

HJR

15

HOUSE COMMITTEE REPORT

(11)

Date Referred: February 17, 1989

FURTHER REFERRALS:

Date of Committee Action: 3/6/89

The FINANCE Committee considered:

HJR 15

HOUSE JOINT RESOLUTION NO. 15

[FEDERAL MOTOR FUEL TAX INCREASE & USE]

Relating to the increase in federal motor fuel taxes and the use of fuel taxes to reduce the federal budget deficit.

RECOMMENDS:

- replacing with _____ the same title
- the attached amendment(s) a new title
- do pass
- do not pass
- no recommendation
- individual recommendations
- additional referral to the _____ Committee

ADOPTS: _____ letter of intent

ATTACHES NEW FISCAL NOTE(S):

- fiscal impact
- zero fiscal note
- zero with analysis

APPROVES PREVIOUS:

- fiscal note(s) published:
- zero fiscal notes(s) published: 2/17/89

SIGNING DO PASS:

Ronald J. Larson LARSON
Swackhammer SWACKHAMMER
Alto Koponen KOPONEN
Shultz SHULTZ
Phillips PHILLIPS
Barnes BARNES
Wallis WALLIS

SIGNING OTHER THAN DO PASS:

(Do Not Pass, No Recommendation, Amend)

Hoffman Hoffman (No Rec)
Brown Brown (No Rec)
Ulmer Ulmer (No Rec)

Chairman's signature
 Ronald J. Larson

STATE OF ALASKA
1989 LEGISLATIVE SESSION

BILL VERSION: HJR 15
PUBLISH DATE: 1/23/89

REQUEST: FISCAL NOTE

Revision Date: 1/23/89
Title: Relating to the increase in federal motor
fuel taxes and the use of fuel taxes to reduce
the federal budget deficit

Agency Affected: DOT&PF
BRU:

Sponsor: Cato
Requestor: House Transportation

Components: Highway Program

EXPENDITURES/REVENUES: (THOUSANDS OF DOLLARS)

OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTURAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL	0	0	0	0	0	0
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REVENUE	0	0	0	0	0	0
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FUNDING: (THOUSANDS OF DOLLARS)

GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER*	0	0	0	0	0	0
TOTAL	0	0	0	0	0	0

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

ANALYSIS: (Attach a separate page if necessary)

Prepared by: M. Clyde Stoltzfus, Special Assistant to the Commissioner
Division: Commissioner Office

Phone: 465-3900

Date: 02/16/89

Approved by Commissioner: Mark S. Hickey *MSH*
Agency: Department of Transportation and Public Facilities

Date: 02/16/89

Distribution (by preparer):
Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget

1 IN THE HOUSE

BY CATO

2

HOUSE JOINT RESOLUTION NO. 15

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

SIXTEENTH LEGISLATURE - FIRST SESSION

5

Relating to the increase in federal

6

motor fuel taxes and the use of fuel

7

taxes to reduce the federal budget

8

deficit.

9 BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:

10 WHEREAS the United States Congress is looking for effective means to
11 reduce the federal budget deficit in the immediate future; and

12 WHEREAS several proposals being considered for deficit reduction would
13 increase the existing federal fuel taxes by various sizable increments; and

14 WHEREAS the United States Department of Energy has stated that a motor
15 fuel tax will create an economic loss that is greater than the possible
16 benefits of the tax; and

17 WHEREAS motor fuel taxes are regressive taxes and their increase would
18 affect the poor to a greater extent than persons of other income levels;
19 and

20 WHEREAS states would not receive direct revenue benefits from in-
21 creased federal fuel taxes, but would incur substantial increases in their
22 public assistance costs; and

23 WHEREAS United States residents in the south, midwest, and west pay
24 more fuel taxes because they must travel greater distances by personal
25 vehicles than residents of other regions and, therefore, would bear a
26 disproportionate burden of deficit reduction; and

27 WHEREAS since a great need exists to rehabilitate and reconstruct the
28 nation's transportation system infrastructure, motor fuel taxes should
29 continue to be dedicated to transportation purposes; and

1 WHEREAS the tourism industry, one of the top three employers in 80
2 percent of the states, would be adversely affected by the proposed fuel tax
3 increases; and

4 WHEREAS the gross national product, the consumer price index, and
5 employment all would be severely and negatively affected by the proposed
6 fuel tax hikes; and

7 WHEREAS raising the motor fuel taxes and using the taxes for deficit
8 reduction purposes would not only undermine the highway trust fund, but
9 would severely and negatively affect the nation's transportation system;

10 BE IT RESOLVED that the Alaska State Legislature urges the United
11 States Congress to oppose an increase in the federal motor fuel taxes and
12 the use of the taxes to reduce the federal budget deficit.

13 COPIES of this resolution shall be sent to the Honorable George Bush,
14 President of the United States; the Honorable Dan Quayle, Vice-President of
15 the United States and President of the U.S. Senate; the Honorable Jim
16 Wright, Speaker of the U.S. House of Representatives; to the Honorable
17 Samuel K. Skinner, the Secretary of the U.S. Department of Transportation;
18 and to the Honorable Ted Stevens and the Honorable Frank Murkowski, U.S.
19 Senators, and the Honorable Don Young, U.S. Representative, members of the
20 Alaska delegation in Congress.



Dept. of Transportation & Public Facilities

POSITION PAPER

BILL NO: HJR 15

TITLE: Relating to the increase in federal motor

APPROVED: Mark S. Hickey
Commissioner

DATE: February 16, 1989

fuel taxes and the use of fuel taxes to reduce
the federal budget deficit

The Department strongly supports the passage of this resolution for all the reasons stated in the resolution. For several years at the national level the U.S. Congress has considered proposals to impose a new federal gasoline tax of 20 to 30 cents per gallon to increase general revenues. Revenues from the existing federal tax of 9 cents per gallon are dedicated to the Highway Trust Fund.

The department has paid close attention to these proposals because of their potential impact on the federal-aid highway program. We anticipate that Alaska will receive at least \$140 to 150 million annually in federal highway funds for the next three years; this funding pays for almost all of our current highway construction budget. State transportation officials have been adamant in their opposition to these proposals because of the importance of using gas tax revenues to pay for highway construction.

The department believes it is the state's and the nation's best interest to support a strong federal-aid highway program financed through federal taxes on gasoline and diesel fuel purchase. Proposals to create an additional federal tax on gasoline purchase could endanger this successful financing mechanism and reduce significantly the amount of federal dollars Alaska receives each year.

POSITION PAPER
A.G.C. of ALASKA
TO THE
HOUSE FINANCE COMMITTEE
ON
HJR 15
INCREASE IN FEDERAL MOTOR FUEL TAXES AND THE USE OF FUEL TAXES
TO REDUCE THE FEDERAL BUDGET DEFICIT.



THANK YOU MS. CHAIRMAN. FOR THE RECORD, MY NAME IS RESA JERREL AND I AM THE DIRECTOR OF GOVERNMENTAL RELATIONS FOR THE ASSOCIATED GENERAL CONTRACTORS OF ALASKA (A.G.C. OF ALASKA). ON BEHALF OF OUR OVER 600 MEMBER FIRMS WE APPRECIATE THE OPPORTUNITY TO TESTIFY IN FAVOR OF HJR 15.

THE PROPOSAL TO INCREASE THE FEDERAL GASOLINE TAX FOR DEFICIT REDUCTION WOULD SEVERELY HAMPER THE NATIONS ABILITY TO MEET ITS TRANSPORTATION NEEDS AND WOULD ADVERSELY AFFECT THE NATION'S PRODUCTIVITY AND COMPETITIVENESS. SUCH A TAX WILL SURELY DESTROY THE NATIONS SUCCESSFUL HIGHWAY PROGRAM. NOT ONLY WILL IT BREACH THE USER FEE CONCEPT OF THE GAS TAX, IT WOULD COME AT A TIME WHEN WE SHOULD BE INCREASING OUR INVESTMENT IN HIGHWAYS.

A.G.C. OF ALASKA OPPOSES A FUEL TAX INCREASE FOR DEFICIT REDUCTION FOR THE FOLLOWING REASONS:

HIGHWAY AND BRIDGE NEEDS - RAISING THE GAS TAX FOR DEFICIT REDUCTION WOULD DIVERT BILLIONS OF DOLLARS ANNUALLY FROM THE HIGHWAY TRUST FUND WHILE THE CONDITION OF OUR HIGHWAYS AND BRIDGES CONTINUE TO DECLINE. FURTHERMORE, IT WOULD COME AT A TIME WHEN WE SHOULD BE INCREASING OUR INVESTMENT IN HIGHWAYS.

BREACH USER FEE CONCEPT - SUCH A TAX WOULD BREACH THE USER FEE CONCEPT OF THE GAS TAX WHICH HAS BEEN CRITICAL TO THE PUBLIC'S SUPPORT OF THE HIGHWAY PROGRAM.

PREEMPTIS STATE TAXES - THE TAX WOULD UNDERMINE STATE EFFORTS TO FINANCE THEIR OWN TRANSPORTATION NEEDS THROUGH USER FEE TAXES.

UNFAIR TAXATION - AMERICAN MOTORIST WOULD BE SINGLED OUT TO SHOULDER THE BURDEN OF REDUCING THE DEFICIT.

INEQUITIES - MOTORIST IN THE WESTERN STATES, IN PARTICULAR, WHERE DRIVING DISTANCES ARE GREATER, WOULD BE HIT ESPECIALLY HARD BY THE TAX.

HIGHWAYS PAY THEIR WAY - THE NATION'S HIGHWAY TRANSPORTATION SYSTEM HAS NOT CONTRIBUTED TO THE NATIONAL DEFICIT. THE FEDERAL HIGHWAY TRUST FUND IS REQUIRED BY CONGRESS ALWAYS TO HAVE ENOUGH FUNDS TO COVER EXPENDITURES.

WE URGE ALL OF YOU TO SUPPORT HJR 15 AND HELP IN EXPEDITING IT'S PASSAGE.

THANK YOU FOR THIS OPPORTUNITY SPEAK OUT IN FAVOR OF THE RESOLUTION.

NATIONAL

NEWSLETTER



February 9, 1989

Volume 41, Number 6

Route to _____



A coalition of groups opposed to a gas tax for deficit reduction is holding meetings at AGC of America.

GAS TAX FOR DEFICIT REDUCTION—AGC CONTINUES ITS OPPOSITION

AGC continues its efforts to protect the nation's highway program from the threat of a gasoline tax increase for deficit reduction.

As part of its continuing efforts, a coalition of industry groups opposed to such a tax met again at AGC of America on February 6 to outline a strategy to defeat any such proposal and to show our concern to House of Representatives staff. At an earlier meeting, Rep. Bud Shuster (R-Pa.) said the possibility of a gas tax for deficit reduction is the greatest threat he's ever seen to the nation's highway program.

House Resolution 41--introduced by Rep. Glenn Anderson (D-Calif.), Public Works and Transportation Committee Chairman, Rep. John Paul Hammerschmidt

(R-Ark.), the committee's Ranking Republican member, and Rep. Shuster, Ranking Republican on the Subcommittee on Surface Transportation, has 13 new cosponsors, bringing the current total to 124.

The new cosponsors are:

- | | |
|--------------------------------------|----------------------------------|
| <i>Richard Stallings (D-Ida.)</i> | <i>Mickey Edwards (R-Okla.)</i> |
| <i>Philip Crane (R-Ill.)</i> | <i>John Tanner (D-Tenn.)</i> |
| <i>Peter Visclosky (D-Ind.)</i> | <i>William Lipinsky (D-Ill.)</i> |
| <i>Richard Baker (R-La.)</i> | <i>Don Ritter (R-Pa.)</i> |
| <i>Ron Marlenee (R-Mont.)</i> | <i>Robert Walker (R-Pa.)</i> |
| <i>George Hochbrueckner (D-N.Y.)</i> | <i>Bill Sarpalius (D-Tex.)</i> |
| | <i>Richard Arme; (R-Tex.)</i> |

CONTACT YOUR SENATORS AND REPRESENTATIVE -- Let your Senators and Representative know your opposition to any proposals to increase the gas tax for deficit reduction. Address your letters to: The Hon. _____, United States Senate, Washington, DC 20510 or The Hon. _____, U.S. House of Representatives, Washington, DC 20515. The phone number for the Capitol switchboard is (202) 224-3121.

NEW AGC GASTAX PUBLICATION -- AGC has prepared a brochure detailing the case against raising the gas tax for deficit reduction. The brochure, which is in question and answer format, will be available for use by chapters shortly.

Rx FOR PRODUCTIVITY: BUILD INFRASTRUCTURE

BY DAVID ASCHAUER,
SENIOR ECONOMIST AT THE
FEDERAL
RESERVE BANK OF
CHICAGO

David Aschauer is senior economist at the Federal Reserve Bank of Chicago and author of landmark studies on the link between capital investment and productivity. His work has been featured in Business Week and Engineering News Record. Mr. Aschauer has uncovered striking evidence that the recent fall-off in public works—or infrastructure—investment is at the core of the current slowdown in U.S. productivity. What follows are excerpts from a speech Mr. Aschauer gave before the AGC explaining his findings.

Since 1982 the United States has staged a truly impressive economic performance. An expansion of output lasted longer than in any other peacetime period in American history; an addition of over 13 million workers to the ranks of the employed; a fall in the unemployment rate from 9.5 percent of the labor force to less than 6 percent; an inflation rate seemingly under control and minute in comparison with the double-digit rates of price increase which burst out in the 1970s—all are signs of a robust, vital economy.

Still, some troubling clouds have been gathering on the horizon. The growth in output that is not directly attributable to increased levels of private capital stock



"Our ability to compete with other nations has been eroded by the low level of public investment in the United States."

and employment—or what economists call "total factor productivity" growth—has slumped during the last decade and a half in the United States. A few specific numbers: the annual growth rate of total factor productivity in the private business economy has plummeted from 1.5 percent during the 1950s and 1.8 percent throughout the 1960s to .8 percent in the

1970s and a dismal .7 percent in the first half of the present decade.

Not only has productivity growth fallen over time, but relative to the experience of our major international competitors as well. The growth in Gross Domestic Product per employed person in the United States has been the lowest in the Group of Seven major industrialized countries. While Japan has achieved productivity growth in excess of 3 percent per annum and West Germany some 2.4 percent, the United States lags far behind at less than one percent.

Economists have offered several explanations of the decline in productivity growth in the United States. A surge in aggregate productivity can be expected whenever resources—labor and capital—are shifted from less to more productive sectors of the economy. The migration of labor from farm to nonfarm occupations had such an effect, but mostly came to a halt by the mid 1960s. Thus from then on productivity growth was slower than before. Zvi Griliches of Harvard University has emphasized a general slowing of expenditures on research and development and a related slowing of technological change. John Tatom and Robert Raasche have pointed a finger at higher energy prices. Finally, a lower level of capacity utilization also may explain some of the reduction of

productivity.

But there are problems with each of these explanations. For example, while the usual dating of the onset of the productivity slump is in early 1973, the first oil shock did not occur until October of that year. Also, while total R&D spending has fallen, this is due to a decline in government R&D and not private R&D, which instead has risen. And the combination of all these factors does not go far enough. The Bureau of Labor Statistics—the government productivity watchdog—estimates that these factors account for only about one-fourth of the slower productivity growth in the private economy.

Usually, concern about the infrastructure centers on questions of safety, convenience, and "quality of life." These concerns are legitimate. But there are deeper implications in the national neglect of our public facilities for the health of the United States economy. Indeed, I have uncovered striking evidence that the recent fall-off in public works spending is at the very core of the productivity slowdown.

Since the framing of the Constitution in the hot Philadelphia summer of 1787, the American populace has been suspicious of government, its individualistic spirit looking first to the free market for the proper conduct of economic affairs. Ronald Reagan's Inaugural assertion that "Government is not the solution to our problem" but rather "government is the problem" landed on sympathetic ears during the early 1980s. "Big government" brings with it intrusive and burdensome regulations, raising the costs of doing business through increased paperwork and forced expenditures on nonproductive items such as pollution control, safety devices, and health facilities. "Big government" involves transfer payments which often require individuals to halt productive activities just so as to qualify to receive welfare payments. Big government ultimately must be financed with higher taxes on labor, capital, or both, which diminish the incentives to produce on the market. Simply put, a large government sector acts as a drag on the process of economic growth. Indeed, a number of academic scholars have begun to estimate the economic effect of government spending

on the supply side of the economy. An expanding body of empirical evidence supports the hypothesis that there is a significant negative relationship between government spending levels and economic growth rates.

I am not an advocate of "big government." However, it must be admitted that on net a host of government activities must enhance rather than detract from the productivity of the private sector, particularly when it is recognized that what lowers unit production costs also increases private productivity. It goes nearly without saying that much private sector production is critically dependent on the availability of public services of a collective or quasi-collective sort such as transportation, water supply, and waste disposal, components of a basic public infrastructure.

Consider a New York firm producing clothing for distribution and sale throughout the United States and the world. The availability of mass transit lowers the commuting cost of the employees which, in turn, pushes down the wages the firm must offer to attract workers. The close proximity of fire and police stations reduces insurance premiums. An uninterrupted water supply allows for the washing and drying of fabrics; an unclogged sewer system clears away the tainted water for treatment. Uncongested city streets serve double duty. Materials can be brought in daily, thereby paring inventory levels and saving on inventory management costs. Trucks move finished clothing to interstate highways and to airports for national and international distribution.

Table 1 depicts the pattern of govern-

TABLE 1

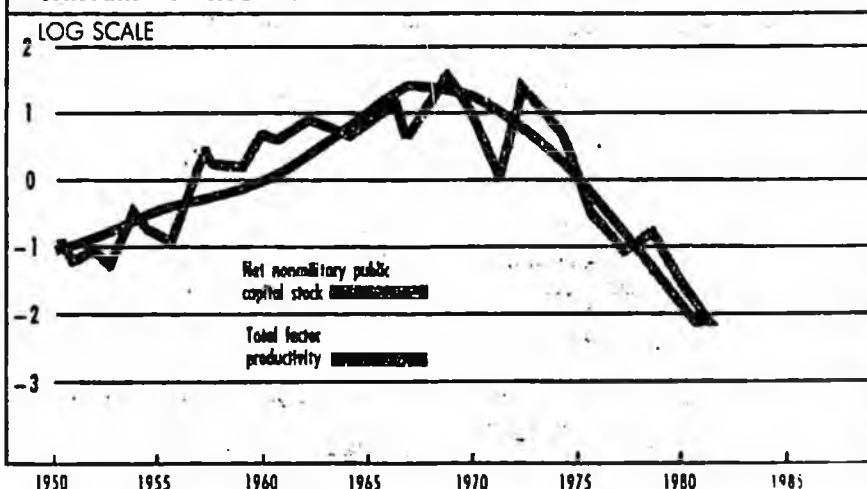
TRENDS IN GOVERNMENT SPENDING AS A PERCENTAGE OF GNP

	Total	Public Nonmilitary Investment	Transfers to Individuals	Net Interest
1950-55	25.0	3.2	4.7	1.3
1956-60	26.3	3.2	5.3	1.2
1961-65	27.7	3.4	6.0	1.2
1966-70	30.0	3.4	7.0	1.2
1971-75	31.7	2.9	9.9	1.1
1976-80	31.8	2.4	11.1	1.3
1981-85	34.4	2.0	12.3	2.1

Source: Bureau of Economic Analysis, U.S. Department of Commerce.

CHART 1.

TANDEM DOWNTURN: U.S. PRODUCTIVITY AND CAPITAL STOCK



Rx FOR PRODUCTIVITY: BUILD INFRASTRUCTURE

BY DAVID ASCHAUER,
SENIOR ECONOMIST AT THE
FEDERAL
RESERVE BANK OF
CHICAGO

ment spending over the period 1950 to 1985. Total government expenditure—consisting of outlays on goods and services, net interest, and transfer payments to individuals such as Social Security, AFDC (Aid to Families with Dependent Children), and Food Stamps—has steadily risen as a percentage of Gross National Product, from 25 percent during the early 1950s to 34.4 percent by the early 1980s. Of this total, the component increasing at the fastest rate has been transfer payments to individuals, from 4.7 percent of GNP during the first half of the 1950s to 12.3 percent by 1980-85. At the same time, government spending on nonmilitary capital goods—infrastructure expenditures—has fallen from 3.2 percent of GNP to a mere 2 percent. Statistically, it is clear that increased government transfer payments to individuals—accelerating after 1965—are largely responsible for both increased total government spending and a shift in budget shares away from public investment in infrastructure. The welfare state has squeezed out expenditures on more traditional government services such as roads, police services, fire protection, and waste disposal.

This shift in the composition of government spending has adversely affected private sector productivity. Chart 1 shows the tight relationship between productivity in the private business economy and the level of the nonmilitary public capital stock. Productivity clipped along at a 2 percent annual rate during 1950 to 1970 while the net public capital stock expanded by 4.1 percent per year. However, after 1970 the rate of increase in the public capital stock fell to a mere 1.6 percent per year, bringing with it a slump in productivity growth to a miserly .8 percent annual rate.

That there is a strong correlation between productivity and public capital appears beyond doubt. I have conducted various statistical tests to verify that low public investment causes the sluggish productivity growth, rather than vice versa. To prove this, we might isolate a particular sector of the economy and a particular type of public capital where

we would be very comfortable in ascribing a productivity interpretation to the relationship. As it turns out, the level of output per hour in the trucking and warehousing industry is highly positively related to the net stock of streets and highways, with a one percent increase in the stock of highways inducing an increase in trucking output per hour at .8 percent. Trucking is only one component of the process of moving people and goods in the United States, the total cost of which amounts to some 18 percent of Gross National Product. Extrapolating from this result then suggests how important an adequate and well-maintained transportation network is to an economy so dependent on the speedy distribution of goods and services from factory to market. As Nancy Rutledge, Executive Director of the National Council on Public

market as quickly, we may be putting a stranglehold on our economic future."

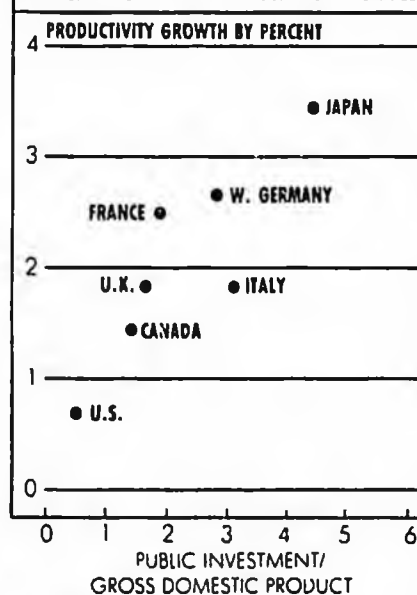
Indeed, this warning should be heeded. Our ability to compete with other nations has been eroded by the low level of public investment in the United States. Chart 2 shows that the U.S. lies at the back of the G-7 pack both in terms of growth in output per hour—labor productivity growth—and in the level of public investment relative to Gross Domestic Product. On the other hand, Japan has sustained higher levels of public investment and has achieved higher productivity growth.

That public capital augments private productivity as suggested above then leads directly to a policy proposal that the United States should dramatically increase its level of public investment spending. I adhere to the proposal of the National Council on Public Works Improvement that spending on infrastructure facilities should be boosted to some \$90 billion or \$100 billion a year.

The evidence presented suggests that more attention should be paid to the composition of the government's expenditure, and particularly the effects such composition may have on the macroeconomy's profitability and productivity. While total government spending mounts, investment in public works slides. Indeed, the share of total government outlays dedicated to public investment declined from nearly nine percent in 1965 to a mere six percent in 1985. By reorienting our public spending priorities so as to upgrade and expand the public capital stock, we can be confident we will heighten the productivity of our workforce and improve our position in the increasingly competitive international marketplace.

—By David Aschauer, senior economist, Federal Reserve Bank of Chicago

CHART 2. BACK OF THE G-7 PACK



Works Improvement, has warned, "there's another, more subtle and powerful effect of this deterioration in our capital works projects that is silently undermining our nation's ability to compete in the world market. It's not a dramatic bridge collapse or water shortage, but by virtue of the fact that we're not able to produce goods or get to the

AGC

NEWS RELEASE

For additional information:
William Henry
(202) 393-2040



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WASHINGTON, D.C. 20006 • (202) 393-2040

FOR IMMEDIATE RELEASE

FEBRUARY 2, 1989

AGC PRESIDENT SUPICA SALUTES 110 COSPONSORS OF H.RES. 41 OPPOSING
A GAS TAX HIKE FOR DEFICIT REDUCTION

WASHINGTON, D.C. – Associated General Contractors of America (AGC) President Jim Supica saluted the 110 cosponsors of House Resolution 41 which opposes proposals to increase the nation's fuel tax for deficit reduction.

"Many members of the House Public Works Committee, and other representatives deeply involved in the nation's vital transportation programs, understand the devastating effect such a tax would have on our highways and bridges," Mr. Supica said. "They are showing their concern, in part, by cosponsoring H. Res. 41 opposing a federal gas tax increase for deficit reduction."

In a recent letter to all members of Congress, President Supica explained that such a tax "would severely hamper this nation's ability to meet its transportation needs and would adversely affect this nation's productivity and competitiveness." He urged Congress to reject any such proposal.

Mr. Supica pointed to a recent study by the American Association of State Highway and Transportation Officials which estimates that the nation's annual highway capital needs over the next 30 years are nearly double current investment levels. "In light of this study," Mr. Supica said, "a tax on gasoline for deficit reduction will surely destroy the nation's successful highway program. Not only will it breach the user fee concept of the gas tax...it would come at a time when clearly we should be increasing our investment in highways."

-more-

AGC is... 8,500-plus General Contracting Firms... 112 Nationwide Chapters... 22,000 Affiliate Firms... 3,500,000-plus Employees... \$150 Billion-plus Market. AGC members perform more than 80 percent of America's contract construction of commercial buildings, highways, heavy engineering, industrial, utility and municipal facilities, and more than 50 percent of the construction performed overseas by American firms.

Page 2

The nation's highway program is financed through user fees, in the form of state and federal gasoline taxes, Mr. Supica explained. "Taxing gasoline for deficit reduction will surely preempt any state's ability to avail of this key revenue source to meet ever increasing needs." Mr. Supica also reiterated his call for the \$15 billion Highway Trust Fund balance to be used for its intended purpose rather than for masking the deficit.

Mr. Supica explained that AGC opposes a fuel tax increase for deficit reduction for the following reasons:

Highway and bridge needs—Raising the gas tax for deficit reduction would divert billions of dollars annually from the Highway Trust Fund while the condition of our highways and bridges continues to decline. Furthermore, it would come at a time when we should be increasing our investment in highways.

Breach user fee concept—Such a tax would breach the user fee concept of the gas tax which has been critical to the public's support of the highway program.

Preempts state taxes—The tax would undermine state efforts to finance their own transportation needs.

Unfair taxation—American motorists would be singled out to shoulder the burden of reducing the deficit.

Regional inequities—Motorists in Western states, in particular, where driving distances are greater, would be hit especially hard by the tax.

###

NATIONAL

NEWSLETTER



January 12, 1989

Route to _____

Volume 41, Number 2

AGC PRESIDENT SUPICA TO 101ST CONGRESS: PROTECT AMERICA'S TRANSPORTATION SYSTEM - REJECT A GAS TAX HIKE FOR DEFICIT REDUCTION

Despite published reports to the contrary, a fuel tax increase for deficit reduction is a very real possibility, and a very real threat to the nation's transportation network, according to AGC President Jim Supica. In a letter to all members of Congress, President Supica explained this week that such a tax "would severely hamper this nation's ability to meet its transportation needs and would adversely affect this nation's productivity and competitiveness." He urged Congress to reject any such proposal. Mr. Supica pointed to a recent study by the American Association of State Highway and Transportation Officials which estimates that the nation's annual highway capital needs over the next 30 years are nearly double current investment levels. "In light of this study," Mr. Supica said, "a tax on gasoline for deficit reduction will surely destroy the nation's successful highway program. Not only will it breach the user fee concept of the gas tax...it would come at a time when clearly we should be increasing our investment in highways."



The nation's highway program is financed through user fees, in the form of state and federal gasoline taxes, Mr. Supica explained. "Taxing gasoline for deficit reduction will surely preempt any state's ability to avail of this key revenue source to meet ever increasing needs." Mr. Supica also reiterated his call for the \$15 billion Highway Trust Fund balance to be used for its intended purpose rather than for masking the deficit.

CONTACT YOUR SENATORS AND REPRESENTATIVE

Let your Senators and Representative know your opposition to any proposals to increase federal fuel taxes for deficit reduction. Address your letters to: The Hon. _____, United States Senate, Washington, DC 20510 or The Hon. _____, U.S. House of Representatives, Washington, DC 20515. The phone number for the Capitol switchboard is (202) 224-3121.

WHY AGC OPPOSES A GAS TAX INCREASE FOR DEFICIT REDUCTION

- **Highway and bridge needs**--Raising the gas tax for deficit reduction would divert billions of dollars annually from the Highway Trust Fund while the condition of our highways and bridges continues to decline. Furthermore, it would come at a time when we should be increasing our investment in highways.
- **Breach user fee concept**--Such a tax would breach the user fee concept of the gas tax which has been critical to the public's support of the highway program.
- **Preempts state taxes**--The tax would undermine state efforts to finance their own transportation needs.
- **Unfair taxation**--American motorists would be singled out to shoulder the burden of reducing the deficit.
- **Regional inequities**--Motorists in Western states, in particular, where driving distances are greater, would be hit especially hard by the tax.

NATIONAL

NEWSLETTER



January 19, 1989

Route to _____

Volume 41, Number 3

GAS TAX FOR DEFICIT REDUCTION—MAJOR THREAT TO THE NATION'S HIGHWAY PROGRAM

AGC continues its efforts to protect the nation's highway program from a very real possibility and threat—a gasoline tax increase for deficit reduction.

During a January 18 meeting of industry groups opposed to such a tax, held at AGC of America, Rep. Bud Shuster (R-Pa.) said that the possibility of a gas tax for deficit reduction is the greatest threat he's ever seen to the nation's highway program.

Explaining that the federal government is not even spending badly needed dollars which have accumulated in the Highway Trust Fund, Rep. Shuster said adding a gas tax for deficit reduction would further harm efforts to improve the highway system. Rep. Shuster, Rep.



Rep. Bud Shuster

Glenn Anderson (D-Calif.), Public Works and Transportation Committee Chairman, and Rep. John Paul Hammerschmidt (R-Ark.), the committee's Ranking Republican member, today introduced a resolution, H.R. 41, opposing any efforts to increase the gas tax for deficit reduction. The resolution has 61 original cosponsors. Last week, AGC President Jim Supica called on Congress to reject a gas tax increase for deficit reduction. In a letter to all members of Congress, President Supica said such a tax "would severely hamper this nation's ability to meet its transportation needs and would adversely affect this nation's productivity and competitiveness."

Growing Opposition To Gas Tax For Deficit Reduction...As many industry and consumer groups have mobilized opposition to a gas tax for deficit reduc-

tion, media coverage opposing such a tax has grown. In a recent column in the *Washington Times*, for instance, former Federal Highway Administrator Ray Barnhart said that "While deficit reduction is clearly a worthy national priority, it should not blind us to the overwhelmingly negative impact this tax would have" on America's deteriorating road infrastructure.

"IT IS IMPERATIVE THAT AGC MEMBERS URGE THEIR REPRESENTATIVE TO COSPONSOR HOUSE RESOLUTION 41 OPPOSING A GAS TAX FOR DEFICIT REDUCTION"--AGC PRESIDENT SUPICA

A FUEL TAX INCREASE FOR DEFICIT REDUCTION—NO SOLUTION

With pressure mounting to reduce the federal budget deficit, the threat of an increase in the federal fuel tax for deficit reduction has never been greater.

Some have embraced the idea as the "easy solution" to the federal deficit. But what looks like an easy solution is really no solution at all. In fact, the tax would have severe consequences on America's transportation system, the economy, and freedom of mobility.

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A gas tax increase for deficit reduction would:

- Only reduce the federal deficit by 27 cents for every dollar of tax raised.
- Threaten the nation's highway program by destroying the user fee concept of the gas tax.
- Divert billions of dollars annually from highways at a time when increased infrastructure investment is desperately needed.
- Single out the nation's motorists to shoulder the burden of reducing the deficit.
- Derail many state initiatives for increasing funding for state highway and bridge improvements.
- Drive up the cost of doing business, increase inflation and harm American businesses in the world marketplace.
- Take away from infrastructure investment, thus further harming the economy.
- Place the heaviest burdens on rural Americans and on the poor.
- Undo many beneficial aspects of tax reform.



A Coalition of industry groups opposed to a gas tax increase for deficit reduction mapped strategy during a recent meeting at AGC headquarters. Rep. Bud Shuster is speaking. The meeting was also addressed by AGC Legislative Committee Chairman Doug Pltcock.