Secretary Pete Buttigieg Opens Dialogue on our Surface Transportation Funding Crisis

If you attended Build the Era's "Learn About DOT" webinar, you are familiar with some of the history of transportation funding. If you missed the webinar or need a refresher, you can watch it on our YouTube channel here. As we discussed, the United States has a history of collecting fees from users to fund transportation systems. States began taxing gas as early as 1919 (Oregon), the Federal Government in 1932. The basic premise was that if the states needed to build roads, the vehicles using the roads should pay for them. If you were buying gas to fuel your car, it was easy to connect taxing fuel as a "user fee" for transportation facilities. And while both the federal government and states have been inching-up these fees, funds have not kept pace with needs when considering inflation and the costs to maintain and replace many bridges and highways as they reach the end of their useful lives. The American Society of Civil Engineers grades American Infrastructure every four years. The new grades show some improvement, but bridges are down, and roads and transit remain as D and D- respectively.

As noted in the webinar, this funding mechanism, called the Highway Trust Fund, is declining in value at the federal level. The fee of around $0.18 per gallon has not increased since 1993. The Highway Trust fund's current authorization under the FAST Act is about to expire after Congress approved a one-year extension in 2020. Here are some answers to frequently asked questions about federal transportation funding:

Why not raise the gas tax or index it to inflation? Don't higher fuel taxes also help deter driving? Is there another realistic user

fee option for securing the Highway Trust Fund?

Indexing to inflation could help, but legislators recognize that addressing climate change (especially in looking 10-20 years into the future) acknowledges that a user fee based on fossil fuel consumption is not sustainable. The gas tax is also not equitable. Currently, those driving more fuel-efficient vehicles pay low or no fuel/use taxes. Those in rural areas or the poor using older, less efficient cars may pay higher use taxes. Regardless of whether the use fee is tacked on or not, less efficient gas-guzzlers pay more for transportation than more efficient low and no emissions/gas vehicles like Hybrids and electric vehicles. EVs and hybrids maintain an advantage in that respect. In addition to raising the gas tax, one other realistic user fee option is a usage fee for vehicles tied to miles driven, known as mileage-based user fees or MBUFs. These are also known as a road user charge (RUC), or a user fee for vehicle miles traveled (VMT).

How do most states collect revenue to fund transportation?

As noted, states have their own gas tax which is combined with the federal gas tax as part of the total price per gallon you see when you fill up at the gas pump. The tax for each state has a range from $0.08 to over $0.60 per gallon. You can find your state's gas tax here. Most infrastructure funding comes from state and local governments. These funds collected at gas pumps pay for highway improvements, maintenance, and in some areas, support of transit. Some states and regions have tolling authorities that add user fees for specific facilities. These include bridges, turnpikes, and highways. An established tolling authority often oversees the fund, and all fees are generally used on that facility. The tolls can be removed – for example, when the construction of a facility is paid for. Some facilities toll specific lanes as premium lanes (for example, high-occupancy toll lanes) to promote carpooling, reduce delays for transit and raise revenue but typically funds have to be allocated for use on that facility.

What does the Highway Trust Fund pay for? How do we fund bike lanes and transit?

The Highway Trust Fund pays for federal surface transportation programs, with the bulk going to highways and local roads and a portion assigned to transit. These are apportioned to states through formula and grant programs. Additionally, local revenue from the gas tax, sales tax, property tax, etc., provides much of the revenue used for state and local roadway improvements and transit service. Bike lanes included on roadways are often included in highway projects, and off-road trails can also be funded from these various sources.

What is a Mileage-Based User Fee (MBUF)? What is the status of MBUF pilot projects around the country?

MBUFs charge users based on the miles driven by a vehicle instead of the fuel that was purchased for the vehicle. They would replace, and not be in addition to any current gas tax. Unlike the gas tax, MBUFs can also be designed to vary based on a number of factors, including geography, making them have the ability to be much more equitable.

Understanding the issues with gas taxes, several states (including Oregon, Washington, California, Utah) and the east coast /I-95 corridor have been studying MBUFs. These pilot studies considered replacing only state, and not the federal gas tax. One of the oldest studies was started by the Oregon DOT in 2001, with pilot studies conducted with volunteers from the public. It should be noted that these studies are cautiously moving forward. User fees would be a funding mechanism, but how high (or low) they are set will determine how well (or poorly) we can address the transportation system.

What are the trade-offs of MBUFs? What other funding options are there?

Fundamentally, MUBFs for transportation seek to address revenue loss from more fuel-efficient vehicles and shore up transportation revenue for road and transit improvements, operations, and maintenance. Most studies have attempted to look at the issue agnostically (not biased toward per mileage-based user fees). Some trade-offs from these studies are noted below:

Privacy – One of the most significant issues for people has been not wanting to have their locations tracked. A range of options have been tested, from just reporting your odometer (sending a picture) to plug-in devices.

Using gas price to deter driving – Vehicles with low MPG may pay lower user fees but will still be driving less fuel-efficient vehicles. The reduction of the gas tax from the overall fuel bill may be a benefit.

Cross-jurisdictional trips – User fees are only assessed on the miles driven in the jurisdiction levying the tax. If you leave the United States and Drive in Canada, you will not want to pay for miles driven on those roads. Crossing state lines is a more significant issue to track the miles (and different fees) driven in each jurisdiction. This could be simpler with devices that track your location.

Impacts for rural drivers – In areas where distances to opportunities are much further apart, mileage-based user fees would not be that different than the fees paid for gas; the more you drive, the more taxes you pay. If you are using a less efficient vehicle like trucks and SUVs, there is a slight benefit. Additionally, some studies considered eliminating the miles traveled on farm roads that local agencies do not maintain.

Other options for funding federal transportation programs include: increasing corporate taxes or a wealth tax, transfers from the general fund, borrowing the funds, or creating an Infrastructure Bank to leverage private investment. It is important to note however, MBUFs have bipartisan support unlike most of the other options, as they maintain a user fee based system and a dedicated fund for surface transportation.

To learn more about MBUFs or other transportation funding methods, please join us at Build the Era. We will be having future Learn About DOT webinars that will cover these topics and we will also show you how you can get involved with funding efforts in your state and at the federal level.