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NC Chamber

Modernizing State Highway Funding via a Simplified Access User Fee Approach

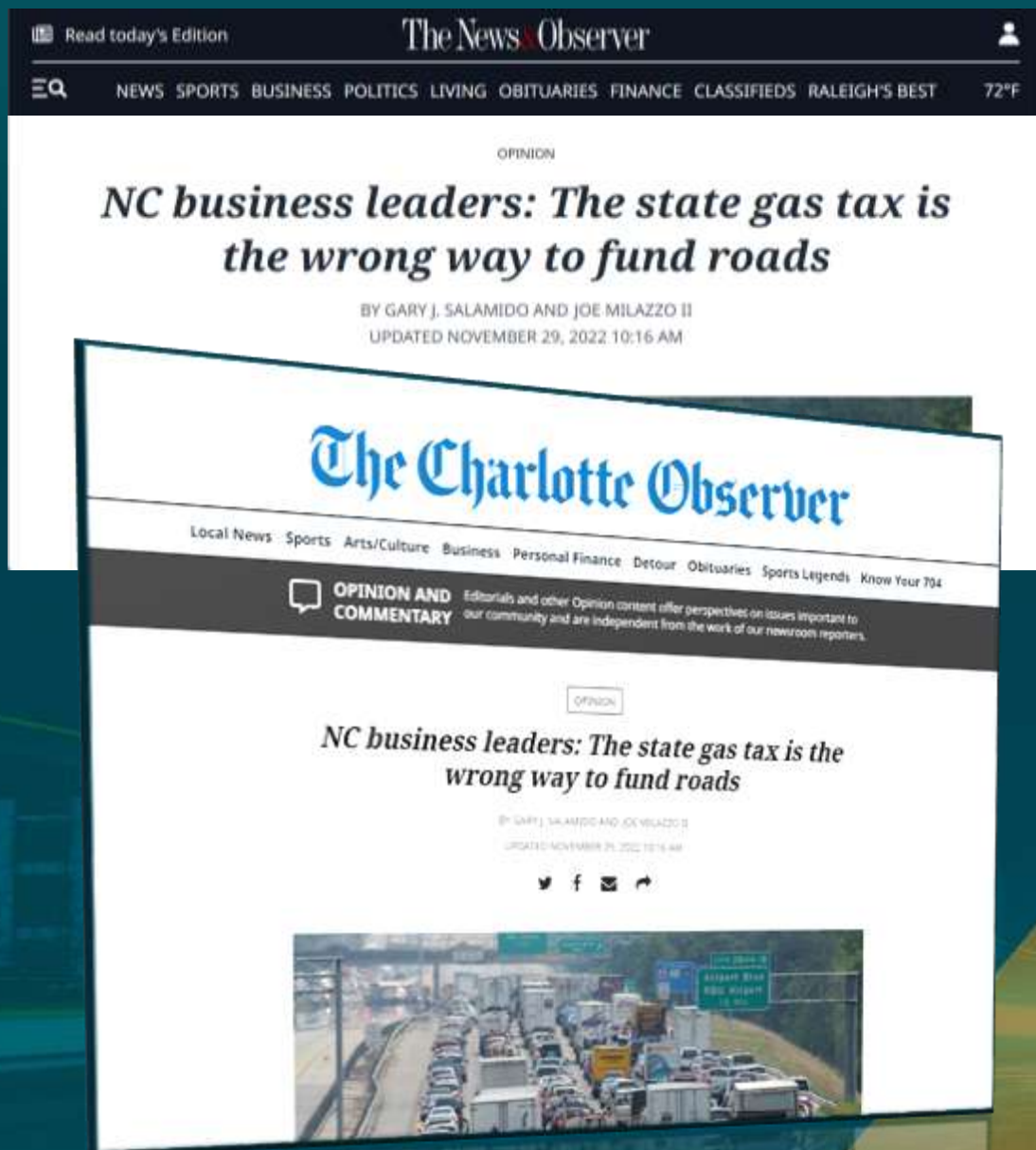
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RTA, North Carolina Chamber policy overview deck - revised Sep. 10, 2024

The Issue

- Gas-powered vehicles are becoming more fuel efficient.
- The increasing *disparity* in fuel efficiency renders raising the gas tax to the level needed politically impossible.
- Hybrid vehicles use less gas and contribute fewer gas taxes.
- Electric vehicles cannot pay gas taxes at all.
- Economic downturns, pandemics etc. create havoc with any travel-based funding source.
- Instability in funding delays needed projects across the state.



The Access User Fee Opportunity

An access user fee applies a consistent price for all registered vehicles, regardless of individual usage.

The state gas tax would be simultaneously repealed upon full access fee implementation.

The Access User Fee Opportunity

Under an access user fee funding framework, the value you are paying for is *not* a particular amount of mileage traveled or usage.

You are effectively paying for 24/7 access to the entire non-toll state highway network in North Carolina.



What Should the Access User Fee Rate Be?

For 2024, using average fleet fuel efficiency and miles traveled, *the revenue neutral access user fee rate* to replace the state gas tax would be **\$252/year** or **\$21/month**.

Access User Fee: Current Status and Momentum

Existing Partial Access User Fees

- North Carolina has had a *partial* access user fee for electric vehicles since 2013.
- The current access fee for EVs is \$214.50/year (85% of \$252 revenue neutral rate).
- NC activated a partial access fee for hybrids in Jan. 2024; the current rate is \$107.25.
- All existing access user fees automatically index quadrennially for inflation according to state statute. The most recent inflation indexing occurred in July 2024.

How will the Access User Fee be indexed for inflation?

If an access fee were fully implemented in 2024, at \$252/year (e.g.) ...

The fee would adjust based on changes to the CPI, just as the existing partial access user fees are.

Notes:

- *Full access user fee implementation assumes **either annual or quadrennial** inflation indexing for access user fees, using the CPI.*
- *Existing partial access user fees are indexed **quadrennially**, using CPI.*
- *State gas taxes are indexed annually, using an energy-based inflation factor, not the CPI.*

Revenue stability is a multibillion-dollar issue.

- North Carolinians are paying an average of **\$56 less per vehicle** in annual state gas taxes today vs. 2014, when adjusting for inflation
 - Due to fleet fuel efficiency increases, and the rate of inflation vs. gas tax indexing rate

Revenue stability is a multibillion-dollar issue.

- Had an access user fee been in place since 2012, NCDOT would have collected between **\$1.4 and \$2.1 billion more** in revenue vs. gas taxes
 - Due to consistent levels of funding from an access user fee
 - Versus instability from a travel-based funding source, as well as fleet fuel efficiency increases, and inflation rate vs. gas tax index
- If an access fee were in place prior to the pandemic, NC would have retained **\$400 - \$600 million** in additional revenue during 2020 alone

Revenue stability is a multibillion-dollar issue.

- By 2033, an access fee could generate **\$300-\$600 million in additional annual revenue** when compared to gas taxes.
 - Due to consistent levels of funding from an access user fee
 - vs. instability from a travel-based funding source, as well as fuel efficiency increases, and rate of inflation vs. gas tax index
- *An access user fee mitigates revenue risk from increases in fleet fuel economy and volatility in vehicle miles traveled due to economic cycles, pandemics, etc.*

Strategic Benefits of One Price for All Vehicles

- **Provides level playing field** for EVs, rather than singling them out for fees
- **Reduces complexity and uncertainty** for buyers, dealers, drivers, and NCDOT
- **Eliminates inherent conflict** between a policy goal of reducing VMT and relying on a VMT-based funding source
- **Fairer business model for rural drivers** who must travel more

Access User Fee: Next Steps

- **Full access fee implementation will require:**
 - Modernizing the access fee rate to \$252/year (revenue neutral rate in 2024)
 - Applying that rate equally* to EV, gas, hybrid, and other non-diesel vehicles
 - Continue incrementing the rate by the CPI, either annually or quadrennially
 - Simultaneously repealing the state gas tax

** Diesel vehicles will be treated differently; access fees will not apply to them*

The Bottom Line

- An access user fee **cannot** precisely capture usage – and it does not try to.
- An access user fee reflects the value of **access**, and by doing so prioritizes *fairness, simplicity, and revenue stability for improved project delivery.*



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