

## Vehicle Registration-based Access User Fee – FAQs

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### Q. Why do we need to “modernize” transportation funding at the state level?

The current highway funding business model uses state motor fuels tax as a primary funding source, particularly for maintenance. While gas taxes have many benefits including ease of collection, the increasing disparity of fuel efficiency across the fleet of registered vehicles creates an increasing fairness problem.

Since fuel taxes are levied on a per gallon basis, some drivers pay far less, and others far more, resulting in an increasingly disproportionate burden on owners of lower fuel-efficiency vehicles. As a result, it is both unfair and politically impossible to raise the fuel tax rate to the level required to maintain and appropriately expand the system, which creates a structural revenue problem.

### Q. What is an “access-based approach”?

The basic concept is that one pays a monthly or annual (e.g.) fee to access the entire non-toll state roadway system, regardless of usage, in conjunction with either a commensurate reduction or complete elimination of state motor fuel taxes.

We all have familiarity with an access user fee approach: many of us pay a monthly charge to access our mobile phone network, regardless of minutes used.

It turns out that North Carolina already has several elements of an access user fee system in place. Electric vehicles pay an annual fee, essentially a higher registration fee, since they cannot pay any fuel taxes. Annual vehicle registration fees are also access-based fees. Highway use tax – paid when a vehicle is purchased or first registered in N.C. – is a form of an access fee.

### Q. How would implementation occur, or what is a “vehicle registration-based access user fee”?

The proposed access-based concept simply applies the existing electric vehicle fee approach – i.e., a fee in lieu of fuel taxes – to all registered passenger vehicles and light trucks. The only difference is that access fee levels for all vehicles, whether electric, gasoline, diesel, or hybrid – would be identical, with the price aligned with a corresponding reduction of state fuel taxes.

Fees could be paid monthly or annually; weekly electronic payments could also be considered. Unlike other possible revenue options, access fees would not require new administrative or tracking systems, as we already collect vehicle registration and electric vehicle fees today.

### Q. What are the primary benefits of an access-based user fee approach?

An access-based approach provides simplicity, fairness, resiliency, stability, and transparency.

**Simplicity:** We already have vehicle registration fees, and electric vehicle fees, so we don't need to create a new revenue collection infrastructure.

**Fairness:** Everyone pays the same, regardless of usage, because everyone gains the same level of access, and the state has to make the same road system available to all registered vehicles.

**Stability:** Our current vehicle registration fees are indexed, and future access fees can easily be indexed as well, to keep up with the growth in population, and to provide assurances to NCDOT.

**Resiliency:** Economic downturns and pandemics can cause precipitous drops in travel, and thus fuel tax revenue. A vehicle registration-based access fee is independent of travel variations.

**Transparency:** Owners of registered vehicles will see the access fee in a monthly or annual statement, just as they do for their existing registration fees. This will highlight the value for money.

**Q. How much would an access fee cost?**

North Carolinians pay on average just under \$20 in state fuel taxes per month for each vehicle owned, or around \$237 per year, which would be the current annual revenue neutral access fee, if state fuel taxes were eliminated. The current electric vehicle fee of \$140.25 would rise to the same \$237 level. These would be in addition to the current \$38.75 vehicle registration fees.

**Q. What happens to fuel taxes with an access user fee?**

State fuel taxes would be reduced or eliminated, commensurate with access fee levels, to ensure revenue neutrality for the average motorist.

**Q. Can we transition to an access fee by starting at a lower level and retaining a lower fuel tax?**

Yes, as long as the fuel tax is lowered sufficiently to ensure competitiveness with other states, and to minimize the inherent distortions and unfairness of the gas tax. *Please see the reverse side of this [access fee policy brief](#) for example pricing options.*

A combined access fee plus user fee method would be similar to publicly available utilities such as water/sewer, electricity, and natural gas, which have both fixed monthly access fees and usage fees (similar to fuel taxes).

**Q. What about out of state drivers? How do we ensure they pay their fair share?**

While an access fee has several benefits including simplicity, the out-of-state driver issue is a legitimate question. There are a number of potential policy options to address this:

- 1. Retain a small state fuel tax.** If a small state fuel tax were retained, out-of-state visitors would still pay that tax when they stopped in North Carolina for fuel. In fact, the lower the fuel tax rate, the more attractive our filling stations would be compared to the current situation.
- 2. Charge visitors a weekly access fee.** While the State cannot impose higher fees on visitors (to ensure Interstate Commerce Clause compliance), they can charge access fees via the same rate schedule as N.C. residents, perhaps via gantries at state borders. *Currently NC residents pay a little less than \$5 per week in fuel taxes, so that would be a reasonable access fee rate.*
- 3. Allocate increased sales tax revenue to transportation.** With fuel taxes drastically reduced or eliminated, North Carolina filling stations will have more business. This will increase ancillary purchases at convenience stores, restaurants and commercial establishments, creating more state sales tax revenue, which could be allocated to transportation, without raising tax rates.
- 4. If our neighboring states impose their own access fees, the problem goes away.** If access fees were implemented throughout the southeast and mid-Atlantic, then the out-of-state issue may resolve itself. We would not be paying their access fees, and they won't be paying ours.

**Q. How do we know that the access fee method will work for us as our state continues to grow?**

Unlike a fuel tax, which declines in revenue as fuel efficiency increases, access fee revenue grows as the registered vehicle population grows. Rates could be indexed to the CPI or another appropriate measure, and modified across the board as needs arise.

**Q. What about heavy trucks?**

The access user fee-based approach applies to passenger cars and light trucks only, not heavy commercial vehicles. Trucks typically through the International Registration Plan and the International Fuel Tax Agreement. Given the impact on roads by trucks due to both mileage driven and weight carried, an access fee-only approach is not appropriate.

**Q. Is an access user fee approach equitable and fair?**

Absolutely – and far more so than the fuel tax. With an access fee approach, we have a level playing field. It doesn't matter what vehicle you drive, or how new or fuel efficient it is — or how far you live from your job — because you would pay the same access-based fee per vehicle.

This approach would help rural residents, who tend to drive longer distances for work and other purposes, and thus consume more fuel and pay more fuel taxes.

An access fee that is independent of individual travel is a fair and reasonable approach. NCDOT must make the entire roadway system available, accessible, and well-maintained for everyone, regardless of the level of usage for any particular customer. *The value you are paying for under this proposed approach is access to that reliable network, whenever you need it.*

To that point: [the NCDOT FIRST Commission final report](#) noted that it takes 9,000+ passenger cars to equal the impact of a single tractor semi-trailer. In addition, “horizontal” costs (e.g., number of roadway lanes) are caused by cars in congested areas. As a result, a driver who rarely travels in congestion may give rise to near zero incremental costs to the state, regardless of daily travel.

**Q. Is an access fee a user fee?**

While an access fee is a different business model – you are paying for access, not marginal usage – it is still a type of user fee, in that it is paid only by registered vehicles to legally use any portion of the reliable statewide road network.

While an access fee is not a pure user fee, in the sense of paying for the specific marginal cost to the state, neither is the fuel tax or even a vehicle miles traveled-based fee, as described above.

**Q. Will an access user fee approach induce more travel?**

At current prices, North Carolina state fuel tax represents less than 15% of the cost of a gallon of gas. Lowering or eliminating the state fuel tax, with the resulting lower gas prices, may, at the margin, impact the number or length of some discretionary trips. This could result in both negative (environmental) and positive (economy, tourism, etc.) impacts.

Of course, increased vehicle registration-based access fees will exactly offset any reduction in fuel taxes paid by the average motorist. To that point, the presence of a more visible monthly transportation access bill could reduce the number of registered vehicles on the road, which would have positive environmental impacts.

**Q. Would an access-based approach work in an economic downturn or the next pandemic?**

An access-based user fee would be superior to both the current fuel tax-based system and any possible mileage-based user fee or vehicle miles traveled system. The reason is that access fees are largely independent of variations in travel, unlike fuel taxes or mileage-based fees.

**Q. What about federal funding and federal gas tax?**

This access-based approach focuses entirely on state funding. It is not clear whether or not the federal government could impose a complementary national access fee, since the majority of roads are owned by the states.

## DRAFT

### **Additional references:**

Blog: <http://letsgetmoving.org/th3.2021.08>

Summary post: <https://letsgetmoving.org/2021/02/26/member-briefing-february-26-2021/>

Policy brief: [www.letsgetmoving.org/AccessFeeOverview](http://www.letsgetmoving.org/AccessFeeOverview)

Webpage: [www.letsgetmoving.org/AccessUserFee](http://www.letsgetmoving.org/AccessUserFee)