



# Customer-Friendly Tolling: A Guide for States

Long-term financing based on toll revenues is a powerful tool for rebuilding aging highways and bridges or adding new highway capacity. Issuing bonds based on the projected user-fee revenue means needed projects can be built now and paid for over many years as motorists and truckers benefit from much-improved highways. Tolls or other per-mile charges are the user fees that make this possible.

However, due to frequent politicization of tolling, highway user groups have concerns about future tolling. A customer-friendly tolling policy would respond to these concerns, creating a genuine value proposition for highway customers.

## Policy #1: Prevent Toll Roads From Becoming "Cash Cows"

- Politicians sometimes require a toll road operator to divert large portions of the revenue for other purposes.
- Those other purposes should be paid for out of broad-based taxes, not by toll-road customers.

**Solution:** Implement state legislation to limit the use of toll revenues to the capital and operating costs of any new toll facilities.

## Policy #2: Reduce the High Cost of Toll Collection

- Tolling opponents claim that collection costs eat up 20% to 30% of the revenue, compared with 1% to 2% of the revenue for collecting fuel taxes.
- Today's all-electronic tolling, with prepaid accounts, reduces collection costs to 5% of revenue for cars, and 2% or less for heavy trucks.

**Solution:** Require all new toll projects to use all-electronic tolling and prepaid accounts.

## Policy #3: Provide Value Added for Toll Project Customers

- Some legislators propose to add tolls to existing highways, but don't guarantee the revenues will be used to improve or expand those corridors.
- "Tolls-first, benefits someday" leads to opposition.

**Solution:** Require tolling to start only after a bridge or corridor has been completed and is ready for traffic.

## Policy #4: Eliminate Double Taxation

- If the toll revenue covers the costs of the project, it is unfair to also charge users fuel taxes.
- Rebates of highway user taxes are being provided to trucking companies using the Massachusetts Turnpike and the New York Thruway.

**Solution:** Provide rebates of state fuel taxes for miles driven on new/rebuilt toll facilities.

**These policies should be adopted by statute in states that want to gain customer support for toll-financed modernization of aging highways and bridges.**

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