

## “Access User Fee” approach to modernize state highway funding – overview

**Objective:** Advance implementation of an access user fee to replace the state gas tax.

### Issue and opportunity:

- Many 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.
- An access user fee approach – which would apply a consistent price for all registered vehicles, regardless of individual usage – would be simple, fair, transparent, equitable, and resilient to changes in fuel type, fleet mix, miles driven, rural/urban location, economic downturns/pandemics, etc.
- North Carolina has had a partial access user fee for electric vehicles for [more than a decade](#), and activated a partial access user fee for [hybrid vehicles in 2024](#); both of those fees will [index with inflation on July 1, 2024](#), with the [new rates](#) being \$214.50 for electric vehicles and \$107.25 for hybrid vehicles as of 7/1/24.
- Full access user fee implementation will require fully modernizing the access fee rate, applying it equally to electric, hybrid, and gas vehicles, and repealing the state gas tax.
- ***An access user fee is a simple, fair, and resilient method of replacing the gas tax to modernize transportation funding.***

### Implementation of an access user fee is straightforward:

1. Raise the existing annual partial access fees on EVs ([currently \\$180/year](#)) and hybrids ([currently \\$90/year](#)) to what the owner of the typical gas-powered vehicle pays in state fuel taxes ([currently around \\$252/year](#));
2. Charge all passenger vehicles the same annual access user fee – whether electric, gasoline, or hybrid;
3. Enable vehicle owners to pay the access user fee on a monthly, quarterly, or annual basis;
4. Eliminate all state gas taxes ([40.4¢/gal. as of January 2024](#)).

*The fee would not initially apply to diesel vehicles, so current truck taxation methods would remain.*

### Primary benefits:

- **User fee based on access to a reliable mobility network** – An access fee would be analogous to a typical monthly mobile phone bill, which does not vary regardless of minutes used. It's a *user* fee, not a *usage* fee.
- **Simple and fair for everyone** – With an access fee, everyone would pay the same fee, regardless of the type of vehicle you drive (e.g., gas or electric), where you live, or how far you have to travel each day or month.
- **Easier implementation** – Since North Carolina DMV already collects vehicle registration fees and EV fees, the state won't have to create a new revenue collection bureaucracy.
- **Flexible payments** – Vehicle registration fees and EV fees are currently paid annually. Access fees could have annual, quarterly, or more frequent (e.g., monthly) payments.
- **Predictable and resilient** – Transportation revenues will be far more stable in economic downturns for NCDOT compared with gas taxes or mileage-based concepts, which helps with planning and project delivery.
- **Inflation-adjusted** – Our existing vehicle registration fees adjust for inflation every four years; an access user fee could similarly adjust for inflation either quadrennially or annually.
- **Less intrusive** – North Carolinians won't have to track vehicle miles traveled, and NCDOT won't have to monitor, audit, and enforce mileage tracking.
- **Increased sales tax revenue** – With state gas taxes eliminated, gas prices will fall, making our filling stations more attractive, which will increase C-store sales and state sales taxes (6% dedicated to transportation).

### Overall context:

- Implementation of an access fee approach as a replacement for the gas tax is both separate from and complementary to conversations around toll roads, public-private partnerships, e-commerce fees, etc.
- The regional and statewide business communities look forward to supporting *any* modernized funding approach or package that is effective, resilient, and politically acceptable.

## “Access User Fee” approach to modernize state highway funding – FAQs

*Q. Is an access fee truly a usage fee?*

- An access fee is a *user* fee, not a *usage* fee.
- An access user fee is based on the value of access to the entire mobility network. It is analogous to a typical monthly phone bill that does not vary based on minutes used.

*Q. Is this fee envisioned as an addition to state gas taxes and the annual state fee on EVs, or as a replacement?*

- An access user fee would replace all state gas taxes.
- The existing fee on electric vehicles is a partial access user fee.
- The access fee would be in addition to the annual state vehicle registration fee (currently \$38.75).

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

- An access fee would provide a simple, 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.
- Many rural residents, who often need to travel further for work and other activities, would pay less in access fees than they do today in gas taxes or under a possible mileage-based fee system.

*Q. What about heavy trucks?*

- Initial implementation of the access user fee focuses on vehicle propulsion methods *except* diesel fuel, so current truck taxation methods would remain. The payment of diesel fuel taxes would continue.
- The NCDOT [FIRST Commission final report notes](#) that it takes more than 9,000 passenger cars to equal the impact of a single tractor semi-trailer.

*Q. What about out-of-state motorists?*

- Currently, both North Carolina and out-of-state drivers can easily cross state lines and drive using gas purchased in another state, resulting in them traveling on the roads without paying the state gas tax.
- The calculation of the access user fee rate, which assumes revenue neutrality when activated, accounts for all gas purchased and miles traveled in the state, whether done by NC registered vehicles or not.
- North Carolina revenues would *not* depend on nearby states also implementing access fees. However, if other states eliminate their gas taxes, this will reduce our financial burden when we travel to those states.
- Eliminating our state gas tax will make our filling stations more attractive and increase state sales taxes from C-store sales – 6% of will be dedicated to transportation under 2022 legislative budget provisions.

*Q. What about vehicles that are rarely driven?*

- NCDOT makes the entire road system available to all vehicles; there is a benefit to all travelers and a cost to the state for providing and maintaining that 24/7, all roads access.
- A partial or transitional access fee rebate for truly low usage vehicles could be considered for some users.

*Q. What advantages would an access fee have over gas taxes or a possible vehicle miles traveled fee framework?*

- Access fees provide simplicity, fairness, and consistency – and lessen revenue volatility.
- Had an access user fee been in place since 2012, NCDOT [would have collected between \\$1.4 and \\$2.1 billion more in state revenue](#) compared to gas taxes over the past decade due to better revenue stability.
- An access fee could provide an est. \$1 billion in additional revenue over a 5 year period by 2033 compared with NCDOT projections of gas tax revenue, [while mitigating revenue risk](#) from higher fuel efficiency.

### **Observations on construction costs, and how access fees compare with mileage-based concepts**

- 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 does not capture the miles actually driven in congestion, which could be low, especially for rural drivers.
- GPS monitoring of vehicle miles traveled (“VMT”) could provide a more accurate picture of congested travel, but would be unlikely to be politically acceptable, regardless of privacy assurances.
- *Summary: mileage fees would not be informative; GPS-based mileage fees would be informative but unacceptable. An access fee prioritizes simplicity – and provides revenue stability for project delivery.*