



Frequently Asked Questions on Toll-Financed Interstate Reconstruction

By Robert W. Poole, Jr.

Many governors and state DOTs are asking Congress to remove the federal ban on charging tolls on Interstate highways. The President's transportation budget proposal calls for doing this, for the purpose of reconstructing aging Interstates. Reason Foundation supports this idea in principle, as long as highway users are protected in specific ways. Here are answers to a number of frequently asked questions about this idea.

1. Since the Interstates have already been paid for via fuel taxes, why should anyone even consider tolls for these highways?

A highway is never “paid for.” As soon as it is built, it begins to break down. With proper maintenance, it can last for its full 50-year design life, after which it needs to be completely rebuilt. Many portions of the Interstate system are already at that stage, and nearly all the rest will need rebuilding within the next 20 years. *Rebuilding* these vital corridors will cost at least a *trillion dollars*.¹ But today's fuel taxes can barely pay for highway *maintenance*.

2. Wouldn't increasing the gas tax be a simpler solution?

Federal and state gas taxes are allocated to dozens of different highway and transit programs, many of them wasteful. In the real world, any gas tax increase large enough to make a dent on Interstate reconstruction would be spread across all existing programs, leaving Interstate modernization short-changed. That's why we need a new *dedicated* revenue source to rebuild and modernize the Interstates *instead of* an increase in gas taxes.

3. Wouldn't Interstate tolls be a new tax on driving?

Not if they are implemented as true user fees to *replace* current fuel taxes. When Congress removes the current federal ban on tolls on the Interstates, it must set conditions for doing so. One key condition would be to avoid making motorists and truckers pay both fuel taxes and tolls for the same Interstate. With electronic tolling, it is easy to provide fuel tax rebates to motorists for the miles driven on tolled highways. Highway user groups should insist on such rebates. (Note: Massachusetts already has a fuel tax rebate system for the Massachusetts Turnpike.)

4. Politicians have used some toll roads as cash cows to pay for many other things besides the tolled highway. Wouldn't that also be the case here?

Congress must protect motorists and truckers by requiring that new Interstate toll revenues be used *only* for the capital and operating costs of the rebuilt Interstates (including debt service on the bonds issued to finance reconstruction). Each state that opts to introduce tolls will also need enabling legislation, so highway users must push hard for similar state restrictions on the uses of the new toll revenue.

5. How high would the new toll rates be?

If the toll rates are set to cover only the capital and operating costs of the modernized Interstates, our research shows that a 3.5¢/mile toll for cars (and 14¢/mile for heavy trucks) would be sufficient for long-distance Interstates.² Urban Interstate toll rates would be somewhat higher.

6. Wouldn't a tolled Interstate lead to many cars and trucks diverting to parallel roads to avoid the toll?

Some people won't pay a toll if there is a free alternative, even if the free road is lower quality (speed, pavement condition, etc.). But how much diversion occurs depends on how high the tolls are. If the tolls can only be used for the capital and operating costs of the tolled highway, the toll rates will be lower than on those current toll roads that divert a lot of revenue to other highways, transit, and even real estate (such as the World Trade Center). *Eliminating revenue diversion will significantly reduce traffic diversion.*

7. Toll booths and toll plazas cause long delays and even rear-end collisions. Wouldn't Interstate tolling only add to congestion and accidents?

Nearly all existing toll roads are phasing out toll booths and toll plazas, replacing them with highway-speed *all-electronic tolling*. AET uses low-cost transponders on the windshield to electronically debit your prepaid customer account. The E-ZPass system operates in 15 states, and California, Florida, and

Texas each have a single statewide electronic tolling system. For newly rebuilt toll-financed Interstates, there would be no toll booths or toll plazas—just high-speed all-electronic tolling.

8. The trucking industry says collecting tolls eats up 20 to 30% of the revenue just on collection costs. That seems like a wasteful way to go.

Those cost estimates are based on 20th century cash tolling. Today’s newest all-electronic toll systems need only about 5% of the revenue for collection purposes, thanks to the much lower cost of transponder-based tolling.³ That is in the same ballpark as the cost to collect fuel taxes. Such low-cost transponder tolling is in operation *today* on newer toll roads in Colorado, Florida, and Texas.

9. Wouldn’t electronic tolling require a GPS box in every car so the government would track when and where you drive?

Absolutely not. All that’s needed for toll-financed Interstates is state-of-the-art *transponder*-based tolling, which has been widely accepted in more than 30 states with toll roads and bridges. And toll accounts are operated either by state toll agencies or private firms under long-term contract, not “the government.” Tough privacy laws are needed to protect toll accounts from government snooping.

10. If I travel between states, wouldn’t I need a whole set of transponders on my windshield?

No. In the 15 E-ZPass states of the Northeast and Midwest, there is complete “interoperability,” so you have one toll account and just one transponder, no matter which of those states you drive in. Florida, Georgia, and North Carolina are working to make their systems compatible with E-ZPass within the next year or so. Kansas, Oklahoma, and Texas are making their systems interoperable. The toll industry is committed to *nationwide* interoperability by 2016. There is also a start-up company developing a smartphone app that would let you use your phone for electronic tolling nationwide.

11. Wouldn’t tolls on Interstates benefit the rich and hurt the poor?

Everybody pays for the highways they use. Today, we pay via gas taxes on each gallon we consume. In the future, we will pay per mile driven, ensuring that everyone continues to pay for their use of the roads, regardless of how their car is powered. Wealthier people drive more miles per year than lower-income people, so they would continue to pay more under a toll system, just as they do today under the gas-tax system.

For further information, please consult the following:

Robert W. Poole, Jr. and Adrian Moore, “Ten Reasons Why Per-Mile Tolling Is a Better Highway User Fee than Fuel Taxes,” Policy Brief 114, Reason Foundation, January 2014
(www.reason.org/files/why_tolling_is_better_than_fuel_taxes.pdf)

Robert W. Poole, Jr., “Value-Added Tolling: A Better Deal for America’s Highway Users,” Policy Brief 116, Reason Foundation, March 2014
(www.reason.org/files/value_added_tolling.pdf)

Endnotes

- ¹ Robert W. Poole, Jr., “Interstate 2.0: Modernizing the Interstate Highway System via Toll Finance,” Policy Study 423, Reason Foundation, September 2013 (www.reason.org/studies/show/modernizing-the-interstate-highway)
- ² Poole, “Interstate 2.0”
- ³ Daryl S. Fleming, et al., “Dispelling the Myths: Toll and Fuel Tax Collection Costs in the 21st Century, Policy Study 409, Reason Foundation, November 2012 (www.reason.org/news/show/myths-toll-and-gas-tax-collection)