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Mileage Fee Not Ready to Replace Gas Tax

by [Jim Watts](#)

AUG 18, 2014 12:24pm ET

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DALLAS — Replacing federal and state gasoline taxes as the prime source of transportation spending with a system of mileage-based charges may eventually be technically and politically feasible, but industry experts say it won't happen any time soon.

The need for a mileage-based revenue stream that can compensate for declining gasoline consumption has been recognized by transportation advocates for years. A special commission on financing transportation infrastructure issued a report in February 2009 recommending a transition away from fuel taxes to a vehicle-miles-traveled or VMT system by 2020.

Some states, notably Oregon, are taking the lead in development of VMT systems, said Kevin DeGood, director of infrastructure policy at the Center for American Progress, but there has been almost no progress on the federal level since the 2009 report was published.

"The need to move to a national mileage-based user charge has been known for some time, but the political will has been lacking," DeGood said.

Oregon plans to implement an operational but limited mileage-charge system in 2015 after two successful pilot programs. Up to 5,000 motorists will pay a 1.5 cent per mile charge in lieu of the state gasoline tax of 30 cents per gallon. The system will report the mileage to the state, and the state will determine how much gasoline was purchased to travel that distance. If the total state gasoline tax paid on that volume of fuel is more than 1.5 cents per mile, the motorist will get a rebate or credit. If it is less, then a bill is sent.

Implementation of even a limited nationwide VMT system by 2020 is unlikely, said Trey Baker, an assistant research scientist at Texas A&M University's Texas Transportation Institute in Austin.

"A workable national system is pretty far down the line," he said. "It hasn't gotten a lot of political support at this point. There are some people championing and pushing the concept, but very few of them are elected officials."

If a mileage-based system is implemented, Baker said, it will take years before VMT revenues exceed gasoline tax collections.

"It won't be like pulling a switch and going immediately from a fuel-based system to a mileage-based one," Baker said.

"It'll be a mix over time but as a revenue source VMT is certainly viable," he said. "States are going to have to work through it and figure out the best approaches, and it is going to be even more difficult on the national level."

The federal government should act as coordinator of state VMT pilot programs, Baker said, and then evaluate the best features for a national system.

Sen. Barbara Boxer's six-year highway bill that the Senate Environment and Public Works Committee adopted in May has millions of dollars set aside for a research program into VMTs and other alternative funding methods, DeGood said, but the language is vague. VMTs are not mentioned in President Obama's proposed four-year, \$302 billion transportation bill.

The Senate passed a measure in 2012 authorizing up to \$90 million for 10,000-car test of a VMT system. However, opposition from rural lawmakers, who said it would unfairly tax their constituents who drive further than city dwellers, doomed the proposal in the House.

An opinion poll released on Friday by the Reason Foundation found scant support for either a higher gasoline tax or a mileage-based charge. Only 13% of the 1,000 adults surveyed in the Reason-Rupe poll backed a higher federal gasoline tax, with 85% opposed. A VMT system drew only slightly more support -- 23% compared to 72% opposed.

A majority of those surveyed said they would rather pay tolls on existing interstate highways than be hit with a higher gasoline tax, with 58% in favor of a toll system and 32% backing increases in the federal gasoline tax.

The federal taxes on gasoline and diesel fuel bring in \$38 billion a year to the Highway Trust Fund, but collections are expected by the Congressional Budget Office to be down over the next 10 years. CBO does not project revenues past 10 years.

Annual revenues will climb slowly to only \$39 billion by 2024, as motorists buy less gas to travel further in more fuel-efficient vehicles. Some may not even need to buy gasoline at all for their electric cars.

Adding to that stagnation is the purchasing power lost to inflation since the 18.4 cent per gallon tax on gasoline and the 24.4 cent tax on diesel fuel were last raised 20 years ago. The purchasing power of the federal gasoline tax is down to 11.5 cents since Congress voted in 1993 to raise the unindexed tax.

Combined state and federal fuel taxes average 48 cents per gallon of gasoline and 53 cents for diesel, CBO said in a 2011 report on transportation financing, but those taxes no longer compensate for the wear and tear on existing highways or provide the revenue needed for road and transit expansion.

"Those tax rates work out to about 2 cents per mile for average passenger vehicles and less than 10 cents per mile for trucks — in either case, well below the sum of estimated mileage-related and fuel-related costs," CBO said.

The CBO report cited Federal Highway Administration estimates for a nationwide VMT system of \$10 billion in capital costs for a billing system and operating costs of 1.7% of revenues compared to 1% for fuels taxes.

"It is not clear, however, that the goal of raising revenues would, by itself, justify the costs of developing and implementing a VMT system because additional revenues could be raised more easily by raising existing fuel taxes," CBO said.

Per-gallon increases of 15 cents in the federal gasoline tax and 19.9 cents for diesel would boost dedicated revenues into the highway fund to more than \$60 billion a year, DeGood said.

That would provide enough extra revenue to increase spending over current levels while a national uniform system for measuring and taxing miles-traveled is developed, he said.

"It's a two-stage process," DeGood said. "You raise the gasoline tax to create a window of time to develop a system and work through some of the issues on the state level so you can implement it nationwide."

The federal government should set minimum standards and functionalities for a national system so that states could add on extras such as congestion pricing or toll collection, he said.

"A federal VMT system should only be concerned with miles traveled and in which states," he said. "There needs to be a basic architecture and that should be the role of the federal government."

A VMT system could be as simple as recording vehicle mileage in the annual registration procedure and then billing the owner for the total miles traveled. More sophisticated systems rely on on-board or third-party equipment linked into the vehicle's electronics system that can determine mileage and regularly report totals wirelessly to an accounting point.

The American Civil Liberties Union was concerned over protecting motorist privacy in the Oregon VMT system, but gave its approval to the program after the state assured it that access to the mileage data would be limited, and that the data would be destroyed 30 days after it is processed for billing.

There has to be some global positioning system capability in a national VMT system, DeGood said, because otherwise some states would see unfair revenue collections.

"You could have a trucking company in Texas that sends heavy trucks registered in Texas all across the country, and with a total mileage only system all those per-mile charges would go to Texas rather than New York or California or wherever," he said.

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