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Grants To Go To Programs That Generate User Fees for Transportation.

DALLAS — States have been invited to experiment with user-based transportation funding mechanisms that go beyond the traditional gasoline tax under a new competitive federal grant program outlined Tuesday by the Federal Highway Administration.

The Surface Transportation System Funding Alternatives Program, which was authorized by the recently enacted five-year Fixing America's Surface Transportation (FAST) Act, provides $15 million in fiscal 2016 for the pilot program to determine how to charge road users. Allocations in the FAST Act for the user-fee grants include $20 million in each of the next four years.

Revenues from the federal fuels taxes of 18.4 cents per gallon of gasoline and 24.4 cents per gallon of diesel are insufficient to meet the nation's need for transportation infrastructure investment, said Transportation Secretary Anthony Foxx.

"What is clear is that more investment in transportation is necessary to prepare for an increasing strain on the system in the upcoming decades," Foxx said. "A reliable funding source is at the heart of a robust surface transportation system so commuters can get to their jobs, businesses can run their operations and freight shippers can move their goods."

Congress mandated that the grants go toward implementation of at least two alternative revenue collection mechanisms.

The grants are available only to state transportation departments or groups of states.

Projects must demonstrate a user fee-based structure with an ability to maintain the long-term financial health of the Highway Trust Fund, the FHWA said. The federal share of a pilot program cannot exceed 50%.

States can use the competitive grants to refine existing pilot projects or help launch new ones. A proposed user-based revenue mechanism, which cannot be a toll, must consider personal privacy and the use of private vendors to collect the fees, FHWA said.

"The mechanism would ultimately need to demonstrate that it could effectively collect federal user fee revenue and be scalable nationally, but it could also be used to collect state user fee revenue," FHWA spokeswoman Nancy Singer said.

Federal user fee revenue will not actually be collected during the initial phase, she said.

"The pilot approach would demonstrate how it could be collected," Singer said.

Oregon in mid-2015 implemented a limited road funding program based on vehicle miles traveled. The initial VMT program is limited to 5,000 cars and light commercial vehicles, with motorists paying 1.5 cents per mile rather than the state gasoline tax of 30 cents per gallon.

Reps. Peter DeFazio, D-Ore., and Eleanor Holmes Norton, D-D.C., asked Foxx in early January to quickly implement the user-based revenue grant program. DeFazio is the ranking Democrat on the House Transportation & Infrastructure Committee and Norton is the ranking member on the committee's highways and transit panel.

"The FAST Act is a great achievement, but it does not resolve the long-term solvency challenges of the HTF," DeFazio and Holmes said in a joint letter. "To ensure that we are not in the same position four years from now, we must immediately begin to identify real, workable funding solutions to carry our surface transportation programs through the 21st century."

The FAST Act provides $286 billion of federal funding for highways and public transit through fiscal 2020 but the fuel taxes and other levies will bring in only about $200 billion over the five years. Approval of the FAST Act by Congress in late November required the transfer of $70 billion from the general fund to supplement the tax revenues dedicated to the HTF.

Lawmakers have transferred more than $143 billion into the HTF since 2008 to support the fuel taxes.

The Bond Buyer

By Jim Watts

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