



**STATE OF CONNECTICUT  
DEPARTMENT OF TRANSPORTATION  
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Office of the  
Commissioner

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July 21, 2016

The Honorable Toni Boucher  
State Senator  
Twenty-Sixth District  
Legislative Office Building  
Hartford, CT 06106

Dear Senator Boucher,

This is in response to your letter dated June 28, 2016 requesting information regarding the Connecticut Department of Transportation's (Department) participation in the multi-state application by the I-95 Corridor Coalition (Coalition) to the USDOT to study the concept of a mileage based user fee.

There are several reasons that led to participation in this application:

- 1) In light of potentially disastrous impacts to federal transportation funding due to declining gas tax revenues, Congress passed the Surface Transportation System Funding Alternatives (STSFA) program in the FAST Act of 2015 to accelerate the investigation of alternative revenue mechanisms to maintain the long term solvency of the Highway Trust Fund. This is a new source of federal funding to support careful technical and policy analysis of the potential impacts of a federal vehicle miles travelled (VMT) user fee. USDOT encouraged all states to apply for this initiative.
- 2) The Governor's Finance Panel also recognized the need to evaluate all alternatives to the existing State Transportation Fund (STF) revenue sources, since the funding needs significantly outpace existing resources.
- 3) The Department takes seriously the responsibility to provide accurate and thorough policy input for policy makers on all transportation issues. That is why we applied for, received and completed the two federal pilot congestion pricing studies for Connecticut. There were multiple Transportation Committee meetings on these projects which provided a comprehensive evaluation of congestion pricing practices and the range of policy issues unique to Connecticut.
- 4) The Department applied for the STSFA grant with the same intent as the congestion pricing studies – to develop a comprehensive framework for the issue of VMT to share with the Transportation Committee and the broader Connecticut stakeholder community.
- 5) The Department worked with the Coalition to tailor the STSFA study to Connecticut's particular issues.
- 6) Based on the Department's insistence, the commitment was submitted without a specific state share amount, and it was understood by the Coalition that our participation was dependent on the availability of state funds.
- 7) The grant has not been awarded, so it is still speculation about this initiative.

I would like to elaborate on several of the points above. Concerns regarding the possibility of establishing a new transportation revenue source are not unique to Connecticut. They are shared by officials and taxpayers in every state. Unfortunately, all states face the same prospect of large reductions in gasoline and diesel fuel tax revenues over the next 10-30 years. As cars become more fuel efficient

and as more alternate fuel and electric vehicles are sold, gas tax revenues will drop markedly. To keep transportation programs at current levels, the federal government and states must start exploring new funding options to replace the revenues lost to shrinking gasoline sales.

The research being done on mileage-based user fees (also called VMT fees or road user fees) is directed at the question of how to replace the gas tax as our primary revenue source. The need for a new revenue source is not immediate, but given the scale and complexity of transitioning to a replacement revenue source, it is prudent to start exploring options now. The Governor's Finance Panel also recognized the need to evaluate alternatives to the gas tax, and recommended in its December 2015 report that the Department participate in the new federal program to study and test mileage-based user fees.

### **The Department's Participation in the Proposed Multi-State Study of Mileage-Based Users Fees.**

The Department joined with several other states in the Coalition<sup>1</sup> to apply for federal funding to conduct a study and test options for developing a Mileage-Based User Fee (MBUF) system. The Coalition was responding to a request for proposals from the USDOT.

On March 22, 2016 the USDOT invited all 50 states to apply for planning and pilot project funds under the newly authorized "Surface Transportation System Funding Alternatives" (STSFA) program. The purpose of the program is 'to demonstrate user based alternative revenue mechanisms that utilize a user fee structure to maintain the long-term solvency of the Highway Trust Fund.'

States were encouraged to submit multi-state proposals to explore technical and institutional options that can serve multiple states. The Coalition invited its member states to participate, and the Department chose to join with other Coalition states to submit a proposal. Since most states on the east coast are relatively small, the multi-state approach is the most effective way to test mileage-based user fee options. The small size of east coast states means that the portion of travel that crosses state borders is high relative to large western states such as California and Oregon (the 2 states that have done the most testing to date). For large western states the amount of cross-border travel is a very small percentage of total travel.

### **Rationale for Creating the New Federal Program.**

Congress established the new STSFA program to encourage states to investigate alternate funding sources that could replace the gasoline tax. The gas tax has been the primary source of transportation revenue for decades, but it will become less reliable and less capable of supporting growing infrastructure needs. Cars are becoming much more fuel efficient in response to technological advances and new federal fuel and greenhouse gas standards. Over the next 10-30 years, gas tax revenues will be greatly reduced as fuel consumption drops. By some estimates, the average fuel efficiency of all cars on the road will increase from 21 mpg to 34 mpg by 2040.<sup>2</sup>

Various experts have estimated that gasoline and diesel fuel consumption will be reduced by 30 percent or more by 2040 – even as VMT increases. Separately, initiatives to implement more stringent greenhouse gas (GHG) standards will accelerate the decrease. National efforts to reduce GHG emissions by 80 percent by 2050 could require the conversion of all vehicles to non-petroleum fuels or electric power by 2050. In an extreme case, this could reduce gas and diesel fuel tax revenues to zero. Due to uncertainties about future gas tax revenues, the federal government and most states are exploring a variety of options for replacing the gas tax as the primary source of transportation revenue.

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<sup>1</sup> The I-95 Corridor Coalition is an organization that includes 16 east coast states from ME to FL that are served by Interstate-95.

<sup>2</sup> Washington State Road Usage Charge Assessment: Final Report, 2014

The concept of a mileage-based user fee is still in the early stages of study and research. To date, no state has implemented a statewide program. Large states such as California and Oregon are the most advanced in terms of testing the concept, but even they are planning to conduct more testing over the next few years.

The timeframe for developing a new system is lengthy since it is complex and there are still many uncertainties. This was recognized in a 2009 report by the National Surface Transportation Infrastructure Financing Commission (Commission). The Commission recommended that Congress fund an aggressive program of research and testing to develop a mileage-based user fee system.<sup>3</sup> *'Because of the complexity inherent in transitioning to a new revenue system and the urgency of the need, the Commission recommends that Congress embark immediately on an aggressive research, development, and demonstration (RD&D) program.'* With the passage of the federal FAST Act in 2015, Congress created the STSFA program that provides states with the type of funding recommended in the Commission's 2009 report.

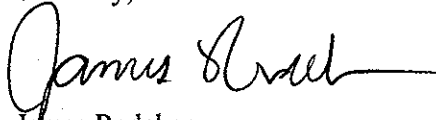
There has been little testing done in the northeastern states. The lack of progress in the northeast is due largely to the small geographic size of northeastern states, and the large volume of cross-border travel. In order to be effective in the northeast, an integrated multi-state system is required. This requires many states to agree to participate and a more complex system of collecting data and administration.

#### **The Department's Participation in I-95 Corridor Coalition (Coalition) Proposal**

The Department joined with several other I-95 Coalition states to submit an application through the Coalition. If the application is successful, Connecticut's share of the \$2.9 million study cost will be \$300,000, spread over multiple years, and that match is subject to the availability of funding. The Department's participation in the federal program does not require any commitment to implement a statewide user fee system.

I hope you find this information helpful. If you have any further questions or concerns, please feel free to contact me at 860-594-3000.

Sincerely,



James Redeker  
Commissioner

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<sup>3</sup> Final Report of the National Surface Transportation Infrastructure Financing Commission, 2009, page 7