



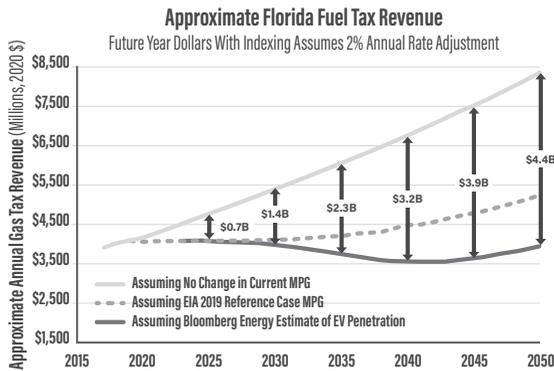
How Florida Highways Can Keep Pace with Growth

Dr. Robert Poole

Florida continues to be one of America's fastest-growing states. Last year we added more than 233,000 people, second only to Texas, which added 327,000. Thanks to Florida DOT and Florida's Turnpike, our highways have largely kept pace with this growth, but this may soon change.

The problem is that most of Florida's highways are paid for by the per-gallon tax on gasoline and diesel fuel. For the average motorist, the state gas tax (which varies by county) averages 37 cents/gallon. But the revenue stream produced by gas taxes is about to enter a long-term decline, posing a serious threat to Florida's highways.

The graph [Figure 1] shows a realistic projection of what is likely to happen. The top line shows that population and the accompanying growth in driving would keep gas-tax revenue rising—*if and only if* current vehicle fuel efficiency did not change over the next 30 years. But as new high-miles-per-gallon cars replace old gas guzzlers, the second line shows how rapidly gas-tax revenue will likely decrease during coming decades. The third line adds in the effect of projected electric vehicle sales (which use no gas at all). The bottom line is that to maintain the top line gas tax revenue, the state gas tax would have to double to 76 cents/gallon by 2035 and go to \$1.14/gallon by 2050.



Source: CDM Smith 2020 White Paper

The same problem faces all other states, but the urgency is far greater in high-growth states like Florida and Texas. A decade ago, a national commission appointed by Congress analyzed over a dozen possible solutions. Their recommendation was that, over several decades, America needs to *replace* per-gallon gas taxes with per-mile charges. These are generally called mileage-based user fees (MBUFs).

The MBUF idea has been around for a decade, but surveys show that most people haven't bought into the idea. Some see it as requiring some kind of "Big Brother" gadget in every car that reports when and where you drive. Others don't trust government to replace the gas tax with a mileage charge and are sure the MBUF would simply be a new tax in addition to the gas tax. And some state transportation agencies have focused so much on the need for new revenue that it has fanned motorists' distrust of the idea.

In a recent JMI policy study, I suggest a way forward for this much-needed change in how we pay for highways. Instead of just focusing on the need for more revenue, the idea needs to be understood as a way of saving Florida's highways from being

overwhelmed by more traffic than they can possibly handle as the state keeps growing.

We need a system that is better than the gas tax, across the board. Here are the problems that need fixing:

The gas tax cannot accommodate future vehicle propulsion choices—batteries, fuel cells, LNG, or whatever else may be used.

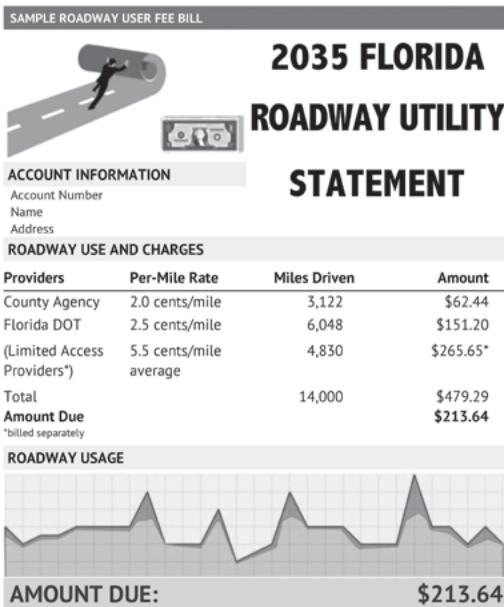
The gas tax is not transparent; most people have no idea how much they pay or where the money goes or who is responsible for spending it wisely.

The gas tax "charges" motorists the same amount to drive on two-lane country roads and major freeways, even though the latter cost far more to build and maintain.

And the gas tax is no longer a true user fee; Florida diverts nearly 14 percent of the revenue to non-highway uses.

The good news is that Florida already has a true user fee that addresses all four of those shortcomings. Electronic tolling applies to all vehicles, goes directly to the providers of the toll roads, charges enough to fully pay for costly major highways, and is not diverted to non-highway uses. Best of all, the SunPass electronic tolling system operates statewide, and is now compatible with the E-ZPass electronic tolling throughout the USA east of the Mississippi.

The SunPass system works very well on what are called *limited-access highways*—those you can only get on and get off at a limited number of places. Antennas can be located at those places to record where you get on and where you get off and charge you for the miles in between. There are no toll booths.



However, this approach would not work for ordinary highways, like U.S. 1, U.S. 41, or major state highways like SR 60. You would need antennas at hundreds of thousands of cross streets to record miles driven on those if using a SunPass type system. Given this reality, the best plan would be for Florida to start the long-term transition to per-mile charges by expanding SunPass only to all the Interstates and freeways in the state—as a *replacement* for the state gas tax on those roads. You would get a gas tax rebate for the miles you drive on tolled Interstates, calculated by the SunPass system that knows the make and model number of the vehicle, and hence its EPA-rated miles per gallon. (These kinds of fuel tax rebates are already available to trucks using the Massachusetts Turnpike and the New York Thruway, so nothing new needs to be invented to do this.)

The recommendation is that Florida

begin this transition with a master plan for all the state’s limited-access highways, figuring out—over the next two decades—which ones need major rebuilding due to aging pavement, which ones will need more lanes when, and which major interchanges need to be redesigned and rebuilt. That will make it possible to estimate the per-mile rates to be charged by the expanded SunPass tolling system.

Once this effort is under way, Florida DOT can start to reserve its shrinking gas tax monies for the rest of the state’s highways, while carrying out pilot projects to test different ways people could report their non-SunPass miles and be charged a lower rate for them. About a dozen states have already learned a lot by doing pilot projects like this, but Florida has not. As a first step, Florida DOT could join the multi-state pilot project for I-95, America’s longest north-south Interstate.

Eventually, Floridians would end up with a far more transparent and accountable way of paying for highways, getting an annual statement like a property tax bill showing what they paid for each category of roadway. In that happy future, highway bills would be as common as electric bills and water bills, and motorists would know what they are paying and whom to hold accountable for their roadways.

The future of shrinking gas tax revenues won’t be avoided—Florida must figure out how to address it with good policy.

Robert Poole is director of transportation policy and Searle Freedom Trust Transportation Fellow at Reason Foundation and a member of the Research Advisory Council at JMI.