

SJR 385



Fuel Efficient Vehicles and
Transportation Funding

2007 Interim

Housekeeping

- ❑ Maximum of four meetings for 2007 interim.
- ❑ All meetings must be completed by November 30, 2007.
- ❑ Final Report completed before January 10th 2008.

Purpose

- ▣ Study long-term solutions for transportation funding that are not dependent upon revenue generated from a motor vehicle fuels tax. In addition, the joint subcommittee shall consider ways to promote the use of hybrid and fuel-efficient vehicles, which might include the development of tax incentives for the use of such vehicles.

The Basics...

- ❑ Framework: Virginia Fuels Tax Act (Section 58.1-2200 et seq.)
- ❑ Motor Fuels
 - Gasoline and Gasohol: ethanol/gasoline mix
 - Blended Fuel: a mixture composed of gasoline or diesel fuel and another liquid that can be used as a fuel in a highway vehicle.
 - Diesel Fuel: any “liquid that is suitable for use as a fuel in a diesel powered highway vehicle or watercraft”
- ❑ Alternative Fuels
 - Defined as “a combustible gas, liquid, or other energy source that can be used to generate power to operate a highway vehicle and that is not a motor fuel.”

The Basics...

□ Motor Fuels Tax

- Gasoline and Gasohol = 17.5 cents/gallon
- Diesel fuel = 17.5 cents/gallon
 - Contingent effective rate = 16 cents/gallon
- Blended Fuel
 - Gasoline blend = rate for gasoline, 17.5 cents/gal.
 - Diesel blend = rate for diesel fuel, 17.5 cents/gal.

The Basics...

▣ Alternative Fuels Tax

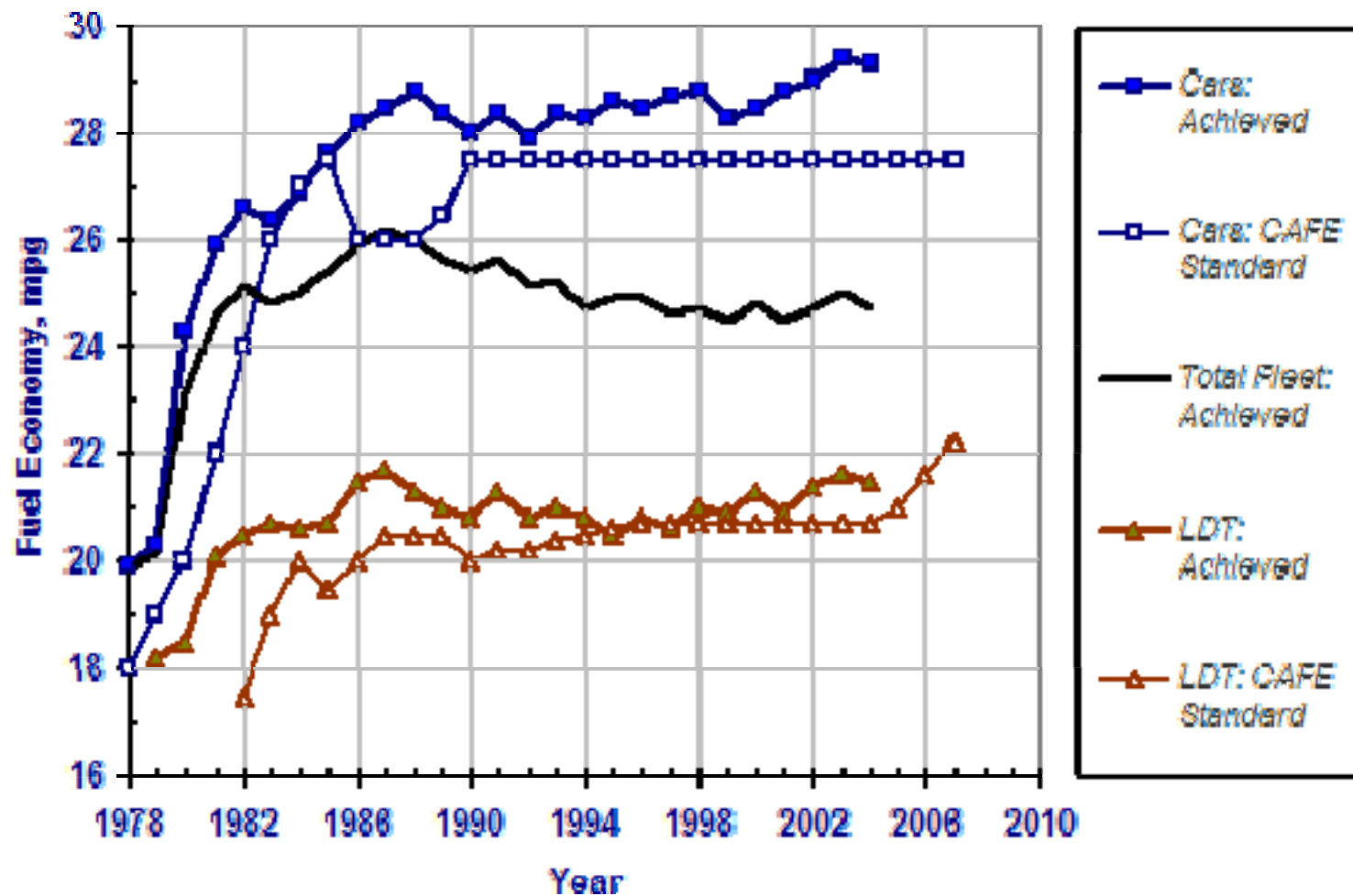
- Liquid Alternative Fuel = 17.5 cents/gallon
 - ▣ Contingent effective rate = 16 cents/gallon
- All “Other” Alternative Fuel = The Commissioner of the DMV shall determine the equivalent rate applicable to such other alternative fuels. (Section 58.1-2249(A))

The National Perspective

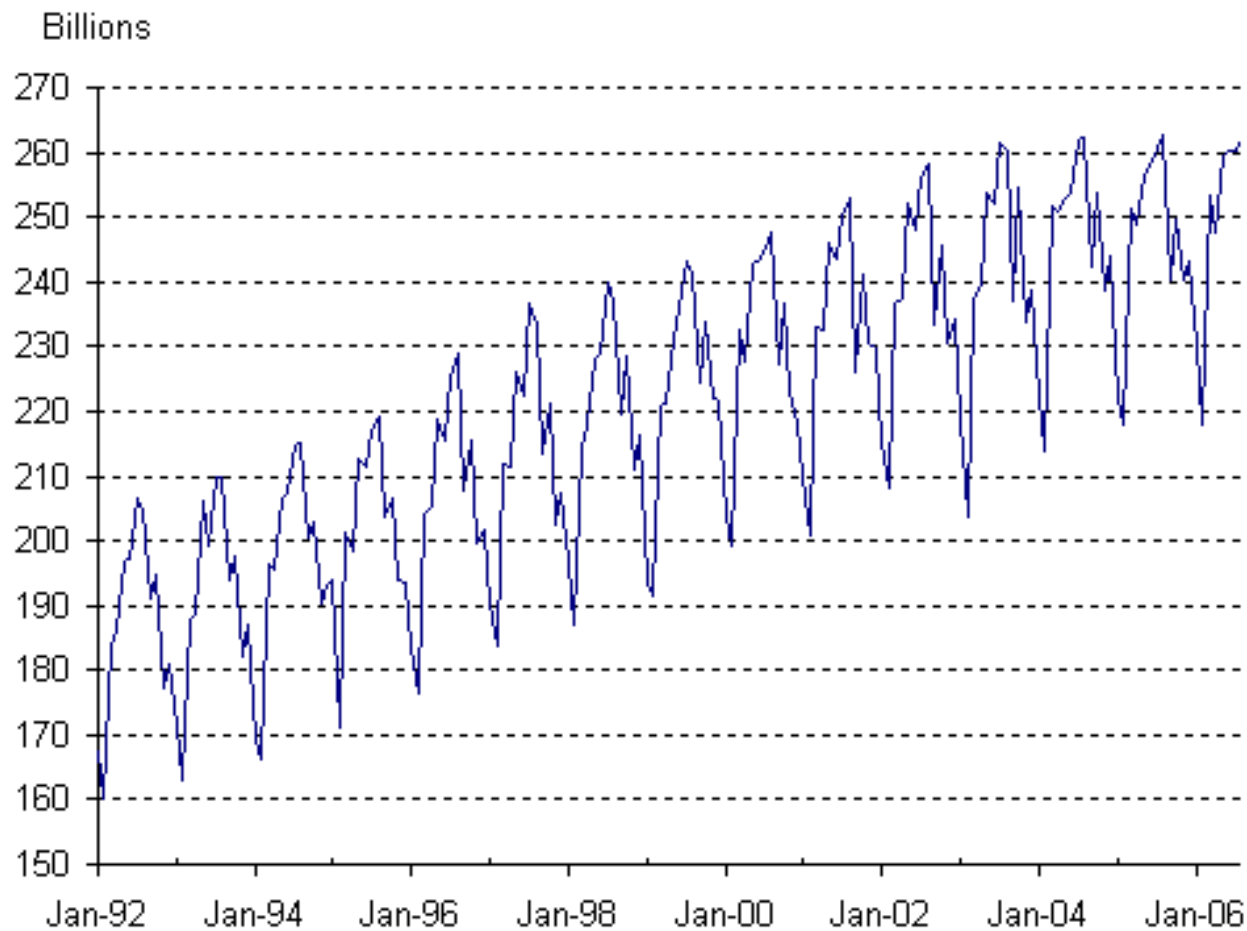


Fuel Economy, Alternative
Fuels, and Road Use

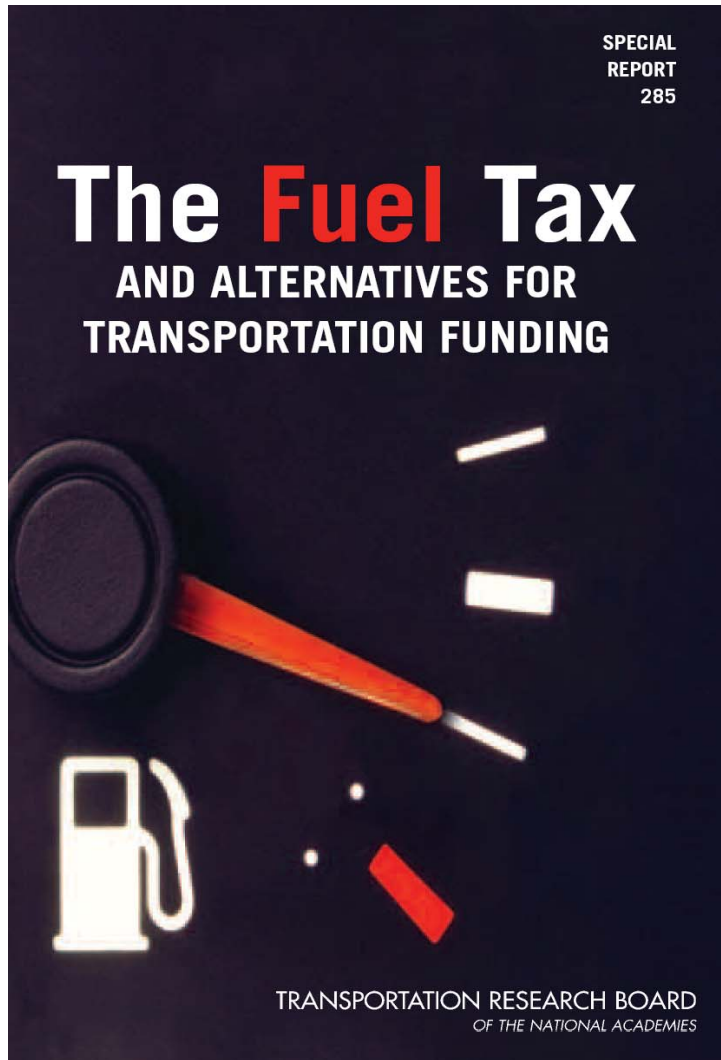
US Fuel Economy History



Vehicle Miles Traveled/Year in US



Resources



- Report published by the National Academies in 2006 (230+ pages).
- Purpose:
 - Asses threats to the viability of the present finance system.
 - Identify directions for reform of transportation finance.

Observations

- ❑ Possible 20% reduction in average fuel consumption per vehicle mile by 2025.
- ❑ Increase demand for electric and hybrid vehicles.
- ❑ Present fuel tax financing system is an inefficient transportation funding mechanism.

Average User Fee/Miles Traveled: National

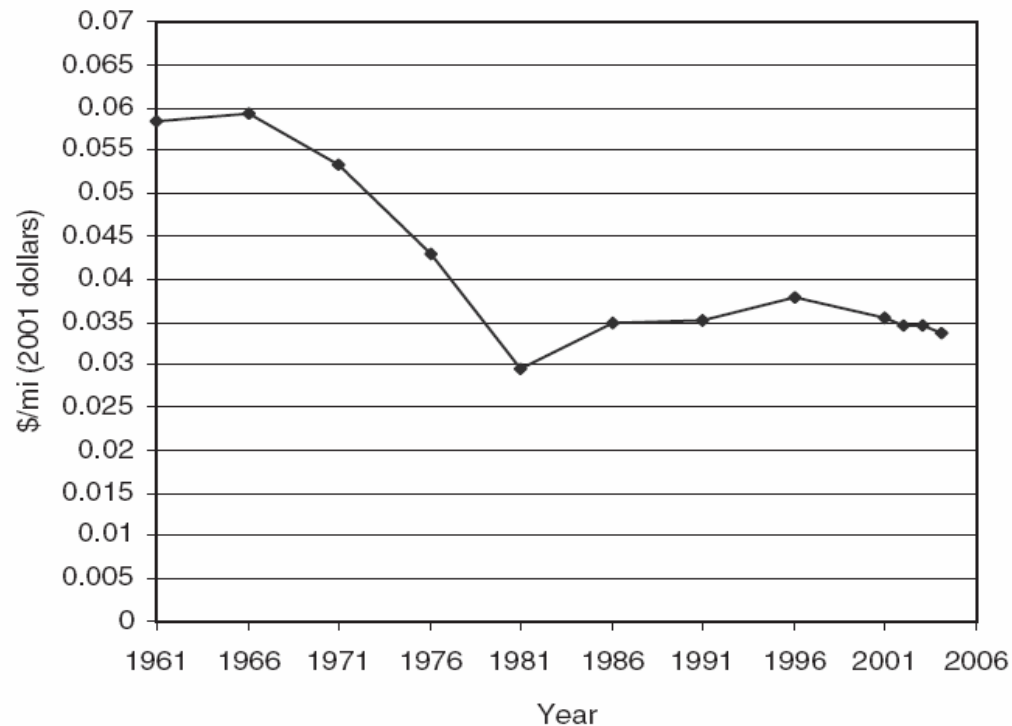


FIGURE 2-1 Average user fee, 1961–2004. (Sources: FHWA various years, Table HF-10; FHWA 1997, Table HF-210.) Price index is gross domestic product implicit price deflator (BEA 2002, 135; BEA 2005, 188–189).

Highway Expenditures/User Fee Revenue: National

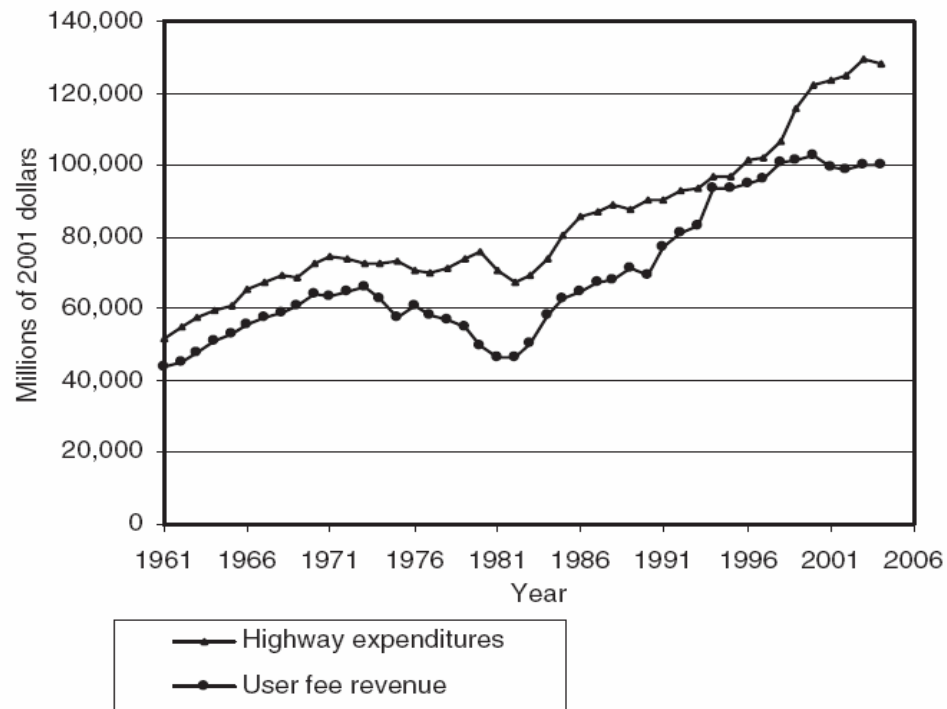


FIGURE 2-10 Highway user fee revenue and highway expenditures, 1961–2004. (Sources: FHWA various years, Tables HF-10, FE-10a.) Price index is gross domestic product implicit price deflator (BEA 2002, 135; BEA 2005, 188–189).

Conclusions of the Report

- ▣ Although the present highway finance system can remain viable for some time, travelers and the public would benefit greatly from a transition to a direct mileage-based user fee.
- ▣ Roadmap...
 - Short Term = Fuel tax and registration fee increases
 - Short Term = Toll roads and toll lanes
 - Long Term = Mileage based user fee
 - Long Term = Time and location based user fee

Questions?



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