

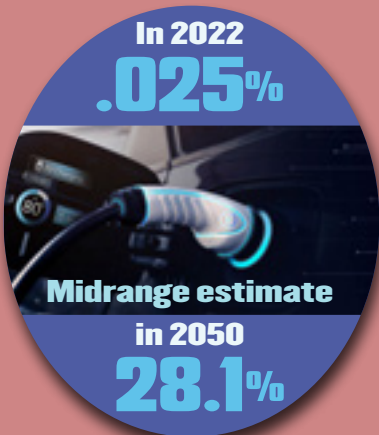


The motor vehicle fuel tax is becoming unsustainable due to increased vehicle mileage and alternatives to gas.

Midrange estimate in Wisconsin of motor fuel consumption

-33%
by 2050

Wisconsin's electric vehicle fleet



Future-Proofing Wisconsin's Highway Funding System

The motor vehicle fuel tax, long the mainstay for highway funding in Wisconsin, is becoming unsustainable as a revenue source due to increased vehicle mileage and popularity of vehicles that use no fuel. Now is the time to consider a replacement.

FADING REVENUE

The average fuel efficiency of a new car in 2019 was about 90% higher than the mileage of a new car in 1975. Federal regulations mandate continuing increases in mileage, while manufacturers continue to increase their focus on hybrid and all-electric vehicles.

Our state fuel tax is affected by the same forces. Wisconsin's fuel sales peaked in 2018, fell in 2019 and 2020, rose in 2021 but remained below the 2018 high. Continued declines in fuel tax revenues can be expected.

If electric vehicles come to constitute 28% of the Wisconsin market by 2050, a figure midway between existing estimates, then fuel consumption will fall 33% below current levels. This means a reduction in fuel tax revenue of about a \$496 million per year in Wisconsin. Even with increased revenue from annual fees on electric vehicles, the fuel tax rate would have to rise about 50% to just bring in the same amount of revenue.

ALTERNATIVE

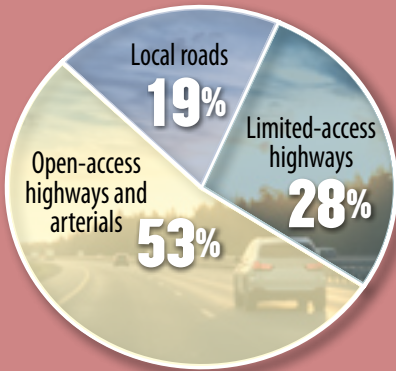
An alternative is to replace — not supplement, but replace — the gas tax with a mileage-based user fee. Previous surveys of tolling as a replacement revenue source showed lukewarm sentiment in Wisconsin, but we now have the benefit of other states' experiments with mileage-based user fees. Those pilot projects generally offered participants options for how they wanted their miles recorded and reported, with steps taken to avoid tracking and to protect driver privacy.

A new system should fix all the shortcomings of the fuel tax and begin with something that offers large, visible benefits to highway users — paying for the rebuilding and improvement of key corridors.

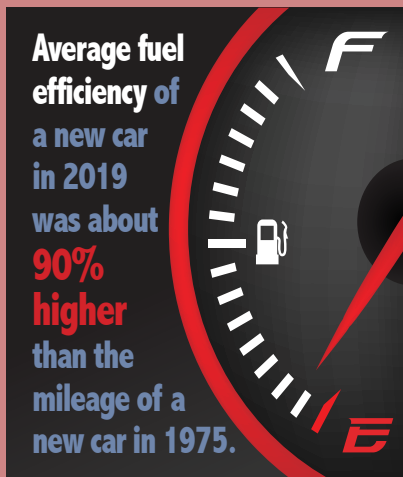
Other shortcomings of fuel taxes are that they do not keep pace with roadway needs, responsibility for the roads they fund is not transparent and they are one-size-fits-all, overcharging those who mostly use local or rural roads.

Charging vehicles per mile driven will help funding keep pace with population and travel. Such a system can charge more for costly roads and less for others, making it a true user fee. And it can make clear to fee-payers which agency is responsible for roads and what the money has paid for. →

**Where Wisconsin
vehicle miles are traveled**



***Charging vehicles per
mile driven will help
funding keep pace with
population and travel.***



The fuel tax rate would have to rise about 50% to just bring in the same amount of revenue.

HOW TO START

Wisconsin should launch such a system on limited-access roads, which carry about 28% of vehicle miles, are the costliest to build and maintain, and are the easiest on which to measure access, relying exclusively on a no-stopping transponder system such as the one used now on many toll roads throughout the country.

As each segment of an Interstate or other limited-access highway is converted to per-mile charges, that portion will become self-supporting and no longer consume declining revenue from fuel taxes. Fuel tax revenues will no longer have to cover the ongoing maintenance of those corridors and, more important, will not have to be used to rebuild and widen corridors that have been converted.

Drivers, meanwhile, can be rebated any fuel taxes paid on gas or diesel burned in traveling on tolled roads, using a rebate system like those already in use for trucks on tolled highways in New York and Massachusetts.

A transponder system wouldn't work for state non-freeway highways and arterials, which carry about 53% of vehicle miles traveled, or local roads, which carry about 19%. But if we convert limited-access roads first, we will have years to learn from other states' pilot projects. Already, some principles are clear from other states' experiments:

- **Keep it simple and understandable: a user fee to pay for roads.**
- **Replace the state gas tax, rather than adding the fee on top of that tax.**
- **Make it fair to both rural and urban users, including lower per-mile charges for rural roads and local streets.**
- **Make it transparent and self-explanatory, as with utility bills.**
- **Use private firms, selected competitively, to handle collecting, processing and protecting miles-traveled data.**
- **Legislate strict privacy protections for miles-traveled data.**

Drivers should be offered varying options for calculating miles, including annual odometer readings or all-you-can-drive options that do not distinguish between different kinds of roads, and GPS-based systems that pinpoint location to allow differentiated rates based on the type of road. Regardless of which method of reporting miles is used, stringent privacy protection for that data must be ensured by statute.



**BADGER
INSTITUTE**

Learn more about Wisconsin highway funding at

badgerinstitute.org/mandate-for-madison