Modernizing Wisconsin’s Interstate Highways

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Two major problems for U.S. and Wisconsin highways

- The need to rebuild aging and inadequate Interstates.
- The coming decline of per-gallon fuel taxes.
- Solving the first requires dealing with the second.
Interstates are wearing out; nearly all must be rebuilt over next 3 decades.

Many corridors also need widening.

Basic cost estimate: $57 billion/year for next two decades.

Federal fuel tax increase to do this would be over 300%.

Congress would likely spread any increase over all of surface transportation.

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Two national commissions recommended replacing fuel taxes

- Policy & Revenue Commission, 2007
- Transportation Financing Commission, 2009
- Federal mpg standards means cars go much farther per gallon used.
- Hybrid and electric cars use less or zero fuel
- Both recommended shifting from taxing per gallon to charging per mile.
Projected State/Federal Fuel Tax Revenue

2017 Dollars; Assumes Nominal $0.47/Gal. Combined Average Tax

Approximate Annual Gas Tax Revenue (Billions, 2015)
(Assumes Overall Average State and Federal Tax of $0.47/Gallon)

- With Current MPG: $5.5B
- With EIA Ref Case MPG: $15.0B
- With "Bloomberg" EV Adjusted MPG: $24.9B
- Overall Average State and Federal Tax of $0.47/Gallon: $35.6B
- $44.9B
- $50.4B
- $54.0B

Graph showing projected revenue from 2015 to 2050 with different MPG assumptions.
The status quo will not rebuild Wisconsin’s aging Interstates

• Indexed Wisconsin fuel tax would not come close to rebuilding its Interstates.
• Odds of major new federal Interstate program are very low.
• Hence, states (which own the Interstates) need to figure out a better way forward.
Toll-financed Interstate modernization could address both problems

- A per-mile electronic toll is a “mileage-based user fee.”
- If used to rebuild Wisconsin Interstates, it could be charged instead of fuel taxes.
- Toll revenue can be bonded, raising billions up-front to fund reconstruction and widening.
- Toll bond buyers insist on proper, ongoing maintenance.
- Thus, tolled Interstates would free up remaining federal/state fuel taxes for all other highways.
21st-century all-electronic tolling

- No toll plazas; all tolls collected at highway speed.
- Collection costs very low with prepaid accounts and windshield transponders.
- E-Zpass compatible east of Mississippi.
- System design can deter going around toll points.
- Revenues can and should be dedicated solely to Wisconsin Interstates.
What about federal tolling restrictions?

- 1956 law bans tolling “existing” Interstate lanes; also bans commercial rest areas.
- Congress has carved out 3 tolling exceptions:
  - 3-state pilot program allows one toll-financed corridor reconstruction per state.
  - Bridge exception allows replacing non-tolled Interstate bridges with tolled ones.
  - Value Pricing exception allows variable pricing of all lanes on congested urban Interstates.
Other states are moving forward with these exceptions

- Value Pricing exception: Oregon (I-5)
- Bridge exception: Connecticut, Indiana, Oregon (I-205), and Rhode Island
- Note: FHWA defines a bridge as any crossing longer than 20 ft.
- RI program in operation, OR tentatively approved, CT and IN proposed.
- So far, no way around ban on commercial service plazas.
How to make tolled Interstates customer-friendly

- Charge tolls *instead of* fuel taxes on rebuilt corridors.
- *Limit* use of revenue to the capital and operating costs of the rebuilt Interstates.
- Begin tolling a corridor only *after* it is rebuilt.
- *All vehicles* pay tolls, since all benefit from the modernized Interstates.
- Charge the *same tolls* to in-state and out-of-state vehicles.
- Allow *real service plazas* on rebuilt Interstates.

Note: Congress could make removal of the 1956 bans contingent on this customer-friendly approach.
**Wisconsin’s 2016 Interstate tolling study**

- Explained 21st-century tolling
- Assessed transportation fund solvency
- Estimated car and truck toll revenue if Interstate corridors were tolled.

**Did not assess:**
- The cost of rebuilding and widening
- Whether toll revenue would support bonds sufficient to finance these projects.
Indiana did Phase 1 and Phase 2 studies

- 2017 tolling feasibility study (HDR) estimated that toll revenues could be in the ballpark to finance widening and reconstruction of all long-distance Interstates.
- 2018 study (HNTB) created statewide tolling strategic plan, including:
  - Tolling strategies
  - Operational strategies
  - Financial strategies
  - Environmental review strategies
  - Implementation strategies
Wisconsin needs a Phase 2 study

- Cost to rebuild Interstate corridors
- Which ones need widening, and their cost
- Phasing of replacement projects, based on age and projected traffic
- Toll financing feasibility

A phase 2 plan was authorized by 2018 legislature, but vetoed by Gov. Walker
A chance to lead this transition?

- Though Indiana is currently ahead, its governor says “not on my watch.”
- Tolling debate is still raging in Connecticut.
- Rhode Island is tolling only heavy trucks (and has been sued by ATA).
- Wisconsin has a chance to take the lead.
Conclusion

Toll-financed Interstate modernization would address both major problems:

- Shifting from per-gallon to per-mile highway funding.
- Paying for Interstate reconstruction and widening mega-projects.

Wisconsin made a good start in 2016 but should proceed now to the next step.
Questions?

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