Mileage-Based User Fee
NEWSLETTER
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Virginia's Transportation Funding Evolution: A Conversation with Secretary Nick Donohue

As states across the country explore sustainable transportation funding solutions, Virginia's Highway Use Fee (HUF, an annual registration surcharge on vehicles that get 25 mpg or more) and Mileage Choice Program (an opt in program to pay by the mile in lieu of paying the HUF) are often cited as leading examples of how transportation revenue policy can evolve alongside changing vehicle technology. On behalf of The Eastern Transportation Coalition (the Coalition), Jenny Roberts, Road Usage Charge Discipline Leader at CDM Smith, recently sat down with Virginia's Secretary of Transportation, Nick Donohue, to discuss the origins of their programs, why they work, and what other states can learn from Virginia's experience.

The Legislative Path to the Highway Use Fee and Mileage Choice

Q: Take us back to the beginning when Virginia's first EV fee was introduced. What problem was the Commonwealth trying to solve at that time, and why did that approach ultimately need to evolve?

A: Virginia was one of the early states to impose a hybrid fee, but we were also one of the first states to repeal it. The fee became effective in 2013, and almost immediately, there was bipartisan support to repeal it. People didn't think it was fair. Some drivers owned hybrids that weren't dramatically more fuel efficient than conventional vehicles, while others didn't drive very much at all. The fee treated everyone the same, and people felt that wasn't equitable.

Q: Virginia later saw vehicle miles traveled increase while fuel tax revenues declined, helping shift the conversation from an EV issue to a broader transportation funding challenge. What did that data tell you?

A: For the first time in 2016, we saw an increase in vehicle miles traveled yet a decrease in fuel tax revenues. Then we saw it again in 2017 and 2018. That prompted us to study this deeper. What we found surprised many people: EVs were part of the story, but they weren't the primary driver. The bigger issue was improving fuel economy across the fleet. New vehicles were becoming much more fuel-efficient, which meant people were driving more miles while buying less fuel.

Q: How did the Highway Use Fee and Mileage Choice Program move through the legislative process, and how did you build political support for a policy that applied to a broader range of vehicles?

A: The study was very public. We presented it frequently and brought policymakers along through the process. People understood the findings because they had seen the data themselves. We also learned from our experience with the 2013 hybrid fee. We wanted a policy that addressed the long-term revenue challenge while also responding to the fairness concerns previously raised.

Why the Program Works and Where Virginia is Going Next

Q: Why was it important to pair the flat Highway Use Fee with an optional mileage-based choice rather than pursue one approach alone?

A: Our goal was to create a system where all vehicles contribute equitably to maintaining Virginia's transportation network. The Highway Use Fee provides one option. The Mileage Choice Program provides another option for people who don't drive as much. They can choose to pay based on actual mileage driven, and they'll never pay more than they would have paid through the Highway Use Fee. Flexibility was important.

We also needed a system that reflected how vehicles actually contribute to the transportation network. We demonstrated how you could have two nearly identical vehicles using the same roads and generating the same wear and demand on the system. However, the newer, more fuel-efficient car contributes substantially less in fuel tax revenue than the older less-fuel efficient car does. We felt the Highway Use Fee and Mileage Choice Program created a fairer approach—one that better aligns what drivers contribute with how they use the system, while also helping maintain a sustainable revenue structure for the long term.

Q: As the Mileage Choice Program matures, where do you see it going next?

A: I don't anticipate major changes to the legislative structure. What I do hope to see is continued improvement in the customer experience. As we make Mileage Choice easier and more convenient to participate in, I think we'll see more drivers choose that option. Today, many people simply stay with whatever option they selected initially. The easier we make enrollment, the more participation I expect we'll see.

Q: Does Virginia continue to see value in having both the Highway Use Fee and Mileage Choice Program working together?

A: Absolutely. The programs were designed to complement one another. One offers simplicity and predictability. The other offers a direct connection between miles driven and what someone pays. Together, they give Virginians a choice while maintaining a sustainable revenue structure.

Lessons Learned for Other States

Q: For states still relying primarily on flat EV fees or registration surcharges, what lessons from Virginia's experience are most important?

A: Every state is different. Their needs are different, their vehicle fleets are different, and their transportation systems are different.

> ***My advice would be to understand how people are using your system, how they're contributing to it, and what changing vehicle trends mean for the future. The earlier you understand those trends, the easier it will be to address them.***

It's also important to proactively monitor what's happening and engage decision-makers along the way. One lesson we learned in Virginia is that these trends aren't always what they first appear to be. Many people assumed EVs were the primary driver of declining fuel tax revenues, but our analysis showed a much broader story involving improving fuel economy across the vehicle fleet. Bringing data to the discussion and helping policymakers understand what's really happening is critical to identifying the right long-term solution.

Q: What data, analysis, or communication tools proved most valuable as Virginia made the case to policymakers and the public?

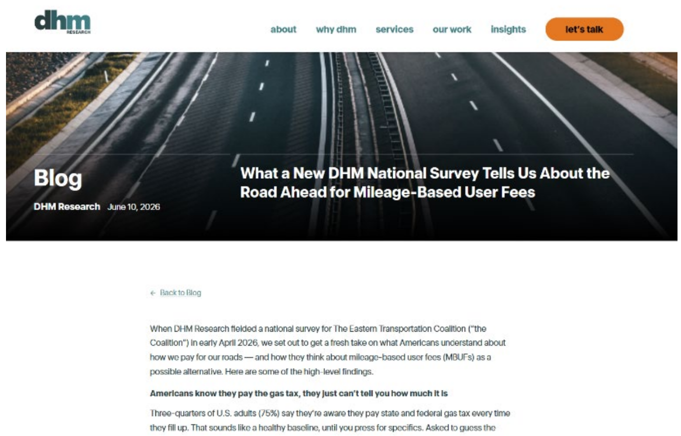
A: The most important thing was the data. We had evidence from our revenue analysis that system use was increasing while revenues were declining. And then we had examples that helped people understand what those findings meant in the real world. It's also important to explain how these programs actually work. People often make assumptions when they hear terms like mileage-based user fee. Good policy starts with helping people understand both the problem and the proposed solution.

Q: Any final advice for states considering their next steps?

A: Engage decision-makers early and let the data guide the conversation. Sometimes, the problem isn't exactly what you think it is when you first start looking at it. Our experience in Virginia showed the value of digging deeper, understanding the real drivers behind revenue trends, and designing a solution that addresses the actual problem rather than the perceived one.

DHM Research Highlights the Coalition’s Efforts on Transportation Funding Innovation

The Coalition continues to advance the national conversation on transportation funding through its partnership with DHM Research (DHM). In a recently published article, *"What a New DHM National Survey Tells Us About the Road Ahead for Mileage-Based User Fees,"* DHM shares findings from a national survey conducted on behalf of the Coalition to better understand Americans' perceptions of transportation funding and mileage-based user fees (MBUF).



The survey found that while most Americans recognize they pay gas taxes to support transportation infrastructure, many have limited understanding of how the system actually works. Seventy-five percent of respondents were aware they pay state and federal gas taxes when they fuel their vehicles. However, only about half were willing to estimate the federal gas tax rate, and those who did generally overestimated the amount. DHM concluded that while the public knows the gas tax exists, the public’s understanding of transportation revenues remains limited.

The research also revealed a significant disconnect between public perception and transportation funding realities. While transportation agencies across the country continue to face long-term revenue challenges as vehicles become more fuel efficient and fuel tax purchasing power declines, only seventeen percent of respondents believed it was decreasing. Even more alarming, nearly half (42%) of respondents believed transportation funding was increasing.

When specifically asked about MBUF, only one in three respondents (or 33%) reported being familiar with the concept, while the remainder admitted little to no familiarity. However, DHM noted an important trend: awareness and acceptance of MBUF tend to be higher in states where residents have had direct exposure to MBUF pilots or operational programs, including Virginia, Oregon, Utah, Hawaii, and Vermont.

These findings highlight the value of the Coalition's work with member states as well as other states’ efforts across the country. Through its analysis, pilot programs, public engagement, and education efforts, the Coalition has helped thousands of drivers gain firsthand experience with MBUF while providing policymakers with real-world data on how alternative revenue approaches could work in practice. DHM's findings suggest that acceptance grows when people have direct exposure to these programs, reinforcing the importance of continued pilot testing and public education.

This finding illustrates the importance of the Coalition and other states’ efforts to provide data-driven insights and real-world experience to increase public and stakeholder awareness, and ultimately acceptance. Through pilots, analysis, and public engagement, the Coalition continues to help build public understanding of how MBUF could modernize the way we pay for transportation infrastructure and reaffirm the link between use of the system and payment.

Read the full DHM article: [What a New DHM National Survey Tells Us About the Road Ahead for Mileage-Based User Fees]

In the Driver's Seat: State Lawmakers' Dialogue on the Future of Reliable Transportation Funding

As a continuation of the December 9, 2025 meeting in Burlington, Vermont, on July 26, the Coalition co-hosted a meeting with the National Conference of State Legislatures (NCSL) in Chicago, Illinois focused on "The Future of Reliable Transportation Funding." This gathering of state transportation legislative leaders from Coalition member states was held in conjunction with the Annual NCSL Legislative Summit and provided a forum for lawmakers to learn and share ideas regarding current and future transportation funding challenges and opportunities.

The Coalition and NCSL brought together legislators from across the country, including leaders from states with operational MBUF programs and firsthand experience with MBUF legislation. Legislators and legislative staff in attendance represented 13 Coalition member states, including Alabama, Connecticut, Delaware, District of Columbia, Kentucky, Maine, Maryland, Massachusetts, New Hampshire, New York, Rhode Island, Tennessee, and Vermont. The meeting involved informational presentations and discussions focused on several funding topics, including: gas tax decline (presented by Carl Davis of the Institute on Taxation and Economic Policy), Virginia's Mileage Choice Program (presented by Virginia's Secretary of Transportation, Nick Donohue), communicating the need for transportation funding (presented by North Carolina DOT's Amna Cameron), and user fees (featuring a panel of lawmakers from Oregon, Minnesota, and Hawaii). Each topic was facilitated by team members from both the Coalition and NCSL.

The meeting structure also provided time for legislators from each state to give a brief report on the most significant transportation funding challenges facing their states and their efforts to identify sustainable, long-term funding solutions. The Coalition and NCSL remain committed to supporting an ongoing dialogue, with future meetings to be convened based on the interest of participating legislators.

Where Have We Been?

Sharing Key MBUF Insights Across the Country

June 2026:

- **Mileage-Based User Fee Alliance (MBUFA):** *Roadmap to the Future: The U.S. Looks to a National Pilot*
- **OmniAir PlugFest:** *Panel: Technology and the Future of Transportation Infrastructure Funding*
- **Chicago Metropolitan Agency for Planning (CMAP):** *Modernizing Revenue for a Changing System Rebuilding the Road-Use Funding Link*