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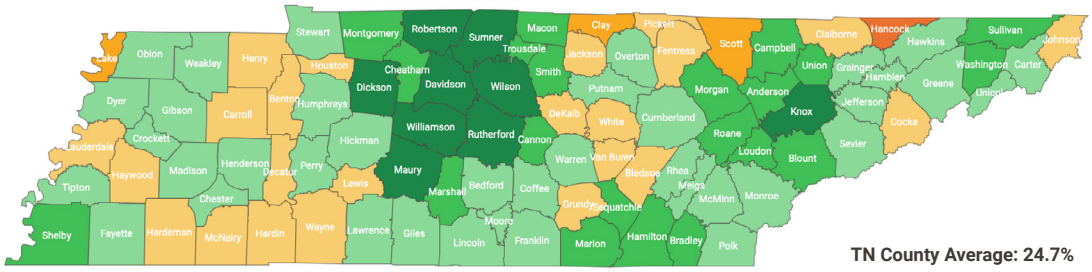
FACT SHEET

Keeping Pace: Tennessee's Transportation Needs and Funding Options

Tennessee's population growth is among the fastest in the nation—and its transportation network is struggling to keep pace. Since 2010, Tennessee's population has grown by over 1 million residents—the 9th fastest growth rate in the nation. Vehicle miles traveled increased 18.4% between 2010 and 2023, double the national rate of 9.2%. The growing costs of congestion and highway safety are ultimately passed on to Tennessee families. Tennesseans are spending, on average, nearly 25% of their household income on transportation-related costs, more than the 15% that is considered affordable.[1]

Against this backdrop, the Tennessee Advisory Commission on Intergovernmental Relations (TACIR) estimates statewide transportation infrastructure needs at $42 billion through 2029.[2] As traditional revenue sources struggle to meet infrastructure demands and federal transportation funding sources are set to expire (December 2026), the decisions Tennessee lawmakers make now will determine whether costs and congestion keep rising—or the network catches up.

Across all Tennessee counties, the average household spends more than 15% of its income on transportation.



Source: Think*Tennessee,* State of Our Counties Dashboard; Center for Neighborhood Technology, Housing+Transportation Affordability Index.

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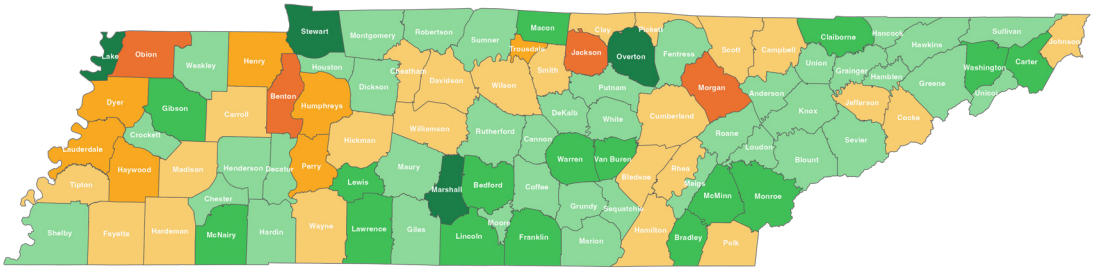
Tennessee's transportation infrastructure needs are outpacing current spending.

Tennessee's infrastructure needs are estimated to be in the billions:

- **Over $42.0 billion in needed transportation projects,** according to the TACIR infrastructure report (2024-2029), while local governments face an additional $11.4 billion in locally owned transportation infrastructure needs.[3]
- Ahead of the Transportation Modernization Act's approval, TDOT identified **$26 billion needed for congestion improvement projects** over 25 years.[4]

Funding projections, however, fall short of these needs, with TDOT anticipating a **$13.5 billion funding gap by 2040.** At the local level, an estimated 80% of transportation funding is spent on maintenance, leaving Tennessee communities facing an increasing backlog of transportation improvement projects.[5]

By 2029, 35 counties face transportation infrastructure needs above the statewide average of $5,813 per resident.



Source: TACIR, Building Tennessee's Tomorrow: Anticipating the State's Infrastructure Needs (July 2024 through June 2029).

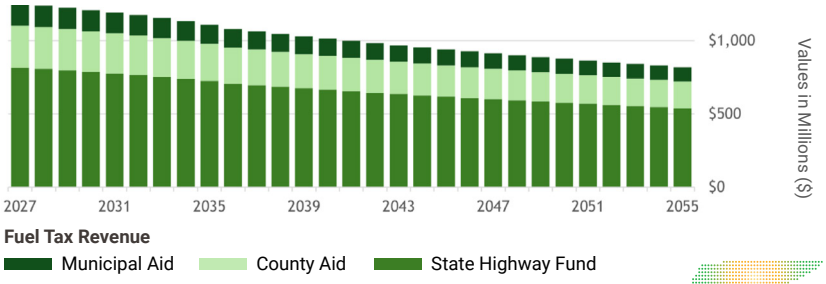
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Traditional funding sources no longer meet Tennessee's transportation needs.

Revenues from fuel taxes and vehicle registration fees—the two primary sources for transportation funding—fall short of the state's needs. State and federal fuel taxes account for approximately 70% of TDOT's annual revenue, and while total fuel revenue has increased by 1.5% per year, construction costs have simultaneously increased by 12% annually. Vehicle registration fees account for approximately 11% of TDOT's funding. For FY 2027-28, these revenue sources are expected to bring in $2.6 billion.[6]

Tennessee has leveraged federal dollars to fund infrastructure projects—but these funds will soon expire. For FY 2027-28, TDOT will have an additional $600 million available from the Infrastructure Investment and Jobs Act (IIJA) and the state's Transportation Modernization Act (TMA)—still leaving a $400 million gap against the $3.6 billion needed. The IIJA expired in September 2026—and while a portion of the transportation funds were extended until December 11, 2026, Congress has not passed a bill for its replacement.[7]

Fuel tax revenues are projected to continue decreasing through FY2054-55.



Source: TACIR, Assessing Tennessee's Transportation Needs and Long-term Sources of Funding.

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More infrastructure investments can help move Tennessee forward.

Two state initiatives have provided pathways to reduce this funding gap:

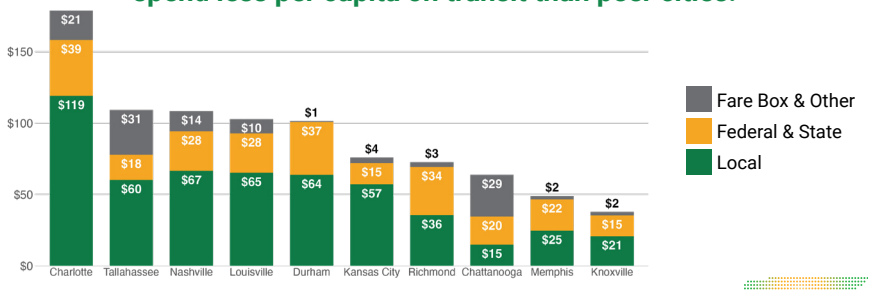
- **The 2023 Transportation Modernization Act** addresses short-term state transportation needs with a one-time allocation of $3.3 billion and use of public-private partnerships, choice lanes, and EV registration fees.
- **Tennessee's 2017 IMPROVE Act increased the gas tax, created EV annual fees,** and allows local governments to generate and dedicate funding for public transit programs after a local referendum.

The Tennessee General Assembly has made successive general fund transfers to address the funding gaps:

- **In 2025, the legislature granted $1 billion in non-recurring and $80 million in recurring funds for FY2025-26.** The recurring General Fund dollars originate from a portion of the Tire Sales Tax revenue being reallocated to TDOT.[8]
- **In May 2026, the legislature granted TDOT an additional $400 million in non-recurring funds from the state's FY2026-27 budget**—$50 million of which is dedicated to maintenance, $150 million for the Bridge Preservation Program, and $200 million for capacity projects.[9]

Locally, Nashville is the first Tennessee city to secure dedicated revenue for transit and transportation needs. The city's Choose How You Move transportation improvement plan, approved by voters in November 2024, implemented $163 million in projects in its first year.[10] Memphis remains one of only three of the 50 largest metro areas in the nation without dedicated transit funding—alongside Hartford, CT, and Orlando, FL.[11]

Outside of Nashville, most of Tennessee's major cities spend less per capita on transit than peer cities.



Source: National Transit Database - Funding Sources by Expense Type. 2024 operational spending by primary urbanized area population by source.

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Additional opportunities can help our state close the existing funding gaps, decrease transportation costs, and create opportunities for regional economic development. The new TACIR report outlines several funding options for lawmakers to consider—including indexing the gas tax to inflation, weight-based vehicle registration fees, fees on rideshare and delivery services, and per-mile charges on commercial vehicles.

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Written by: Helen Souki Reyes, Research Manager, and Chris Candelaria, Research Director
Other contributing staff: Owen Cai, Research Assistant

For further information, email us at info@thinktn.org.