

# Public Comments submitted for 4/24/2020 NC FIRST meeting

## 1. Joe Milazzo, Executive Director, Regional Transportation Alliance

### ***For highway funding, simplicity can beat perfection***

***Implementing an "access-based" funding model for all vehicles - along the lines of the existing annual fee for electric cars - may serve as a simpler and more sustainable approach to transportation funding.***

---

#### **Rationale for considering a different framework**

The primary reason we have a transportation funding challenge is because we cannot directly and accurately charge for usage on all roads in a manner that is technically reliable, fair, congruent with the actual cost of providing the infrastructure, and politically acceptable. As a result, we have to find the most sustainable, fair, and acceptable solution that we can – or if that is not possible, then the least unacceptable one.

- **Fuel taxes** are failing as our primary funding source. The primary reason is *not* that vehicles are becoming more fuel efficient. It is the **increasing disparity in fuel efficiency across the fleet of registered motor vehicles** that renders the option of significantly increasing fuel taxes both unfair and politically impossible.
- Other proposed methods like “vehicle miles traveled” taxes involve new collection mechanisms while still bearing only an indirect relationship to the actual cost of providing infrastructure. “Vertical” construction costs (i.e., pavement depth) are caused by trucks, not cars, while “horizontal” construction costs (i.e., roadway width, number of travel lanes) are caused by rush hour usage in congested roadways, not all day.

#### **Access-based concept**

What if we were to take a cue from mobile phones, and consider an “access-based” funding model?

- A monthly mobile phone plan typically provides unlimited minutes of calling, but provides neither a surcharge for heavier use nor a discount for using it sparingly or not at all. *This is also completely fair, because you aren't paying for "usage", you are paying for the "opportunity to access the network 24/7", and the associated comfort and peace of mind.*
- This is very analogous to our situation for highway service. Other than travel on a handful of toll roads, the driver of every registered motor vehicle has the right to access and travel on any mile of the state highway system, day or night, and NCDOT has the responsibility to make the entire system available to all potential users, in a state of good repair. This is true for the entire 80,000+ mile non-toll network.
- **An access-based fee framework for highway funding is simply to charge a single, periodic (e.g., monthly) fee to each registered vehicle for use of the network.**

#### **Implementation**

How hard would it be to implement an access-based approach? The answer is not at all. In fact, *we already have an element of an access-based approach -- the annual electric vehicle fee. In addition, any vehicle registration fee could be considered an access-based fee.*

- The state could reduce or eliminate the motor fuels tax, and continue to charge one fee for each registered motor vehicle for the right to access the system.
- The price of the annual vehicle registration fees would obviously be much higher than today, but the state could set the fees such that the average driver would pay the same in overall taxes and fees as they do today, since the fuel tax will have been reduced or eliminated.
- The access fee (i.e., the higher registration fee that replaces the motor fuels tax) could be charged either monthly or quarterly to reinforce that transportation is a service, not simply paid once, and to make paying easier for travelers.

- The beauty of the access-based approach is the simplicity. There would be no worries about monthly reporting, tampering with odometers, etc. *Since an access-based fee would simply be a larger registration fee – which already exists – there would not be a need to create a new collection or enforcement method.*
- **Long-term sustainability**  
Registration fee levels could be raised over time as need be to keep state transportation funding whole, without any worry about increasing overall fleet fuel efficiency impacting revenue. *Since all vehicles would pay the same rate, it doesn't matter how much or how little they travel, or what propulsion method they use.*
- **Out of state revenue – possible hold harmless provision**  
If the loss of out-of-state motor fuels tax revenue were an issue, a "hold harmless" provision could be to dedicate a small proportion of sales taxes collected at convenience stores to transportation instead of the general fund. This may be both politically and fiscally acceptable given the expected increase in expected overall sales and thus sales tax collections at convenience stores due to the reduction in the overall price of fuel.
- **Conclusion**  
If we can move the conversation away from the current focus on indirect "user fees" like the motor fuel tax or proposals involving pure miles driven – which bear little to no direct relation to NCDOT's cost of providing the service anyway – we have the opportunity for a more sustainable framework. An access-based funding model is not a user-fee based approach – it is one that provides and values access to the system. NCDOT has to make the entire road system available for both heavy and occasional users at any time, and the value to users is the ability to access any part of that system 24/7.

## 2. Wyatt Helsabeck, Thomasville, NC

I am a firm believer in railroads. The NC DOT has done a fine job with our passenger trains. Keep up the good work, maybe a commuter train to the airports in Charlotte and Greensboro.

How about considering something like an RDU (rail diesel unit) to run in the Greensboro, Winston-Salem, High Point, Thomasville and Lexington area? Tracks are already in place. I expect there would be sufficient riders if the units could stop in convenient locations. There shouldn't be too much trouble with track time, etc. Some stations already exist.

Thanks for your consideration.

## 3. Russell Manning

Comment for NC FIRST commission. This would take a long term commitment. Hike the gas tax. Exempt NC vehicles. Most fuel pumps allow data entry. You pull up to pump, enter your plate number and your mileage, and pay a mileage tax. Mileage is reconciled at annual inspection or transfer. This would tax drivers at a more fair rate as a benefit of a mileage tax without the privacy implications of any sort of tracking system. Some issues that would need worked out: verifying that users are entering their own plate, accounting for miles driven out of state.

## 4. Jim Buck

### It's Time for a Vehicle Miles Traveled Tax

Historically the NCDOT's motor fuels tax has served as a consumption tax with the underlining assumption that the more gas you bought the more wear and tear you had on North Carolina's roads. This is in line with other utilities charging for what the consumer uses whether it be gas, electric, or water. So in keeping with this tradition, we should try to tax people on the amount of driving they do and on how much their vehicle weighs. The weight is important since the weight is directly proportional to the damage done to our infrastructure.

A VMT tax would be easy if all the drivers used North Carolina registered cars. If that were true, at the annual inspection the odometer would be read and last year's odometer reading would be subtracted from it to obtain the numbers of miles driven. This would be multiplied by a tax rate and the amount would have to be paid in order to renew the registration – similar to how the DMV added the county property tax to the registration renewal.

There are three big issues that come up: out-of-state drivers, in-state drivers that drive out of state, and businesses, especially trucking companies. First, how would we collect tax from out-of-state drivers using North Carolina roads? I would propose collecting at the pump like we do today. I envision a person going to a gas station in North Carolina and at the pump entering their license tag number, which reduces the price for in-state residents. This way, NC residents are paying annually at the registration but out-of-state drivers pay the NC gas tax. This would be no different then entering your loyalty card number at the pump, which gives a reduced price.

The VMT tax could be tiered based on weight or use, similar to how we look traffic: vehicles, medium trucks and TTSTs.

So what about in-state residents driving out of state? There have been many suggestions such as installing GPS equipment or using cell phone data, but I would keep it simple. Just like on your income tax return there is a standard deduction, I propose that there would be a standard percent reduction to account for out of state driving. For people that had to take cross-country trips, I would allow them to file with the DVM with proof of the trip to get those miles removed from their bill. This is very similar to NCDOR Forms GAS-1200C and GAS-1201 Claim for Refund. If you seriously drove a lot of out-of-state miles you will fill out the paperwork and if you haven't, you will take the standard deduction.

Finally what about businesses? I have heard the comment "What are you trying to drive all the trucking companies out of NC?" And it is a good point, no; we do not want to hurt our NC businesses. I would handle this as an annual audit similar to how consulting engineering firms need an annual FAR audit, trucking companies would have an annual audit to come up with a fair percentage of miles driven in NC to be tax on. Businesses with significant out-of-state miles would have to register with NCDOT to get into the audit program. For example, FedEx or UPS trucks that deliver packages normally drive a lot but within a small area usually all in-state. As oppose to freight trucking companies that haul long distances.

The major trend in the US is for more fuel-efficient cars and electric cars, which is causing the big problem with the current revenue model. I say our industry is in transition moving from a gas tax to a

vehicle miles traveled tax. The ideas presented here are not perfect, but don't let perfect be the enemy of progress. I want North Carolina to lead. The faster we show it can be done, the faster other states will copy this model. Ultimately, if the majority of cars on the road are electric VMT is the only way to maintain the revenues needed to support the State's infrastructure.

## 5. Robert Raynor Jr., PE, MBA

Wanted to comment on transportation funding. I think we need to transition from a fuel tax to a vehicle miles traveled (VMT) fee to level the playing field. The fee could be assessed annually when vehicles come in for inspection based on odometer reading, thus eliminating the need for a Hobbs style meter. Rates could set to be equivalent to what a predetermined vehicle might pay in fuel tax over a twelve month period. This would make transportation funding more closely mimic actual highway use. Continue with other fees with the exception of surcharge on hybrid vehicles (no longer needed with the implementation of VMT) Example - I drive a vehicle 30000 miles a year with 20 mpg fuel economy so that mean 1500 gals of fuel per year say the gas tax is \$0.20/gal, that means my gas tax per year is \$300. An equivalent VMT fee would be  $\$300/30,000 \text{ mi} = \$0.01 \text{ per mile}$ . In conjunction with the legislature, DOT could set a rate/mile that ensures a steady stream of funding throughout the fiscal year while remaining close to revenue neutral. Thank you for allowing input! Allen

## 6. Al Freeman

Currently there are no plans for this. There are private ferries that serve this and paid for by riders. Stay Safe.

## 7. John Bailey

Whether this be statewide or nationwide, a VMT tax has to be a way to fund transportation in the future.