

Give States a New Option for Converting from Per-Gallon Taxes to Per-Mile Charges

Most state DOTs understand the need to shift from per-gallon fuel taxes to per-mile charges dedicated to highway funding. But progress toward this goal has been very slow. Seventeen states have carried out pilot projects, but none have enacted a permanent program that applies to all vehicles. And Congress's plan for a national pilot program is three years behind schedule and will not have any results useful for the 2026 reauthorization.

Very real problems have held back progress, despite some lessons learned from state pilot projects. First, there are still serious concerns about privacy—about being “tracked” on every trip one makes. Motorists and taxpayers are also concerned that a new per-mile charge would be in addition to their current federal and state fuel taxes—“double taxation.” And many experts on potential technology for per-mile user fees for all types of roads have concerns about collection costs that may be 10 to 20 times more than the cost of collecting fuel taxes.

One alternative that could help start this needed transition is the following. Instead of starting with one kind of vehicle (such as electric cars), states could start with a type of *roadway*. The Interstate highways (some of which are already tolled) would be relatively easy to convert to per-mile charges.

Consider the privacy concern about all journeys being “tracked” and reported to the government. Interstates (and other “limited-access” highways) have only a small number of entry and exit points. A trip on an Interstate would be charged from the on-ramp to the off-ramp, revealing no details about where the trip originated or terminated. Motorists on today's turnpikes express no concerns about the electronic tolling that charges them from entry to exit.

The concern about double taxation is very real, and this has been a long-standing concern of the trucking industry in particular, when they must pay tolls and fuel taxes on the same tolled highway. The solution would be for a state that opted for per-mile charging to provide fuel-tax refunds for the miles traversed on its converted Interstates.

As for technology, today's electronic tolling with pre-paid accounts has a cost of collection as low as 5% of the revenue for cars (and less than that for trucks). That compares with 2% to 3% cost of collection for fuel taxes. But 5% is much less than the 10-20% estimated for large-scale systems by per-mile-charging experts today.

Starting the transition to per-mile charges with the Interstates and other limited-access highways would offer several additional benefits. Were all states to make this transition, about one-third of all vehicle miles of travel would be shifted from fuel taxes to per-mile charges. And by providing refunds of fuel taxes for the miles driven

on converted highways, states would demonstrate that there would be no double taxation involved.

To implement this change, Congress could modify an existing federal statute that has never been used: the Interstate System Reconstruction and Rehabilitation Pilot Program (ISRRPP). This program allows only three states to each convert one Interstate highway to tolling. Such a conversion is currently politically unviable, because singling out only one Interstate to have tolls would lead to protests from users of that one corridor (as happened when North Carolina proposed using ISRRPP for I-95). Instead, ISRRPP would be opened to all 50 states and all of each state's Interstates.

To prevent "double taxation," the legislation would require participating states to provide fuel tax rebates to motorists and truckers for all miles traveled on the converted highways. Calculating those rebates would be a simple function of the per-mile charging software. Similar rebates are being provided today on two U.S. toll roads: the Massachusetts Turnpike and the New York Thruway.

To participate in this new program, a state transportation department would apply to the Federal Highway Administration. The two parties would negotiate and sign an agreement to comply with the terms of the legislation.

Recommended legislative reform text:

- (a) Interstate System Reconstruction and Rehabilitation Pilot Program Reform.--Section 1216(b) of the Transportation Equity Act for the 21st Century (Public Law 105-178) [23 USC 129 note] is amended--
- (1) by striking paragraphs (2), (6), and (7);
 - (2) by redesignating paragraphs (3) through (10) as paragraphs (2) through (7), respectively;
 - (3) in paragraph (2)--
 - (A) in clause (iv) of subparagraph (D) by striking "privatizing the maintenance and operational aspects of the facility, while" and inserting "making use of a long-term public-private partnership to design, reconstruct, finance, operate and maintain, with the State";
 - (4) in paragraph (3)--

- (A) by striking "paragraph (2)" and inserting "paragraph (3)";
 - (B) in subparagraph (E) by inserting "or private company" after "public toll agency" and striking "and" at the end;
 - (C) in subparagraph (F) by striking the period at the end and inserting "; and"; and
 - (D) by inserting subparagraph (G) as follows:
 - "(G) the State has in effect a law that authorizes claims for reimbursement for State tax on fuel consumed on the proposed toll facility."
- (5) in paragraph (4)--
- (A) by retitling paragraph (4) as "Limitations on tolling and use of revenues; audits";
 - (B) by redesignating subparagraphs (A) and (B) as subparagraphs (E) and (F), respectively;
 - (C) by inserting subparagraphs (A) through (D) as follows:
 - "(A) the toll facility will use an electronic toll collection system as the method for collecting tolls from vehicle operators for the use of the facility;
 - "(B) tolls will be imposed on a per-mile basis for all vehicle operators engaged in interstate or intrastate travel;
 - "(C) tolls will be imposed in a manner that does not discriminate between interstate and intrastate travel;
 - "(D) the toll facility will be opened to traffic prior to imposing or collecting any tolls for the use of the facility;"
 - (D) in subparagraph (E)--

- (i) in clause (ii) by striking "and" at the end;
- (ii) in clause (iii) by inserting "; and" at the end;
- (iii) by inserting clause (iv) as follows:
 - "(iv) if the public authority certifies annually that the tolled facility is being adequately maintained, a toll-free highway designated as a route on the Interstate System."; and
- (E) in subparagraph (F) by striking "subparagraph (A)" and inserting "subparagraph (E)".
- (6) in paragraph (6) by striking "10 years" and inserting "20 years".