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People who use highways should pay for them

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As a fiscal conservative who thinks the government is generally too large and taxes too high, I am grateful for the gas tax. You should be, too.

When Oregon instituted the first state tax on motor fuels in 1919, and North Carolina followed suit two years later, their leaders were solving a longstanding problem. Toll roads had been around for decades but struggled to cover their costs, in part because of rampant toll evasion. With automobile ownership surging — North Carolina registered some 127,000 vehicles in 1920 — state lawmakers could see the practical impossibility of accommodating the new traffic with roads funded by tolling.

So they had two choices. They could satisfy public demand for a massive road network by raising property taxes or some other generally applied tax. Or they could charge drivers themselves, by taxing the fuels their vehicles consumed. The latter option wasn't a direct charge for using specific roads, like a toll. But unlike widespread tolling, widespread gas taxation was feasible and enforceable.

Creating a financial link, however imperfect, between using roads and paying for them allowed states to make a big investment with a very big return. During the 1920s, North Carolina's paved road mileage exploded by 92 percent. The commercial and social life of our state was radically transformed.

"Far from being the beneficiaries of unwarranted government intervention in free enterprise," I wrote in my 2012 book Our Best Foot Forward, "private automobiles were a market-friendly development that made roads a far more valuable asset. There was no need for government to manufacture an insatiable public appetite for automobiles. It came naturally."

It’s important to remember that most transportation assets and expenditures are privately owned and financed. Although North Carolina governments spend billions of dollars a year building, maintaining, and policing our roads and streets, North Carolinians spend vastly more money every year buying, maintaining, and insuring the vehicles that travel those roads and streets.

Here’s what the numbers look like for the United States as a whole. Governments spent about $235 billion in 2018 on roads and streets. That year, households spent $1.3 trillion on the cars and trucks they drive on those roads and streets — a figure that doesn’t even include commercial vehicles. (You’ll find similar proportions elsewhere. The cost of building and operating airplanes is several times that of building and operating airports. Ditto for seaports. The only transportation sector where government is the predominant spender is “mass” transit.)

Although taxing motor fuels worked reasonably well for decades as a rough proxy for a user fee, its practicality is fading. As vehicles become more fuel-efficient (a good thing), the amount motorists pay per mile traveled for road upkeep declines (not a good thing). Taxing fuels per gallon also doesn’t keep up with inflation, and obviously won’t work as electric cars grow as a share of the vehicle fleet. Meanwhile, other revenue tools the state employs to make up the difference, as such as the highway use tax (essentially a sales tax on auto sales), have their own inefficiencies and inequities.

In a new report for the John Locke Foundation, Randal O’Toole of the Cato Institute argued that North Carolina should start preparing to phase out the gas tax in favor of a mileage-based user fee, combined with electronic tolling of some limited-access highways. “Mileage-based fees are more equitable than fuel taxes and the highway user tax,” O’Toole wrote, “because they charge people for what they actually use, not for what they potentially use.”

There are understandable objections to such a proposal. Will politicians really get rid of gas taxes, or will they try to add mileage-based user fees on top of them? Will politicians continue to raid the user fees motorists pay to finance programs other than roads?

North Carolina needs to get this right. The technology to pay for roads this way wasn’t available in 1921. Now it is. With the proper safeguards, we can refresh the user-pay principle for the 21st century.