Economic Challenges in Road Infrastructure Funding

Presented to
SC House Transportation Modernization Ad Hoc Committee

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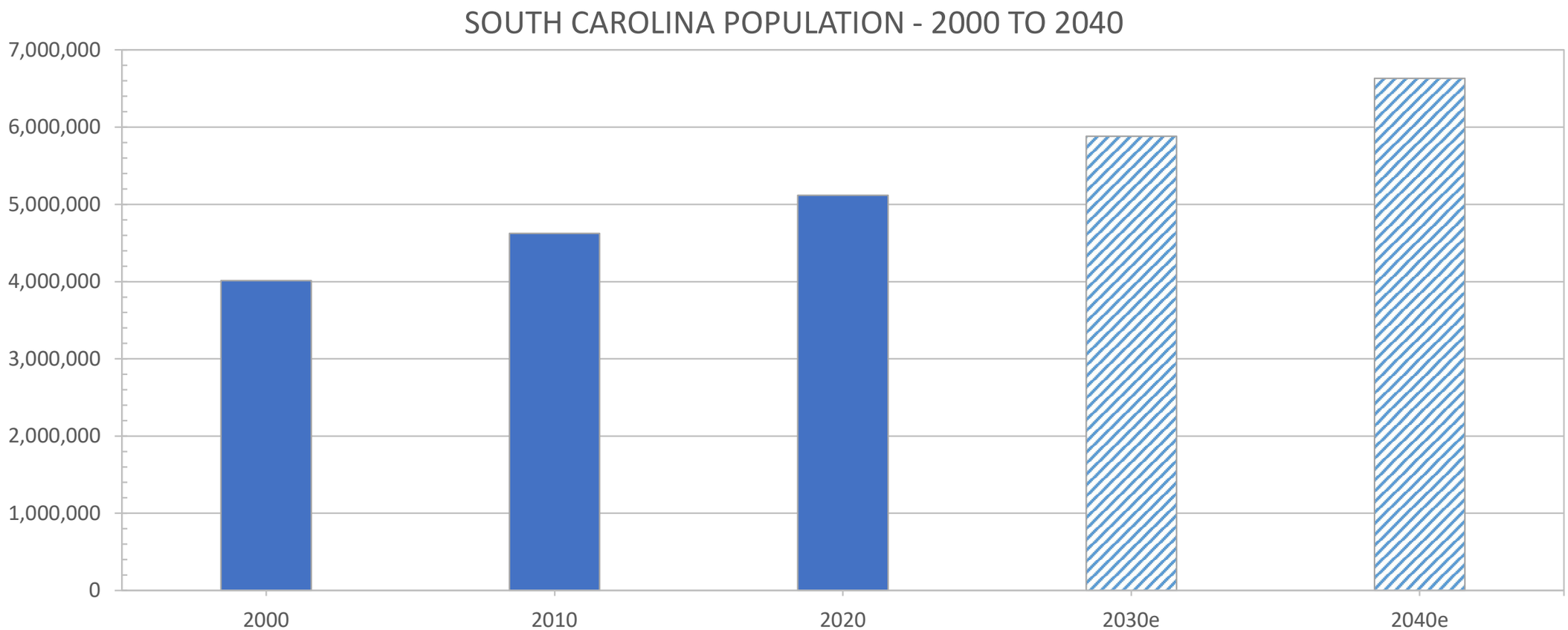
Factors Affecting Road Infrastructure Demand

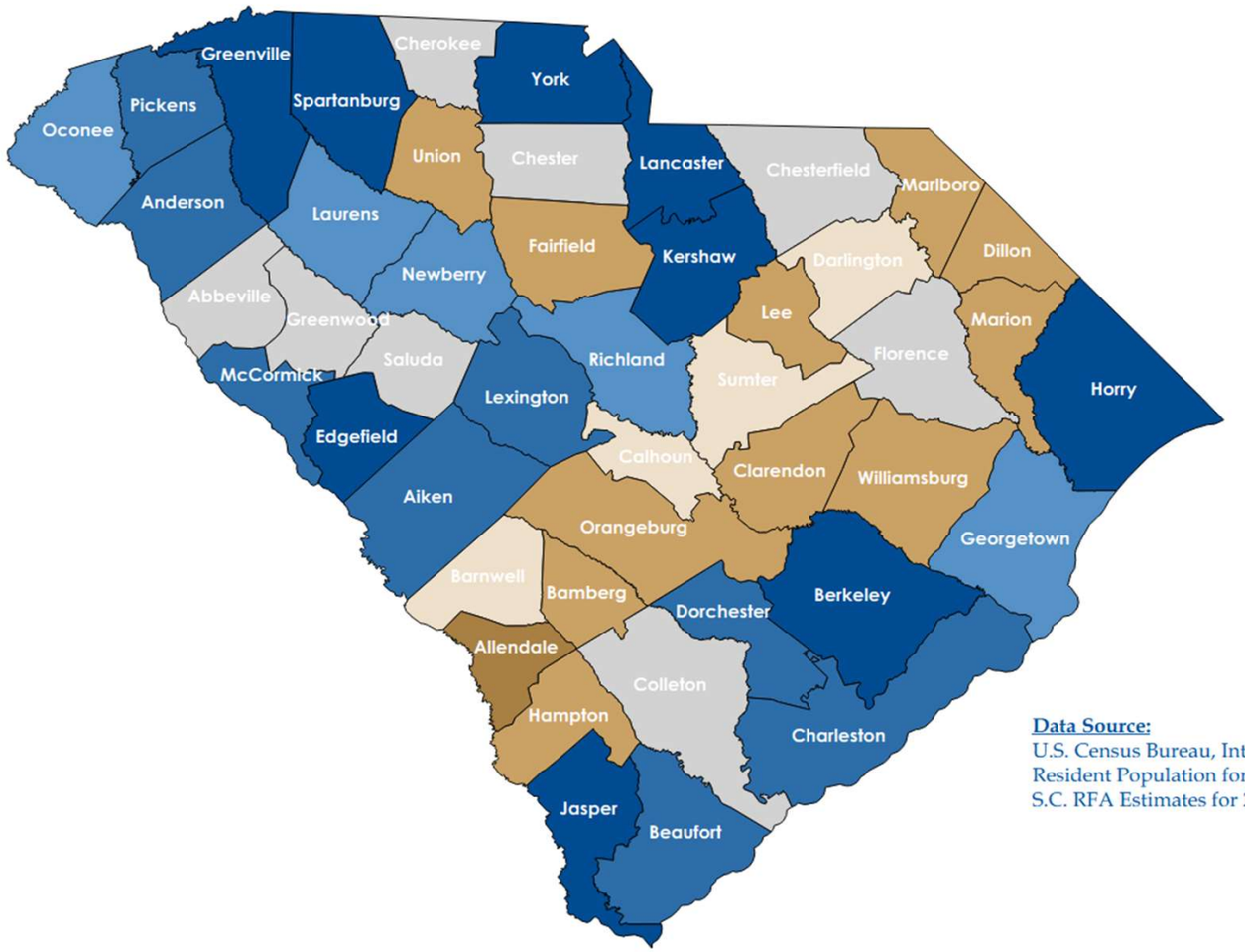
SC Population Growth

Population is estimated to grow 29% from 5.1 million in 2020 to 6.6 million in 2040



Source: U.S. Census Bureau, Intercensal Estimates of the Resident Population, 2000, 2010, and 2020; S.C. RFA Population Estimates 2030 and 2040. S.C. RFA - 372/lpw/9/11/2025

Projected Population Change by County, 2020 to 2040



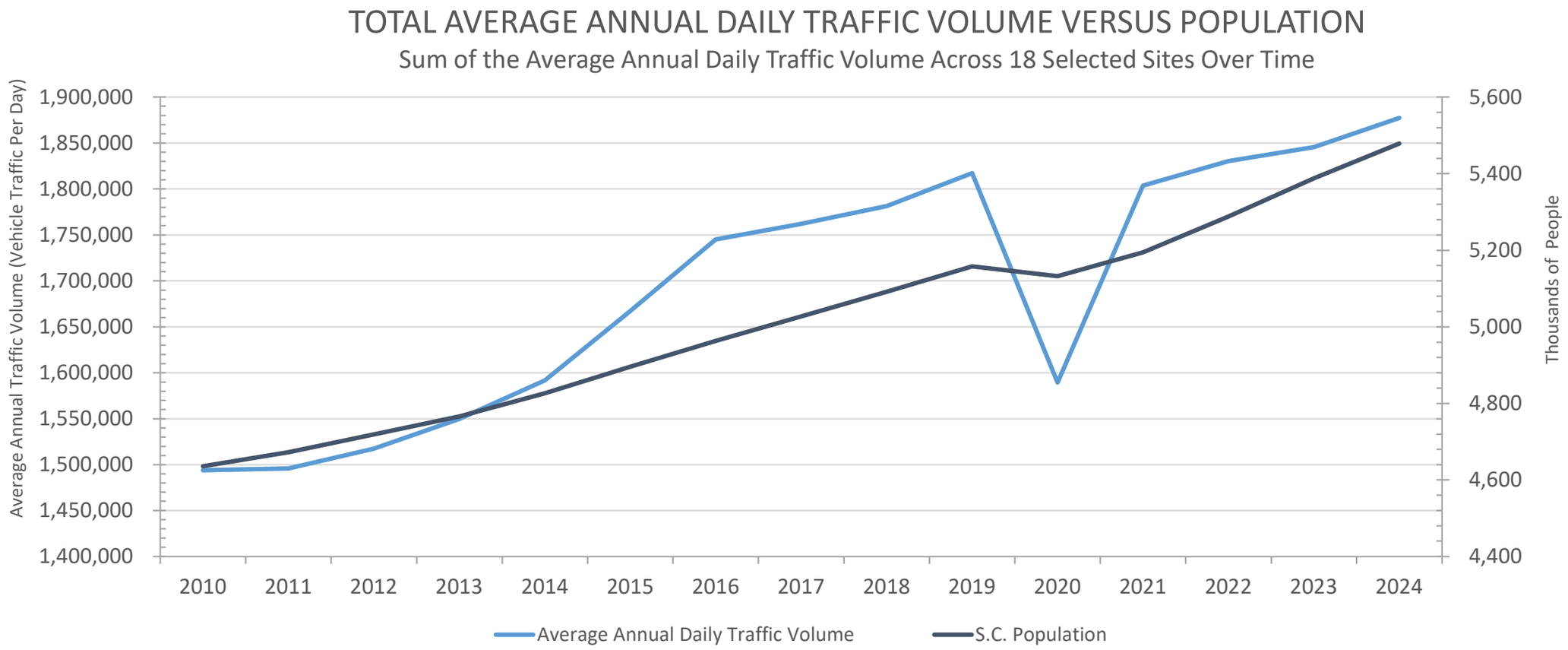
% Population Change

- < -30%
- -30% to -15%
- -14.9% to -5%
- -4.9% to 5% (Stable)
- 5.1% to 15%
- 15.1% to 30%
- > 30%

Data Source:
U.S. Census Bureau, Intercensal Estimates of the Resident Population for Counties in S.C. for 2020; S.C. RFA Estimates for 2040

Road Usage Versus Population Growth

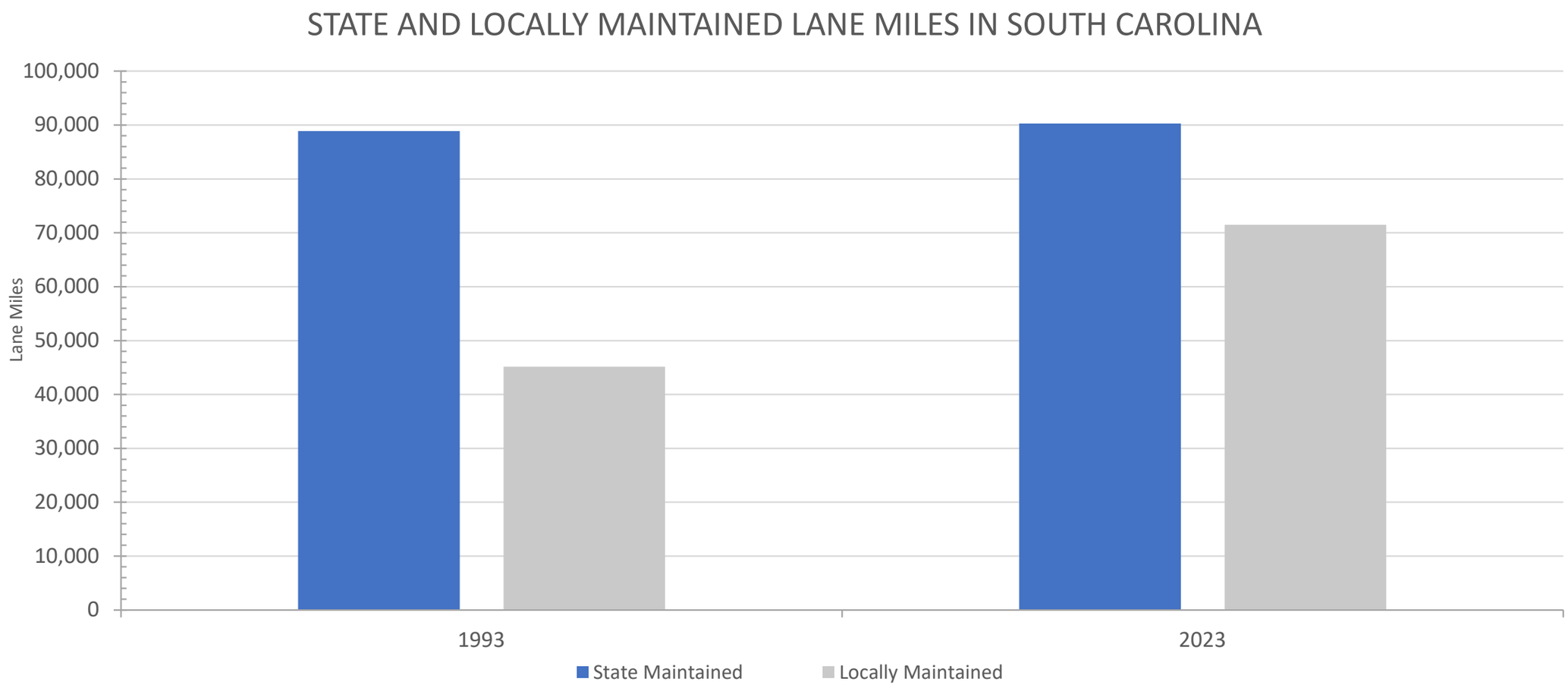
The average number of vehicles traveling per day has increased by 1.6% annually compared to population growth of 1.2%



Source: South Carolina Department of Transportation Traffic Counts, U.S. Census Bureau, Resident Population in South Carolina [SCPOP] RFA - mad/09/04/2025

State and Locally Maintained Lane Miles – 1993 versus 2023

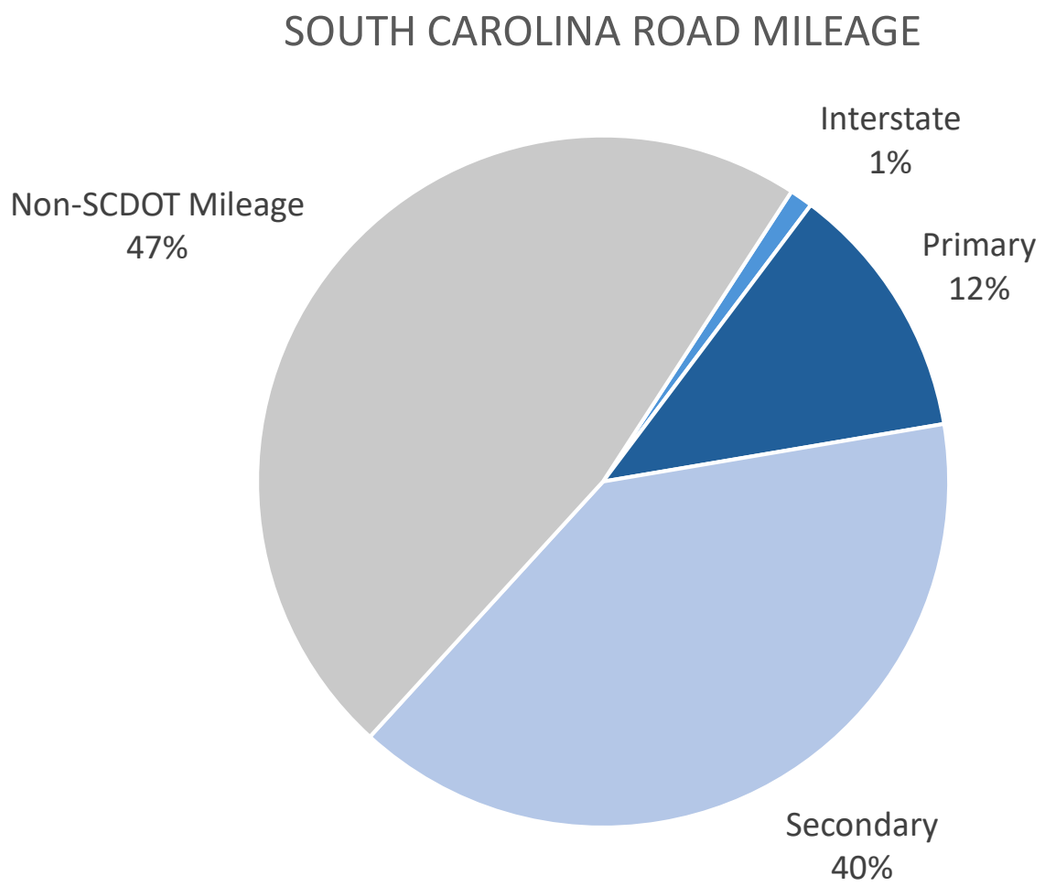
Locally maintained lane miles have grown by an average of 1.5% annually since 1993



Source: U.S. Department of Transportation Federal Highway Administration Highway Statistics Series

Road Mileage by Type of Road

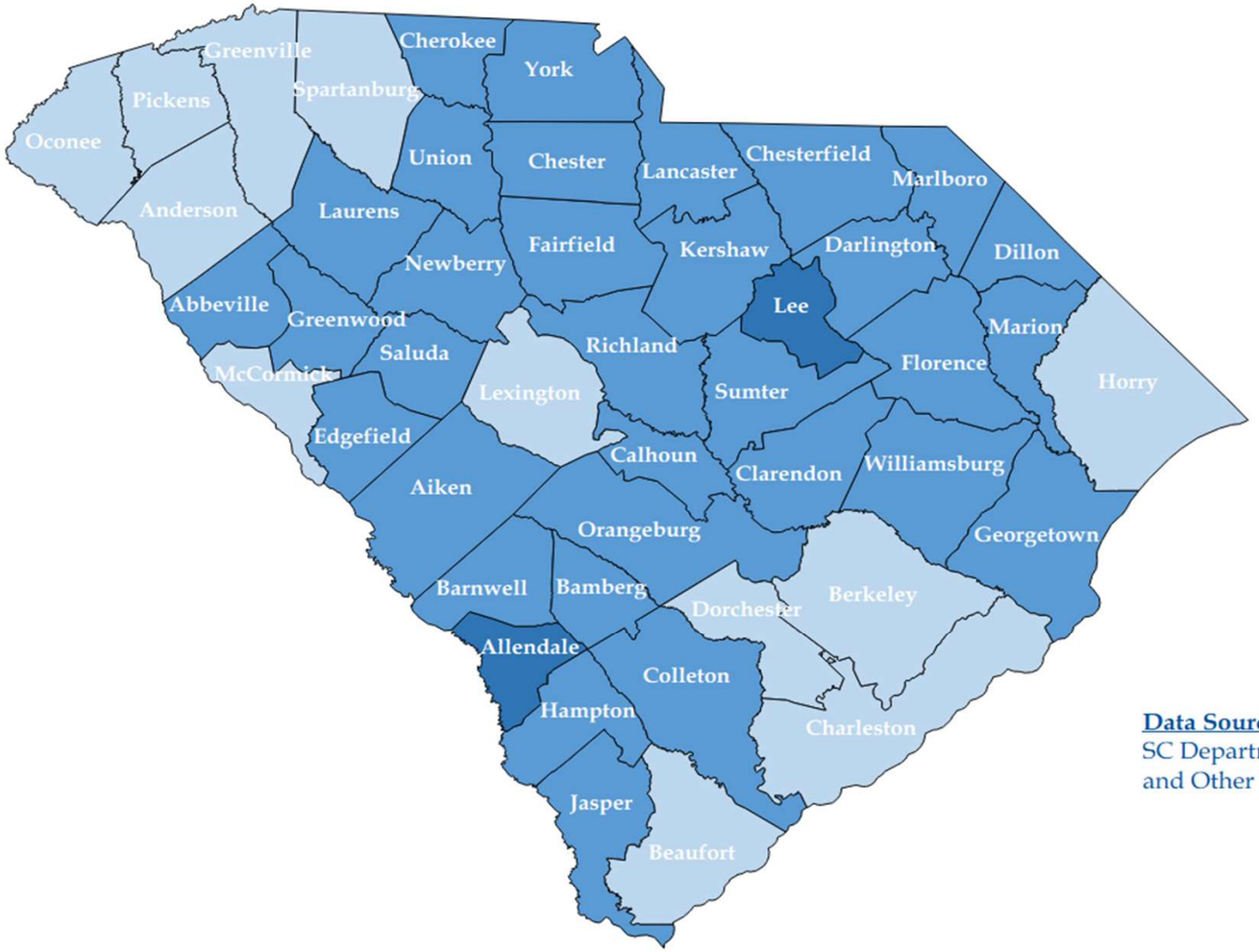
SCDOT maintains approximately 53% of the road mileage in SC



Source: SCDOT State Maintained and Other Public Center Line Miles

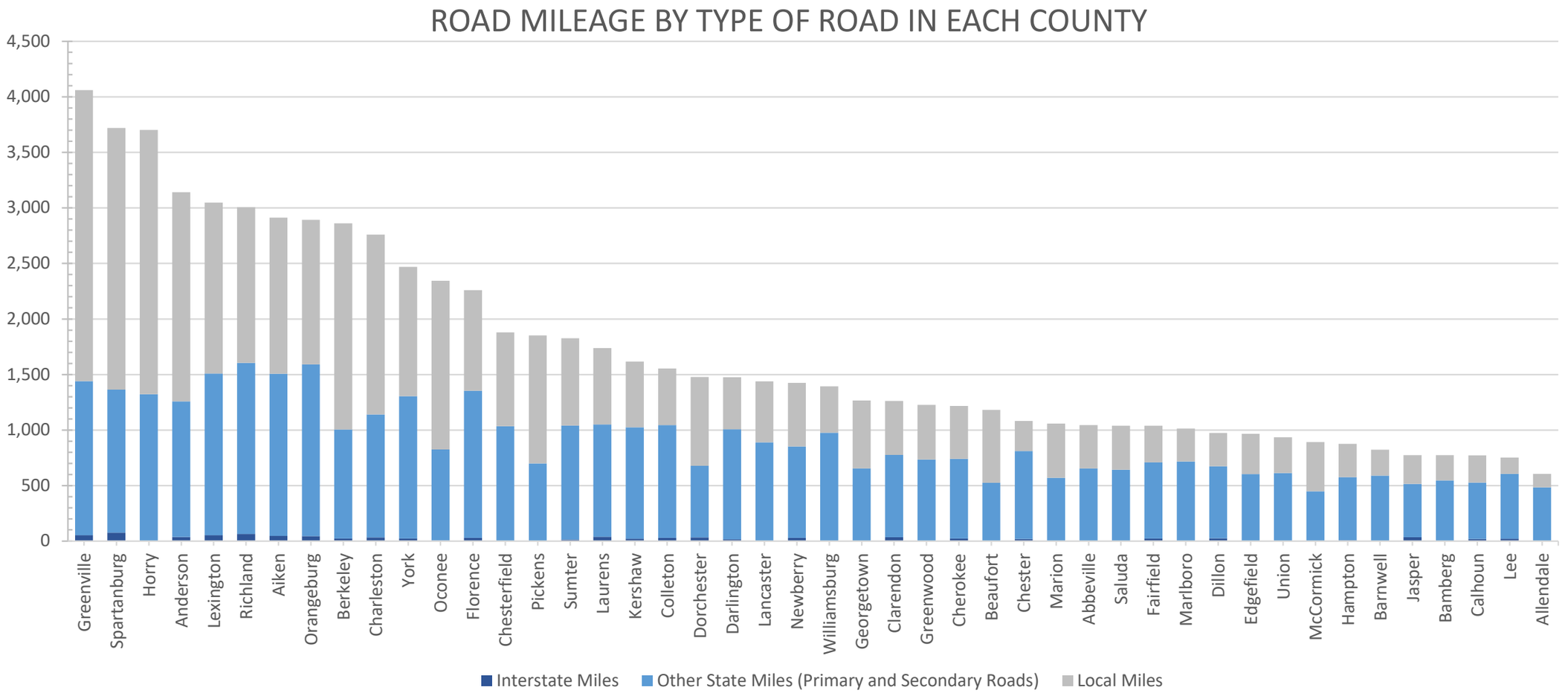
Percentage of State Maintained Roads in Each County

Ranges from 35% (Berkeley) to 80% (Lee)



Data Source:
SC Department of Transportation, State Maintained and Other Public CL Miles - by County by System

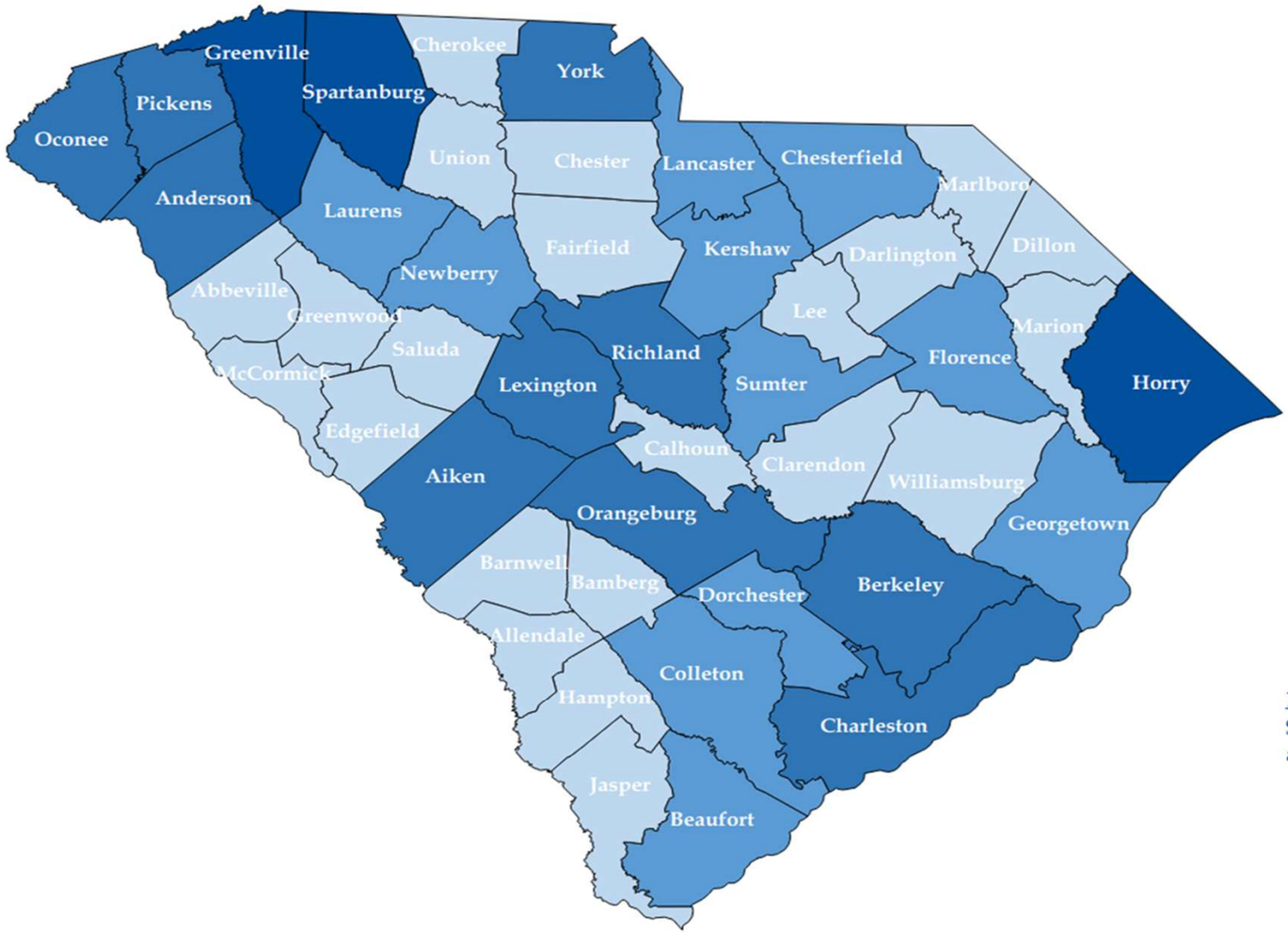
Road Mileage by Type of Road in Each County



Data Source: S.C. Department of Transportation, State Maintained and Other Public CL Miles; S.C. Revenue and Fiscal Affairs Office 11/10/2025

Locally Maintained Roads in Each County

Ranges from 123 miles (Allendale) to 2,621 miles (Greenville)



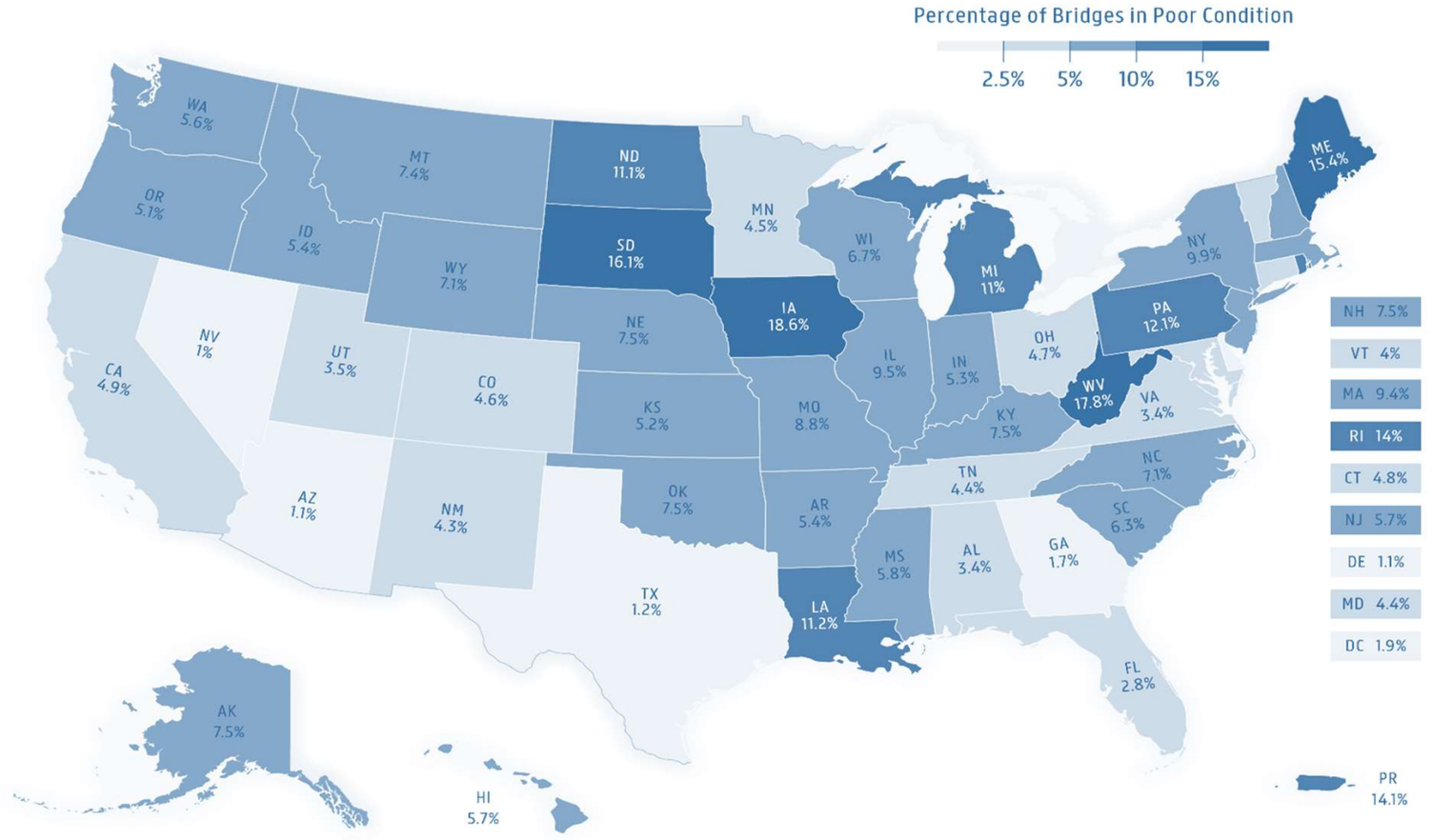
Miles of Local Maintained Roads

- Less than 500 miles
- 500 - 1,000 miles
- 1,001 - 2,000 miles
- Over 2,000 miles

Data Source:
SC Department of Transportation, State Maintained and Other Public CL Miles - by County by System

Percentage of Bridges in Poor Condition - 2025

According to the Federal Highway Administration, 6.3% of South Carolina's bridges are in poor condition compared to 6.7% overall in the US

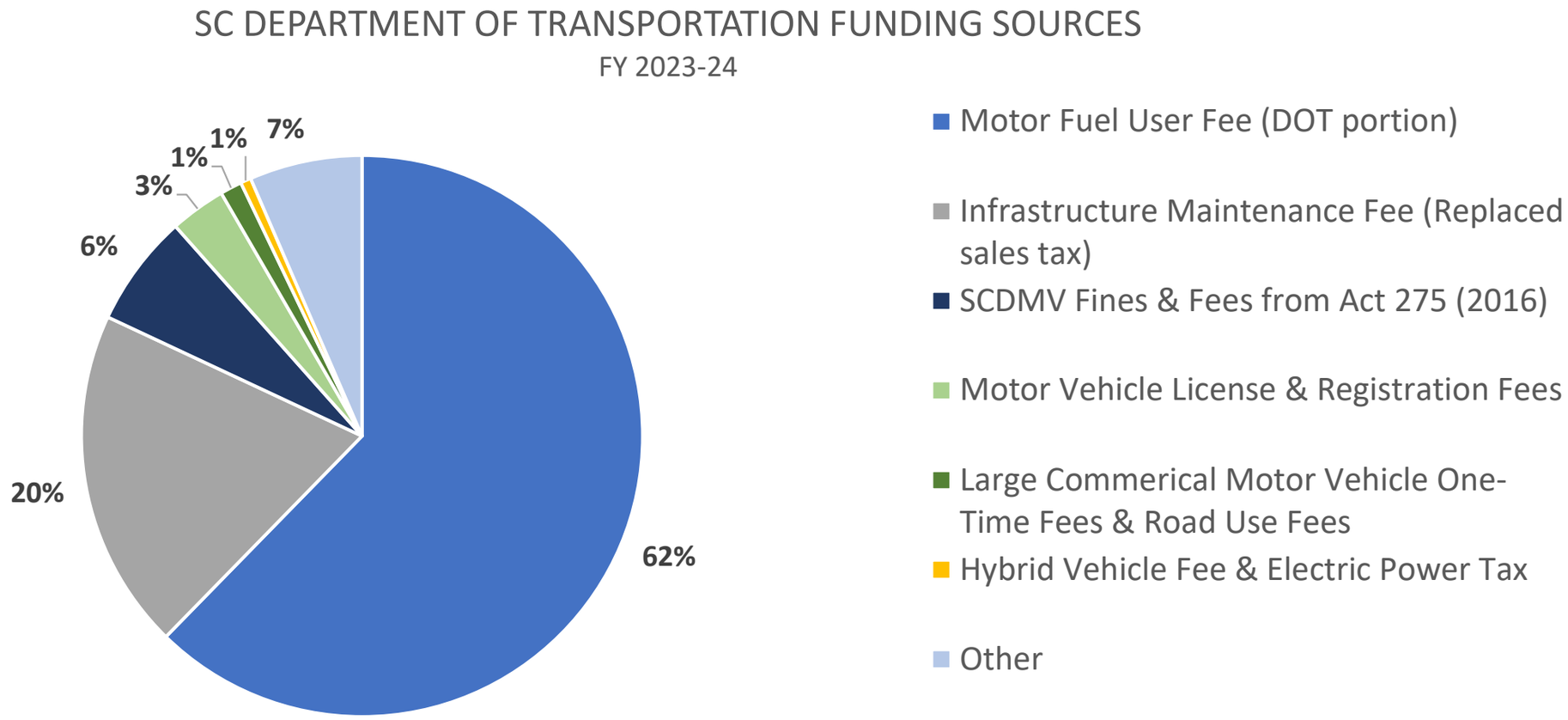


Source: U.S. Department of Transportation, Federal Highway Administration, National Bridge Inventory

Revenue Sources for Road Infrastructure

SCDOT State Revenues – FY 2023-24

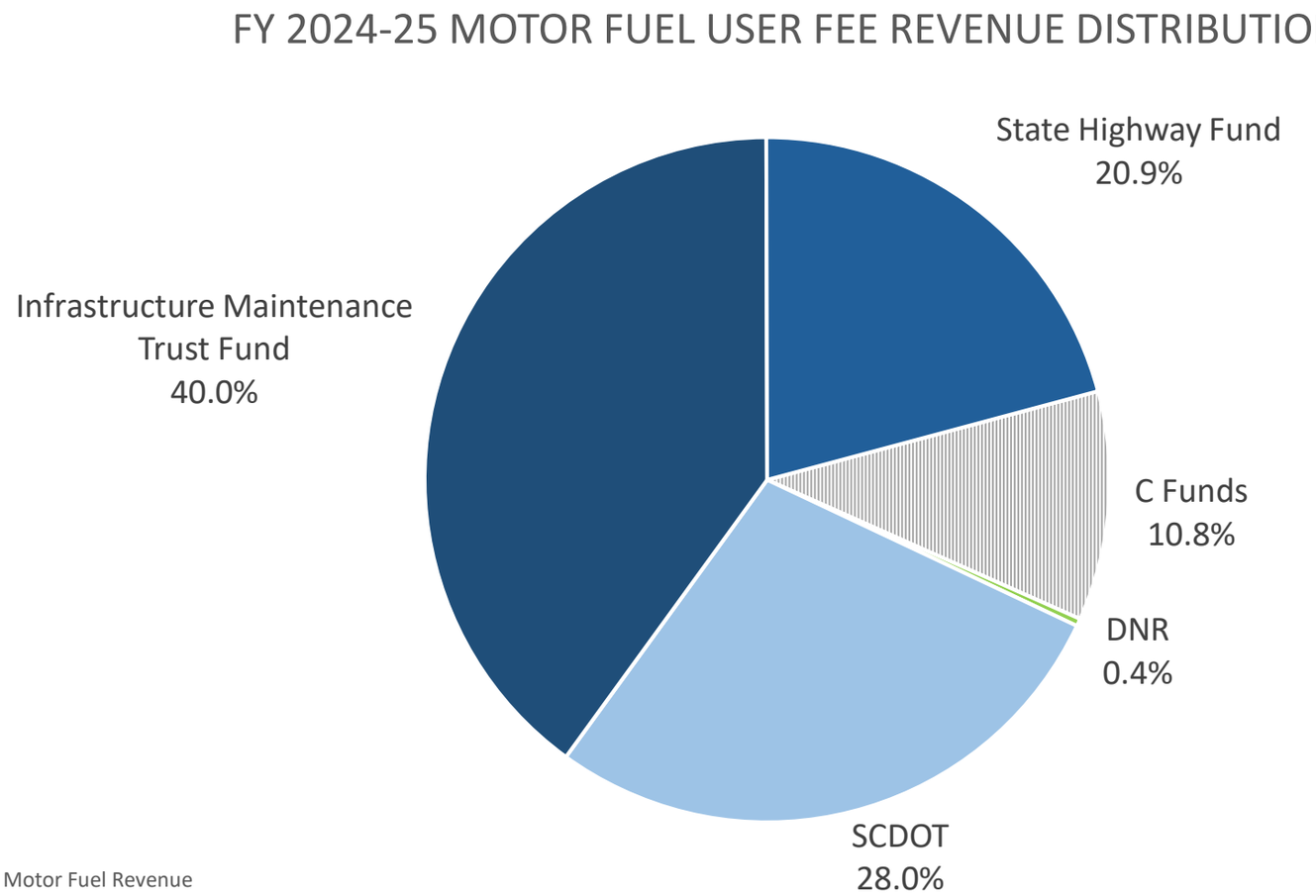
Motor fuel user fees are 62% of SCDOT's state funding; the Infrastructure Maintenance Fee (IMF) provides 20%



Source: SCDOT, FY 2024 Annual Revenues Report/reg/9/16/25

Distribution of Motor Fuel Revenue – FY 2024-25

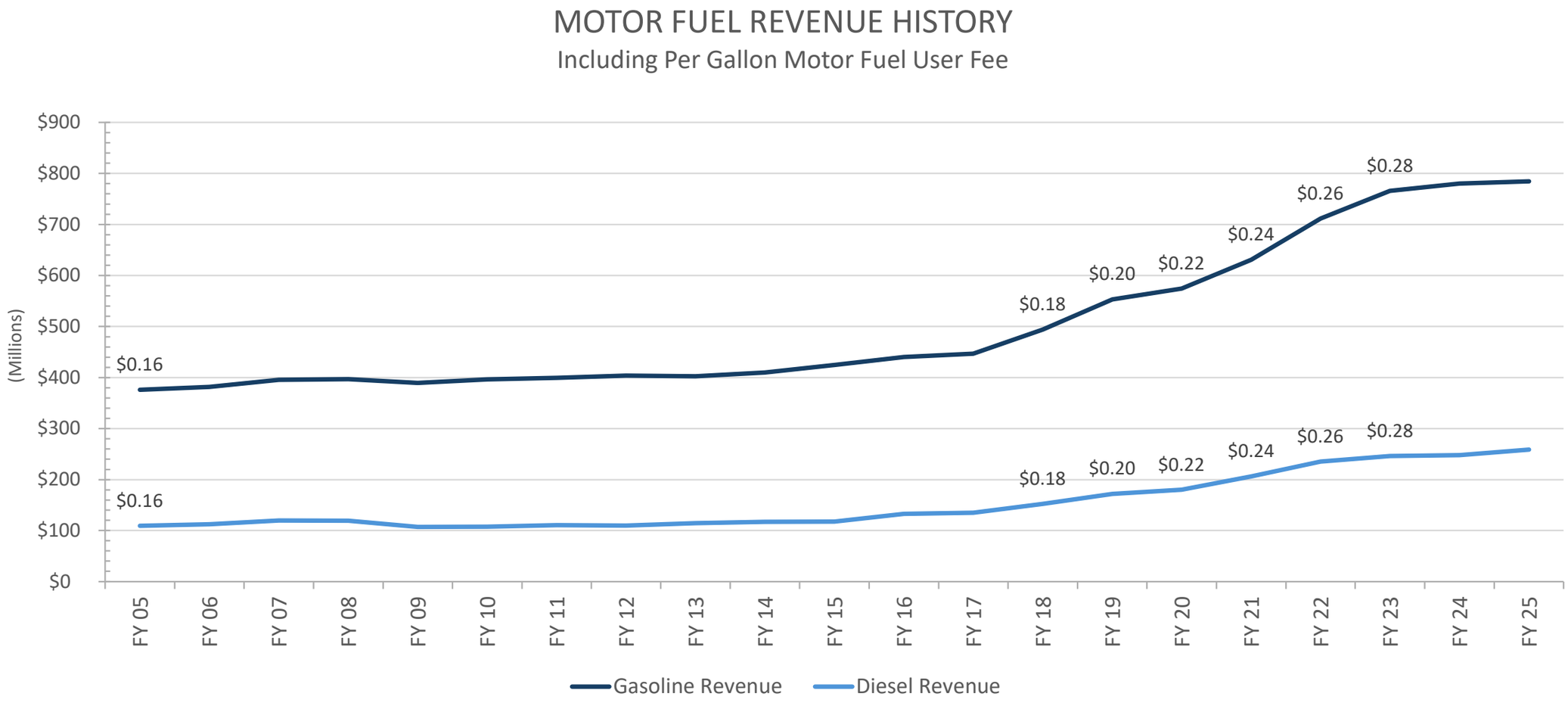
88.9% of the $0.28 motor fuel user fee funds various state transportation costs through SCDOT; 10.8% goes to C Funds for local governments



Source: SCDOT Monthly Motor Fuel Revenue

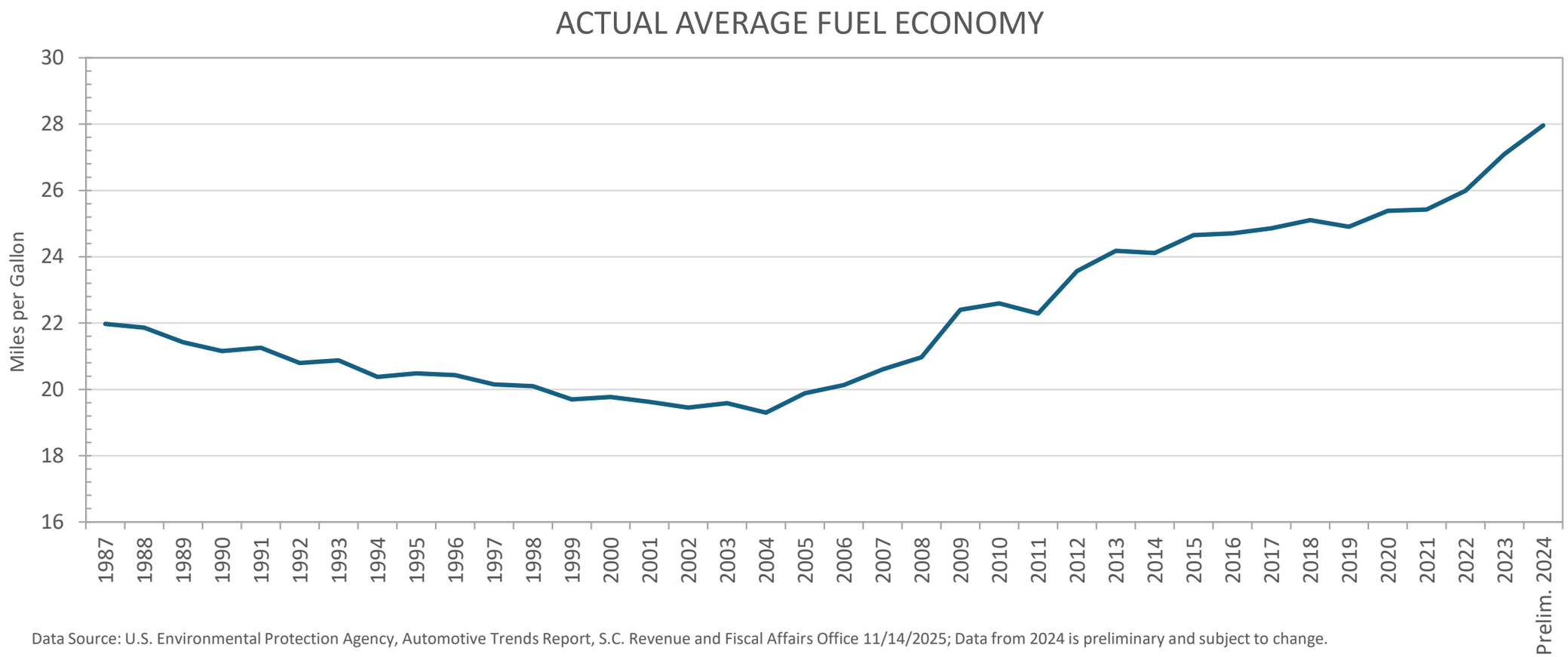
Motor Fuel Revenue History – FY 2004-05 to FY 2024-25

Collections remained relatively flat until fee increases beginning in FY 2017-18 and have now flattened again



Impact of Fuel Efficiency on Motor Fuel User Fee Collections

Average fuel economy has increased from 22 to 28 mpg (or 27%) since 1987, reducing revenue by approximately $165 million in 2024

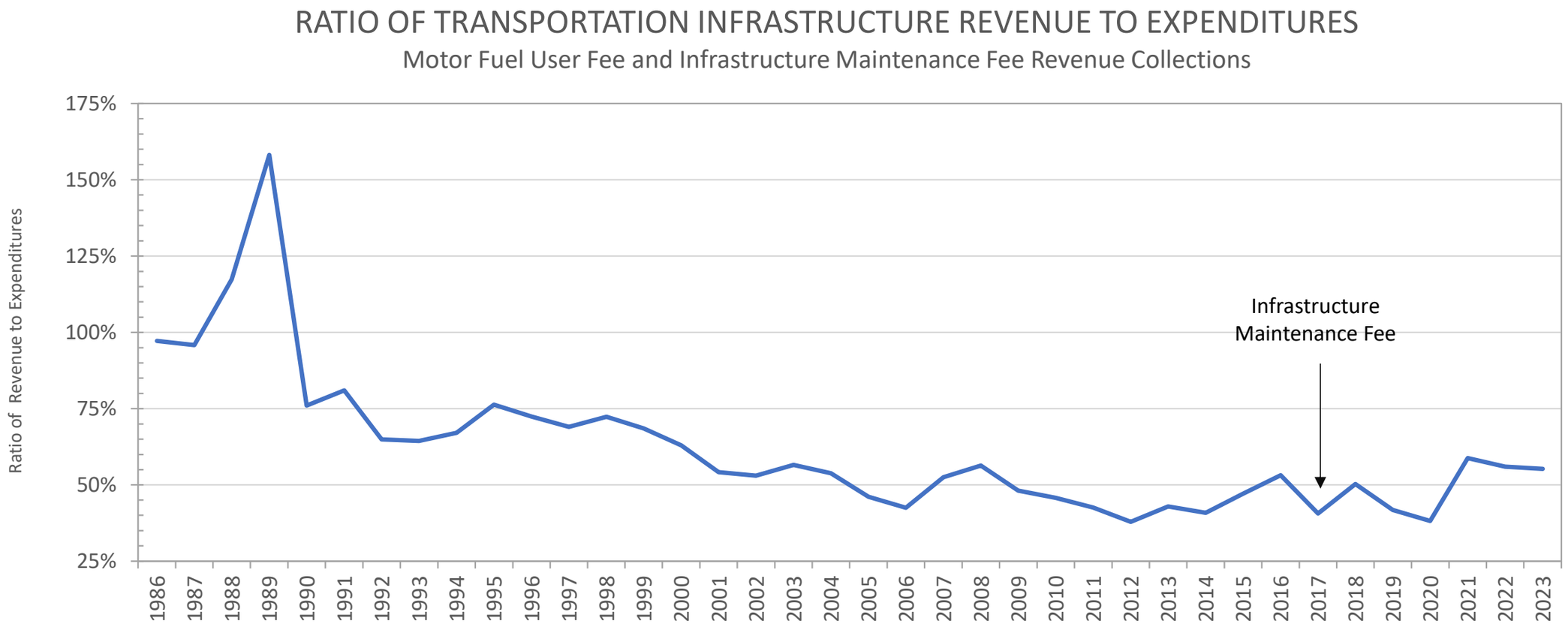


Data Source: U.S. Environmental Protection Agency, Automotive Trends Report, S.C. Revenue and Fiscal Affairs Office 11/14/2025; Data from 2024 is preliminary and subject to change.

Note: $145 million estimate is for reduced revenue from the total $0.28 motor fuel user fee, not solely what SCDOT receives

Revenue versus Expenditures from Motor Fuel and IMF

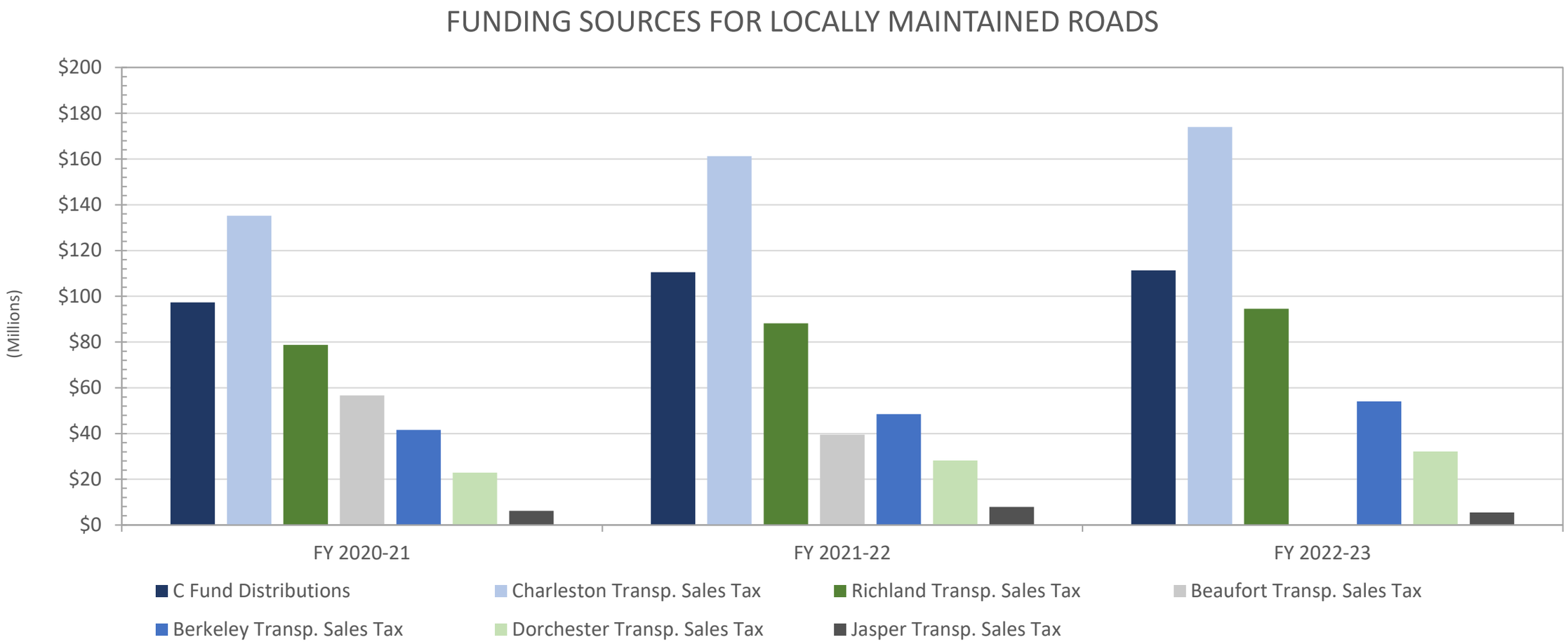
In 1986, the motor fuel user fee funded 97% of capital expenditures and maintenance costs for state maintained roads; the motor fuel fee and IMF combined only fund 55% of these expenses in 2023



Source: U.S. Department of Transportation Federal Highway Administration Highway Statistics Series, S.C. Department of Transportation Infrastructure Maintenance Fund Data and Motor Fuel Revenue Data RFA-mad/09/04/2025

Funding for Locally Maintained Roads

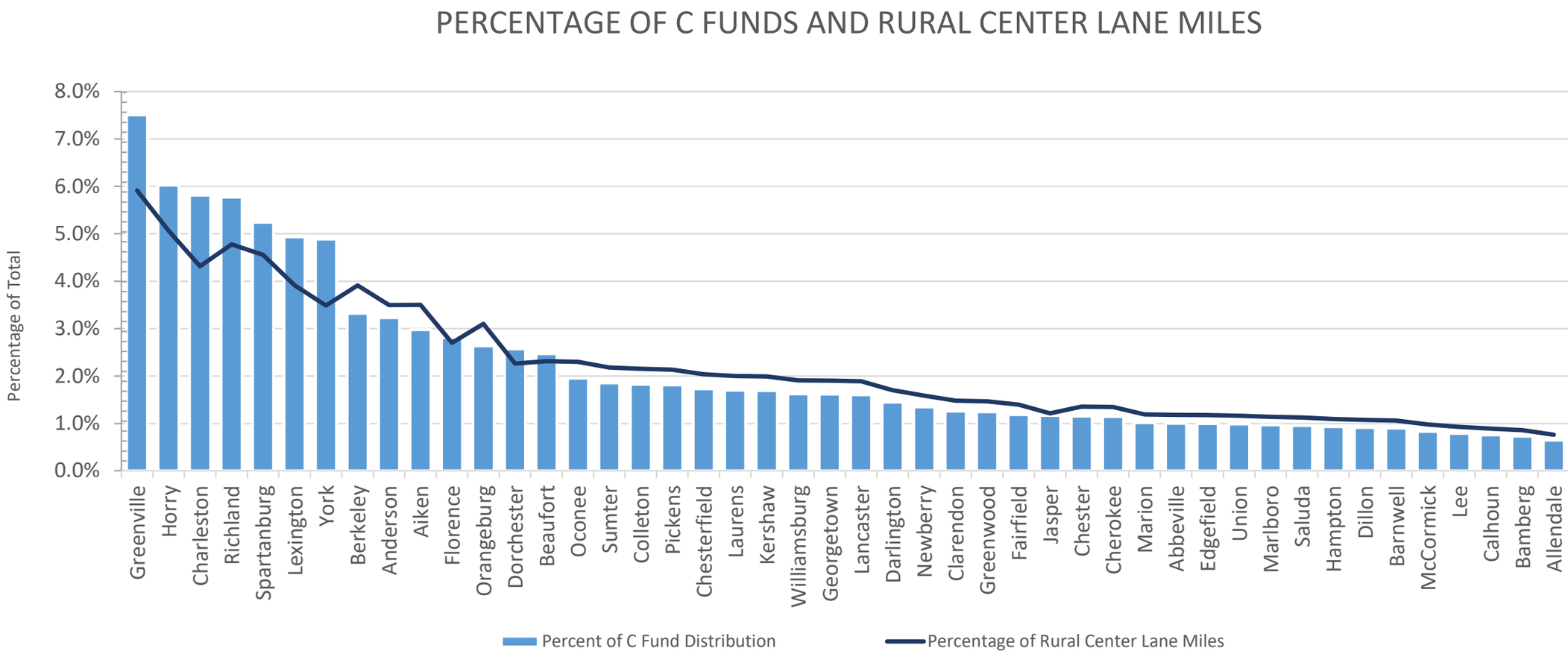
Local governments use C-Funds and local transportation sales taxes to fund expenses for roads



Source: S.C. Department of Revenue, Local Option Transportation Tax Data ; S.C. Department of Transportation RFA- mad/11/06/2025
Beaufort transportation sales tax ended in 2023

Percentage of C Funds by County versus Rural Center Lane Miles

C Funds are distributed to each county based on population, land area, and rural road mileage

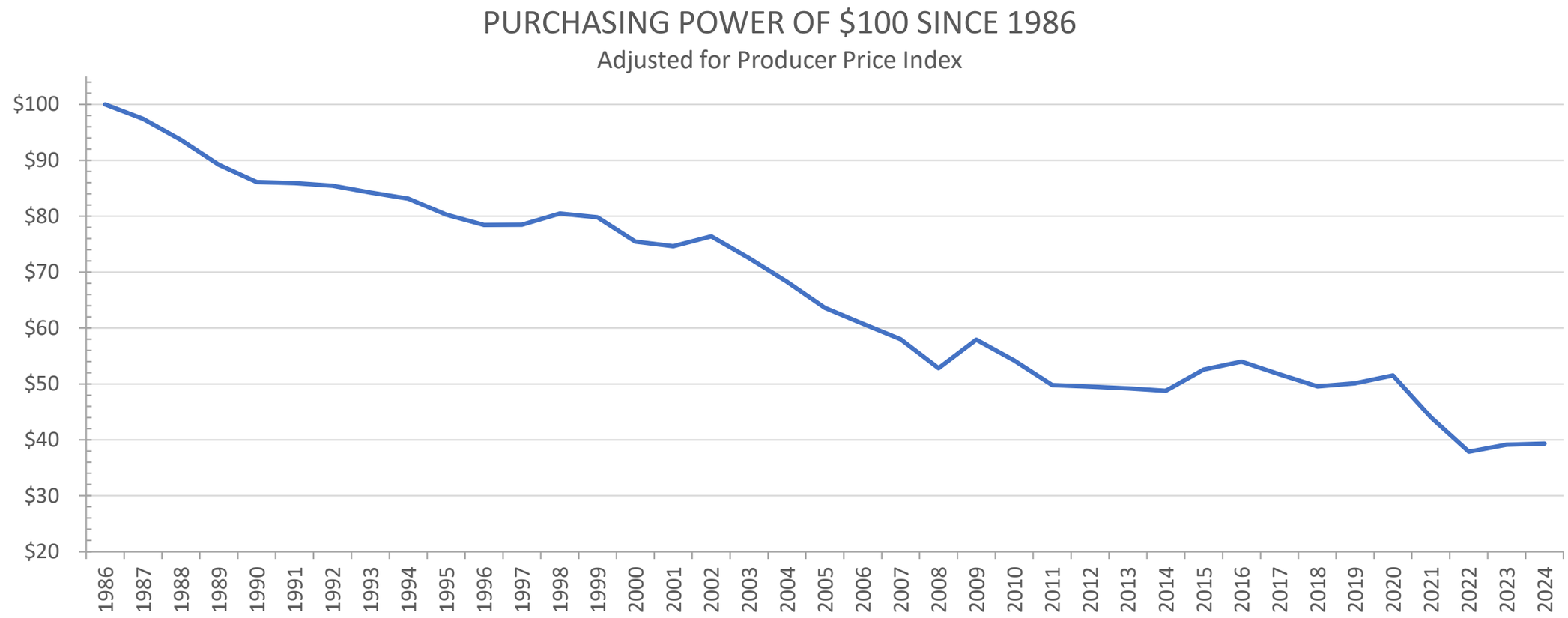


Source: S.C. Department of Transportation ; Based on SCDOT FY 2024-25 Forecast, Includes Donor Funds RFA - mad/11/06/2025

Purchasing Power and Inflation

Purchasing Power of $100 Since 1986

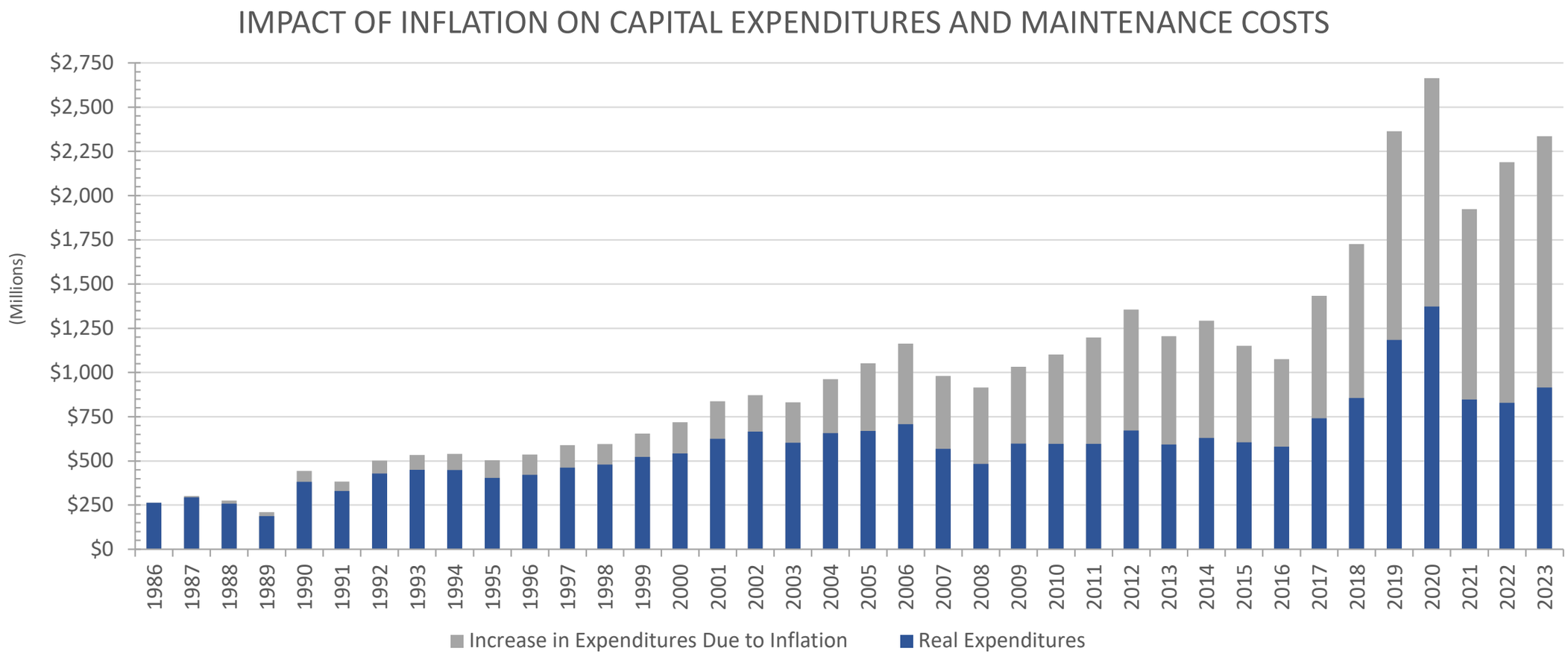
Due to inflation, purchasing power has declined, and it would cost about $254 in 2024 to buy what $100 could purchase in 1986



Source: U.S. Bureau of Labor Statistics, Producer Price Index by Commodity: All Commodities [PPIACO], RFA-mad/10/24/2025

Capital Expenditures and Maintenance Costs

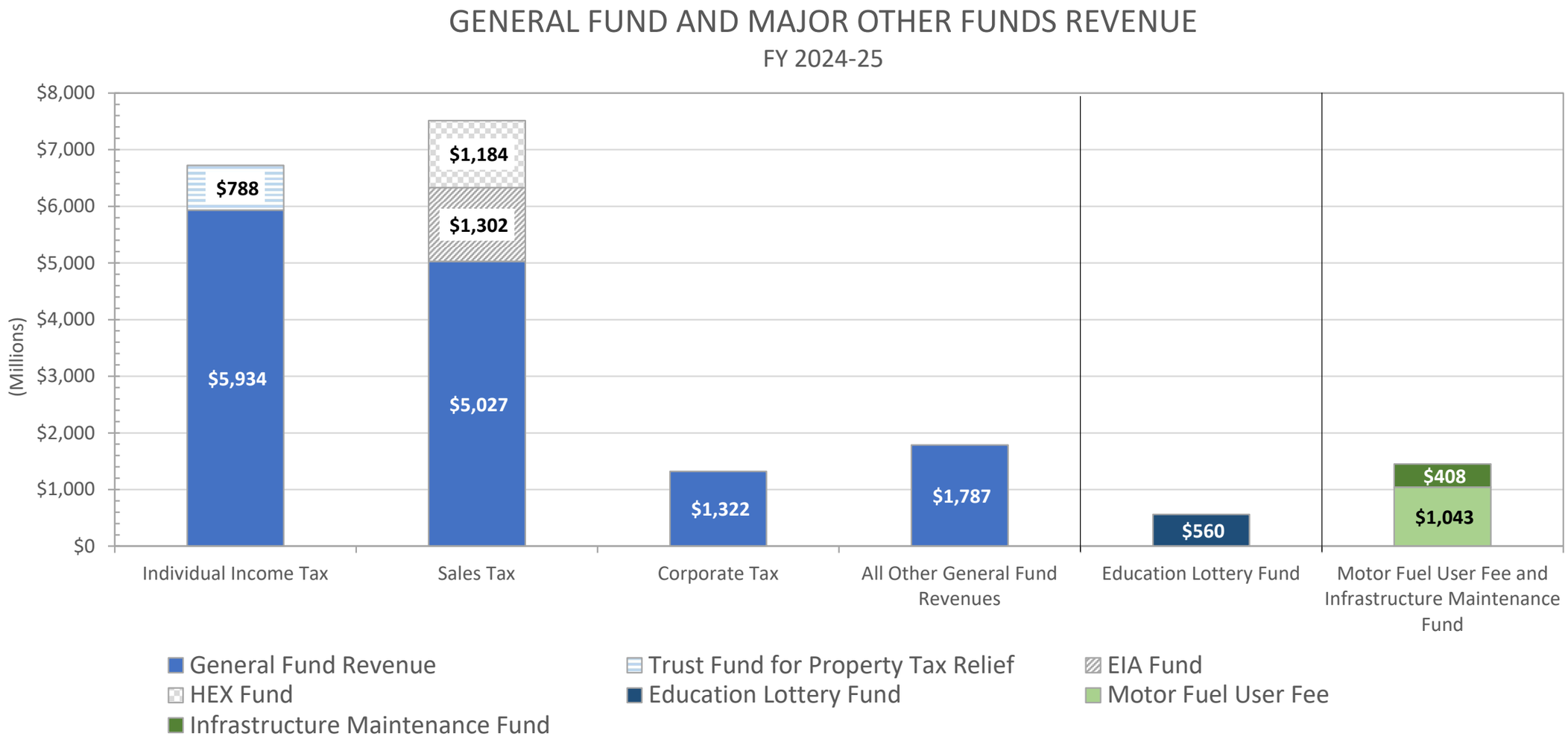
From 1986 to 2023, transportation capital expenditures and maintenance costs have grown an average of 5.8% per year, of which 2.5% is due to inflation



Source: U.S. Department of Transportation Federal Highway Administration Highway Statistics Series, U.S. Bureau of Labor Statistics, Producer Price Index by Commodity: All Commodities [PPIACO]RFA-mad/10/27/2025

Revenue Examples

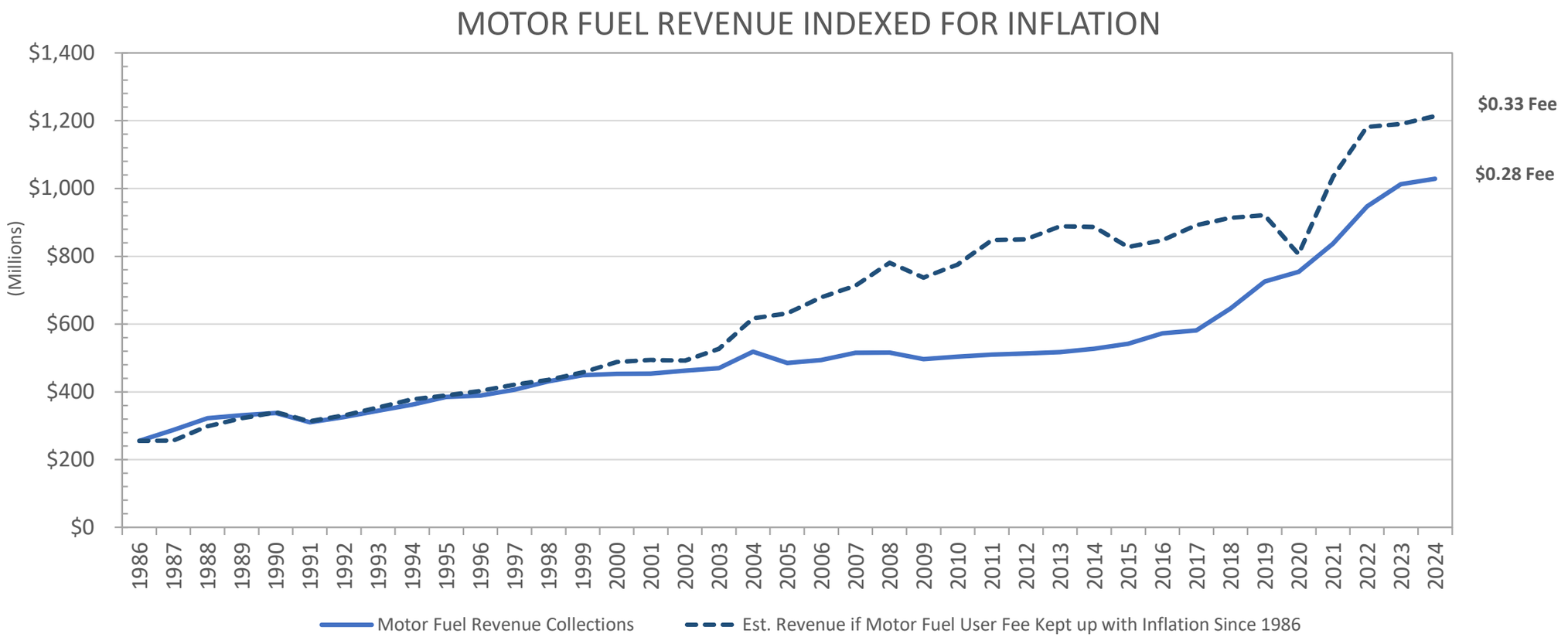
Major Revenue Items - FY 2024-25



Source: SC Revenue and Fiscal Affairs - 366/mad/10/24/2025

Motor Fuel User Fee Revenue Indexed for Inflation

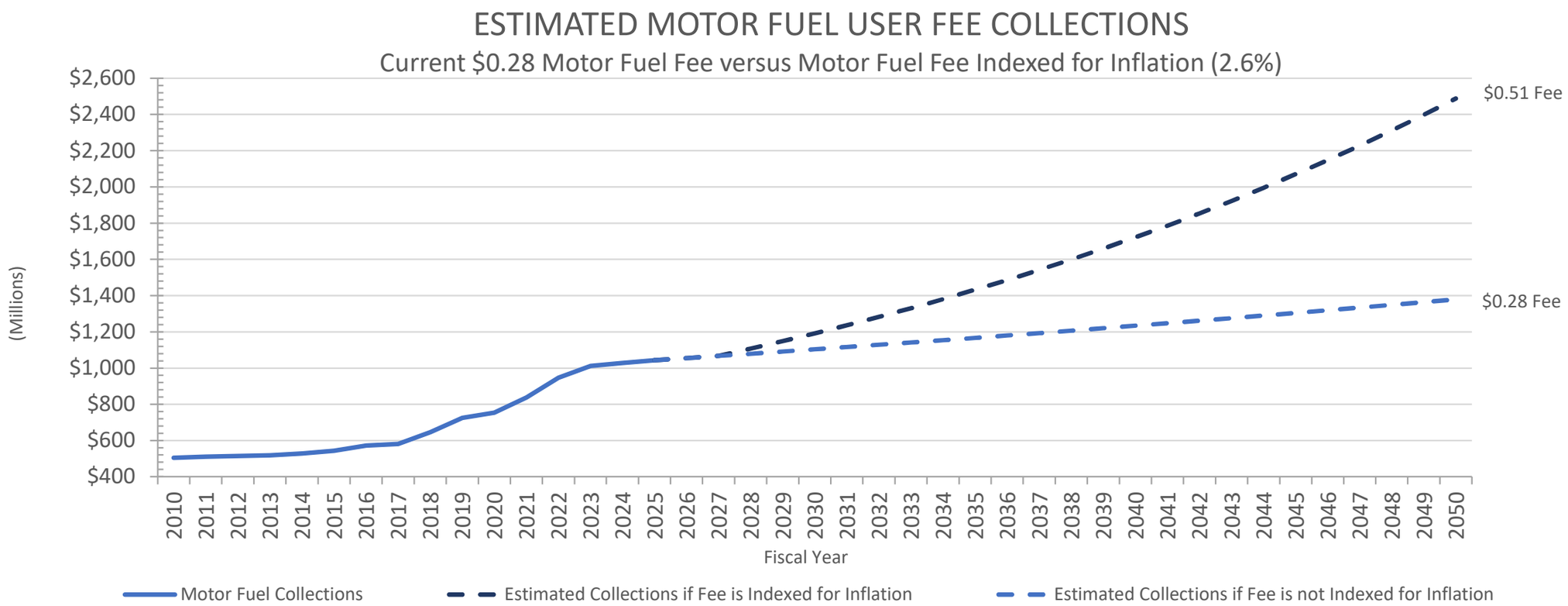
If indexed for inflation, the fee of $0.13 in 1986 would be $0.33 in 2024, increasing annual revenue by $185 million; cumulatively, indexing the fee for inflation would have generated over $5 billion more in revenue from 1986 to 2024



Source: U.S. Department of Transportation Federal Highway Administration Highway Statistics Series, S.C. Department of Transportation Infrastructure Maintenance Fund Data and Motor Fuel Revenue Data, U.S. Bureau of Labor Statistics, Producer Price Index by Commodity: All Commodities [PPIACO] RFA-mad/09/04/2025

Motor Fuel User Fee Revenue Indexed for Inflation to 2050

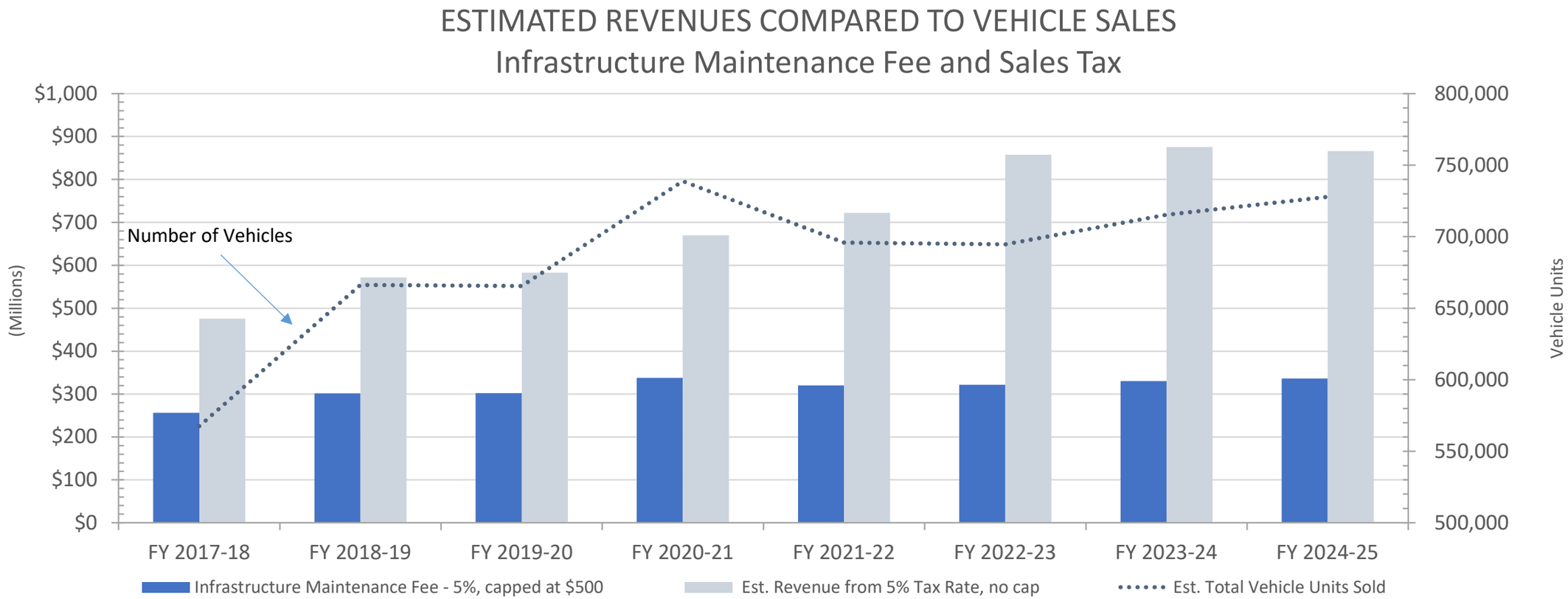
Cumulatively, from FY 2027-28 through FY 2049-50, indexing the motor fuel user fee each year would increase the fee from $0.28 to $0.51 and generate approximately $11.2 billion in additional revenue over this period



Source: U.S. Department of Transportation Federal Highway Administration Highway Statistics Series, S.C. Department of Transportation Motor Fuel Revenue Data, U.S. Bureau of Labor Statistics, Producer Price Index by Commodity: All Commodities [PPIACO] RFA-mad/11/20/2025

Estimated Vehicle Infrastructure Maintenance Fee Versus Sales Tax

In FY 25, a 5% sales tax without a cap would have generated approximately $866 million compared to IMF collections of $337 million



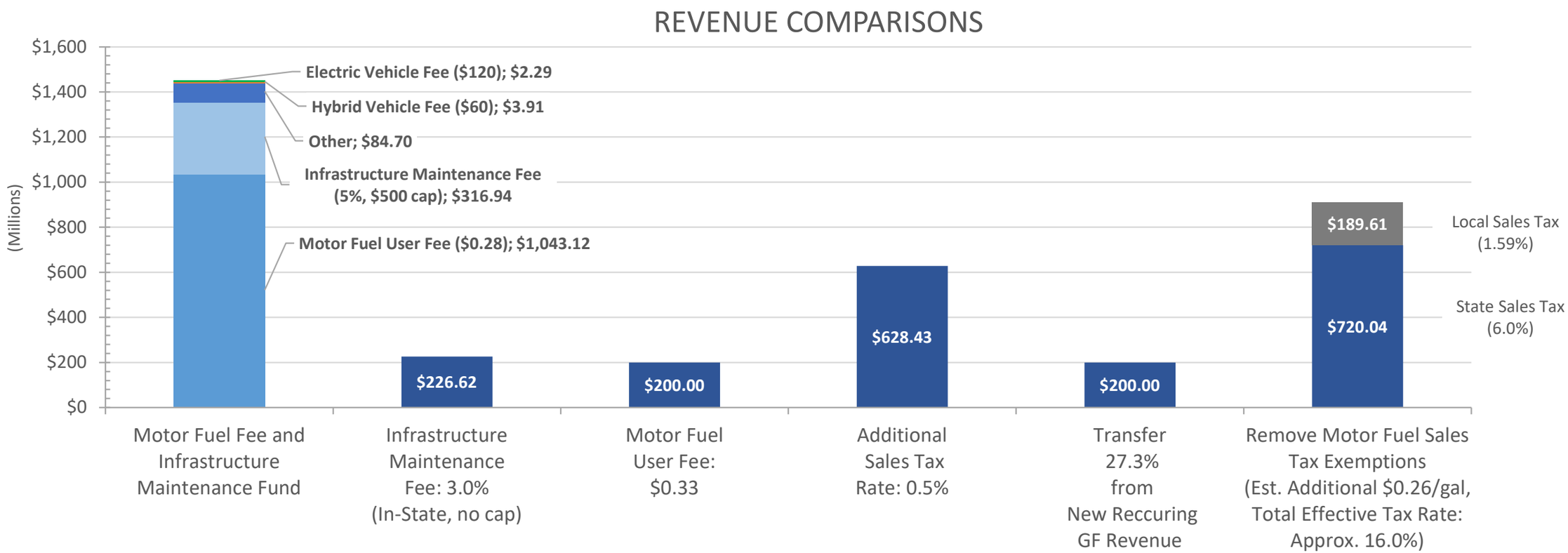
Source: U.S. Bureau of Transportation, Table 1-17a: New and Used Passenger Car and Light Truck Sales; S.C. Department of Transportation Infrastructure Maintenance Trust Fund; S&P Global Connect South Carolina New Passenger Car & Light Truck Registration RFA-mad/9/11/25
Estimates include funding to the Education Improvement Act Fund (EIA)

Comparison of Road Infrastructure Funding Sources by User

	Changes with Inflation	Residents	SC Businesses	Tourists
Vehicle Registration Fees	No	✓	✓	X
Infrastructure Maintenance Fee	No (Capped at $500 for $10,000 car value)	✓	✓	X
Motor Fuel User Fee	No (Current)	✓	✓	✓
General Sales Tax	Yes	✓	✓	✓
Toll Road Fee	? (Depends on fee structure)	✓	✓	✓

Comparisons of Estimated Revenues

Examples of sales taxes, increasing motor fuel user fees, and removing sales tax exemptions



Notes: (1) Additional revenue from new IMF rate and Motor Fuel User Fee illustrates additional revenue collections, after covering revenue generated from current respective rates and fees. (2) Revenue from removing exemptions and an increase in the Sales tax rate illustrate new revenue, and would not cover current revenue as well. (3) Removing exemptions from the motor fuel user fee would result in an average effective tax rate of approximately 16.0% per gallon of motor fuel based on the current $0.28 fee, state Sales tax rate of 6%, and the average local Sales tax rate of 1.59%

Summary

- Road infrastructure costs should be funded by the users
- Costs are increasing due to population growth, increased usage, and inflation
- These cost factors affect both state and local governments
- Current revenues grow from population increases but remain flat or are reduced because of fixed fees and fuel efficiency
- Addressing funding challenges requires consideration of all these factors

Questions?

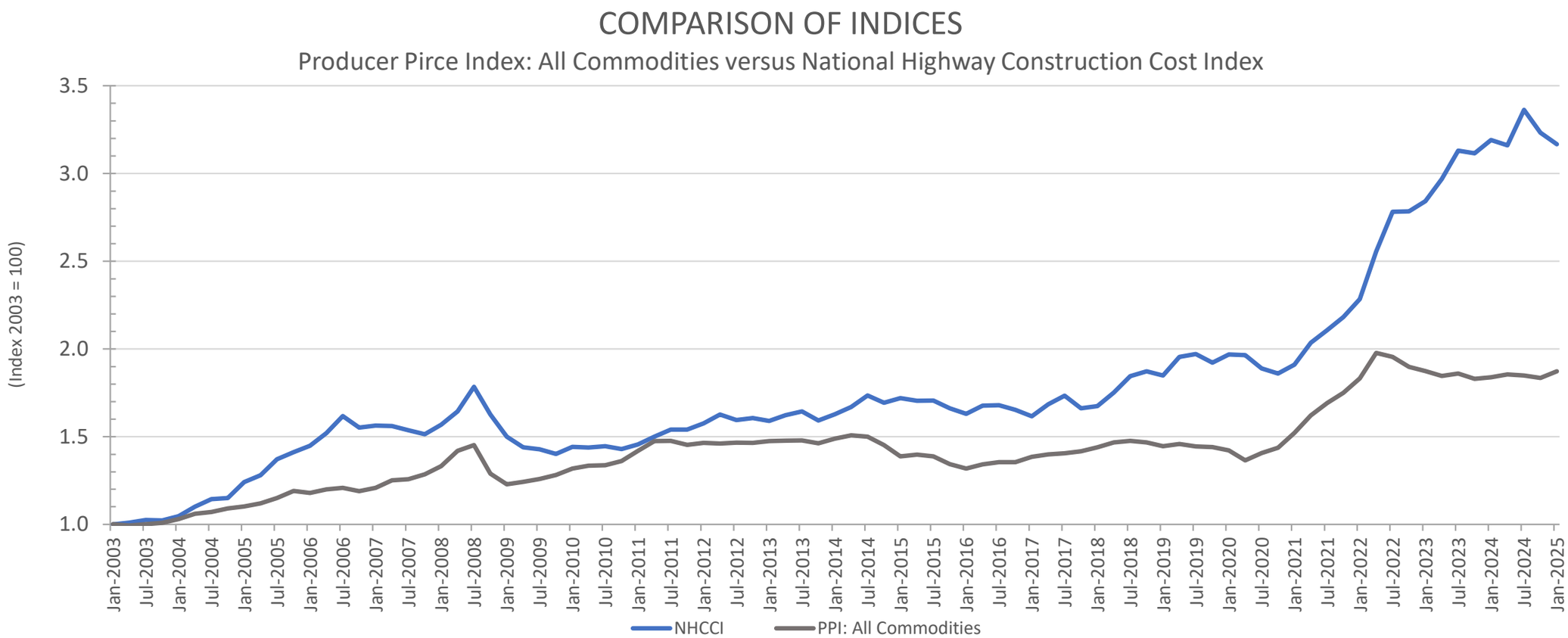
Appendix

Considerations

- For the purpose of the analyses presented today, the Producer's Price Index: All Commodities was used for inflation calculations due to historical data availability
- However, the Federal Highway Administration's National Highway Construction Cost Index (NHCCI), which begins in 2003, is better suited to track price changes associated with highway construction costs
- NHCCI can be found at: https://www.fhwa.dot.gov/policy/otps/nhcci/

Comparison of Indices

The National Highway Construction Cost Index (NHCCI) has outpaced the Producer Price Index (PPI) since 2003; NHCCI has grown by an average of 5.4% annually compared to PPI growth of 2.9%



Source: U.S. Department of Transportation Federal Highway Administration National Highway Construction Cost Index (NHCCI) ; U.S. Bureau of Labor Statistics, Producer Price Index by Commodity: All Commodities [PPIACO] RFA-mad/11/26/2025

South Carolina Motor Fuel Tax Rate Schedule

South Carolina Motor Fuel Tax Rate Schedule

Year	Tax	Legislative Enactment
1922	2 cents	Act 494 of 1922
1923	3 cents	Act 146 of 1923
1925	5 cents	Act 34 of 1925
1929	6 cents	Act 102 of 1929
1958	7 cents	Act 855 of 1958
1972	8 cents	Act 1575 of 1972
1977	9 cents	Act 141 of 1977
1979	10 cents	Act 197 of 1979
1980	11 cents	Act 506 of 1980
1981	13 cents	Act 177 of 1981
1987	15 cents	Act 197 of 1987
1995	16 cents	Act 136 of 1995
2017	18 cents	Act 40 of 2017
2018	20 cents	Act 40 of 2017
2019	22 cents	Act 40 of 2017
2020	24 cents	Act 40 of 2017
2021	26 cents	Act 40 of 2017
2022	28 cents	Act 40 of 2017

SC DOT State Revenue Summary – FY 2023-24

State Revenues Summary	FY24 Projection	YTD Actuals	YTD Projections	Variance Actuals-Projections
State Gas Tax (Gasoline & Diesel)	$911.40	$912.90	$911.40	$1.50
Infrastructure Maintenance Fee (aka Vehicle Sales Tax)	$282.79	$287.69	$282.79	$4.90
Act 275 SCDMV Fees & Fines	$81.91	$94.60	$81.91	$12.69
Motor Vehicle License Fees	$18.49	$15.18	$18.49	($3.31)
Registration Fee	$32.46	$31.85	$32.46	($0.61)
Large Commercial Motor Vehicle One-Time and Road Use Fees	$20.70	$18.29	$20.70	($2.41)
Hybrid Vehicle Fee	$3.65	$4.60	$3.65	$0.95
Electric Power Tax	$3.60	$4.29	$3.60	$0.69
Cross Island Parkway Tolls	$0.00	($0.39)	$0.00	($0.39)
Petroleum Inspection Tax	$9.80	$10.07	$9.80	$0.27
Sale of Services	$17.00	$3.44	$17.00	($13.56)
Sale of Goods	$5.00	$4.32	$5.00	($0.68)
Over Size/Over Weight Permits	$4.00	$3.84	$4.00	($0.16)
Other Misc. Revenues	$41.45	$17.57	$41.45	($23.88)
DMV Penalties	$3.30	$2.95	$3.30	($0.35)
Interest	$32.01	$50.43	$32.01	$18.42
Unclaimed Tax Credit (Act 40)	$0.00	$2.62	$0.00	$2.62
Tax Credit Transfer to SCDOR (Act 40)	$20.10	$24.54	$20.10	$4.44
Transfer to Parks, Recreation, and Tourism (Welcome Center)	($3.56)	($3.56)	($3.56)	($0.00)
CTC Donor Bonus	($20.10)	($20.50)	($20.10)	($0.40)
	$1,464.00	**$1,464.73**	**$1,464.00**	**$0.73**

Source: SCDOT, FY 2024 Annual Revenues Report/reg/9/16/25

Highest Annual Average Daily Traffic (AADT) in 2024
Top 18 SCDOT Sites

Site Number	Site Description
124	I- 26 : S- 75 (ASHLEY PHOSPHATE RD) TO S- 1342 (AVIATION AV)
25	I- 77 : SC 460 (GOLD HILL RD) TO S- 1441 (CAROWINDS BLVD)
77	I- 85 : S- 492 (PELHAM RD) TO SC 14 (S HIGHWAY 14) (SPARTANBURG)
138	I- 85 : S- 107 (MAULDIN RD) TO US 276 (LAURENS RD)
71	I- 26 : US 78 (UNIVERSITY BLVD) TO US 52 CON
49	I- 85 : US 25 (WHITE HORSE RD) TO S- 201 (AUGUSTA RD)
52	I- 20 : US 321 (FAIRFIELD RD) TO US 21 (WILSON BLVD)
101	I- 85 : US 29 (WARREN H ABERNATHY HWY) TO SC 129 (FORT PRINCE BLVD)
33	I- 385 : S- 273 (HAYWOOD RD) TO SC 291 (N PLEASANTBURG DR)
31	I- 26 : S- 62 (W MONTAGUE AVE) TO SC 642 (DORCHESTER RD)
98	I- 385 : S- 941 (BRIDGES RD) TO S- 107 (E BUTLER RD)
86	I- 20 : US 378 (SUNSET BLVD) TO S- 273 (BUSH RIVER RD)
70	I- 26 : US 17 ALT (N MAIN ST) TO S- 62 (COLLEGE PARK RD)
95	I- 26 : SC 60 (LAKE MURRAY BLVD) TO S- 757 (HARBISON BLVD)
125	I- 26 : I- 126 (INTERSTATE 126) (RICHLAND) TO US 378 (SUNSET BLVD)
34	I- 526 : SC 461 (PAUL CANTRELL BLVD) TO S- 475 (LEEDS AV)
46	I- 526 : S- 58 (VIRGINIA AV) (CHARLESTON) TO S- 33 (CLEMENTS FERRY RD)
121	I- 85 : SC 81 (HIGHWAY 81 N) TO SC 8 (EASLEY HWY)
Note: These sites had the highest traffic volume in 2024 and had data available from 2010 - 2024.	