In a previous article, I discussed the issue of transportation funding, specifically how North Carolina funds road construction and upkeep through a motor fuel tax, aka, the Powell Bill. For years, this gasoline tax was adequate to meet NCDOT funding needs.

However, several factors have made this funding source inadequate to meet our state’s growing transportation needs. First, as gasoline prices have increased dramatically since those OPEC days in the 1970s, legislatures have been reluctant to increase the tax rate per gallon. This hesitancy has been particularly evident during inflationary times when the average consumer struggles to make ends meet.

Inflationary costs have also put pressure on the NCDOT budget over the years. Construction costs, the cost of concrete and asphalt, and the high cost of land right-of-ways have all added to the shortfall in the highway budget. Some would contend some bad departmental decisions and mismanagement at the top in Raleigh have added to the problem.

Another contributing factor has been the proliferation of electric vehicles that do not pay the gasoline tax but, of course, use the road. Some critics point out that the heavier electric vehicles, due to large battery arrays, even add more wear and tear on the state highways. Who pays for the additional road maintenance costs?

The state legislature has been grappling with this NCDOT budget problem for a number of sessions now. Legislators have been reluctant to increase the motor fuel tax and even more reluctant to raise state income or sales taxes to balance the budget. Honestly, they do not have too many good options, and what I am about to propose is probably only a partial solution.

My idea is to increase the state room occupancy tax across the board, that is, for every county and city that has such a tax—perhaps, a one or two cents per dollar increase statewide. For instance, counties with a 6% rate now would go to 8%, or cities with a 3% would go to 5%. I emphasize an across-the-board increase so that no area of the state or county would have a financial tax advantage over another.

With the large influx of visitors coming to our ever-growing state, this tax increase would not impact state residents, and it would help improve road access for the visitors we want to attract to this beautiful state.

Now some may contend this tax on visitors would impair North Carolina’s competitive edge in attracting tourists. Really? Would potential tourists say they are going to Georgia or Tennessee and not going to North Carolina in order to save a few dollars on a hotel or STR bill? I don't think so; when Sallie and I visit another state and pay our hotel bill, we don't even look to see what the taxes are. Like almost everyone else, we give the hotel clerk our credit card and check out.

Solving North Carolina's transportation funding problems will probably take several reforms and changes. I believe increasing the room occupancy tax and earmarking the increase for transportation is one part of the puzzle. I would be interested in what the hotel and hospitality industry would have to say.