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News from the Coalition on Electric Vehicles and Transportation Revenue

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Statewide Leaders Demand Action on Electric Vehicle Road Funding Shortage in Michigan

Action needed immediately to avoid half-billion dollar funding gap for transportation County road agencies; governmental and industry stakeholders call for pilot project to move toward fair funding solutions

LANSING - Today leaders from the newly-formed Coalition on Electric Vehicles and Transportation Revenue held a news conference steps from the Capitol to discuss *"The Impact of Electric Vehicle Adoption on Road Funding in Michigan,"* a new report completed by Anderson Economic Group.

The report shows that from 2019-2021, Michigan roads did not receive \$50 million in state gas tax that was expected to come into state coffers, because electric vehicles (EVs) pay reduced or no state gas tax. It anticipates EVs to represent between 15-25% of new vehicle sales in Michigan by 2030.

This could result in a shortfall of \$95 million in that year under current policy conditions, totaling nearly **half a billion dollars** between now and then. If drivers of traditional internal combustion engine (ICE) powered vehicles continue to bear nearly the entire tax burden for road maintenance, Michigan will be in an even worse position to restore its crumbling transportation infrastructure.

Coalition members including county road agencies, governmental and industry stakeholders held a news conference today calling for a pilot project that will move Michigan toward a new and fair system of revenue collection for EVs.

"Michigan put the world on wheels, and 100 years later we continue to lead the world into a new and exciting future for mobility. But we need to act now to ensure we have the road funding needed to drive that future," said **Denise Donohue, CEO of the County Roads Association of Michigan**. "That's why we are calling on lawmakers and the Governor to launch a pilot project that gives us the answers we need about a future-forward road funding model for EVs."

"In the dawning EV era, Michigan's roads will see a growing number of vehicles powered by our electrical grid, and it's vital that we consider the road funding ramifications of this transition," said **Patrick Anderson, Principal and CEO of Anderson Economic Group**. "Today, drivers of electric vehicles like myself don't pay any state or federal gas tax, meaning we pay just 70-80% of what a typical driver pays in road taxes. It's only right that people like me who choose to drive

electric vehicles pay our fair share of the cost to maintain the roads we use.”

The report does not recommend one specific policy, but outlines multiple policy solutions including:

1. **Annual flat registration fees**

Since drivers of EVs pay a lower road user fee than ICE vehicles on average, increasing the registration fee for electric vehicles to match the counter-factual revenue generated from motor fuel tax paid by ICE vehicle owners may bridge the revenue gap and equalize the road user fee for electric and ICE vehicles.

2. **Mileage-based user fees**

Traditionally, taxes for road usage were designed to ensure that drivers in Michigan would be the ones to bear the cost of the state’s maintenance for that privilege. Since MBUF is based on miles driven, it adheres to this ideal by ensuring payment toward road funding is commensurate with road usage.

3. **Per kilowatt-hour fees**

A Per Kilowatt Hour Fee (PKHF) is similar to the motor fuel tax and the MBUF in that it also ensures that drivers pay for road usage proportionately. PKHF measures road usage based upon the units of electricity used instead of miles driven.

4. **Miles at registration fees**

This type of mileage-based user fee requires EV owners to provide their mileage to the Secretary of State through odometer readings reported during annual registration.

5. **Tolling**

Toll roads could help generate revenue by charging fees to road users regardless of the type of vehicle, or the driver’s residency status. However, because toll roads are expensive, time consuming, and potentially inefficient, they are not feasible as a sole solution.

“For decades, Michigan has been underfunding necessary fixes for our roads, and with the rise of electric vehicles, the revenues necessary for road projects collected at the gas pump will continue to decline,” said **Rob Coppersmith, Executive Vice President of the Michigan Infrastructure and Transportation Association**. “We need action from Michigan’s leaders to rethink how we fund our roads and it’s time for everyone to come together to support an equitable, long-term infrastructure plan that recognizes the new realities Michigan faces.”

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