



## T2 Explainer: What is a VMT?

*The Transportation Transformation Group is an unprecedented alliance of state government, finance, academic and private industry leaders who aspire to transform American transportation policy into a goal-based arrangement that maximizes flexibility to enhance the roles of the state and local public sectors and their private partners to solve the growing problems of congestion and mobility.*

*T2 publishes explainers to help policy makers and the public understand concepts essential to transportation transformation.*

There is a growing consensus in most transportation policy circles in Washington and state capitols that the motor fuels tax is on the decline as the funding vehicle for transportation construction and maintenance and that a replacement system is needed.

The Highway Trust Fund is broke, and the current system of transportation finance is producing only about one-third of the revenue needed to maintain and improve America's highway and transit systems. Cars are more fuel-efficient and people are driving less, meaning that there are fewer resources to do the job. But the reduction in vehicle miles traveled does not reduce the demand for better, safer and more efficient highways and mass transit.

By postponing maintenance and new construction, we have dug ourselves a pretty deep transportation hole that the nation's economy cannot afford to get any deeper. Transportation is a priority whose time can no longer be postponed.

Every major transportation group has issued policy recommendations for what Congress should do to authorize a new highway program. With varying degrees of enthusiasm, nearly all have recommended a move to a more direct "user pays" system of transportation funding based on charging for each mile driven, commonly called a Vehicle Miles Traveled (VMT) system to replace the indirect system based on fuel consumption.

Research on how to implement a VMT system is readily available from states that have experimented with VMT pilot projects. The Congressional Budget Office issued a report in March 2011 that highlights the benefits of charging road users accurately for "the

costs their travel imposes on society” to incentivize people to “limit highway use to trips for which the benefits exceed the costs, thus reducing or eliminating overuse of highways and helping identify the economic value of investments in highways.”

According to CBO, arguments in favor of a VMT include:

- Discourages trips for which costs exceed benefits.
- More accurately reflects the costs of using a highway than a gas tax.
- Can be used to charge different rates for different vehicle types, charging more for heavy trucks, for example, if the goal is to pay for road repairs.
- Can be used to charge different rates at different hours in different places (congestion pricing).

Arguments against a VMT include:

- Its efficiency is reduced depending on how hard it is to implement the system.
- Triggers concerns about privacy, particularly if technology for congestion pricing is installed, allowing data to be kept on where and when a driver travels.

The report also explores options for making VMT tracking palatable and efficient, including:

- Restricting the amount of information about a vehicle’s travel that is used in billing or restricting the kind of information that is conveyed to the government;
- Making devices appealing to the public by allowing businesses to use them to provide other services, such as real-time traffic reports or electronic payment for parking; and
- Allowing users to opt out of paying per-mile charges and instead pay higher fuel taxes.

T2 believes that transforming how American funds transportation is essential to solving the growing problems of congestion and mobility. We assert that adopting a VMT system is key to transforming America’s transportation future.

Next week: What transportation policies create value for consumers?

*T2 is happy to exchange ideas about this or any other matter related to the next surface transportation bill. Contact Billy Moore at (202) 288-0892 to set up a discussion. You can also get additional information at our website [www.trans2group.com](http://www.trans2group.com)*