

Mileage-Based User Charges

Jim March

Federal Highway Administration

April 14, 2009

Overview

- **Importance of sustainable revenue source**
- **Coordination among Federal, State, local agencies**
- **Other potential applications of a mileage-based user charge**
- **Transition to more sustainable user charge**

Need for Sustainable Revenue Source

- **Fuel taxes currently account for over 90 % of Highway Trust Fund revenues**
- **Increasing disparities in MPGs and advent of alternative fueled vehicles make fuel tax less sustainable**
- **Difficult for States to plan and program projects when revenues uncertain.**

Desirable Revenue Characteristics

- **Raise sufficient revenues**
- **Reliable**
- **Economically efficient**
- **Ease and cost of administration**
- **Equitable**
- **Accepted by the public**

Fuel Tax vs. Mileage Charge

	Fuel Tax	Mileage Charge
Revenue adequacy	-	-
Reliability		✓
Economic efficiency		✓
Administration	✓	
Equity	-	-
Public acceptance	✓	

Mileage-Based Charge Not a Silver Bullet

- **Revenues at all levels of government still have to be increased if we are to meet investment requirements**
- **To counter effects of inflation, rates either have to be indexed or periodically increased**
- **Raising mileage rates not likely to be any easier than motor fuel tax rates**

Potential Applications

- **Federal user charges**
- **State user charges**
- **Local user charges**
- **State/local pricing**

- **The same technologies do not have to be employed to collect Federal user charges as for other applications**
- **Conscious policy decision must be made to include State and local charging capabilities**

Pricing Applications

- **Mileage-based charges offer opportunity to impose more targeted fees to accomplish other policy objectives:**
 - **Congestion reduction**
 - **Environmental charges**
 - **Improved infrastructure cost recovery**

Pricing Caveats

- **Potential pricing applications all worthy policy objectives**
- **All could be implemented today if there weren't stakeholders opposed to such charges**
- **A general mileage-based charge could reduce some impediments to pricing, but not the most significant**
- **Too much emphasis on secondary applications of mileage-based charges could make approval of concept more difficult**

Related Applications

- **IntelliDrive uses many of the same technologies as might be used in mileage-based user charge**
- **Same technologies could support not only revenue collection but also highway safety and mobility applications as well**
- **Work underway in USDOT to examine these relationships in more detail**

Impediments

- **Privacy**
- **Uncertain taxpayer benefits**
- **New institutional arrangements**
- **High administrative costs**
- **Don't let the perfect be the enemy of the good**

Administrative Costs

- **Existing Federal taxes have low administrative costs**
- **No matter the technology the administrative costs will be higher**
- **Only 1,400 fuel distributors pay the Federal fuel tax compared to owners of 250 million motor vehicles**
- **The more that State, Federal, and local fee collection could be combined, the lower the net increase in total administrative costs**

Policy Issues

- **Low tech vs. high tech**
- **Federal-State coordination**
- **Extent to which to pursue secondary applications immediately**
- **Whether to implement interim charge**
- **Timeframe for implementing alternative user charge system**
- **Phase in – single system or dual system**

Transition Strategy

- **Some view 2020 as a potential target when implementation could begin**
- **Others believe implementation could begin earlier, particularly if lower tech solutions were adopted**
- **Some interest in an interim system to get user accustomed to paying user charge**

Potential Next Steps

- **Conduct study and outreach during next authorization period to assess what applications to support, how new charge could be phased in, and technology alternatives to enable desired applications**
- **Develop 1 or more candidate system architectures to support chosen applications**
- **Conduct several large scale pilot tests involving all user groups and applications envisioned**

Potential Next Steps (cont)

- **Report to Congress on findings and recommendations from study, demonstrations, and outreach**
- **Congress enacts legislation implementing new mileage-based charge**
- **Regulations issued requiring necessary equipment and establishing administrative structure**
- **Mileage-based charge becomes effective**

Status Within USDOT

- **Authorization proposal still being developed**
- **No discussion of including anything on mileage-based user charge in authorization proposal**