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To Fund The Subways, Charge Drivers More: And A Vehicle-Miles-Traveled Tax Should Be Part Of The Equation

By Carol Kellermann
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The Metropolitan Transportation Authority needs about $32 billion over the next five years to repair, replace and improve its facilities, notably the vast and essential mass transit system. It only has about $13 billion.

The $19 billion hole requires a new way of thinking about how we fund mass transit — and specifically how much drivers of cars and trucks should pay. Advances in technology make it possible to take a new look at the issue.

Drivers already pay about 11% of MTA mass transit costs through bridge and tunnel tolls, state license and registration fees, and gasoline taxes. The Citizens Budget Commission I lead recommends drivers cover 25%. Our funding model, known as "50-25-25," would have transit fares cover half the cost, general tax subsidies another 25% and motor vehicle cross-subsidies 25%.

The reason to raise the motor vehicle drivers' portion is twofold: First, drivers benefit from mass transit, which reduces congestion by taking other drivers off the road; second, motor vehicles have harmful environmental consequences — air pollution and greenhouse gas emissions — that should be reduced through financial incentives. Vehicle emissions now constitute roughly one-third of all greenhouse gases.

How might motor vehicle drivers pick up more of the tab? The best strategy is for the State of New York to create a new revenue stream to support borrowing that fills the gap in the capital plan and contributes 25% of the MTA's operating costs as well. The total needed new revenue from this source is about $2.1 billion annually.

A recent Citizens Budget Commission report analyzes four options for generating sufficient additional revenue from motor vehicle user fees: increased registration fees; a higher gasoline tax; new tolling policies, and a new "vehicle-miles-traveled" (VMT) tax.

The first two options have limited potential to address a funding gap of this magnitude. Setting them at levels competitive to other states can yield only about 3% to 8% of the gap. Even raising gas taxes to a level well above other states — 50 cents a gallon, for instance — would yield less than a quarter of the needed funds.

The greatest potential for raising the needed money can be found in new tolling policies, such as those proposed in the Move NY plan, and an innovative new VMT tax.

The Move NY plan would lower tolls on outer-borough bridges and impose new tolls at all entry points to the Manhattan central business district. The plan also provides funds for regional highways and bridges, as well as additional funds for mass transit service.

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Good ideas, long overdue.

VMT taxes charge vehicles based on the number of miles driven. There is already a precedent in New York State, which imposes a tax on commercial trucks based on a vehicle's weight and number of miles traveled. Vehicle owners pay their taxes quarterly, with compliance ensured through audits.

A pilot program for a more comprehensive VMT tax in Oregon outfitted participating cars with GPS devices to record in-state mileage; the data were transmitted at specific service stations when drivers purchased fuel.

Future VMT taxes may rely on new technology combining GPS and E-ZPass-like hardware to record and transmit miles for periodic billing and payment, with privacy protections. If smartly designed, a VMT tax could replace the gasoline tax — and be used to fund highway and bridge projects statewide as well as mass transit.

It's time to rethink how we fund the MTA and the state's network of highways and bridges. Our elected leaders should implement, over a period of years, some combination of a VMT tax and more rational tolling to sustain and improve transportation facilities. The economy of the region and the state — and millions of jobs — depends on it.

Kellermann is president of the Citizens Budget Commission.