

Restriction on Mileage-Based User Fee Expenditures

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Issue

This report updates OLR Report [2016-R-0140](#), which discussed an application filed by the state Department of Transportation (DOT) and four other states for a federal grant to study using a mileage-based user fee (MBUF) system to fund transportation projects.

Summary

In May 2016, Connecticut, through the DOT, was one of five states in the I-95 Corridor Coalition to jointly apply to the U.S. Department of Transportation (USDOT) for a \$1.49 million matching grant to study using an MBUF system, instead of a gas tax, to fund transportation projects. Unlike the current funding system, in which motorists pay state and federal taxes on each gallon of motor fuel they buy, motorists in an MBUF system pay a flat fee for each mile they drive.

USDOT awarded the grant in August 2016. The \$1.49 million federal share was to be matched by contributions from the five participating states. Connecticut's share would have been \$300,000.

But the proposed study found very little legislative support. Early in the 2017 session, legislation was introduced prohibiting DOT from spending state money on any federal grant to study a "mileage tax" on state highways. On April 6, 2017, the DOT commissioner notified the I-95 Corridor Coalition that Connecticut was withdrawing from the study. Legislators subsequently approved an amended bill that requires DOT to obtain legislative approval before using state money for any MBUF study, plan, program, material, or activity. The governor signed the bill into law on July 11, 2017 ([PA 17-174](#)).

Grant Application

In May, 2016, the Delaware transportation department applied to USDOT for a grant to study the feasibility of implementing an MBUF system on behalf of that state, Connecticut, New Hampshire, Pennsylvania, Vermont and the I-95 Corridor Coalition, whose members include transportation agencies in 16 east coast states and the District of Columbia.

The application was in response to the 2015 federal FAST (Fixing America's Surface Transportation) Act, which authorized USDOT to award states up to \$15 million to develop user-based transportation funding systems that could eventually replace federal and state fuel taxes as the primary source of transportation funding.

USDOT did so because of concern that revenue raised by the fuel taxes is not sufficient to maintain and improve the nation's aging highway infrastructure. Transportation officials cite several reasons for this, including rising highway construction and repair costs; a federal gas tax last increased in 1993; the effect of inflation on state gas taxes, most of which have not kept pace; the increased fuel efficiency of gas-powered vehicles; and the advent of electric vehicles, owners of which do not pay a gas tax.

Proponents of an MBUF system (also called a Vehicle Miles Traveled, or VMT system) say that charging motorists a set fee for each mile they travel, regardless of the type of vehicle they drive, is a more reliable and equitable way to raise revenue. The [grant application](#) states that its "overall vision" is to "lay the foundation for a viable mileage-based MBUF approach...and enable a smooth transition from the current gas tax to this more sustainable and user-based funding source." (For more information on the grant application, see OLR Report [2016-R-0140](#).)

Opponents of an MBUF system say it would penalize drivers who drive fuel-efficient (and less polluting) vehicles by charging them the same fee as drivers of "gas guzzlers." They also cite the public's reluctance to adopt a new and unfamiliar tax, and privacy concerns raised by the need to track drivers' mileage. (For more information on MBUF, and the arguments for and against it, see OLR Report [2012-R-0029](#).)

Legislation in the 2017 Session

[Proposed Bill 76](#) would have barred DOT from spending state matching funds for a federal study to determine the feasibility and implementation of a mileage tax on state highways. On January 12, 2017, the bill was referred to the Transportation Committee, which favorably reported a substitute bill to accomplish this.

At a January 30, 2017 Transportation Committee [public hearing](#), the DOT commissioner [testified](#) that the goal of the study “was to analyze the feasibility of implementing a [MBUF] system, not to implement this as a new revenue source...The Department’s role,” he said, is to “supply a full and comprehensive understanding of motorist behavior to inform choices policymakers will inevitably have to make.”

But several legislators remarked at the hearing that their constituents were overwhelmingly opposed to a mileage tax, and there was very little support for it among their fellow legislators.

On May 25, 2017, after the commissioner had formally notified the I-95 corridor coalition that Connecticut was withdrawing from the project, the Senate approved an amended [SB 76](#) barring DOT from spending state money on any MBUF-related study, plan, program, material, or activity unless it had legislative approval to do so. The amended bill, sponsored by all 36 Senators and approved unanimously by that chamber, specifies the legislative approval process.

The House approved the amended bill by a vote of 116 to 34 on June 7, 2017, the last day of the regular session, and the governor signed it into law as [PA 17-174](#) on July 11, 2017.

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