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
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<th>Fuel Tax</th>
<th>Mileage Charge</th>
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<td>Revenue adequacy</td>
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<td>Reliability</td>
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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 users accustomed to paying user charges.
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
Authorization proposal still being developed
No discussion of including anything on mileage-based user charge in authorization proposal