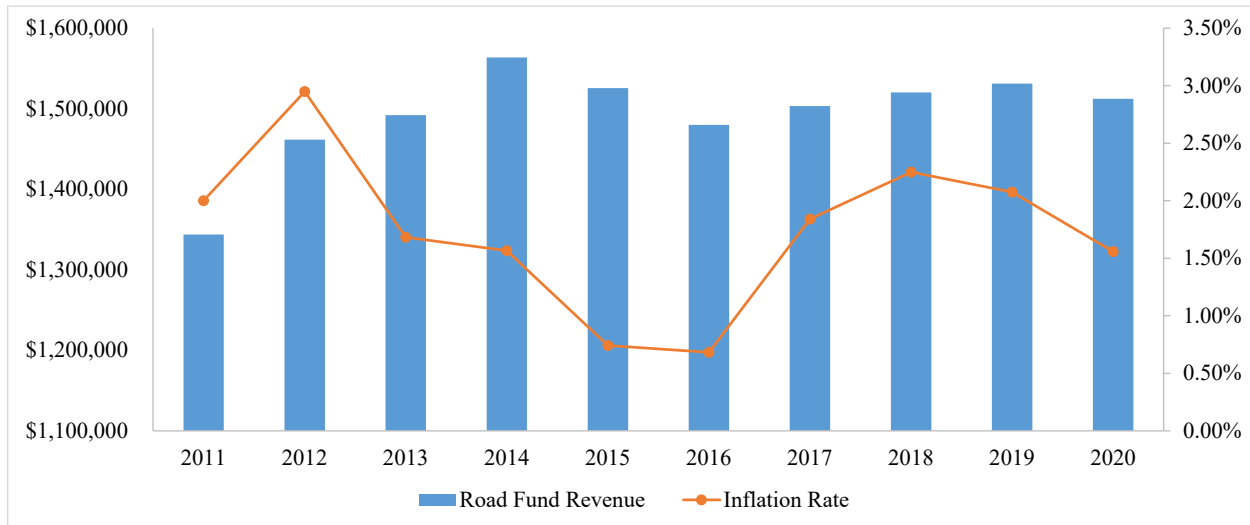


Source: Commonwealth Annual Comprehensive Financial Report, U.S. Energy Information Administration (in thousands)

Without the floor in place, road fund revenues would have been significantly reduced rather than remaining relatively stable between 2015 and 2020.

Road Fund Revenue In Relation to Inflation

Chart 6: Road Fund Revenue and Inflation Rate for fiscal years 2011 through 2020



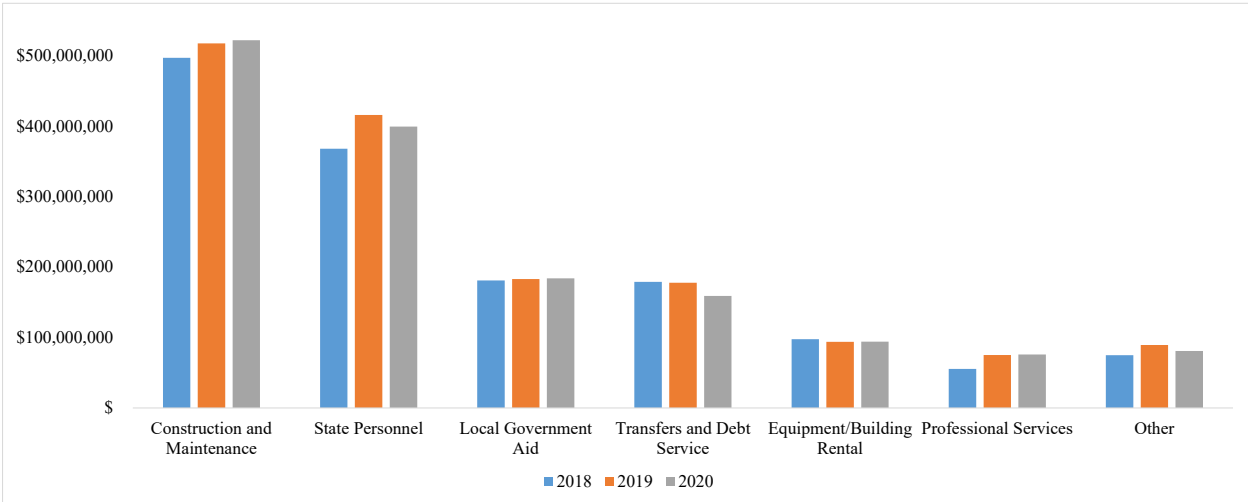
Source: Commonwealth Annual Comprehensive Financial Report, U.S. Bureau of Labor Statistics (in thousands)

While this data bulletin has presented the stabilizing effect of the wholesale price floor in terms of preventing significant reductions in road fund revenues, there is no similar stabilizing mechanism in place to ensure road fund revenues keep pace with inflation. Chart 6 is presented to depict the relationship between the inflation rate and road fund receipts. Reasons for road fund revenue not increasing consistently with inflation may include the following factors:

- Kentucky calculates fuel taxes based on the price of fuel which has been more volatile than inflation during the period presented in Chart 6.
- In 2015, Kentucky established a new wholesale price floor upon which fuel taxes are calculated and so any fuel tax volatility below this floor is irrelevant and, as a result, consumption becomes the primary driver of fuel tax receipts. Chart 5 illustrates that wholesale prices have been below the floor since 2015.
- Consumption is a key driver of fuel tax receipts and may change based on fuel prices, broader economic developments, or even, in the case of 2020 and 2021, a pandemic.

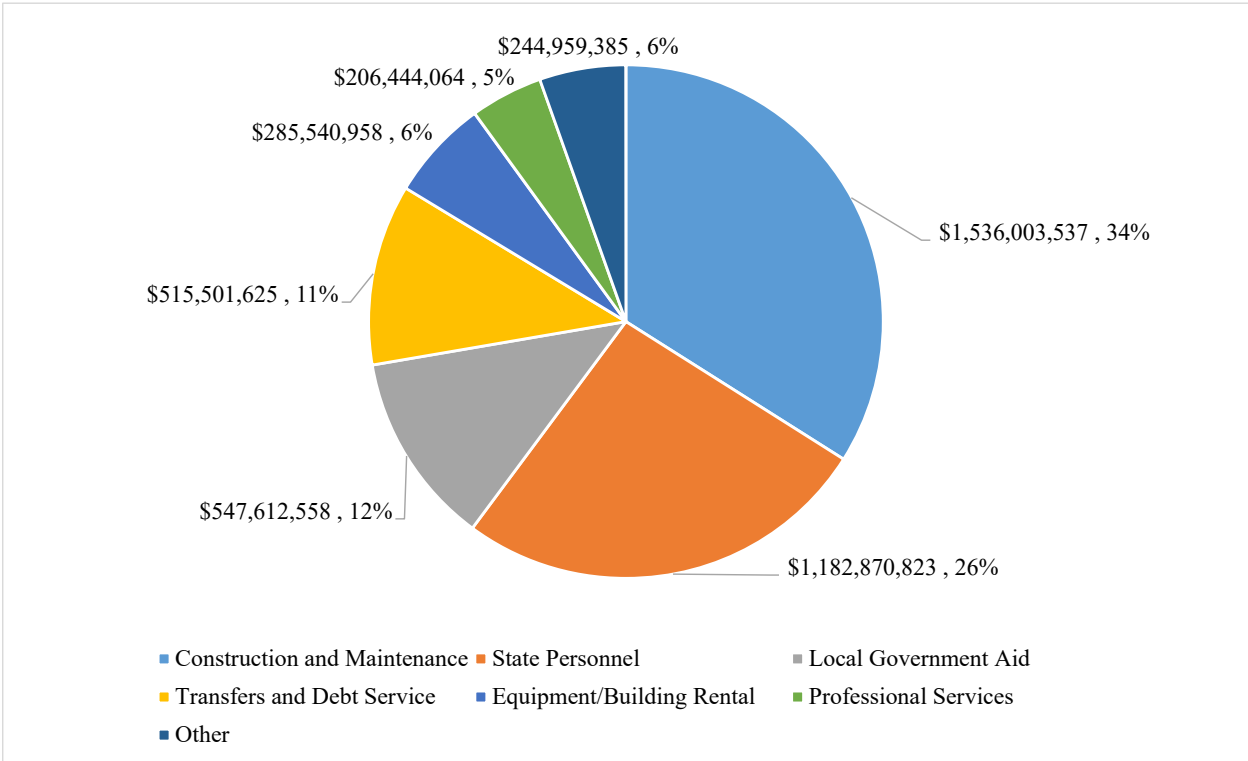
Road Fund Expenditures

Chart 7: Classification of Road Fund Expenditures by Type for fiscal years 2018, 2019 and 2020



Source: Commonwealth Accounting System eMARS. Chart 7 does not include CRF funding for KSP salaries as is present elsewhere in the report.

Chart 8: Combination of Expenditures by Category for fiscal years 2018, 2019 and 2020



Source: Commonwealth Accounting System, eMARS

Road Fund Expenditures (Continued)

Construction and Maintenance (34% of Expenditures, \$1.5 billion for FY 18, 19, 20)

This category includes charges for highway construction, highway maintenance, materials, contractors, and other charges traditionally associated with the mission of the Kentucky Transportation Cabinet.

State Personnel (26% of Expenditures)

This category includes charges for state employees such as wages, pension contributions, health insurance, and other fringe benefits. While this is primarily KYTC employees, KSP and other agencies are also represented in this category.

Local Government Aid (12% of Expenditures)

This category includes pass-through of funding for Kentucky counties and municipalities for infrastructure projects.

Transfers and Debt Service (11% of Expenditures)

This category includes payments on highway construction-related debt.

Equipment/Building Rental (6% of Expenditures)

These charges include carpool rental charges paid to the State Fleet and rental charges for equipment and machinery.

Other (6% of Expenditures)

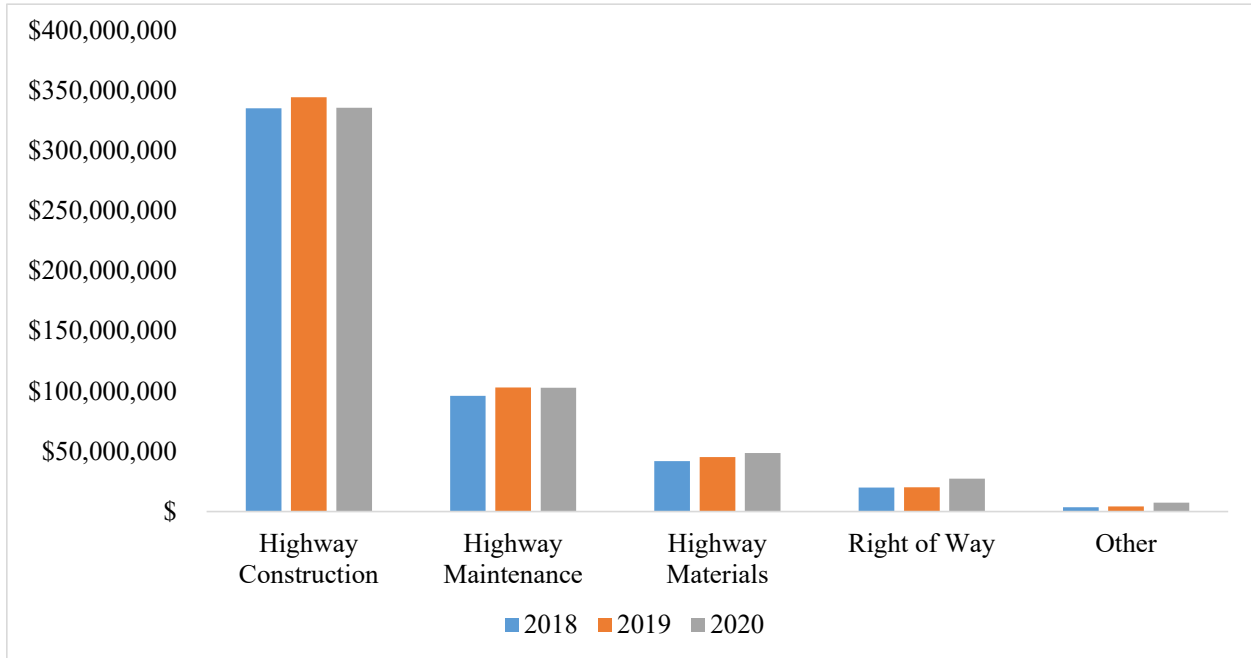
This category captures all other expenses not present in the categories in Chart 7 and Chart 8 such as utilities, information technology, and non-employee insurance.

Professional Services (5% of Expenditures)

This category includes charges for consultants—architecture being an example—and other operational support.

Road Fund Construction and Maintenance Expenditures

Chart 9: Expenditure Breakdown within the Construction and Maintenance Category for fiscal years 2018, 2019 and 2020

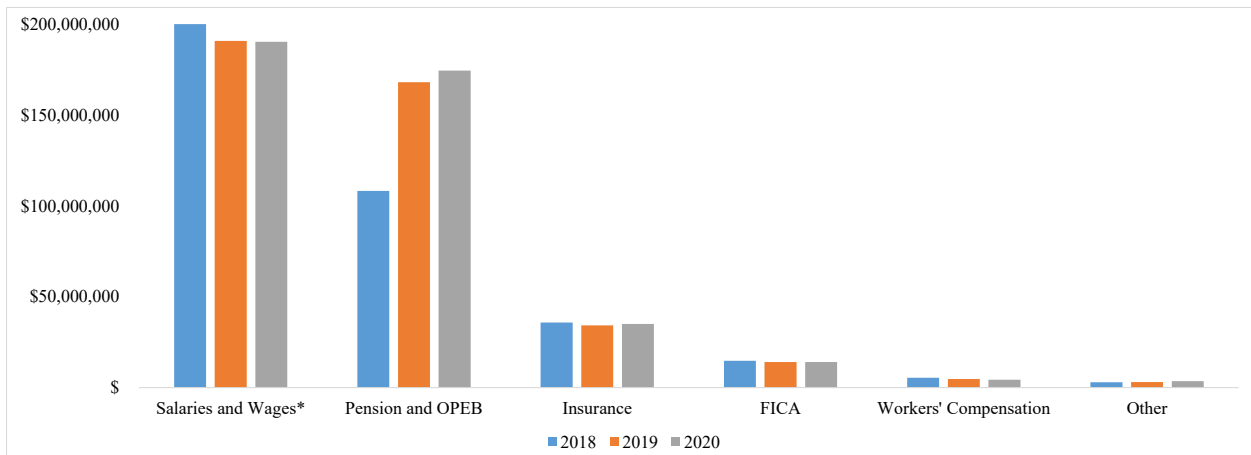


Source: Commonwealth Accounting System, eMARS

Chart 9 depicts further detail of the expenditures within the Construction and Maintenance category of Charts 7 and 8. These include charges for third parties on contract with KYTC, materials needed for road projects, and the maintenance of Kentucky’s roadways. Right of Way charges are necessary for acquiring land and relocating families, businesses, and utilities which can be impacted by road construction or maintenance.

Road Fund State Personnel Expenditures

Chart 10: Classification of State Personnel Expenditures by Type for fiscal years 2018, 2019 and 2020

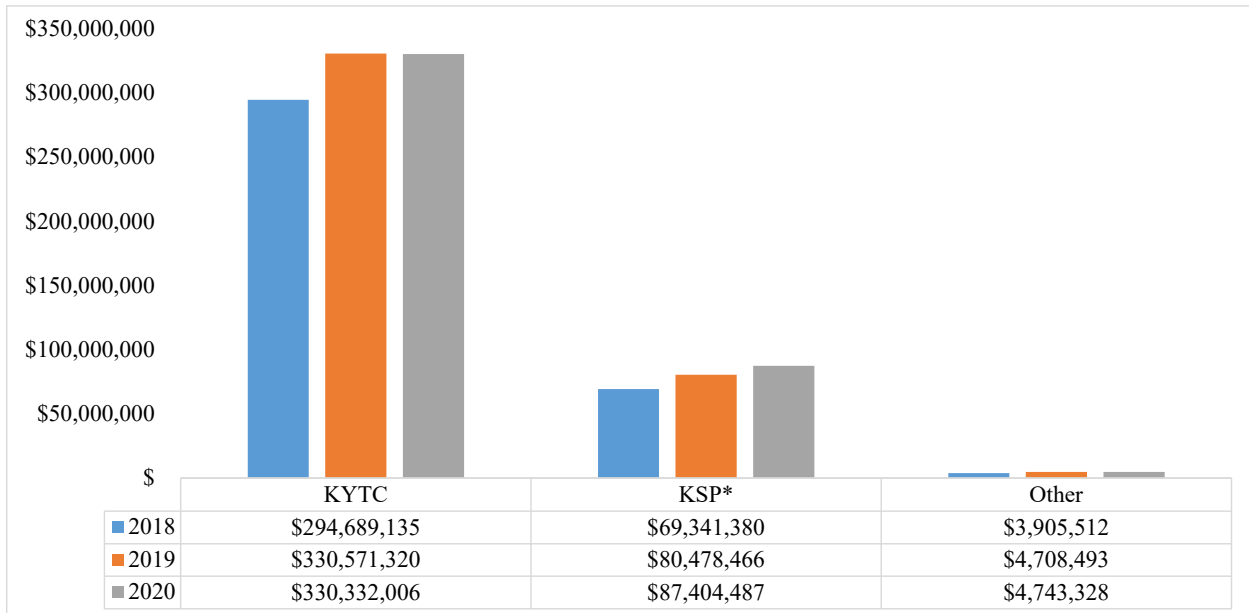


Source: Commonwealth Accounting System, eMARS. *In FY 2020, for Salaries and Wages, \$23.3 million in CRF funding is included. In reality, road fund expenditures were \$23.3 million less. This is best illustrated in Chart 13

Road Fund State Personnel Expenditures (Continued)

Chart 10 depicts the components of State Personnel in Chart 7. Pension and Other Post-Employment Benefits (OPEB) continue to grow as a share of State Personnel. While this is indicative of growing employer contributions to service the Pension and OPEB liabilities, the primary driver of this was \$23 million in Coronavirus Relief Fund (CRF) funding used to cover certain KSP personnel expenses.

Chart 11: Classification of State Personnel Expenditures by Agency for fiscal years 2018, 2019 and 2020

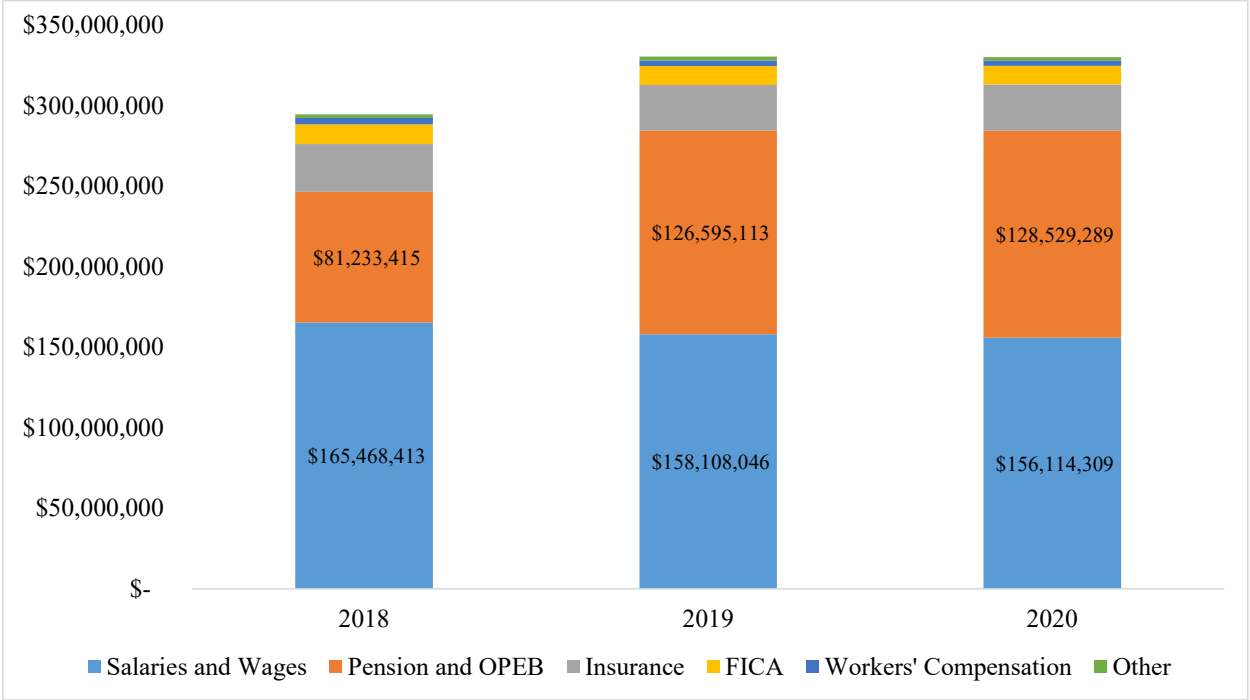


Source: Commonwealth Accounting System, eMARS. *In FY 2020, for KSP, \$23.3 million in CRF funding is included. In reality, road fund expenditures were \$23.3 million less. This is best illustrated in Chart 13.

Chart 11 displays the State Personnel expenses in Chart 7 by agency. Although KYTC personnel costs are the primary driver of the State Personnel category, KSP also relies on the Road Fund. The use of CRF funding in FY 2020 decreased the road funds needed to cover KSP personnel expenses. See Chart 13.

Road Fund State Personnel Expenditures (Continued)

Chart 12: Breakdown of State Personnel Costs for KYTC for fiscal years 2018, 2019 and 2020

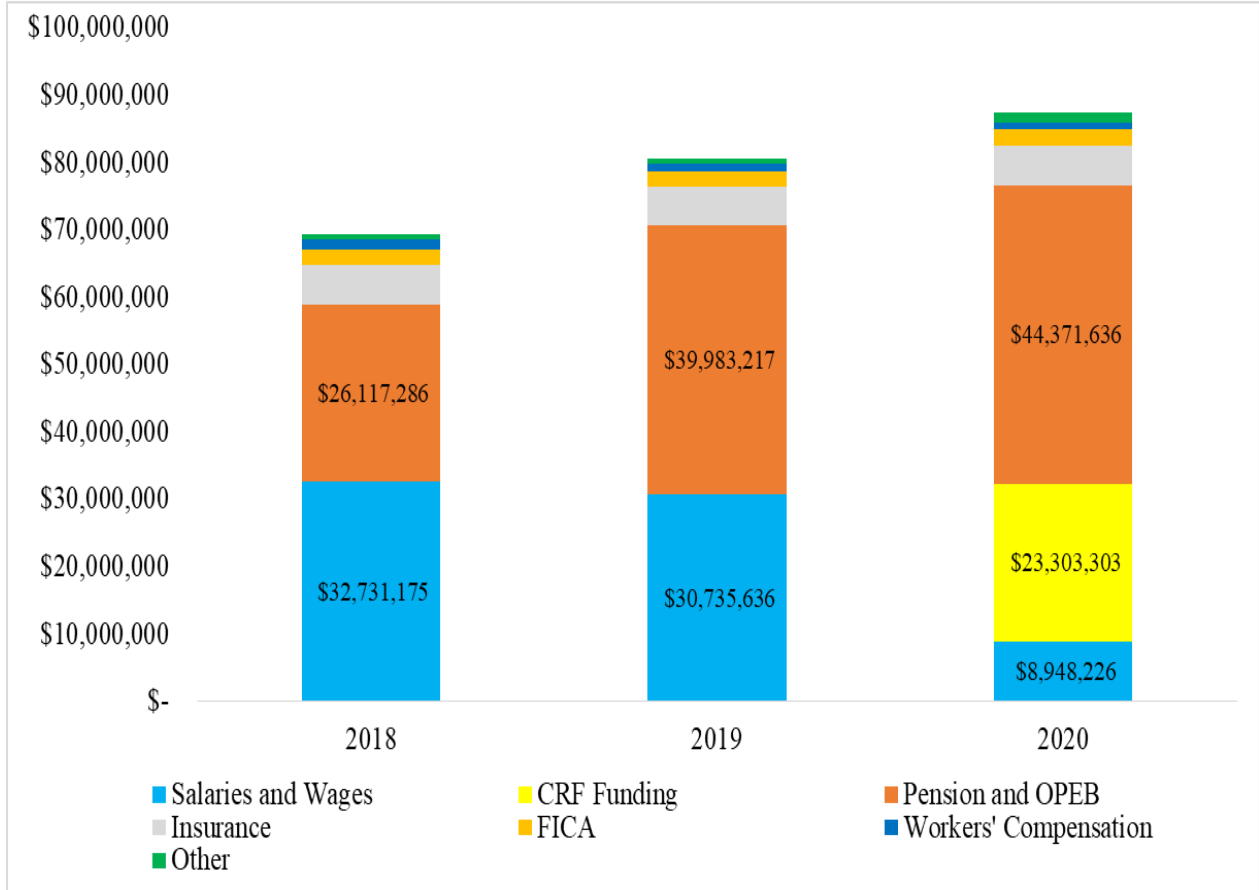


Source: Commonwealth Accounting System, eMARS

Chart 12 depicts the Personnel Expense detail specifically for KYTC. Data callouts are only included for Salaries and Wages and Pension and OPEB as the other categories of outlays are less material and less volatile. Although Salaries and Wages have decreased, Pension and OPEB expenditures have increased. The primary driver of this increase, a higher employer contribution rate, is presented in Chart 15.

Road Fund State Personnel Expenditures (Continued)

Chart 13: Breakdown of State Personnel Costs for KSP Funded by the Road Fund and CRF for fiscal years 2018, 2019 and 2020

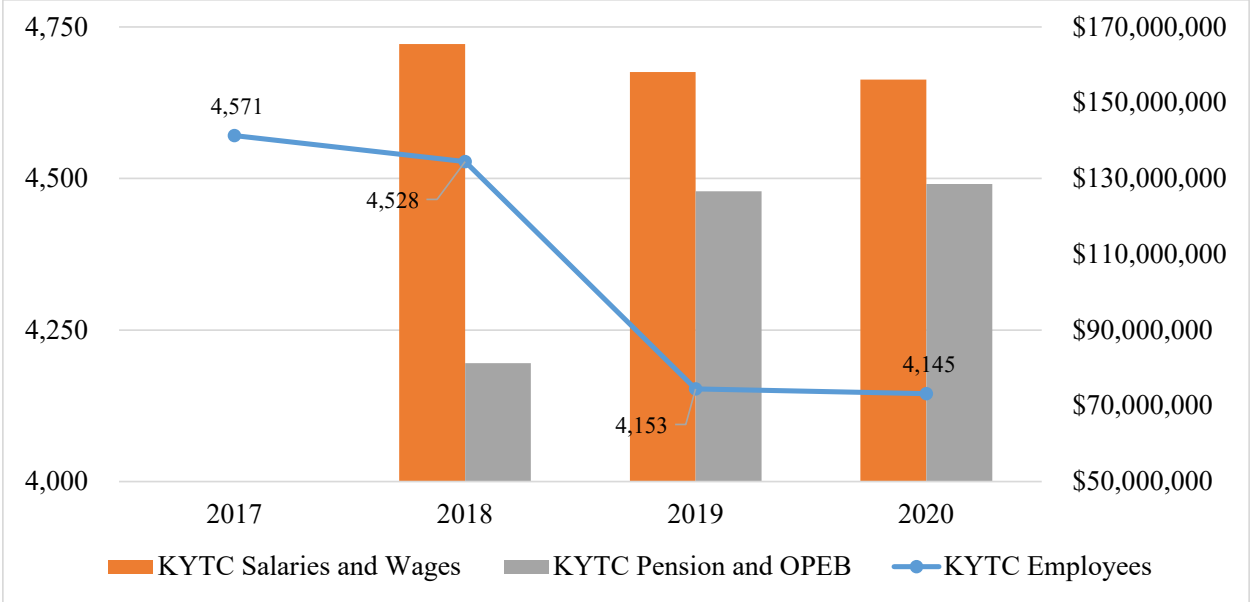


Source: Commonwealth Accounting System, eMARS

Chart 13 depicts the Personnel Expense detail specifically for KSP. Data callouts are only included for Salaries and Wages and Pension and OPEB as the other categories of outlays are less material and less volatile. The significant reduction in Road Fund expenditures for FY 2020 was due to the utilization of CRF funding as shown in yellow. The increasing demand for Pension and OPEB funding from the Road Fund, particularly for KSP's retirement fund, is evidenced in Chart 13 as well. The primary driver of this increase, a higher employer contribution rate, is presented in Chart 15.

Road Fund Pension and OPEB Obligations

Chart 14: Full Time KYTC Employees and Certain Personnel Expenses for fiscal years 2018, 2019 and 2020

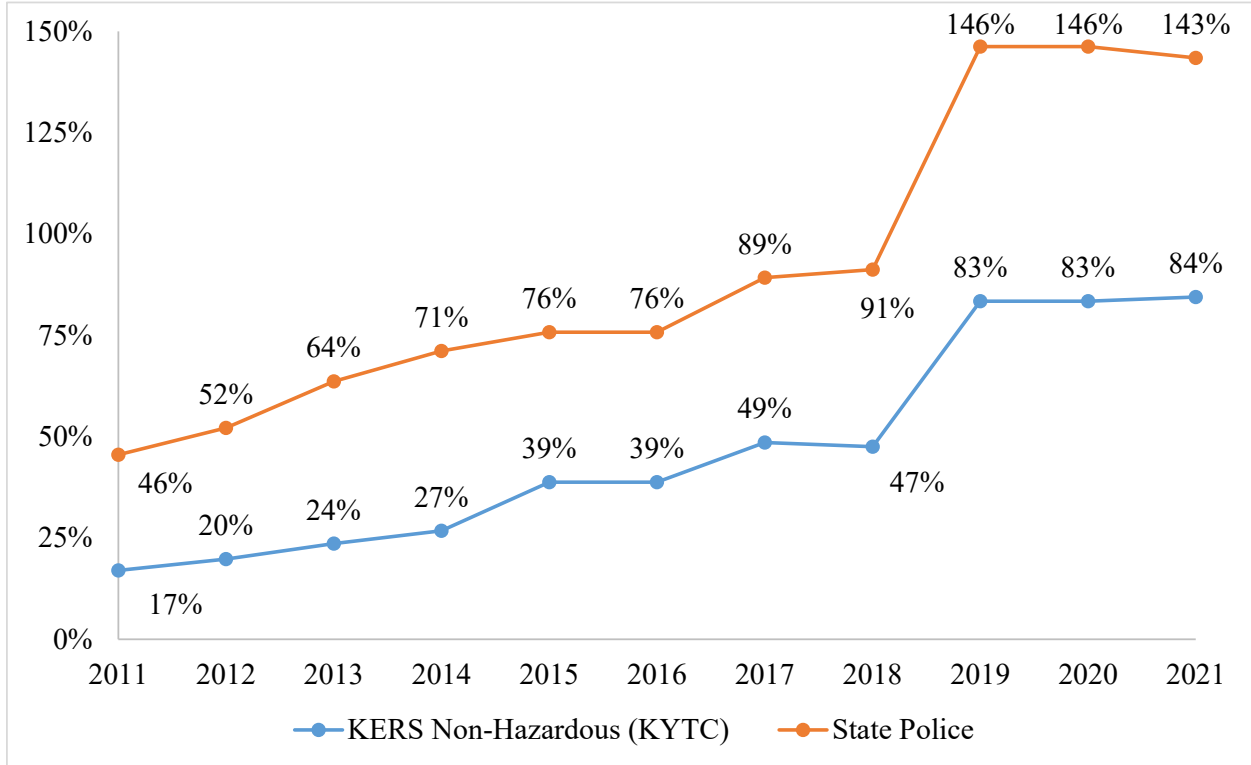


Source: Commonwealth ACFR and Commonwealth Accounting System, eMARS

Despite the fact that the number of full-time KYTC employees has declined, total State Personnel expenditures for KYTC have increased due to the growing employer contribution rate for the retirement plan discussed in Chart 15. The growth in Pension and OPEB costs has exceeded both the rate of inflation and road fund revenue growth.

Road Fund Pension and OPEB Obligations (Continued)

Chart 15: Increasing Employer Contribution Rates for Kentucky Employees Retirement System (KERS) Non-Hazardous and Kentucky State Police Retirement System between fiscal years 2011 and 2021



Source: Kentucky Retirement System Annual Report

Chart 15 depicts the increasing employer contribution rate for both the KERS Non-Hazardous and Kentucky State Police retirement plans. This is the primary driver in the increasing Pension and OPEB expense within the State Personnel costs presented in Charts 12 and 13 for both KYTC and KSP. These rising contribution rates result in significant increases in per-employee costs to the Commonwealth. These contributions are in addition to employee salaries and other fringe benefits. Most KYTC employees participate in the KERS Non-Hazardous system while Kentucky State Police participate in their own separate retirement system. Both systems, due to the magnitude of their unfunded liabilities, have required higher levels of employer contributions in order to ensure the solvency of the funds.

Accountability of the Road Fund

The Auditor of Public Accounts

The Auditor of Public Accounts Office (APA) is an independent and impartial elected-office charged with auditing the accounts and financial transactions of all spending agencies of the Commonwealth. The APA oversees more than 600 audits annually, including the annual audit of the Commonwealth's Annual Comprehensive Financial Report. As part of the audit of the Commonwealth's Annual Comprehensive Financial Report, the APA audits the expenditures of the Road Fund, which primarily consists of Kentucky Transportation Cabinet activity and the APA audits the receipts of the Kentucky Department of Revenue. The APA also reviews usage taxes collected by county clerks and remitted to the Department of Revenue. These audits are conducted in accordance with Generally Accepted Government Auditing Standards.

The Kentucky Transportation Cabinet

The Kentucky Transportation Cabinet (KYTC) utilizes its Office of Audits to ensure Road Fund money is collected in accordance with applicable statutes and regulations. The External Audit Branch performs audits of hundreds of permit holders, thousands of trucking companies, and audits other entities which are liable to the Commonwealth for taxes. The Internal Audit Branch conducts audits of cabinet processes to ensure the Cabinet has appropriate internal controls in place to provide assurance that taxpayer dollars are accounted for appropriately and in compliance with state and federal laws and regulations. The Contract Audit Branch helps assure KYTC's contract expenditures sustain the Commonwealth's transportation system effectively and efficiently.

Possible Concerns for the Road Fund

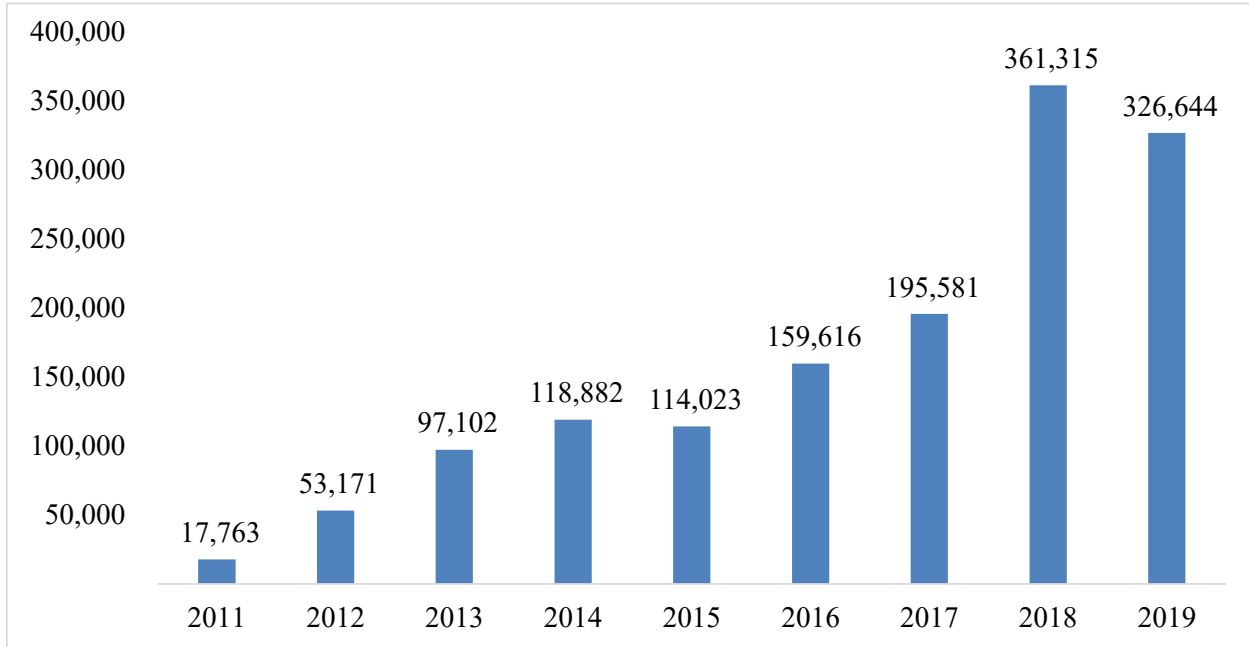
Pension and OPEB Expense

Although the Commonwealth has significantly increased contributions to its various pension plans in recent years, economic developments or unforeseen budgetary challenges could render this commitment more difficult. Additionally, continued increases in pension obligations could further diminish the availability of Road Fund dollars to be used for purposes such as construction and maintenance of roads and bridges.

Possible Concerns for the Road Fund (Continued)

Electric, Hybrid, and Alternative Fuel Vehicles

Chart 16: U.S. Sales of Plug-In Electric Vehicles for years 2011 through 2019



Source: Transportation Research Center at Argonne National Laboratory

U.S. sales of electric or alternative fuel vehicles have increased significantly in the last several years. Chart 16 depicts the growth in plug-in electric vehicles since 2011. Naturally, as more of these vehicles are sold, there may be less demand for fuel and this may have a negative impact on fuel tax collections.

Inflation and Kentucky's Fuel Tax Methodology

Some states have moved toward incorporating the inflation rate into their fuel tax calculation methodology. A brief overview of the fuel tax collection methodologies of states bordering Kentucky is included in the following pages.

Comparison of the Commonwealth Fuel Tax to Bordering States

Table 2: National Rank of the Fuel Tax rate to Bordering States

	Rate per Gallon	National Rank
IL	\$ 0.60	2
IN	\$ 0.50	7
OH	\$ 0.39	13
WV	\$ 0.36	18
VA	\$ 0.34	20
TN	\$ 0.27	32
KY	\$ 0.26	34
MO	\$ 0.17	49

Source: American Petroleum Institute as of July 2021

Illinois

Illinois currently sets its motor fuel tax rate on a per gallon of gasoline basis with a portion of this formula set to increase annually with the rate of inflation. However, this inflation rate cannot exceed \$0.01 in a given year. Additionally, Illinois imposes various environmental fees relating to gasoline as well as making all motor fuels sales applicable to the state-wide sales tax.

Indiana

Starting in 2018, Indiana allows their motor fuel tax per gallon to increase \$0.01 every year through 2024. Indiana also enforces a monthly gasoline use tax of 7% of the state-wide average retail price per gallon with a \$0.01 per gallon inspection fee included.

Ohio

Ohio, effective July 1, 2019, established its motor fuel tax rate as \$0.3851 per gallon of gasoline. For periods January 1, 2021 through March 31, 2021 however, a petroleum activity tax was added, putting an additional \$0.0080925 per gallon tax on gasoline.

West Virginia

West Virginia utilizes a flat tax rate imposed on a per-gallon basis. In addition to the flat tax, an excise tax of 5% based on the average wholesale price of motor fuel is applied on a per-gallon basis. Similar to Kentucky, West Virginia imposed a wholesale floor price of \$3.04 per gallon which will be used when the average wholesale price falls below that threshold. However, this floor is significantly higher than Kentucky's.

Comparison of the Commonwealth Fuel Tax to Bordering States (Continued)

Virginia

Beginning on July 1, 2022, the motor fuel tax rate on gasoline will be adjusted annually based upon the change in the United States Average Consumer Price Index. Also, a motor fuel wholesale sales tax of \$0.0760 per gallon of gasoline and a petroleum storage tank fee is applicable to all motor fuels.

Tennessee

As of July 1, 2019, Tennessee set their motor fuel tax rate for all forms of motor fuel at \$0.26 per gallon. Additionally, a \$0.01 per gallon special privilege tax as well as an environmental assurance fee of \$0.004 per gallon on all petroleum products is applied.

Kentucky

Kentucky collects motor fuel taxes through a 9% excise tax on the average wholesale price of motor fuel which is paid on a per-gallon basis. In 2015, the Kentucky General Assembly established a wholesale floor price of \$2.177 per gallon which was and is used to calculate the motor fuel tax when the average wholesale price falls below that threshold. This floor remains at \$2.177 and has not been adjusted for inflation or other factors. The 9% tax when calculated based upon the whole floor price amounts to \$0.196 per gallon. Additionally, a supplemental highway motor fuel tax of \$0.05 per gallon of gasoline and \$0.02 per gallon of special fuel, as well as a petroleum storage fee is applied. Commercial vehicles are also applied an additional surtax of 2% of the average wholesale price of gasoline and 4.7% of the amount of special fuels used in operation of Kentucky's public highways.

Missouri

Missouri's motor fuel tax rate is established as \$0.17 per gallon of all motor fuels which includes gasoline, diesel, kerosene, gasohol and all other forms of combustible motor fuel. An additional petroleum inspection fee of \$0.0007 per gallon and transport load fee of \$0.0035 per gallon apply to all forms of motor fuels in Missouri as well.

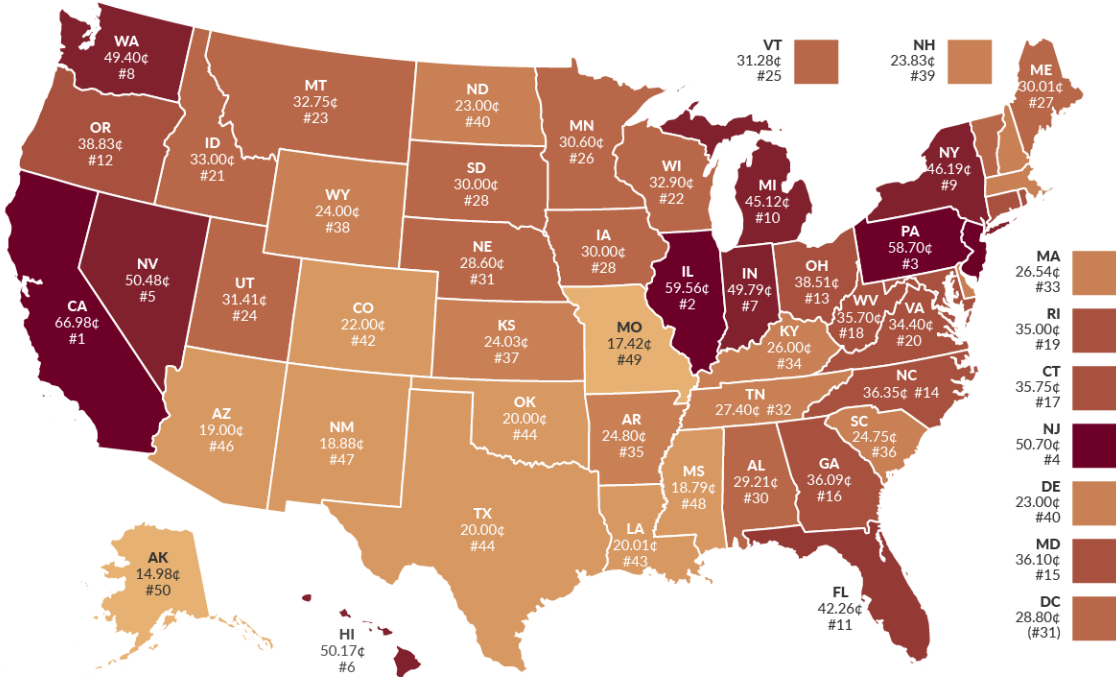
Note:

Although only surrounding states were presented in Table 2, Appendix A includes a graphic from the Tax Foundation, using data from the American Petroleum Institute, which summarizes fuel taxes in each state.

Appendix A: Fuel Taxes by State

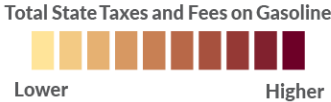
How High are Gas Taxes in Your State?

Total State Taxes and Fees on Gasoline, July 2021 (cents per gallon)



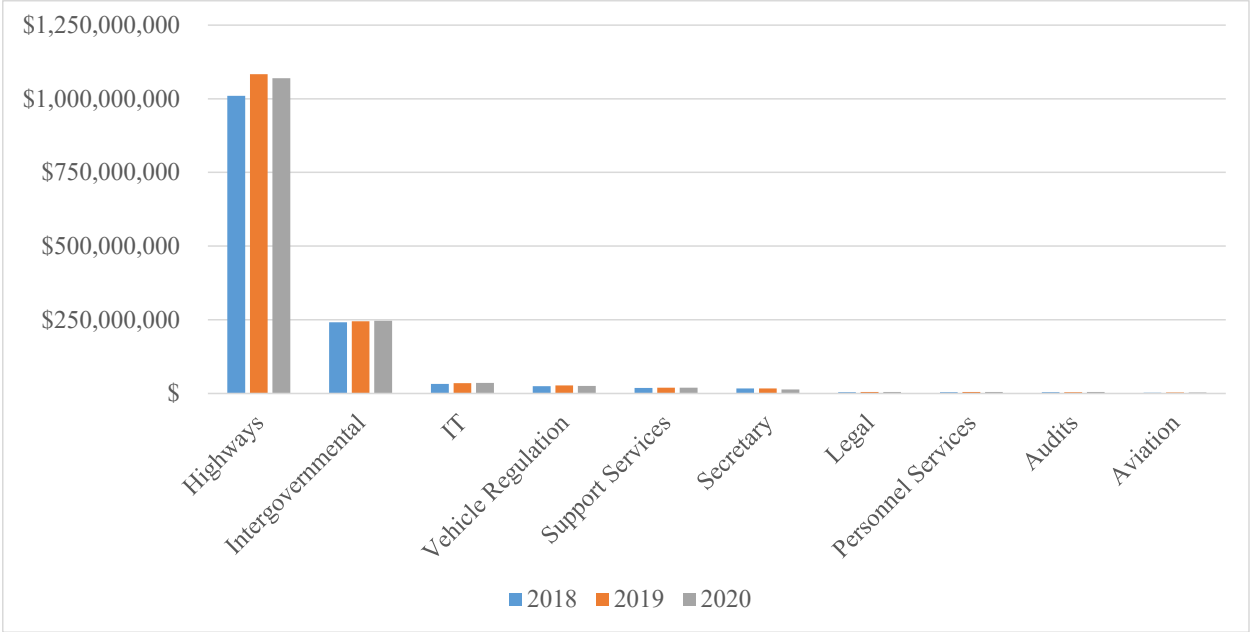
Note: These rates do not include the 18.4 cent/gallon federal excise tax rate on gas. The American Petroleum Institute has developed a methodology for determining the average tax rate on a gallon of fuel. Rates may include any of the following: excise taxes, environmental fees, storage tank taxes, other fees or taxes, and general sales taxes. In states where gasoline is subject to the general sales tax, or where the fuel tax is based on average sale price, the average rate determined by API is sensitive to changes in the price of gasoline. D.C.'s rank does not affect states' ranks, but the figure in parentheses indicates where it would rank if included. Data as of July 2021.

Source: American Petroleum Institute.



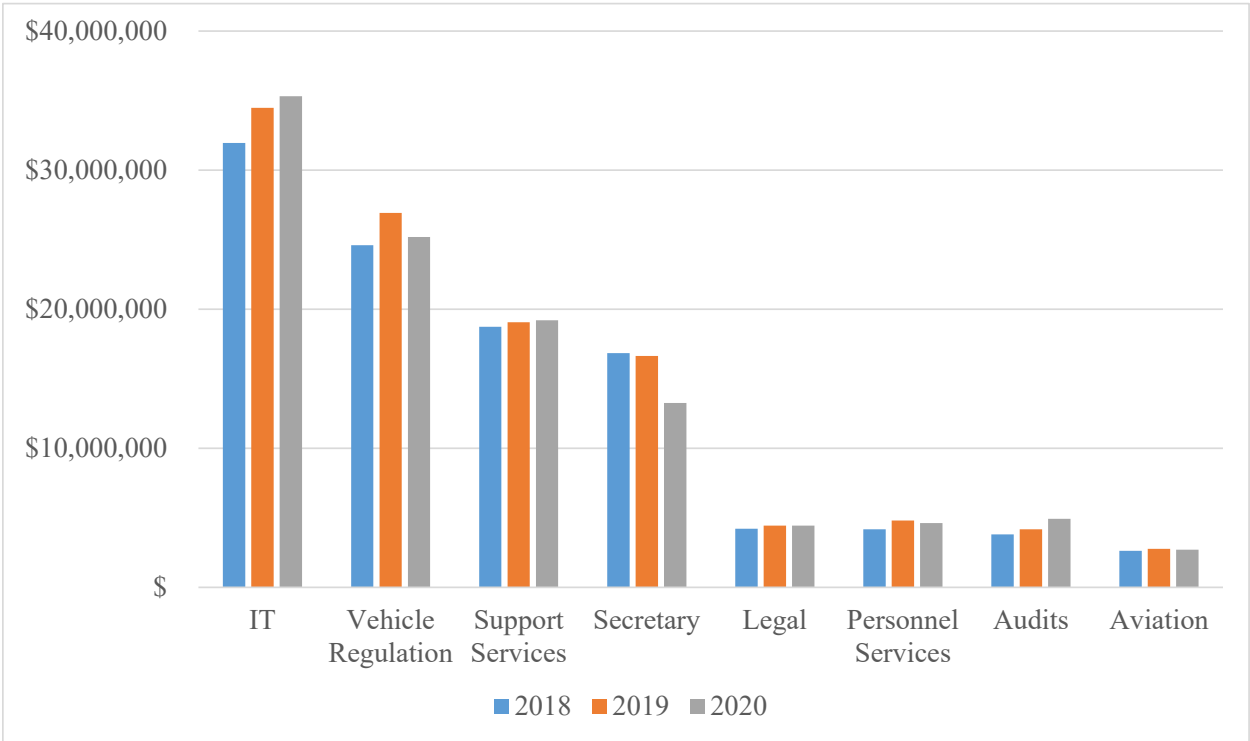
Appendix B: KYTC Road Fund Expenditures by Department

Chart 17: KYTC Road Fund Expenditures by Department Including Highways and Intergovernmental Aid for fiscal years 2018, 2019 and 2020



Source: Commonwealth Accounting System, eMARS

Chart 18: KYTC Road Fund Expenditures by Department Not Including Highways and Intergovernmental Aid for fiscal years 2018, 2019 and 2020



Source: Commonwealth Accounting System, eMARS