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John Hood's Daily Journal

No To "All Of The Above"

By [John Hood](#)

August 25, 2008

RALEIGH – Brad Wilson, an executive at Blue Cross Blue Shield of NC, also chairs the 21st Century Transportation Committee. It is expected to issue a recommendation for major action in the 2009 legislative session.

Wilson [knows](#) what he [wants](#) that action to be: an average of \$1 billion a year in new transportation taxes, fees, and tolls. That would be an increase in transportation-related charges of about one-third from current levels. It's not going to fly, and no one should pretend that it will.

Most fiscal conservatives [agree](#) that state residents would benefit from greater investment in transportation. We have unmet needs manifest in stifling congestion, poor pavement conditions, and unsafe bridges. "The current funding model for transportation needs in North Carolina is failing us and will continue to fail us going forward," Wilson told the committee. [He's right.](#)

But Wilson's "10 for 10" plan – to raise \$10 billion in new transportation revenues over the next decade – is unrealistic and incoherent. Instead of distinguishing between good and bad ideas for reforming highway finance, he just includes them all in a list of proposed exactions that includes higher gas and car taxes, new local sales taxes, tolls, and odometer-based charges per miles driven.

This is a case where "all of the above" is precisely the wrong answer. There's a history here – a reason why state government is involved in the transportation business in the first place. Private firms and public-private partnerships built most of the early roadways, but travelers were so prone to evade toll booths that revenues were perpetually insufficient. When the automobile came along, drastically increasing the efficiency and thus the use of ground transportation, governments found that they could finance road construction by taxing the sale of motor fuels, which roughly comported with how much households and businesses used the roads.

In recent decades, technological innovation has changed the rules of the game. Increased fuel efficiency has reduced the revenues the state collects per mile of travel. Electronic sensing and database technologies allow roads to be tolled without requiring motorists to stop and with variable prices to reflect commuting times and traffic patterns. In the not-too-distant future, it may also be feasible for vehicles outfitted with tracking devices to be charged monthly according to how where and how much they drive, permitting governments to get out of the business of charging drivers indirectly through gas taxes. And it may come to pass, sooner rather than later, that innovations in battery storage will allow electric cars to be truly competitive with traditional gas engines, changing the composition of the motor fleet and further invalidating the gas-tax model.

Whatever North Carolina does today, to address our short- and medium-term needs, ought to be consistent with our long-term vision of how transportation should be financed and managed. Furthermore, any proposals to raise taxes, fees, or tolls must **follow** reforms of the Department of Transportation so that motorists can be sure their dollars will be well-spent, not frittered away on low-priority projects in less-traveled corners of the state.

So I'd amend Brad Wilson's plan. Actually, I'd cut it in half. Let's call it the "5 in 5" plan:



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- Embrace his call for more tollways, including not just new roads but also [high-occupancy toll \(HOT\) lanes](#) on existing limited-access highways such as I-95.
- Eliminate all non-highway uses of current highway-derived taxes.
- Reform the DOT funding formula, placing the highest priority on bridge safety and on road projects that will alleviate the most congestion and move the most traffic per dollar invested.
- Set benchmarks for performance and hold both DOT officials and local planning organizations responsible for meeting them, much as Texas has [just set a goal](#) of reducing urban congestion by 50 percent over 20 years.
- Combining tolls and redirected highway taxes, set a goal of investing \$500 million more a year over the next five years in the highest-priority projects in North Carolina. Don't be distracted by the scary notion that there are \$65 billion in unmet future needs – that's more of a long-term aspiration than a basis for current legislation.

After the first five years, lawmakers and the [Fill in the Blank] administration can reassess needs on the basis of a sensible list of priorities. If additional revenue is truly needed, policymakers should be willing to offset any additional tolls or travel-based taxes with reductions in general state income or sales taxes, so that North Carolina's overall tax burden doesn't rise further (it's already above-average now, according to the latest data).

What they absolutely shouldn't do is move North Carolina transportation further away from "user-pays" by authorizing new sales taxes or encouraging localities to spend more property tax dollars on roadways. Transportation is a [mostly private industry](#), utilizing infrastructure that is state-owned but largely financed by users. This model needs to be updated, not discarded.

Hood is president of the John Locke Foundation.

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