



'Virtual VMT' Could Bolster Highway Fund

By Gregory Cohen, P.E.

The American Highway Users Alliance is working with members like FP² Inc. to come up with creative ways to package a user fee increase that can muster enough political support to ride on a larger tax bill in 2017.

As we contemplate how fortunate we are to have the Highway Trust Fund and the relative calm of knowing that our programs will enjoy steady growth through 2020, most of us are acutely aware that what we're experiencing is the calm before the storm. We're quickly burning through the latest trust fund bailout of \$70 billion, provided by the FAST Act less than a year ago. To get another long-term highway bill in 2020, the next bailout would need to be significantly higher than \$100 billion, even if future spending levels are kept flat.

The last two administrations and the last five congresses have shown absolutely no willingness to debate the merits of the obvious solution, which is to raise fuel taxes. Yet, they also have demonstrated that they don't want to cut highway funding, devolve the federal program to the states, nor reduce the scope of the surface transportation program, aside from a few minor prohibitions on low-dollar items like "median beautification."

NEXT ADMINISTRATION

By the time you read this we will know who the next president will be. Highway advocates must capitalize on the first 100 days of the next administration. The opportunity to address revenue into both an infrastructure investment fund and the Highway Trust Fund are likely to occur on a larger tax bill that deals with corporate tax rates and



IMAGE CREDIT: TOM KUENNING

At Pavement Preservation & Recycling Summit 2015 in Paris, Greg Cohen, P.E., acquaints international audience on funding challenges facing the American road building community

repatriating international assets. Both candidates made promises regarding changes to the tax code that could serve as the "vehicle" by which highway revenues could be addressed.

Despite the potentially exciting opportunity, it still seems unlikely that a direct vote on a "gas tax" increase would go ahead easily. It also seems unlikely that a direct "vehicle miles traveled" (VMT) fee is politically popular enough for a vote, or even technically feasible for mandatory, nationwide implementation.

Yet the opportunity to increase user revenue in 2017 in the context of a larger tax bill is too important to pass up. One option is a transition approach toward a VMT fee, which we have called the "virtual VMT" fee. The virtual VMT fee would set an average price per mile across the entire fleet of U.S. light-duty vehicles but continue to collect the fees from gasoline terminal operators (where the tax is currently collected), rather than directly from users. A separate average cents-per-mile

fee could apply to heavy-duty vehicles, or an increased diesel tax could suffice (assuming a diesel tax increase is seen as less politically toxic than a gasoline tax increase).

The advantages of a virtual VMT over the current flat gasoline tax and the direct VMT are that it would maintain the low cost of collection, automatically adjust for fuel economy and inflation, avoid privacy concerns, charge less per mile for more fuel efficient vehicles, and is something "new."

The virtual VMT would shift the national conversation away from the 18.4-cent gas tax and toward a fleet-wide average of 2.5 to 3 cents per mile. While this would increase the fee per user, it would also establish a logical basis for the new fee – namely, connecting how much Americans drive with the size of the highway budget. With a very stable three trillion miles traveled on U.S. roads per year, a 2.5- to 3-cent-per-mile fee could raise \$75 billion to \$90 billion per year. It's enough to sustain the trust fund and capitalize an infrastructure investment fund for the biggest highway projects.

Aggressive advocacy from individuals, companies, associations like FP² and coalitions like the American Highway Users Alliance is essential to convince Congress to make the right choice. Let's all work together to ensure that our candidates keep their promises, and that the next Congress is motivated to permanently fix the Highway Trust Fund as part of any deal on infrastructure investment. 

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