

Funding Transportation with User Fees

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Subcommittee on Highways and Transit
U.S. House Transportation and Infrastructure Committee
2167 Rayburn House Office Building
Washington, D.C.

I will not belabor you with the umpteenth detailed analysis of the increasing frailty of fuel taxes as the primary user fees for funding transportation programs. Suffice it to say that national energy and environmental policies, the market for gasoline and diesel, and technological advancements in automaking are leading to more people purchasing more fuel-efficient vehicles. Since more fuel-efficient vehicles use the same amount of infrastructure but pay less in user fees through fuel taxes, the system is increasingly unsustainable. One consequence already witnessed is the transfer of roughly \$30 billion in general funds to backfill transportation spending not covered by highway trust fund revenues.

I do not join the great majority of those you will hear from at this hearing who argue that the federal government needs to spend more on transportation. User fee levels of recent years are adequate to fund a federal transportation program focused on the system directly serving the genuine national interest of promoting interstate commerce. It is not sufficient, however, to fund the state and local transportation programs that have increasingly come to rely upon it. It is long past time we recognize that most of the current need to invest more in transportation systems is at the state and local level, and those levels of government should solve those problems themselves with user fees, and not look to the federal government to bail them out yet again. Instead, Congress should strive to remove any barriers that exist to state and local governments pursuing known solutions, and in some areas partnering with them to discover and develop new ones.

User fees are a financially and economically superior means of paying for services compared to taxes and indirect charges. Our transportation system has traditionally been funded overwhelmingly by user fees, and this has served us well. As fuel taxes become a less effective form of user fee, we should be seeking a replacement that is even better.

I was honored to serve on the National Surface Transportation Infrastructure Finance Commission created by Congress in the last transportation authorization. We invested the majority of our time as a commission to considering all possible mechanisms for funding the federal transportation program. No surprise, we confirmed that there are no silver bullets—they all have advantages and disadvantages. Our report provides a detailed analysis of our

comparison of mechanisms. But we unanimously concluded that one mechanism, according to all of our criteria, clearly had the most promise for the future. That mechanism is mileage-based user fees. They can be more effective, economically sustainable and flexible than the current system, and at least as equitable.

But mileage-based user fees need some time to develop as a viable way to pay for transportation. And right now Congress is focused on prioritizing transportation spending to fit within anticipated revenues as part of dealing with the deficit, not with reworking the federal transportation user fee system. But a number of states are interested in working on mileage-based user fees as potential future funding mechanisms for their states. And the Mileage-Based User Fee Alliance was created to advance the state of the practice of mileage-based user fees consisting of a number of state agencies and other transportation groups and companies, including Reason. In this reauthorization Congress can, and should, make a modest investment in helping develop the next generation of user fees for funding transportation.

Specific Recommendations

In this authorization, Congress should partner with state and local governments to both conduct large scale trials of mileage-based user fees and evaluate those trials, as well as direct research to be conducted to advance our understanding of the technical, administrative and financial feasibility of mileage-based user fees.

a. Mileage-Based User Fee Trials

Arguably the most important next step to understanding if mileage-based user fees will work is to conduct large scale trials. The federal government should work with state and local governments, universities and private firms to conduct a few such trials. Ideally, teams led by state or local governments would compete for federal grants to conduct these trials. The Department of Transportation should ensure the trials are of high quality, that everyone benefits from what is learned from them, and that key national interests such as interoperability, protection of privacy and protection of interstate commerce are preserved.

Authored by a team from RAND, NCHRP Web Only Document 161: *System Trials to Demonstrate Mileage-Based Road Use Charges National Cooperative Highway Research Program* provides the best current assessment of how to conduct such trials and should be a resource for setting them up.

The trials should focus on answering identified questions about mileage-based user fees and exploring options for their use rather than focusing on narrow mechanisms or specific technologies. They should test different technologies and administrative structures, and include a variety of geographic and demographic participants.

The point of the trials is to answer the many questions about mileage-based user fees. The biggest concern people have is the protection of privacy and security of information. It is crucial

that the trials put emphasis on these issues. The selection process for choosing which trials to fund should emphasize effective trials that answer as many questions as possible, including:

- Protecting privacy
- The costs of collection
- How to reduce the costs of collection
- Interoperability
- Structures to avoid double payments of mileage fees and fuel taxes
- Voluntary systems and incentives for adoption
- Equity
- Attitudes of participants before, during and after trials

Evaluation of all that is learned from the trials must be thorough and objective and widely disseminated.

b. Research and Development

Some of the questions and concerns about mileage-based user fees can be best addressed by research and development rather than trials. Research should complement the trials. Some key research and development topics include:

- Cost of implementation at large scale
- Technologies or security systems that can provide users with control over their personal travel information
- Administrative systems for collecting revenue and apportioning according to jurisdiction, where appropriate
- Methods for rebating or deducting fuel taxes
- Emerging metering technologies
- Preventing evasion

Conclusion

This authorization period is a chance for Congress to preserve the user fee principle of funding transportation, empower state and local governments to take the lead in developing the means of making these user fees work, and take significant steps toward making the next generation of user fees viable in time to replace fuel taxes before the current system becomes untenable.

COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE
Truth in Testimony Disclosure

Pursuant to clause 2(g)(5) of House Rule XI, in the case of a witness appearing in a nongovernmental capacity, a written statement of proposed testimony shall include: (1) a curriculum vitae; and (2) a disclosure of the amount and source (by agency and program) of each Federal grant (or subgrant thereof) or contract (or subcontract thereof) received during the current fiscal year or either of the two previous fiscal years by the witness or by an entity represented by the witness. Such statements, with appropriate redaction to protect the privacy of the witness, shall be made publicly available in electronic form not later than one day after the witness appears.

(1) Name:

Adrian Moore

(2) Other than yourself, name of entity you are representing:

Reason Foundation

(3) Are you testifying on behalf of an entity other than a Government (federal, state, local) entity?

YES

If yes, please provide the information requested below and attach your curriculum vitae.

NO

(4) Please list the amount and source (by agency and program) of each Federal grant (or subgrant thereof) or contract (or subcontract thereof) received during the current fiscal year or either of the two previous fiscal years by you or by the entity you are representing:

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Signature

3/31/11
Date

Vita

Name: **Adrian T. Moore**

Education

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|--|------|
| University of California, Irvine, Ph.D. (Economics) | 2000 |
| University of California, Irvine, M.A. (Economics) | 1998 |
| California State University Chico M.A. (History) | 1987 |
| University of California, Riverside, B.A. (History) | 1984 |

Employment

Vice President, Research, Reason Foundation, Los Angeles California. Management of national public-policy think tank with 12 research and support staff. Conduct research on government management and regulatory policies. Present.

Director of Privatization and Government Reform, Reason Foundation, Los Angeles, California. Conduct and supervise research on privatization and government reform. 1996-2000.

Commissioned Officer, United States Army, 1987 to 1992.

Honors and Appointments

Sir Antony Fisher International Memorial Award, Runner up in 1998 for *Curb Rights: A Foundation for Free Enterprise in Urban Transit*. Awarded annually by the Atlas Economic Research Foundations of the U.S. and U.K. for outstanding books on public policy.

Awarded a *World Outsourcing Achievement Award* by PricewaterhouseCoopers and Michael F. Corbett & Associates Ltd. for his research on government outsourcing, 2002.

Appointed by Mayor Alan Autry to chair the Fresno, CA No Neighborhood Left Behind Commission to improve city road maintenance policies and procedures, 2004.

Appointed by Congress to the National Surface Transportation Infrastructure Finance Commission, 2007.

Appointed by California Governor Arnold Schwarzenegger to the state's Public Infrastructure Advisory Commission, 2009.

Publications

BOOKS and Book Chapters

Mobility First: A New Vision for transportation in a Globally Competitive Twenty-first Century, with Samuel R. Staley, 2008, Rowman and Littlefield.

Curb Rights: A Foundation for Free Enterprise in Urban Transit, co-authored with Daniel Klein and Binyam Reja, 1997, Brookings Institution Press.

Academic Journal Articles

"Curb Rights: Eliciting Competition and Entrepreneurship in Urban Transit," with Daniel Klein and Binyam Reja, *Independent Review*, 11(1), 1997, 29-54.

"A Property Rights Approach to Urban Transit," with Daniel Klein, *Economic Affairs*, Winter 1997, 34-39.

"Long-Term Partnerships In Water And Sewer Utilities: Economic, Political, And Policy Implications," *Water Resources Update*, No. 117, October 2000.

"Government Financial Management Reforms: Slouching Towards the Sublime," *Public Finance and Management*, v1, #3, 2001, 322-41.

"National Energy Policy: Policy: In Need Of A More Dynamic Approach," with Lynne Kiesling, *Institute for Research on the Economics of Taxation* Advisory #135, September 2002.

"Institutional Change and Contestability: Electricity Transmission Policy, Technology, and Entry Barriers," with Lynne Kiesling, *Proceedings of the U.S. Association of Energy Economics*, October 2002.

Putting Out the Trash: Measuring Municipal Service Delivery in U.S. Cities, with James Nolan and Geoff Segal, *Urban Affairs Review*, v.40, No.5, 2005.

Do Economists Reach a Conclusion on Taxi Deregulation?, with Ted Balaker, *EconJournalWatch*, v.3, No.1, January 2006.

“Relieving Congestion by Adding Road Capacity and Tolling,” with Gregory Fields, David Hartgen, and Robert W. Poole Jr., *International Journal of Sustainable Transportation*, v.3, No.5, September, 2009.

Published (peer reviewed) Reports

Clearing Muddy Waters: Private Water Utilities Lower Costs and Improve Services, Reason Public Policy Institute, July 1997.

Private Prisons: Quality Corrections At Lower Cost, Reason Public Policy Institute, April, 1998.

Privatizing Landfills: Market Solutions for Solid Waste Disposal, with Geoff Segal, Reason Public Policy Institute, April 2000.

Integrating Municipal Utilities into a Competitive Electricity Market, with Jeff Woerner, Reason Public Policy Institute, June 2000.

Infrastructure Outsourcing: Leveraging Concrete, Steel, and Asphalt with Public-private Partnerships, with Geoffrey Segal and John McCormally, Reason Public Policy Institute, September 2000.

Competitive Cities: A Report Card on Efficiency in Service Delivery in America's Largest Cities, with James Nolan, Geoffrey Segal, and Matthew Taylor, Reason Public Policy Institute, April 2001.

Powering Up California: Policy Alternatives for the California Energy Crisis, with Lynne Kiesling, February 2001.

Comparing Costs Between Public and Private Provision of Services, with Geoffrey Segal, Reason Public Policy Institute, January 2002.

Long-term Contracting for Water and Wastewater Services, with Robin Johnson and John McCormally, Reason Public Policy Institute, May 2002.

Designing a Performance-based Competitive Sourcing Process for the Federal Government, with Carl DeMaio and Vincent Badelato, Reason Public Policy Institute, October 2002.

Contracting For Road And Highway Maintenance, with Geoffrey F. Segal and Samuel McCarthy, Reason Public Policy Institute, March 2003.

California Citizen's Budget, with Carl DeMaio, Adam Summers, Geoffrey F. Segal, Lisa Snell, Vincent Badolato, and George Passantino, Reason Public Policy Institute and Performance Institute, April 2003.

Decentralizing Federal Employment, with John P. Blair and Geoffrey F. Segal, The Buckeye Institute for Public Policy Solutions, June 2003.

Getting the Right People for the Right Job: Solving Human Capital Challenges with Competitive Sourcing, with Geoffrey F. Segal and John P. Blair, Reason Foundation, September 2003.

Movin' Juice: Making Electricity Transmission More Competitive, with Lynne Kiesling, Reason Foundation, September 2003.

Private Competition for Public Services: Unfinished Agenda in New York State, with J. McMahon and Geoffrey F. Segal, Manhattan Institute, December 2003.

Frequently Asked Questions About Water / Wastewater Privatization, with Geoffrey F. Segal, Reason Foundation, September 2003.

A Legislative Guide to Competitive Sourcing in the States (and Elsewhere), with Geoffrey F. Segal and Rebecca Bricken, National Federation of Independent Businesses, July 2005.

Offshoring and Public Fear: Assessing the Real Threat to Jobs, with Ted Balaker, Reason Foundation, May 2005.

Rebuilding After Katrina: Policy Strategies for Recovery, with Lisa Snell, and Geoffrey Segal, Reason Foundation, October 2005.

Addressing California's Transportation Needs, with Ted Balaker, George Passantino, Robert W. Poole, Jr., Adam Summers, and Lanlan Wang, Reason Foundation, September 2006.

Undermining the Future: Problems with November's Bond Initiatives, and Alternatives, with George Passantino and Adam B. Summers, September 2006, Reason Foundation, September 2006.

The Bond Propositions on California's November Ballot: Where Would the Money Be Spent?, Reason Foundation, September 2006.

The Emerging Paradigm: Financing and Managing Pennsylvania's Transportation Infrastructure and Mass Transit, with Geoffrey Segal and Matthew Brouillette, Commonwealth Foundation, March 2007.

The California High-Speed Rail Proposal: A Due Diligence Report, with Wendell Cox and Joseph Vranich, Reason Foundation, September 2008

Policy Articles

"Firemen, Inc.," *The Next City*, Spring 1998, pp.44-56.

"Infrastructure Privatization in the United States: Looking Back Over 10 Years," *International Privatisation Annual 1999*, February 1999, 108-112.

"Improving the Safety Net: Privatizing Hospitals," *Privatisation International*, March 1999, 14-16.

"Water and Sewer Privatization Hits the Mass Market," *Privatisation International*, May 1999, 6-8.

"Private Provision of Correctional Services and Industry Evolution," *Privatisation International*, July 1999, 23-24.

"Clear Trends: Improving Water and Sewer Systems Through Privatization," *ALEC Policy Forum*, December 1999, 76-79.

"Disposal Options: Privatizing Landfills In the United States," *Privatisation International*, May 2000, 29-30.

"Market Evolution: Industry Consolidation and Interstate Solid Waste Transport," *Waste Age*, October, 2000.

"Improving Infrastructure Project Delivery Through Outsourcing," with Geoff Segal, *American Consulting Engineer*, Nov/Dec 2000, 23-6.

"When Deregulation Isn't," *Intellectual Capital*, January 22, 2001.

"Why California's Power 'Experiment' Failed," with Lynne Kiesling, *Consumer's Research*, February 2001, 10-15.

"Bush's Budget and Performance-Based Contracting," *Cal-Tax Digest*, February 2002.

"Opportunity and Performance in the President's Management Agenda," *Linkage*, Summer 2002, 38-9.

"Designing a Performance-based Competitive Sourcing Process for the Federal Government," *Firmbuilder.com*, November, 2002.

"Making Privatization Work for State Governments," *ALEC Policy Forum*, February 2003.

"Stockton—Hardball and Hypocrisy," *Public Works Financing*, April 2003.

“The Terminator Takes Charge: Arnold Pushes Major Reforms,” with George Passantino in *The Ripon Forum*, Spring 2004.

“Private Participation in Rebuilding US Infrastructure,” *The Ripon Forum*, Spring 2005.

“Regulatory Takings and Oregon’s Measure 37,” with Chris Fiscelli, *ALEC Policy Forum*, April 2005.

Selected Testimony/Speaking

“The Performance of California’s Highway System,” California Transportation Commission, February 2010.

“The Roles of Participants in Public-Private Partnerships,” Transportation Research Board, January 2010.

“Private Capital Investments in Major Road Infrastructure Projects,” American Road and Transportation Builders Association, September, 2009.

“HOT Networks vs. HOT Lanes,” Transportation Research Board, July 2009.

“Integrating Congestion Pricing with Other Transportation Funding,” FHWA Congestion Pricing Workshop, May 2009.

“Solving Congestion in Mega-cities,” Chang’An University, Xi’en, China, March 2009.

“Mileage-Based User Fees for Funding Transportation,” UC Berkeley Institute of Transportation Studies, January 2009/

“Urban Congestion and Transportation Infrastructure Financing,” Congressional Budget Office, January 2009.

“Measuring Congestion and Crafting Solutions in Mega Cities,” Tongji University, Shanghai, November 2008.

“Oversight and Accountability in Infrastructure Financing,” California Little Hoover Commission, November 2008.

“Structuring Partnerships for Infrastructure Projects,” West Coast Infrastructure Partnerships Conference, October 2008.

“Funding Transportation in the Future,” Institute of Transportation Engineers Annual Conference, August 2008.

“Congestion and Urban Economic Growth,” 3rd International Conference on Transportation Finance, June 2008.

“Optimal Taxicab Regulation,” University of Alaska, February 2008.

“Changes in Federal Transportation Funding and Policy,” American Legislative Exchange Council, December 2007.

“Future Trends in Transport Finance” Second International Conference on Financing Transportation Infrastructure, September 2007.

“Congestion, Growth, and Infrastructure,” National Conference of State Legislators, December 2006.

“Funding Transportation Infrastructure,” California Senate Transportation and Housing Committee, October, 2006.

“Road Pricing and Congestion,” Association of Metropolitan Planning Organizations, October 2006.

“Agglomeration Economies and Congested Transportation Networks,” First International Conference on Financing Transportation Infrastructure, August 2006.

“Congestion and Capacity in Transportation Networks,” Transportation Research Board of the National Research Council, July 2006.

“Mobility and Transportation Networks,” American Association of State Highway and Transportation Officials, June 2006.

“Innovative Infrastructure Financing,” University of Southern California, Keston Institute for Infrastructure, March 2006.

“Public vs. Private Road Development,” Harvard School of Design, March 2006.

“New Developments in Private Toll Roads in the US,” Association of Metropolitan Planning Organizations, October 2005.

“Practical Lessons from Road Pricing in America,” presentation to the Center for Urban Infrastructure, University of California, December 2003.

“Lessons Learned from Deregulating Taxicab Markets,” testimony presented to the Colorado House Committee on Transportation, February, 2000.

“Property Rights and Competition in Transit Services,” paper presented at the annual meeting of the Western Economic Association, July 1997.

Advisory Roles

I was part of President George W. Bush's campaign policy advisory team in crafting what became the President's Management Agenda.

I am currently a policy advisor to the American Legislative Exchange Council, a professional organization of state legislators.

Professional Association Memberships

Transportation Research Board (member of Transportation and Land Development Committee)

Transportation Research Forum

Society for the Development of Austrian Economics

Southern Economic Association

Association of Private Enterprise Economics

Mont Pelerin Society