

Introduction

My name is George William Dougherty, Jr., PhD and I am an Assistant Professor of Public Administration and Public Policy at the University of Pittsburgh Graduate School of Public and International Affairs. I serve as the Director of the Master of Public Policy and Management graduate program. I also serve as the Act 47 Coordinator for the Borough of Braddock and the City of Duquesne. My research focuses on public finance, municipal government, and regional intergovernmental organizations such as the Southwest Pennsylvania Commission and the Commonwealth's many metropolitan planning organizations (MPOs). My teaching is focused on policy analysis, public management, and public finance. In addition to serving on and chairing multiple committees at NASPAA, the accrediting agency for schools of public affairs, I have served as a national board member for the American Society for Public Administration (ASPA).

Piloting a Vehicle Miles Traveled (VMT) Program for Hybrid and Electric Vehicles

I'd like to begin my testimony by commending the committee for looking at ways to fund Pennsylvania's transportation system. Pennsylvania's network of highways and bridges was underfunded by approximately \$8.1 billion in 2022, a figure that is expected to grow to \$12.6 billion by 2030. The current highway and bridge system is graded as C minus, a grade that suggests negative effects on commuter travel, commerce, and leisure associated with our road system. As one example, the Commonwealth of Pennsylvania should be replacing approximately 400 bridges per year but funding only allows for 150 bridges to be replaced. Lack of funds has also limited the Department of Transportation's ability to conduct a full slate of annual bridge inspections in accordance with professional standards. As I am sure you are all aware, deferred maintenance and replacement due to lack of funds will lead to exponential growth in highway system costs to citizens, residents, businesses, and taxpayers in the future.

Many of the problems we currently face with respect to funding our highways and bridges result from the way legislators have chosen to raise revenues, particularly on our reliance the fuel tax. While taxes paid at the pump or on wholesale gasoline and diesel were initially sufficient to cover our transportation network needs, they are increasingly inadequate. Improved fuel efficiency standards in new vehicles and the failure to index fuel taxes to inflation have been key drivers of our nation's and our state's highway funding deficits. Substantial increases in Hybrid and Electric Vehicles travelling the Commonwealth's roads with further erode our revenue generation prospects.

I will note that some Federal relief did come in response to the COVID pandemic. The US Congress passed the Infrastructure Investment and Jobs Act of 2021 (IIJA), also known as the Bipartisan Infrastructure Bill, and provided substantial funding that will help with transportation improvements through 2026. However, the IIJA did not fix problems with the Federal Highway Trust Fund and the way the fuel tax is administered.

Good Tax Policy

Scholars and practitioners have identified a number of important qualities associated with good tax and governmental revenue policies. Good tax policy is **fair, adequate, simple, transparent, and easy to administer**.

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- **Fairness** generally refers to the idea that individuals pay a similar amount for similar services. It also requires that those taxes not be regressive. In other words, those who have greater ability to pay should not pay less than those who are not as well off.
- **Adequacy** suggests that good tax policy will provide enough resources to cover the short- and long-term costs of providing a service.
- **Simple** taxes are those that do not require a ton of forms or calculations to figure how much you owe.
- **Transparency** is the quality of making clear where the funds are coming from and how they will be used.
- Taxes that are **easy to administer** have the qualities of being both efficient and low cost to collect.

Assessing the Pilot Program

The currently proposed pilot project focuses primarily on the quality of fairness. Its stated intent is for those who use roads to pay a similar amount regardless of whether their passenger vehicle or light truck is powered by fossil fuels or electricity. One should note that early adoption of hybrid and electric vehicles is highest among wealthier and higher income Americans. This results in the current revenue collection system being *regressive* whereby lower wealth and lower income drivers pay more than those with greater ability to pay. In principle, setting the pilot fee structure (whether the \$380 annual fee or the rate of three cents per mile) to approximate the cost to drivers of gas and diesel light vehicles is an attempt to establish greater fairness.

The proposed pilot program meets other criteria for good tax policy as well. A per mile rate or a flat fee is simple and easy to understand. It is also easy to calculate, and payments can be collected through existing systems such as annual inspections or the vehicle registration process. Transparency could be maximized by restricting the revenues generated directly to highways and bridges.

The only standard of good tax policy the proposed pilot program fails to meet is **adequacy**. If all 63,000 current electric and hybrid passenger vehicles and light trucks pay the \$380 fee, the Commonwealth would realize \$24 million to assist with an \$8 billion funding problem. If the number of electric and hybrid vehicles on our roads doubles by 2030, we would collect up to \$48 million to assist with an estimated \$12 billion problem.

Recommendations

My primary recommendation to the Transportation Committee is to **expand** the scope and vision of the pilot program. First, I recommend setting the fee and per mile rate based on the **projected costs** associated with passenger car and light truck usage of our highways and bridges over the next five years. Using cost projections will move us closer to meeting the adequacy standard of good tax policy. Setting those rates using revenues gained from the past 10 years locks in the revenue losses accrued to fuel efficiency improvements and inflation.

I would also suggest expanding the pilot to consider the value of a Vehicle Miles Travel (VMT) system for **all passenger vehicles and light trucks** using the Commonwealth's highway system. Including a sample of gas- and diesel-powered light vehicles to the pilot would provide valuable information on the revenue generated, their driving habits, willingness to pay, and effect on the transportation system. Participating

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drivers would pay the fee or rate established under the pilot program and be reimbursed for their fuel tax costs annually or at the end of the pilot period. Again, fees should be set based on their expected near-term cost to the transportation infrastructure with an eye on covering the real costs of capital investments and maintenance needs of our highways and bridges.

My secondary recommendations are intended to maximize the long-term benefits to the highway system. First, once rates and fees are established to cover the real costs of highway and bridge investment and maintenance, those rates must be indexed to inflation. Failing to do so simply robs future generations of the ability to afford our incredibly beneficial highway assets.

Further, I urge the Transportation Committee to consider fairness in a much broader sense. My research for this testimony led me to several studies that suggest our current revenue generation system is ***unfair across classes of vehicles*** based on their mileage and degradation of the infrastructure. Studies in North Carolina, Oregon, Indiana, Minnesota, Idaho, and Nevada suggest that drivers of light vehicles (Classes 2 & 3) pay substantially more than their fair share to fund highway infrastructure than heavier, multi-unit vehicles (Classes 8-13). Improving fairness of revenues generated among vehicle classes and basing fees and rates on the cost of maintaining our highways and bridges will assist us with improving the adequacy of our transportation revenue generation efforts.