

State of Connecticut  
Governor's Transportation  
Financing Panel

MILEAGE BASED USER FEES

Jack Basso  
Peter J Basso and Associates, LLC

# The Current State of the Issues

- The Highway Trust Fund
- The Future of the Surface Transportation Programs
- A New way to collect Trust Fund revenues



THE HIGHWAY TRUST FUND IN CRISIS

**HIGHWAY TRUST FUND FORECASTS  
AND LONG-TERM FUNDING**

# HIGHWAY TRUST FUND PROJECTIONS

Based on CBO Score of MAP-21 (June 2012)

## Highway Account

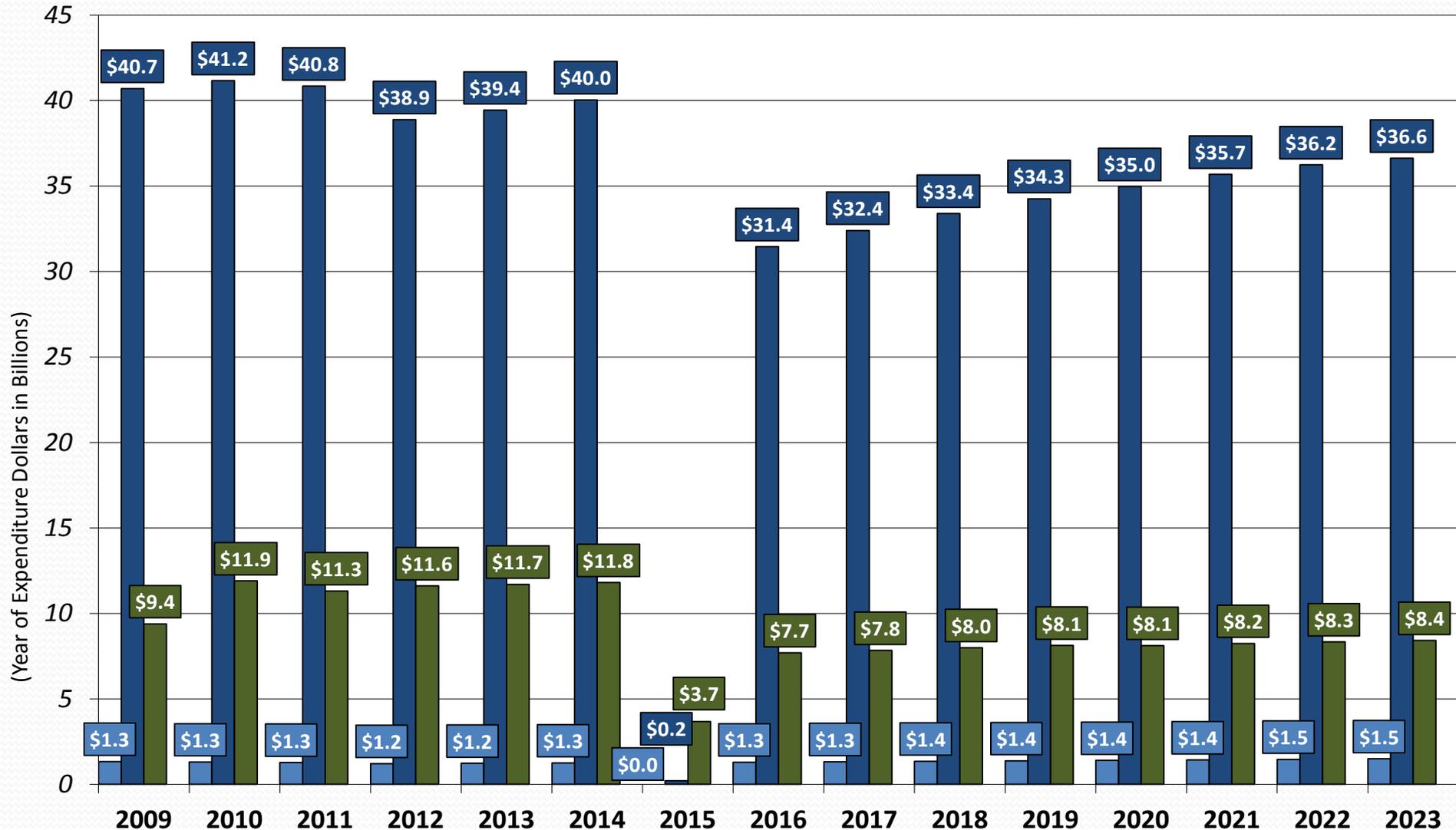
Fiscal Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Beginning-of-year Balance	\$14	\$8	\$4	\$4	-\$6	-\$15	-\$24	-\$33	-\$42	-\$52	-\$62
Revenues and Interest	\$33	\$33	\$33	\$34	\$35	\$36	\$36	\$36	\$36	\$37	\$37
Intragovernmental Transfers	\$2	\$6	\$10	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Outlays	\$42	\$43	\$44	\$44	\$44	\$45	\$45	\$46	\$46	\$47	\$47
<b>End-of-year Balance</b>	<b>\$8</b>	<b>\$4</b>	<b>\$4</b>	<b>-\$6</b>	<b>-\$15</b>	<b>-\$24</b>	<b>-\$33</b>	<b>-\$42</b>	<b>-\$52</b>	<b>-\$62</b>	<b>-\$72</b>

## Mass Transit Account

Fiscal Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Beginning-of-year Balance	\$7	\$5	\$5	\$1	-\$3	-\$7	-\$12	-\$16	-\$20	-\$24	-\$29
Revenues and Interest	\$5	\$5	\$5	\$5	\$5	\$5	\$5	\$5	\$5	\$5	\$5
Intragovernmental Transfers	\$0	\$0	\$2	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Outlays	\$7	\$8	\$8	\$9	\$10	\$10	\$10	\$9	\$9	\$10	\$10
<b>End-of-year Balance</b>	<b>\$5</b>	<b>\$5</b>	<b>\$1</b>	<b>-\$3</b>	<b>-\$7</b>	<b>-\$12</b>	<b>-\$16</b>	<b>-\$20</b>	<b>-\$24</b>	<b>-\$29</b>	<b>-\$33</b>

<b>TOTAL HTF BALANCE</b>	<b>\$13</b>	<b>\$9</b>	<b>\$5</b>	<b>-\$9</b>	<b>-\$22</b>	<b>-\$36</b>	<b>-\$49</b>	<b>-\$62</b>	<b>-\$76</b>	<b>-\$91</b>	<b>-\$105</b>
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# If no new revenues are found, federal highway obligations will fall by almost 100% in FY 2015



# Matrix of Surface Transportation Revenue Options

(All revenue estimates in \$ millions)

Funding Mechanisms	NSTIFC Score*	Mechanism Yield (2012)	Current Rate	Illustrative Rate	Revenues 2011	Avg Revenues 2012-2017	Total Revenues 2012-2017
<b>Existing Mechanisms</b>							
Truck/Trailer Sales Tax Increase	3.665	1% of Sales = \$ 162	N/A	5.0%	\$ 812	\$ 1,359	\$ 8,152
Tire Tax on Light Duty Vehicles	3.640	\$1.00 Fee = \$ 1,862	N/A	\$3.00	\$ 5,585	\$ 5,881	\$ 35,284
Diesel Tax Increase	3.575	1¢/gal = \$ 386	24.4¢/gal	15.0¢	\$ 5,786	\$ 6,226	\$ 37,356
Diesel Tax Indexing	3.575		N/A		\$ -	\$ 585	\$ 3,512
Gas Tax Increase	3.575	1¢/gal = \$ 1,327	18.4¢/gal	10.0¢	\$ 13,272	\$ 13,303	\$ 79,818
Gas Tax Indexing	3.575		N/A		\$ -	\$ 1,370	\$ 8,218
Share of US Customs Revenues	3.540	1% of Receipts = \$ 277	N/A	1.0%	\$ 277	\$ 360	\$ 2,161
Truck Tire Tax Increase	3.365	100% Increase = \$ 346	N/A	10.0%	\$ 35	\$ 45	\$ 270
Annual Registration Fee (Light Duty Vehicles)	3.320	\$1.00 Fee = \$ 248	N/A	\$10.00	\$ 2,482	\$ 2,614	\$ 15,682
Annual Registration Fee (Trucks)	3.320	\$1.00 Fee = \$ 9	N/A	\$15.00	\$ 129	\$ 131	\$ 787
HVUT Increase	3.315	100% Increase = \$ 944	N/A	15.0%	\$ 142	\$ 141	\$ 844
Container Tax	3.300	\$1 per TEU= \$ 391	N/A	\$15.00	\$ 5,866	\$ 6,401	\$ 38,408
Imported Oil Tax	3.270	\$1.00/Bbls = \$ 3,528	N/A	\$1.00	\$ 3,528	\$ 3,528	\$ 21,171
Sales Tax on Diesel	3.250	1.0% of Sales = \$ 850	N/A	10.6%	\$ 9,013	\$ 10,862	\$ 65,172
Sales Tax on Gas	3.250	1.0% of Sales = \$ 3,347	N/A	8.4%	\$ 28,112	\$ 34,108	\$ 204,647
US Freight Bill -- All Modes	3.140	1% of Sales = \$ 7,612	N/A	1.0%	\$ 7,612	\$ 8,452	\$ 50,713
US Freight Bill -- Truck Only	3.140	1% of Sales = \$ 6,608	N/A	1.0%	\$ 6,608	\$ 7,338	\$ 44,028
Sales Tax on New and Used Light Duty Vehicles	3.110	1.0% of Sales = \$ 2,619	N/A	1.0%	\$ 2,619	\$ 2,619	\$ 15,715
Sales Tax on New Light Duty Vehicles	3.110	1.0% of Sales = \$ 1,625	N/A	1.0%	\$ 1,625	\$ 1,625	\$ 9,752
Harbor Maintenance Tax	3.090	0.1% Tax = \$ 1,236	N/A	0.5%	\$ 6,181	\$ 6,745	\$ 40,472
Annual Drivers License Surcharge	2.985	\$1.00 Surcharge = \$ 214	N/A	\$5.00	\$ 1,072	\$ 1,116	\$ 6,694
Dedicated Income Tax - Business	2.940	0.1% of current taxes = \$ 198	N/A	1.0%	\$ 1,984	\$ 4,291	\$ 25,745
Dedicated Income Tax - Personal	2.940	0.1% of current taxes = \$ 956	N/A	1.0%	\$ 9,560	\$ 15,429	\$ 92,576
Sales Tax on Auto-related Parts & Services	2.925	1.0% of Sales = \$ 2,327	N/A	1.0%	\$ 2,327	\$ 2,613	\$ 15,680
<b>Future Potential Mechanisms</b>							
Annual Highway Miles Traveled Fee (All Light Duty Vehicles)**	4.140	1¢/VMT = \$ 6,499	N/A	2.0¢	\$ 12,998	\$ 13,475	\$ 80,851
Annual Highway Miles Traveled Fee (All Trucks)**	4.140	1¢/VMT = \$ 908	N/A	3.0¢	\$ 2,723	\$ 2,823	\$ 16,936
Ton-Mile Freight Charge -- All Modes	2.995	1¢/ton-mile = \$43,497	N/A	0.5¢	\$ 21,748	\$ 24,150	\$ 144,898
Ton-Mile Freight Charge -- Truck Only	2.995	1¢/ton-mile = \$12,731	N/A	0.5¢	\$ 6,365	\$ 7,068	\$ 42,409
Ton Freight Charge -- All Modes	2.855	1¢/ton = \$ 164	N/A	25.0¢	\$ 4,111	\$ 4,565	\$ 27,389
Ton Freight Charge -- Truck Only	2.855	1¢/ton = \$ 113	N/A	25.0¢	\$ 2,835	\$ 3,148	\$ 18,890

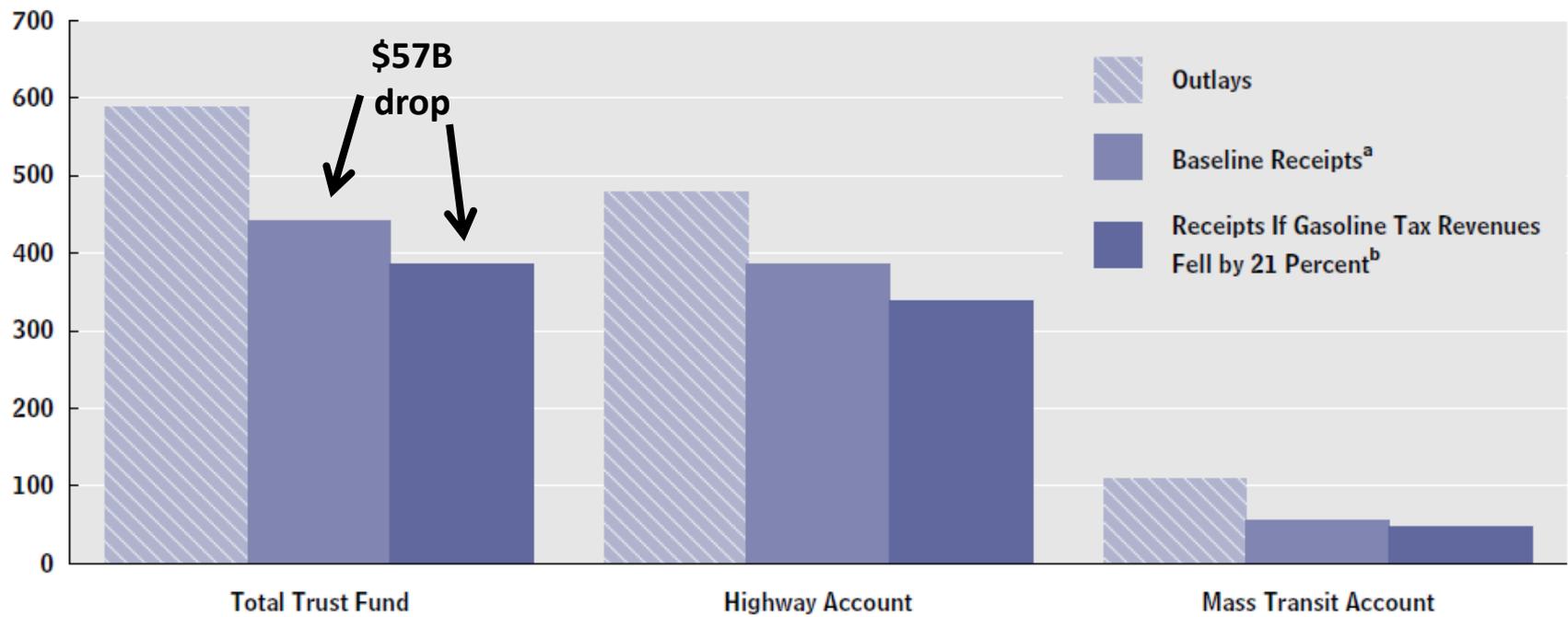
\* "NSTIFC Score" refers to revenue mechanism evaluations conducted by the National Surface Transportation Infrastructure Financing Commission based on revenue stream, economic efficiency/impact, implementation/administration, and equity considerations.

\*\* VMT fee estimates refer to miles traveled on the Interstate System.

# Highway Trust Fund Headwinds: #3. Alternative fuel vehicles will further erode future HTF receipts.

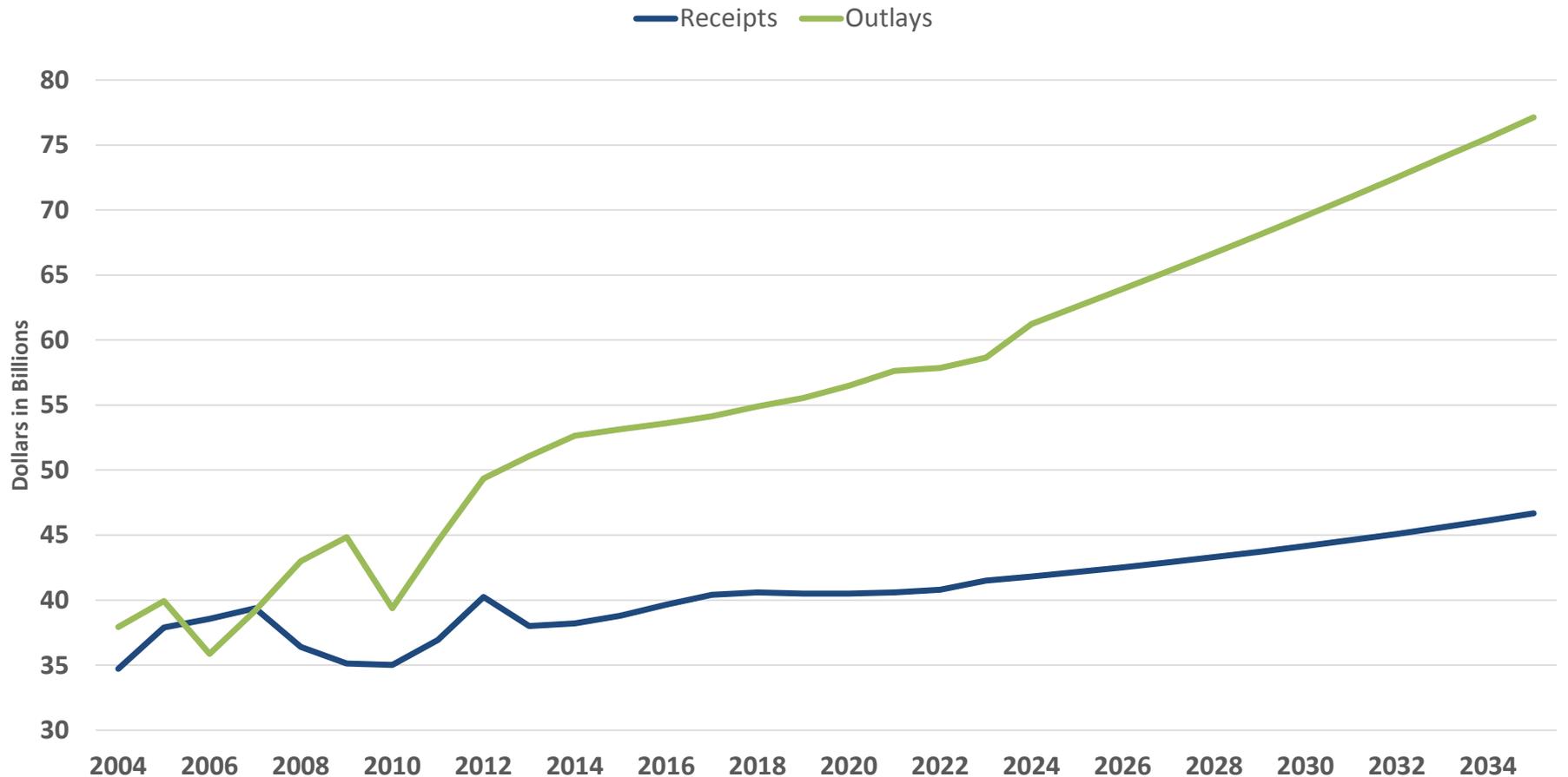
## Projected Outlays and Receipts of the Highway Trust Fund, by Account, 2012 to 2022

(Billions of dollars)



**But outlays will outpace receipts by about \$15 billion per year and more for a foreseeable future.**

## Highway Trust Fund Receipts and Outlays Discrepancy



Excludes \$8.017 billion transfer from General Fund to Highway Account of HTF in September 2008; \$7 billion transfer from General Fund to Highway Account of HTF in August 2009; \$19.5 billion transfer from General Fund to Highway and Mass Transit Accounts of HTF in March 2010; \$2.4 billion transfer from Leaking Underground Storage Tank Trust Fund to HTF in July 2012; \$6.2 billion transfer from General Fund to Highway Account of HTF in FY 2013; \$10.4 billion transfer from General Fund to Highway Account of HTF in FY 2014; \$2.2 billion transfer from General Fund to Mass Transit Account of HTF in FY 2014.

# WHAT IS HAPPENING IN WASHINGTON?

- The Senate is trying to move a six year bill with three years of funding
- The House T and I Chair describes it as DOA
- It still remains unclear even if the Senate passes it whether it will ever make it to law
- It does contain a provision for pilots of alternative revenue mechanisms with over \$100 million in funding for tests
- It still doesn't address the long-term solvency of the HTF

# MILAGE BASED USER FEES

- What do we know?
- What are the issues?
- What are the options?

# THE STATE OF PLAY

- 2006: TRB publishes a report showing the current system of user fees is not sustainable
- 2008: The National Surface Transportation Policy and Revenue Study Commission reports calling for alternatives to the gas tax
- 2009: The National Surface Transportation Infrastructure Financing Commission also concludes we need a new approach to funding and financing
- AASHTO reaches the same conclusions in 2009

# WHAT DID THEY RECOMMEND?

- The National Transportation Policy and Revenue Study Commission concluded that:

*“Long-term mileage based user fees are necessary to meet financing needs. However, they call for considerable study and pilots to address a series of issues with user fee system.”*

- The Financing Commission concluded that:

*“Direct user charges in the form of mileage base user charges are the most viable and sustainable long-term user pay option for the Federal government.”*

# RESEARCH TO DATE

## **NCHRP 20-24(69): Implementable Strategies for Shifting to Direct Usage-Based Charges for Transportation Funding (2009)**

- VMT fees face two significant policy obstacles:
  - Instituting VMT fees increasing them may face as much opposition as increasing fuel taxes
  - Administration of VMT fees will be more costly and burdensome than fuel tax collection
- Many potential VMT metering and charging systems could, from a technical perspective, be implemented within a few years.
- Transportation funding deliberations provide an opportunity to initiating a potential transition to VMT fees in 2015.
- In contrast to a general system of VMT fees for all vehicles, weight-distance truck tolls could be planned and implemented now.

# RESEARCH TO DATE

## **NCHRP 20-24(69)A: System Trials to Demonstrate Mileage-Based Road Use Charges (2010)**

- While trials in this study would require considerable investment, they would also play a critical role to prepare for the potential implementation of VMT fees by states or at the federal level within the next five to ten years.
- Prospect of designing, implementing, and transitioning to a system of VMT fees poses numerous technical, institutional, and political challenges and there are many remaining uncertainties.
- Trials described in this study are explicitly intended to reduce or resolve such uncertainties in order to inform the policy debate and prepare for the possibility of subsequent implementation.

# RESEARCH TO DATE

## **I-95 Corridor Coalition: Concept of Operations for the Administration of Mileage-Based User Fee in a Multistate Environment (2012)**

- Interviewees advised that initial MBUF system implementation should be simple and phased.
- States should have a long-term vision for a coordinated, multistate MBUF system, and then move incrementally toward that vision.
- Federal leadership is valued, but it may be desirable for several cooperating states to begin the process of transitioning to an MBUF system on a multistate basis.
- Ultimately, implementation of MBUF systems in the U.S. will be driven by how well transportation policymakers address key issues of concern to the traveling public.

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- In recent years a number of states have begun examining the concept of MBUF as a way forward.
  - a number of states including Oregon, California, Nevada, Washington State, Minnesota, and the I Ninety Five Corridor Coalition have commissioned pilots and studies on the concept.
  - Coalitions have been formed including the Western Road User Charges (WRUC) to research and advance knowledge of user fee concepts
  - The DRIVE act under consideration in Congress contains funding for pilots for alternative revenue mechanisms



# WHERE DO WE GO FROM HERE?

- The future of a dedicated Federal surface transportation infrastructure investment program requires new methods to generate revenue
- Several major commissions and organizations have concluded that mileage based user fees are a viable way to advance long-term revenue collections
- The key to overcoming issues with this approach is to conduct pilots that will help to refine best practices for adopting such systems
- We commend your state and others for moving to consider mileage based user fees

# Other Options

- Mileage based user fees are a key way forward
- Other complimentary approaches include:
  - Expansion of tolling options
  - Local land use fees
  - The use of local option sales taxes

The are additive approaches but need to be combined with a steady predictable way of collecting revenue

# A FINAL THOUGHT

- The definition of insanity is to do the same thing and expect a different result
- We have had more studies than Hannibal had elephants crossing the alps
- If we don't start to move to solve the funding crisis we are clearly doomed to destroy the lifeblood of our economy the transportation system



**Questions?**