

# *Modernizing Wisconsin's Interstate Highways*

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# *Two major problems for U.S. and Wisconsin highways*

- ✦ The need to rebuild aging and inadequate Interstates.
- ✦ The coming decline of per-gallon fuel taxes.
- ✦ Solving the first requires dealing with the second.

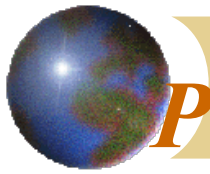
# *TRB Future Interstates Report\**

- ❖ Interstates are wearing out; nearly all must be rebuilt over next 3 decades.
- ❖ Many corridors also need widening.
- ❖ Basic cost estimate: \$57 billion/year for next two decades.
- ❖ Federal fuel tax increase to do this would be over 300%.
- ❖ Congress would likely spread any increase over all of surface transportation.

\*December 2018

## *Two national commissions recommended replacing fuel taxes*

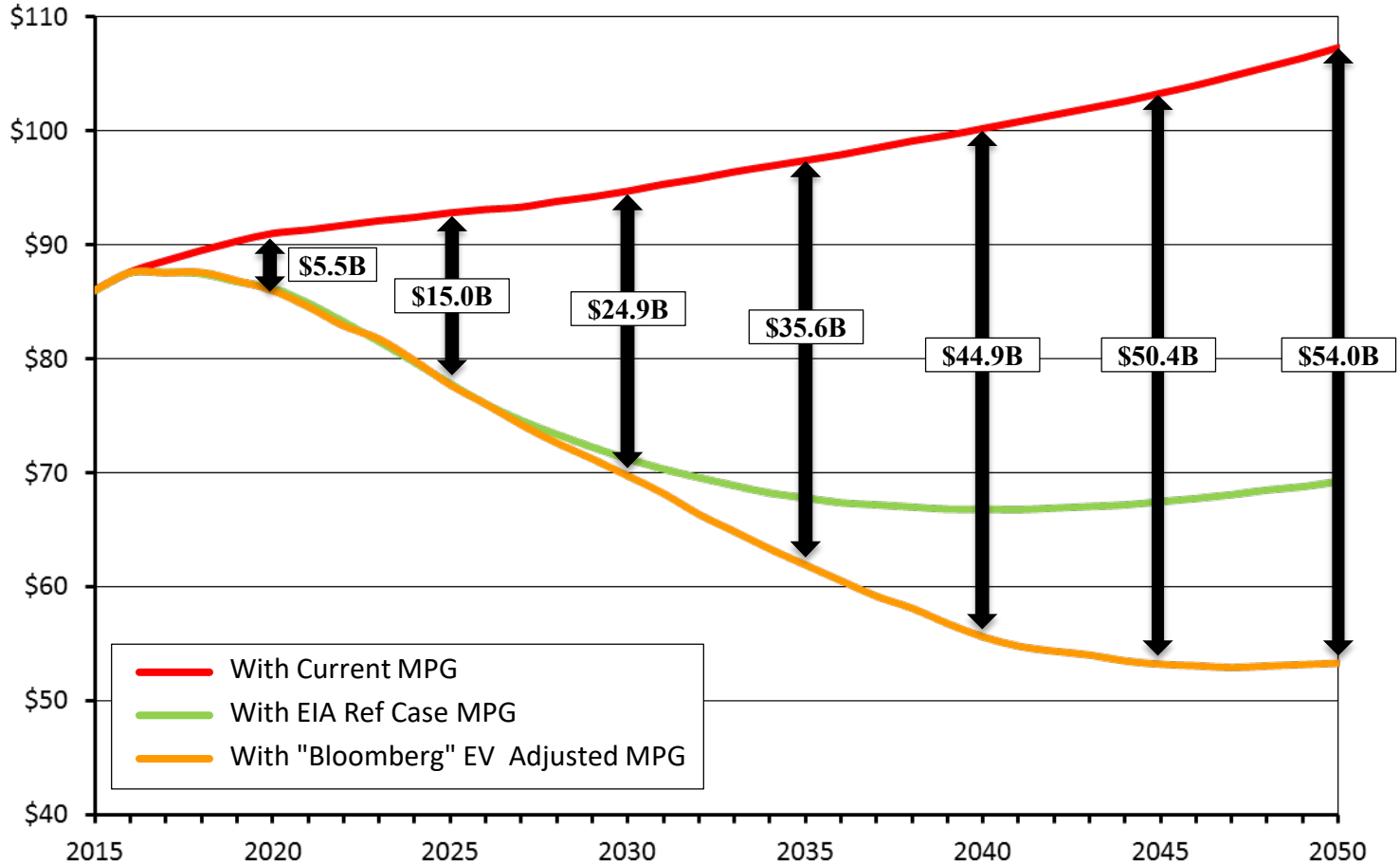
- Policy & Revenue Commission, 2007
- Transportation Financing Commission, 2009
- Federal mpg standards means cars go much farther per gallon used.
- Hybrid and electric cars use less or zero fuel
- Both recommended shifting from taxing per gallon to charging per mile.



# Projected State/Federal Fuel Tax Revenue

2017 Dollars; Assumes Nominal \$0.47/Gal. Combined Average Tax

Approximate Annual Gas Tax Revenue (Billions, 2015)  
(Assumes Overall Average State and Federal Tax of \$0.47/Gallon)



# *The status quo will not rebuild Wisconsin's aging Interstates*

- Indexed Wisconsin fuel tax would not come close to rebuilding its Interstates.
- Odds of major new federal Interstate program are very low.
- Hence, states (which own the Interstates) need to figure out a better way forward.

## *Toll-financed Interstate modernization could address both problems*

- ⊕ A per-mile electronic toll *is* a “mileage-based user fee.”
- ⊕ If used to rebuild Wisconsin Interstates, it could be charged *instead of* fuel taxes.
- ⊕ Toll revenue can be bonded, raising billions up-front to fund reconstruction and widening.
- ⊕ Toll bond buyers insist on proper, ongoing maintenance.
- ⊕ Thus, tolled Interstates would free up remaining federal/state fuel taxes for all other highways.

## *21<sup>st</sup>-century all-electronic tolling*

- ⊕ No toll plazas; all tolls collected at highway speed.
- ⊕ Collection costs very low with prepaid accounts and windshield transponders.
- ⊕ E-Zpass compatible east of Mississippi.
- ⊕ System design can deter going around toll points.
- ⊕ Revenues can and should be dedicated solely to Wisconsin Interstates.



## *What about federal tolling restrictions?*

- ❁ 1956 law bans tolling “existing” Interstate lanes; also bans commercial rest areas.
- ❁ Congress has carved out 3 tolling exceptions:
  - ❁ 3-state pilot program allows one toll-financed corridor reconstruction per state.
  - ❁ Bridge exception allows replacing non-tolled Interstate bridges with tolled ones.
  - ❁ Value Pricing exception allows variable pricing of all lanes on congested urban Interstates.

## *Other states are moving forward with these exceptions*

- ❖ Value Pricing exception: Oregon (I-5)
- ❖ Bridge exception: Connecticut, Indiana, Oregon (I-205), and Rhode Island
- ❖ Note: FHWA defines a bridge as any crossing longer than 20 ft.
- ❖ RI program in operation, OR tentatively approved, CT and IN proposed.
- ❖ So far, no way around ban on commercial service plazas.

# *How to make tolled Interstates customer-friendly*

- ⊕ Charge tolls *instead of* fuel taxes on rebuilt corridors.
- ⊕ *Limit* use of revenue to the capital and operating costs of the rebuilt Interstates.
- ⊕ Begin tolling a corridor only *after* it is rebuilt.
- ⊕ *All vehicles* pay tolls, since all benefit from the modernized Interstates.
- ⊕ Charge the *same tolls* to in-state and out-of-state vehicles.
- ⊕ Allow *real service plazas* on rebuilt Interstates.

Note: Congress could make removal of the 1956 bans contingent on this customer-friendly approach.

## *Wisconsin's 2016 Interstate tolling study*

- ⊕ Explained 21<sup>st</sup>-century tolling
- ⊕ Assessed transportation fund solvency
- ⊕ Estimated car and truck toll revenue if Interstate corridors were tolled.
- ⊕ Did not assess:
  - ⊞ The cost of rebuilding and widening
  - ⊞ Whether toll revenue would support bonds sufficient to finance these projects.

# *Indiana did Phase 1 and Phase 2 studies*

- 2017 tolling feasibility study (HDR) estimated that toll revenues could be in the ballpark to finance widening and reconstruction of all long-distance Interstates.
- 2018 study (HNTB) created statewide tolling strategic plan, including:
  - Tolling strategies
  - Operational strategies
  - Financial strategies
  - Environmental review strategies
  - Implementation strategies

# *Wisconsin needs a Phase 2 study*

- ⊕ Cost to rebuild Interstate corridors
- ⊕ Which ones need widening, and their cost
- ⊕ Phasing of replacement projects, based on age and projected traffic
- ⊕ Toll financing feasibility

A phase 2 plan was authorized by 2018 legislature, but vetoed by Gov. Walker

## *A chance to lead this transition?*

- ❖ Though Indiana is currently ahead, its governor says “not on my watch.”
- ❖ Tolling debate is still raging in Connecticut.
- ❖ Rhode Island is tolling only heavy trucks (and has been sued by ATA).
- ❖ Wisconsin has a chance to take the lead.

# *Conclusion*

- Toll-financed Interstate modernization would address both major problems:
  - Shifting from per-gallon to per-mile highway funding.
  - Paying for Interstate reconstruction and widening mega-projects.
- Wisconsin made a good start in 2016 but should proceed now to the next step.



# *Questions?*

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