CLIMATE CABINET EDUCATION

Transportation 101: VMT Pricing

Funding transportation departments is important. A well-maintained transportation infrastructure – with quality roads, bridges, and sidewalks – is what allows us to get to work, visit our friends, and go to our kids' soccer games. At the same time, we know that modes of transportation that are overly dependent on polluting sources make our communities sick and reduce our quality of life. As we continue to electrify and decarbonize, we will need to make sure we implement policies that keep transportation departments funded while also continuing to build up the clean energy economy.

Widely adopting electric vehicles (EVs) is essential to reducing people's personal transportation costs and to decarbonizing the transportation system. However, although critical, this transition will inevitably reduce motor fuel tax revenue as people buy less gas. Vehicle Miles Traveled (VMT) pricing – which charges a user fee based on miles driven – is among the most viable alternatives to gas tax revenues. Early tests show that it can be securely implemented and produce stable revenue equitably. It also has the added benefit of establishing a transportation funding structure with improved stability and greater fairness for users.

VMT PRICING: WHAT IS IT AND WHAT ARE ITS BENEFITS?

- VMT Pricing (sometimes called mileage based user fees) is a charge levied on drivers based on the total number of miles driven across the *entire* roadway network.
- As the motor fuel tax produces less revenue as both EVs and more fuel efficient cars are adopted, VMT pricing provides governments a way to continue to pay for road maintenance, bridges, sidewalks, bike lanes, and transit.
- There are many benefits to using VMT pricing instead of motor fuel taxes.
    - VMT pricing is fairer because it is a "true usage" fee that charges drivers based on how much they drive. VMT pricing allows for governments to implement a funding system that accounts for all the impacts of usage, including wear on roads, rather than relying on an indirect measure like fuel use.
    - VMT pricing is more stable, because it's based only on system usage. This will allow for policymakers to have stabilized revenues even as transportation technologies and fuel sources change.
    - Fees can be designed with fairness in mind with lower fees charged in rural regions or to commercial vehicles, older, disabled, or low-income drivers. Likewise, fees can incentivize certain travel decisions, like lower fees for vehicles that are safer and put less stress on infrastructure.
    - There are numerous viable technological and administrative options available to implement VMT pricing such as simple odometer checks at vehicle registration time and transponders. Such tools can be incorporated into already existing transportation revenue systems like toll roads.

- It's important to note that VMT pricing and tolls are *not* the same. Tolls charge for use of a specific transportation facility such as a bridge, tunnel, or expressway. Tolls provide exclusive access to such facilities to pay for construction and maintenance costs.

IMPLEMENTATION

- Existing technology and early pilots show it is possible to generate revenue for the transportation system using VMT pricing, but transitioning away from motor fuel taxes as a primary source of revenue for transportation will present challenges. Several things can be done to smooth the transition, engage stakeholders, and test available technology:
    - Pilot programs provide critical information about what methods work by testing technology and administration before widespread deployment. These should continue and be expanded once proven successful.
    - Major stakeholders, especially the trucking industry, should be engaged as early as possible. Logistics industry groups are uniquely impacted by how transportation funding works and could be early adopters for programs.
    - States and local governments should work with surrounding jurisdictions to develop compatible programs to ensure that VMT pricing can be effectively administered across jurisdictional lines. Existing partnerships like EZPass can be used as models.
- Because VMT pricing is designed to replace the motor fuel tax, other transportation revenue sources should be maintained including tolls, taxes, and registration fees. Replacing fuel taxes with VMT pricing presents an opportunity to update other revenue streams to ensure greater stability, fairer structures, and more revenue.

CURRENT STATUS OF VMT PRICING

- An increasing number of states have enacted or are preparing VMT pricing pilots and four states (Hawai'i, Oregon, Utah, and Virginia) have established permanent statewide programs, although none have abandoned fuel taxes yet.
- Revenue impacts and administration of VMT pricing are still being studied and piloted, but so far the results show that VMT pricing is a viable alternative to motor fuel taxes.
- Public support is growing thanks to frustration with the current funding system and voters becoming more familiar with the concept of VMT pricing.
- Pilots across several East Coast states (including North Carolina and Pennsylvania) show VMT pricing does not negatively impact rural drivers and may save them money since users are not penalized for needing a larger vehicle.
- Different states have piloted different models. Oregon has created a voluntary opt-in structure whose participation level is low, Virginia has created a scalable flat-fee structure for all fuel-efficient cars, and in 2025 Hawai'i implemented a mandatory VMT pricing system for the owners and operators of electric vehicles. This program started with a dual payment system that allows EV drivers to either pay a flat $50 annual vehicle registration surcharge or a per-mile fee.
- States and local governments do not need federal support to launch studies, pilots, or partnerships with other states to develop VMT pricing systems.