

“Access User Fee” approach to modernize state highway funding

Objective: Implement vehicle registration-based access user fee to replace the state gasoline fuel tax

NOTE: An access fee could replace NC gasoline taxes, for gas-powered light and medium duty vehicles. It would not initially apply to heavy trucks, or to diesel-powered light and medium duty vehicles.

Implementing a vehicle registration-based access user fee

- Determine the total gas taxes the average vehicle registered in NC pays per year (currently about \$240), then raise the annual electric vehicle (EV) fee from \$140.25/year to that average statewide amount
- Apply that fee (\$240/year, or \$20/mo.) to *all* gas-powered vehicles, and all hybrid vehicles, not just EVs
- Simultaneously eliminate the state gasoline fuel tax

Overall benefits of access user fee approach

- A consistent price for all vehicles would be simple, objectively fair, transparent, equitable, and resilient to changes in fuel type, fleet mix, total miles driven, rural/urban location, economic downturns, etc.
- Access fee revenue would be less volatile than fuel or mileage fees during economic downturn/pandemic
- We already have DMV revenue collection infrastructure in place for vehicle registration and EV fees
- NCDOT will be better able to plan and deliver an effective system with consistent, more predictable payments from the broadest base of users, which benefits all North Carolinians

User benefits

- Analogous to mobile phone bill: monthly, consistent fee to access reliable network, independent of use
- No need to track mileage, which avoids privacy and data collection concerns
- Most rural residents would pay lower access fees than either current fuel taxes or mileage-based fees
- All users would be able to budget with consistent, monthly fees

Optional considerations to simplify implementation, ensure sustainability and maximize support

- Payment to DMV could occur annually, quarterly, or monthly, at the vehicle owner’s option
- Driver’s license fees (typically \$5.50/year) could be incorporated into access fee billing to provide simplicity and cost savings for both the traveling public and NC DOT DMV as “vehicle and driving fees”
- Vehicle registration fees are already indexed legislatively; access fees could be indexed as well
- For very low use vehicles (e.g., below 2500 miles/yr.), a partial access fee rebate could be considered

Potential complementary revenue sources to modernize highway funding

- Access user fee envisioned to apply to gas-powered vehicles first, which are majority of vehicles in fleet; diesel powered vehicles would continue to pay diesel fuel taxes, which could be increased
- The provisions of Senate Bill 793, which would dedicate 6% of state sales tax to transportation, would provide an effective variable, growth-related complement to an access user fee
- Additional fees for e-commerce deliveries, transportation network companies, and taxis could apply

“Access User Fee” approach to modernize state highway funding *(continued)*

Additional background: Rationale for modernizing funding; comparison with other revenue options

- Many vehicles are becoming more fuel efficient. However, it is the increasing *disparity* in fuel efficiency that renders raising the gasoline tax to the level needed politically impossible.
- Increased road thickness is needed for heavy trucks; however, automobile use has comparatively very little impact on road thickness requirements or wear, regardless of miles driven.
- Congested travel increases the need for added road width (i.e., more lanes), but recording total mileage will not capture the miles driven in congestion, which could be very low, particularly for rural drivers.
- GPS monitoring of miles driven would provide an accurate picture of congested travel, but would be unlikely to be politically acceptable, regardless of privacy assurances.
- Summary: fuel taxes are increasingly unfair; mileage fees would not be informative on impacts; GPS-based mileage fees would be informative but unacceptable. *An access fee prioritizes simplicity and resiliency.*

Selected questions, issues and responses

Q. Are access user fees fair?

- An access fee approach provides a transparent, level playing field. It doesn't matter what vehicle you drive, how fuel efficient it is, or how far you live from your job — you would pay the same fee.
- An access fee approach would help the majority of rural residents, who tend to drive longer distances for work and other purposes, and thus consume more fuel and pay more fuel taxes.

Q. What about out-of-state motorists?

- The vast majority of our out-of-state motorists do not pay our fuel taxes either, so an access fee would be no different.
- Eliminating state fuel taxes will make our filling stations more attractive and increase state sales tax receipts — some of would be allocated to transportation under the provisions of S 793.

Q. What about heavy trucks?

- Initial implementation of the access user fee focuses on gasoline powered vehicles.
- [The NCDOT FIRST Commission final report](#) noted that it takes 9,000+ passenger cars to equal the impact of a single tractor semi-trailer.
- The majority of heavy trucks will continue to pay diesel fuel taxes. In the future, heavy vehicles could pay taxes based on axle weight, distance traveled, and potentially emissions.

Q. What about vehicles that are rarely driven?

- NCDOT makes the entire road system available to all vehicles; there is a benefit to that 24/7 access
- A modified access fee for truly low usage vehicles (e.g., below say 2500 miles per year) could be considered, in the form of a partial access fee rebate each year

Q. Would fuel taxes or a VMT fee be superior since they discourage travel, versus a constant price access fee?

- Access fees provide simplicity, fairness, and consistency — and lessen revenue volatility.
- All travel-based fees increase revenue risk due to economic downturns, pandemics, etc.

Q. How would enforcement work?

- DMV could implement monitoring of our roadway network at state borders and at other locations.
- If a new vehicle is detected — or detected repeatedly — it could be charged a monthly (e.g.) access fee.

More information: www.letsgetmoving.org/AccessUserFee - includes one pager, examples, blog