HJR

15

Introduced: 1/23/89
Referred: Transportation and Finance

6-0484A

IN THE HOUSE BY CATO

HOUSE JOINT RESOLUTION NO. 15

IN THE LEGISLATURE OF THE STATE OF ALASKA

SIXTEENTH LEGISLATURE - FIRST SESSION

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

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

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

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

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

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

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

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

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

COMMITTEE COPY

ENGROSSED

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

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

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

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

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

COMMITTEE COPY

HJR 15 ENGROSSED

STATE OF ALASKA
1989 LEGISLATIVE SESSION

BILL VERSION: HJR 15
PUBLISH DATE: HOUSE 2/17/89

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
Sponsor: Cato
Requestor: House Transportation

Agency Affected: DOT&PF
BRU:

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

REVENUE	0	0	0	0	0	0

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

SENATE COMMITTEE REPORT

FURTHER RES

3/22/89 DATE TURNED INTO OFFICE April 20, 1989

Mr. President:

TRSP Committee considered CSHJR 11 (TRS)

Congressional reauthorization of the Clean Air Act

and recommended

[ ] replace with ___ CS ______) [] same title
[ ] or adopt ______ CS ______) [] new title
[] technical title change (HB only)

[ ] attached amendment(s) and

[ ] ______ letter of intent adopted

[X] do pass

[ ] do not pass

[ ] no recommendation

[ ] individual recommendations

[ ] further referral to ______

FISCAL NOTE(S) [X] zero [ ] fiscal impact [ ] appropriation no FN
[ ] new [ ] updated [ ] previous
[X] same as previous fiscal note(s) published ______

MEMBERS SIGNING DO PASS

Pat Barnett[?]
J. E. Garland[?]
Paul Trevino[?]

OTHER RECOMMENDATIONS

Hoyt Jones[?] (Do Pass)
Chairman signature and recommendation

[ ] Committee Backup attached

ALASKA STATE LEGISLATURE

Sen. Lloyd Jones, Chairman
Sen. Bettye Fahrenkamp, Vice Chairman
Sen. John B. "Jack" Coghill
Sen. Paul Fischer
Sen. Pat Pourchot

P.O. Box V
Juneau, AK 99811

907-465-4921

Senate Transportation Committee

MEMORANDUM

To: Senator Arliss Sturgulewski, Chair
Senate Rules Committee

From: Senator Lloyd Jones, Chair
Senate Transportation Committee LJ

The Senate Transportation Committee's membership has recommended that HJR 15 be amended in the next committee of referral to include the names of the appropriate Congressional Committees, their chairman, and to include language supporting the U.S. House and Senate resolutions which call for the same course of action. This information was not available when the resolution was reported out of committee. The Transportation Committee was concerned this message not be delayed, so rather than holding the resolution while trying to obtain the correct committee names, it was decided that the next committee would be able to make these changes.

The names of the committees and the chairmen to be included are; the Senate Finance Committee, Senator Lloyd Bentson, Chairman, and the House Ways and Means Committee, Representative Dan Rostenkowski, Chairman.

The resolutions which speak to this issue are H. RES. 41, A resolution expressing the sense of the House of Representatives that the Federal excise taxes on gasoline and diesel fuel shall not be increased to reduce the Federal deficit and S. RES. 63, A resolution expressing the sense of the Senate that the Federal excise taxes on gasoline and diesel fuel shall not be used to reduced the Federal deficit. They are both attached.

It is expected that there would be no change to the previous zero fiscal note.

The Transportation Committee appreciates your careful consideration of these proposed changes.

attachments

SENATE COMMITTEE REPORT

FURTHER

3/16/89 DATE TURNED INTO OFFICE April 21, 1989

Mr. President:

TRSP Committee considered HJR 15

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

and recommended

[ ] replace with ___ CS ______________) [] same title
[ ] or adopt _______ CS ______________) [] new title
[] technical title change (HB only)

[ ] attached amendment(s) and

[ ] ______________ letter of intent adopted

[X] do pass

[ ] do not pass

[ ] no recommendation

[ ] individual recommendations

[ ] further referral to ______________

FISCAL NOTE(S) [X] zero [ ] fiscal impact [ ] appropriation no FN
[ ] new [ ] updated [ ] previous
[X] same as previous fiscal note(s) published ______________

MEMBERS SIGNING DO PASS

OTHER RECOMMENDATIONS

(Do Pass)

Chairman Signature and recommendation

[X] Committee Backup attached

Enter a NUMBER (1-3) or 'STOP' 3

Report for S.RES.63   Resolution Opposing the Increase of Taxes on Gasoline and Diesel Fuel in Order to Reduce the Federal Deficit
As introduced in the Senate
Complete Text of this version

III

101st CONGRESS
1st Session

S. RES. 63

Expressing the sense of the Senate that the Federal excise taxes on gasoline and diesel fuel shall not be increased to reduce the Federal deficit.

IN THE SENATE OF THE UNITED STATES
February 22 (legislative day, January 3), 1989
Mr. Symms submitted the following resolution; which was referred to the Committee on Finance

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RESOLUTION
Expressing the sense of the Senate that the Federal excise taxes on gasoline and diesel fuel shall not be increased to reduce the Federal deficit.

===============================

Whereas Federal excise taxes are regressive in that a lower income individual must use a higher percentage of his income to pay the taxes than a higher income individual;

Whereas adding 10 cents or more per gallon to the cost of fuel will have a devastating effect on the Nation's economy in that such an increase would--

(1) reduce the gross national product by $10 billion in the 1st year,
(2) reduce automobile production by 1.3 percent,
(3) reduce housing construction by 0.9 percent,
(4) increase unemployment by 80,000 in the 1st year and 180,000 by the third year,
(5) reduce petroleum refinery output by 1.2 percent,
(6) reduce income tax revenues by almost $1 billion annually,
(7) reduce personal savings by nearly 3 percent, and
(8) increase the Consumer Price Index by 0.3 percent;

Whereas it would be discriminatory for one portion of the Nation's population, highway users, to pay an additional tax in order to reduce the Federal deficit, thereby forcing this segment to shoulder a greater share of our Nation's financial burden;

Whereas it would be inequitable for individuals to contribute to Federal deficit reduction based on the number of miles driven per year;

Whereas Federal highway and public transit programs are funded at levels significantly lower than documented needs requiring States to provide funds to fill that shortfall;

Whereas an increase in the Federal tax on gasoline and diesel fuel--

(1) inhibits the ability of State and local governments to raise revenues to fund transportation projects, and
(2) reduces the revenues for State and local government fuel taxes unless State and local governments increase their taxes; and

Whereas total motor fuel taxes (including State and local taxes) account for nearly 25 percent of the retail price of gasoline and about 29 percent of the retail price of diesel fuel making motor fuel among the most heavily taxed essential items in the Nation: Now, therefore, be it

Resolved, That it is the sense of the Senate that the Federal excise taxes on gasoline and diesel fuel shall not be increased in order to reduce the Federal deficit.

101st CONGRESS
1st Session

H. RES. 41

Expressing the sense of the House of Representatives that the Federal excise taxes on gasoline and diesel fuel shall not be increased to reduce the Federal deficit.

IN THE HOUSE OF REPRESENTATIVES
January 19, 1989

Mr. Anderson (for himself, Mr. Hammerschmidt, Mr. Shuster, Mr. Roe, Mr. Mineta, Mr. Oberstar, Mr. Nowak, Mr. Rahall, Mr. de Lugo, Mr. Savage, Mr. Bosco, Mr. Kolter, Mr. Valentine, Mr. Towns, Mr. Lewis of Georgia, Mr. DeFazio, Mr. Grant, Mr. Hayes of Louisiana, Mr. Clement, Mr. Payne of Virginia, Mr. Costello, Mr. Pallone, Mr. Stangeland, Mr. Gingrich, Mr. Clinger, Mr. McEwen, Mr. 'ackard, Mr. Hastert, Mr. Inhofe, Mr. Upton, Mr. Emerson, Mr. Craig, Mr. Duncan, Mr. Hancock, Mr. Coelho, Mr. Lightfoot, Mr. Applegate, Mr. Martinez, Mr. Bilbray, Mr. Volkmer, Mr. Gallo, Mrs. Smith of Nebraska, Mr. Callahan, Mr. Lagomarsino, Mr. Barton of Texas, Mr. Dornan of California, Mr. Gallegly, Mr. Shumway, Mrs. Vucanovich, Mr. Horton, Mr. Douglas, Mr. Martin of New York, Mr. Courter, Mr. DeLay, Mr. Broomfield, Mr. Solomon, Mr. Combest, Mr. Ravenel, Mr. Smith of New Hampshire, Mr. Donald E. "Buz" Lukens, Mr. Bliley, Mr. Buechner, Mr. Roberts, and Mr. Dreier of California) submitted the following resolution; which was referred to the Committee on Ways and Means

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RESOLUTION

Expressing the sense of the House of Representatives that the Federal excise taxes on gasoline and diesel fuel shall not be increased to reduce the Federal deficit.

===============================

Whereas Federal excise taxes are regressive in that a lower income individual must use a higher percentage of his income to pay the taxes than a higher income individual;

Whereas adding 10 cents or more per gallon to the cost of fuel will have a devastating effect on the Nation's economy in that such an increase would--

(1) reduce the gross national product by $10 billion in the 1st year,
(2) reduce automobile production by 1.3 percent,
(3) reduce housing construction by 0.9 percent,
(4) increase unemployment by 80,000 in the 1st year and 180,000 by the third year,
(5) reduce petroleum refinery output by 1.2 percent,
(6) reduce income tax revenues by almost $1 billion annually,
(7) reduce personal savings by nearly 3 percent, and
(8) increase the Consumer Price Index by 0.3 percent;

Whereas it would be discriminatory for one portion of the Nation's population, highway users, to pay an additional tax in order to reduce the Federal deficit, thereby forcing this segment to shoulder a greater share of our Nation's financial burden;

Whereas it would be inequitable for individuals to contribute to Federal deficit reduction based on the number of miles driven per year;

Whereas Federal highway and public transit programs are funded at levels significantly lower than documented needs requiring States to provide funds to fill that shortfall;

Whereas an increase in the Federal tax on gasoline and diesel fuel--

(1) inhibits the ability of State and local governments to raise revenues to fund transportation projects, and

(2) reduces the revenues for State and local government fuel taxes unless State and local governments increase their taxes; and

Whereas total motor fuel taxes (including State and local taxes) account for nearly 25 percent of the retail price of gasoline and about 29 percent of the retail price of diesel fuel making motor fuel among the most heavily taxed essential items in the Nation: Now, therefore, be it

Resolved, That it is the sense of the House of Representatives that the Federal excise taxes on gasoline and diesel fuel shall not be increased in order to reduce the Federal deficit.

A GAS TAX INCREASE FOR DEFICIT REDUCTION-- AN EASY SOLUTION? OR NO SOLUTION AT ALL?

This brochure is published by the following concerned organizations:

Associated General Contractors of America
American Farm Bureau Federation
National Association of Counties
International Union of Operating Engineers
National Aggregates Association
American Consulting Engineers Council
Portland Cement Association
National Ready Mix Concrete Association
American Road and Transportation Builders Association
National Asphalt Pavement Association
Associated Builders and Contractors
Construction industry Manufacturers Association
National Stone Association

February, 1989

A GAS TAX INCREASE FOR DEFICIT REDUCTION–
AN EASY SOLUTION?
OR
NO SOLUTION AT ALL?

As of the date of this brochure's publication, bipartisan efforts in Congress to prevent a gas tax increase for deficit reduction continue to gain momentum. House Resolution 41, introduced by Glenn Anderson (D-Calif.), Public Works and Transportation Committee Chairman, Rep. John Paul Hammerschmidt (R-Ark.), the committee's Ranking Republican member, and Rep. Bud Shuster (R-Pa.), Ranking Republican on the Subcommittee on Surface Transportation, has 124 cosponsors, and the number of cosponsors continues to grow. The threat of an increase in the federal gas tax for deficit reduction, however, remains great.

Several members of the National Economic Commission, created by Congress to propose deficit reduction methods, have expressed support for this idea. Some editorials have called for increasing the tax by as much as 50 cents, and even one dollar. Besides reducing the deficit, they say, the tax increase would encourage conservation and improve air quality. Others have labeled a gas tax increase as the "easy solution" to the federal deficit.

But what looks like an easy solution is really no solution at all. Indeed, the impact of a gas tax hike--whether by a dime or a dollar--will have severe consequences on our transportation system, our economy, and our freedom of mobility. And because a gas tax increase for deficit reduction would divert funds from vital highway and bridge investment, it would only increase traffic congestion--and therefore would only reduce conservation and aggravate air quality problems.

Consider the following questions and answers concerning the likely impact of such proposals:

WHAT IMPACT WOULD A GAS TAX INCREASE FOR DEFICIT REDUCTION HAVE ON THE NATION'S HIGHWAY PROGRAM AND THE USER-FEE CONCEPT THAT FUNDS IT?

Quite simply, any federal fuels tax hike for deficit reduction threatens our nation's highway program. Such a tax would undermine the user fee concept of the gas tax which has been critical to the public's support of the highway program.

Motor fuel taxes have been the primary user fee which has financed the nation's highway program for more than 50 years. At the federal level, the gasoline tax has financed the Interstate and other much-needed federal-aid highway and bridge repair programs. The highway program has been a success due primarily to this dependable, public-supported, user-financing method.

Proposals to increase the gas tax will destroy America's successful highway program because they would break the link of the gas tax as a user fee and therefore destroy the integrity of the Highway Trust Fund which it finances. The American public would no longer be assured of a dependable revenue source to finance vital transportation improvements because the gas tax would be used to finance non-transportation programs.

WOULD A GAS TAX HIKE FOR DEFICIT REDUCTION ACTUALLY REDUCE REVENUES FOR HIGHWAY IMPROVEMENTS?

Raising the tax for deficit rather than transportation needs would divert billions of dollars annually which should be dedicated to improving the condition of our deteriorating highways and bridges.

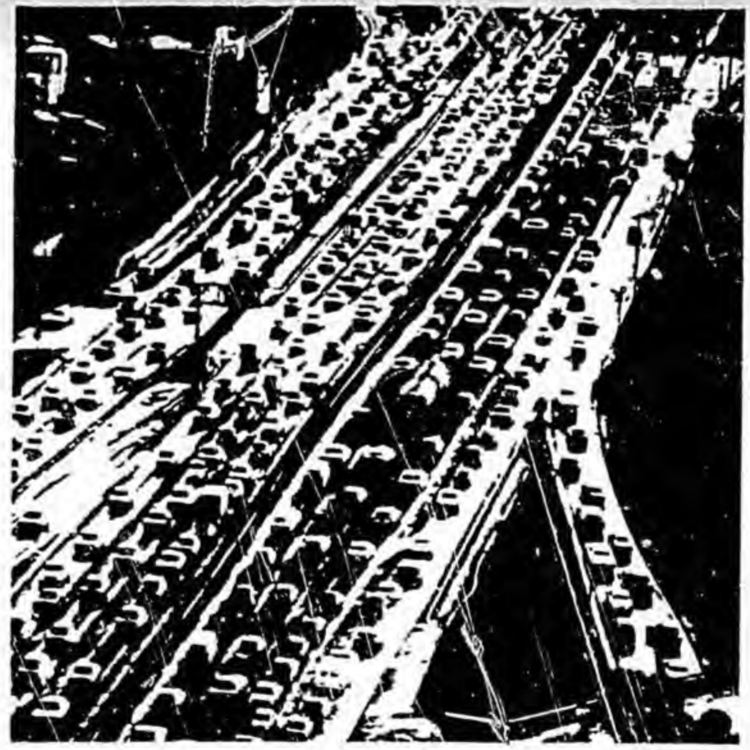
A recent study by the American Association of State Highway and Transportation Officials (AASHTO) estimates that the nation's annual highway capital needs over the next 30 years are nearly double current investment levels. The National Council on Public Works Improvement found that America's transportation network is inadequate to fulfill current requirements and incapable of meeting the demands of future economic growth and development.

Travel conditions are worsening across the nation. Road and bridges are deteriorating rapidly while highway travel is increasing rapidly. At a time when we should be increasing our investment in transportation, along comes a proposal that would take away money from vital highway needs. The likely result is more of what TIME Magazine, in its recent cover story, termed "Gridlock"--a crisis in transportation that is costing Americans dearly in lost productivity, wasted fuel, and increased irritation caused by inadequate highways.

IS A GAS TAX INCREASE FOR DEFICIT REDUCTION FAIR TO OUR NATION'S MOTORISTS?

Proposals to raise the gas tax for deficit reduction are highly unfair to the nation's motorists. America's road program has not added one dollar to the national deficit. Under the current system, the nine-cent-per-gallon federal gasoline tax goes into the Highway Trust Fund. Funds collected are earmarked for transportation improvements.

Yet every administration since President Lyndon Johnson's has withheld a portion of the taxes paid into the Trust Fund in order to make the total federal budget deficit look smaller than it actually is. The Highway Trust Fund balance has increased to $14.5 billion, al-



though by law that money can ultimately only be used for transportation improvements.

Motorists are already being treated unfairly because money they have paid into the trust fund is not being spent for vital transportation improvements. Adding a fuel tax for deficit reduction would further undermine the highly successful pay-as-you-go concept of the current federal/state highway program.

American motorists would also be singled out to shoulder the burden of reducing the deficit. By increasing the tax on gasoline for the sole purpose of deficit reduction, highway users would pay considerably more towards the national debt than others.

WOULDN'T A GAS TAX FOR DEFICIT REDUCTION SIMPLY ENCOURAGE GREATER USE OF PUBLIC TRANSPORTATION?

Americans depend on their automobiles. A Federal Highway Administration survey indicates that more than 34 percent of auto travel is for earning a living. More than 30 percent is for family business, and another 30 percent for social and recreational use.

In fact, the United States turns to its private vehicles for more than 80 percent of its trips. The average American has limited options if the cost of driving be-comes prohibitive. Public transportation can by no means replace the vast majority of driving in this country. This is especially true in rural areas and in smaller cities and suburbs with limited public transportation. It should also be noted that the primary form of commuting is no longer from the suburbs to the city. In fact, most commuters live in one suburb and commute to another. Public transportation and carpooling is highly inadequate to meet the needs of these cross-suburb commuters.

The Highway Trust Fund also is used for public transit improvements and construction. Because the fuel tax for deficit reduction would divert funds from the trust fund, it would also divert funds from public transit.

WOULD A GAS TAX INCREASE FOR DEFICIT REDUCTION AFFECT STATE TRANSPORTATION IMPROVEMENT EFFORTS?

A new federal tax on gasoline for deficit reduction would derail many state initiatives for increasing funding for state highway improvement programs. As many as 36 state legislatures are expected to seek increases in their state gasoline taxes in 1989 to fund transportation projects. If a federal gasoline tax for deficit reduction is levied, state legislators will find dwindling support for added state gasoline taxes to meet transportation needs.

In Alaska, for instance, efforts to raise the state's motor fuel tax in 1987 to fund road improvements were halted because of a rumor of a federal gas tax hike. States have few other options other than raising their fuel taxes to raise necessary funds for transportation needs. The states, in general, have used sales and other traditional taxes to their maximum levels. Undermining the ability of states to raise their fuel taxes would remove one of the last viable options states have for raising needed funds for transportation improvements.

Furthermore, if the federal gas tax is increased for deficit reduction, gasoline use would decline, translating into less revenue for the states from existing state gasoline taxes. The National Association of State Budget Offices estimates that state revenue could drop by $4 billion over the next five years if an additional 10 cents per gallon tax were imposed at the federal level for deficit reduction.

WOULD A GAS TAX INCREASE FOR DEFICIT REDUCTION HARM THE ECONOMY?

Increasing the federal gas tax for deficit reduction would drive up the cost of doing business, increase inflation, and harm American businesses in the world marketplace.

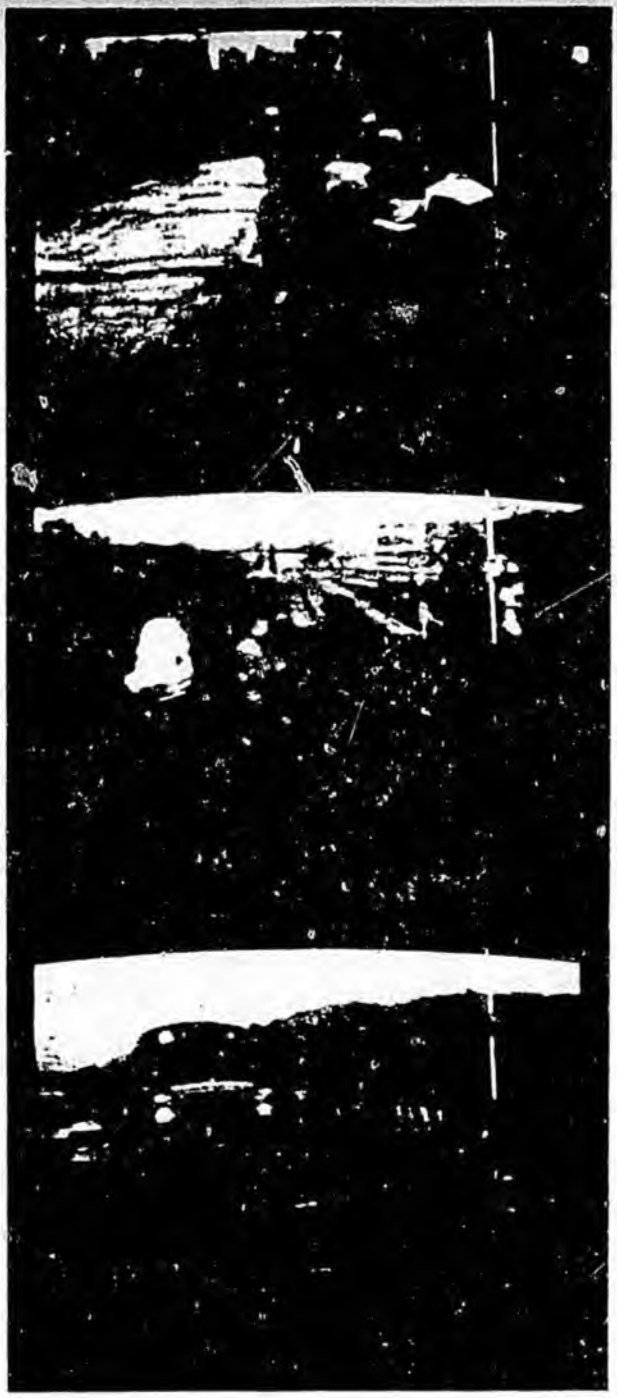
A 10-cent increase in the gasoline tax for deficit reduction would reduce the nation's Gross National Product by nearly $10 billion, lower automobile production by 1.3 percent, and reduce employment by 80,000 in its first year and by 180,000 in three years, according to Wharton Econometrics Forecasting Associates. A 30-cent increase would put 525,000 people out of work by 1990, Wharton's study found.

Such a tax would most likely be deductible by businesses, resulting in little net gain to the government. But it would be added in the total cost of commodities and services to consumers. This would raise the cost of living and the Consumer Price Index, thus fueling inflation. The trucking industry, which delivers 75 percent of all freight in this country, would face greatly increased operating costs that would translate into higher costs for all types of goods. Industries such as tourism and recreation (vital to many states' economies) would be hard hit by the tax increase.

WHAT OTHER IMPACT WOULD A GAS TAX INCREASE FOR DEFICIT REDUCTION HAVE ON OUR ECONOMY?

Because the tax hike would divert funds from highway improvements, it would further impact the overall economy. Federal Reserve Bank of Chicago Senior Economist David Aschauer has documented the correlation between infrastructure investment and the nation's economy. His research shows that the nation's private sector productivity has risen and fallen with its investment in highways, bridges, and all of its public works infrastructure.

Declining spending on our transportation system forces businesses to absorb higher costs and therefore lowers productivity. "A root cause of the decline in the competitiveness of the United States in the internation-



One of the effects of inadequate highway and bridge investment is captured in this television story. As a safety precaution, these schoolchildren must walk across this dilapidated bridge. Once the children are safely across, the bus follows.

al economy," Mr. Aschauer explains, "may be found in the low rate at which our country has chosen to add to its stock of highways, port facilities, airports and other facilities which aid in the production and distribution of goods."

Currently, almost 40 percent of the nation's nearly 575,000 bridges are deficient. By the turn of the century our roads will have to accommodate 60 percent more traffic. Yet our current levels of funding are insufficient to even maintain current levels of service. And our transportation system is the foundation of our economy.

This is clearly not the time to enact a tax that will take away from our infrastructure investment.

IS A GAS TAX FOR DEFICIT REDUCTION FAIR TO AMERICANS IN ALL REGIONS OF THE COUNTRY?

Motorists in most Western and Southern states, who must drive greater distances, would bear an unfair burden for reducing the federal deficit. These areas generally have little public transportation. Therefore, residents are dependent on their automobiles to get to work, to school, and for all other needs.

The average driver in Wyoming, for example, uses more than twice the amount of gasoline per year than the average driver in the District of Columbia.

Is it fair for residents of that state to pay more than double what the Washington, D.C. driver must pay toward reducing the deficit?

WHAT WOULD A GAS TAX INCREASE FOR DEFICIT REDUCTION MEAN FOR THE NATION'S POOR?

A tax hike for deficit reduction would have its greatest effect on the nation's working poor. Low income people spend a higher percentage of their income on fuel than others.

Studies indicate that those with incomes under $10,000, many of whom drive older, less fuel efficient cars, pay as much as 700 percent more for gasoline as a percentage of their income than those in high income groups.

Former Federal Highway Administrator Ray Barnhart notes that it is ironic that at the same time as public attention has been focused on proposals to increase the minimum wage and to fund day care for the poor, "Now comes an effort in Washington to compound the fiscal hardship on these same people by imposing a new gas tax which would fall most heavily on them."

WOULD A GAS TAX FOR DEFICIT REDUCTION UNDO THE BENEFITS OF TAX REFORM?

Increasing the federal gasoline tax for deficit reduction would undo the benefits of the Tax Reform Act of 1986. The act was designed to more fairly distribute the nation's tax burden, reduce taxes for low- and middle-income people, and take some of the poor off the tax rolls entirely.

Because a gas tax for deficit reduction would be regressive, an increase would reduce much of the benefits of tax reform to lower income people. The Tax Reform Act cut taxes by $414 million for those with incomes under $10,000.

A gas tax increase for deficit reduction of only one cent per gallon would reduce this benefit by $99 million. Since most gas tax increase proposals are for much more than one cent per gallon, it is clear that the poor would not only lose the benefits they gained by tax reform--but would be saddled with a large new tax burden.

DO AMERICANS SUPPORT A GAS TAX HIKE FOR DEFICIT REDUCTION?

The vast majority of Americans oppose raising the gasoline tax for deficit reduction. A 1987 *Washington Post*-ABC News poll found 73 percent of Americans against it. A *Newsweek* poll confirmed that 77 percent of Americans were against raising the gasoline tax by 10 cents per gallon. A November, 1988 Media General-Associated Press poll showed three-quarters of Americans opposed to such a tax, while a January, 1989 *TIME* Magazine poll showed 72 percent of Americans opposed.

BUT WON'T A TAX HIKE FOR DEFICIT REDUCTION SIGNIFICANTLY REDUCE THE DEFICIT?

A recent study by Data Resources Inc.--a private consulting group--found that a new federal tax on motor fuels for deficit reduction would have little success in reducing the federal deficit. Because of the detrimental effect of the tax on the economy, the deficit would be cut by only 27 cents for every dollar of tax raised, on average, over a five-year period.

The Wharton Econometrics study finds that an increase in the federal gasoline tax would produce some revenues for deficit reduction, but far short of the projections offered by the supporters of the tax increase.

The study explains that while the tax would raise revenues, it would also reduce economic activity and increase federal transfer payments such as unemployment insurance and food stamps.

WOULD A GAS TAX FOR DEFICIT REDUCTION HAVE ANY EFFECT ON HIGHWAY SAFETY?

Because a gas tax increase for deficit reduction would undermine federal and state highway and bridge improvement efforts, it would reduce safety on our nation's highways. A recent Transportation Research Board report explained that resurfacing and widening roads can reduce head-on collisions by as much as 55 percent and single-car accidents by as much as 51 percent.

WHAT EFFECT WOULD A GAS TAX FOR DEFICIT REDUCTION HAVE ON ENERGY CONSERVATION?

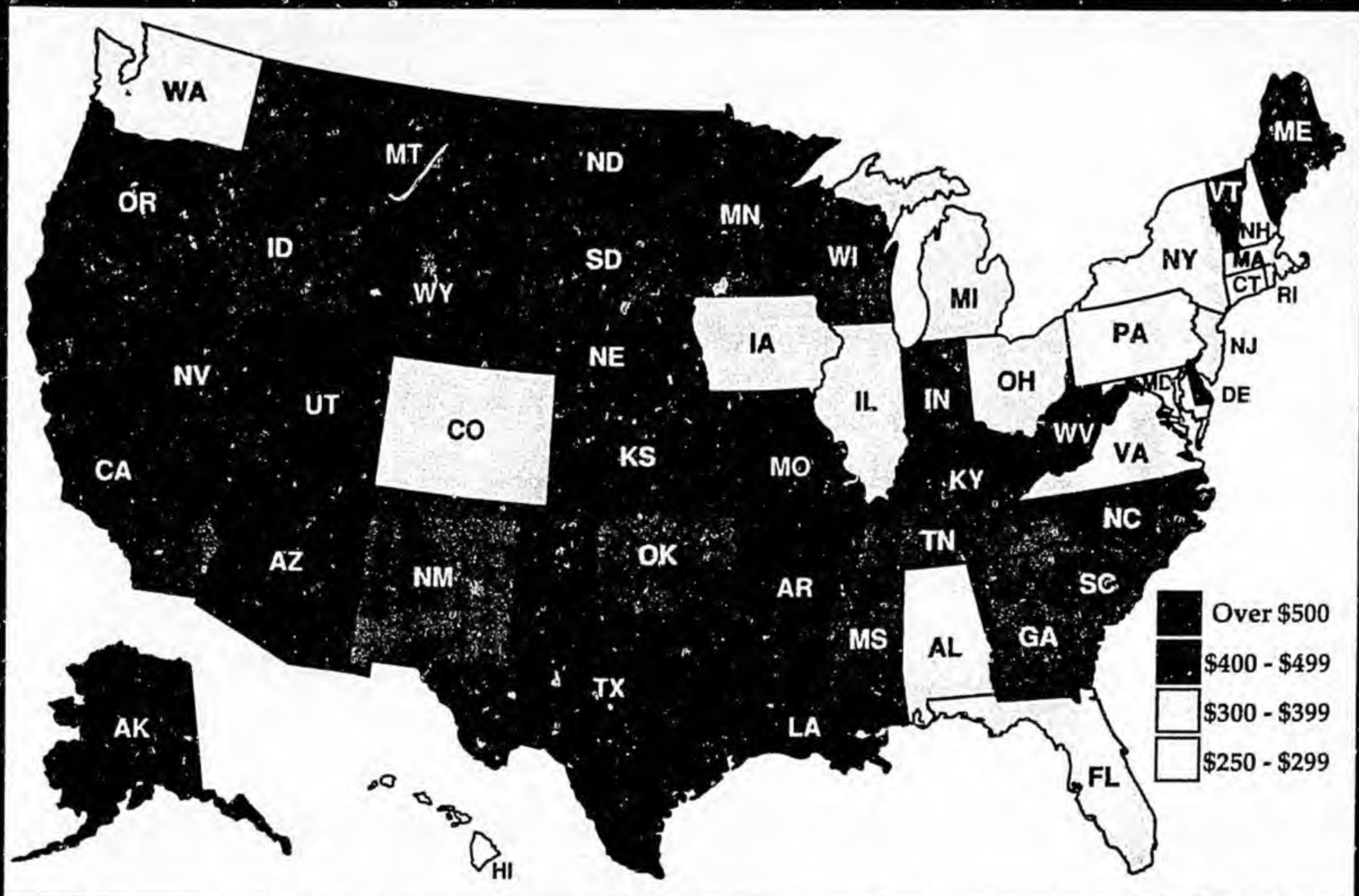
By diverting funds from needed highway and bridge improvements, a gas tax for deficit reduction would only increase road congestion and therefore decrease energy conservation. It is estimated that nearly 10 billion gallons of gasoline can be conserved each year by simply improving the surface conditions of our current road system.

HOW DO I FIGHT THIS UNFAIR, COUNTERPRODUCTIVE TAX HIKE?

You are encouraged to contact your Senators and Representative to let them know how you feel about any effort to increase 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.

AVERAGE ANNUAL TAX INCREASE

PER AUTOMOBILE, BY STATE, AS A RESULT OF A 50 CENT PER GALLON GASOLINE TAX FOR DEFICIT REDUCTION



Source: Federal Highway Administration

Total state gasoline use divided by registered private and commercial automobiles and multiplied by 50 cents.

POSITION PAPER

A.G.C. of ALASKA

TO THE

HOUSE TRANSPORTATION COMMITTEE

ON

HJR 15

INCREASE IN FEDERAL MOTOR FUEL TAXES AND THE USE OF FUEL TAXES

TO REDUCE THE FEDERAL BUDGET DEFICIT.

SKILL RESPONSIBILITY INTEGRITY

THE ASSOCIATED GENERAL CONTRACTORS OF AMERICA

AGC

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.

PREEMPTS 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.

ALASKA INEQUITIES - MOTORIST IN ALASKA 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.

AGC NEWS RELEASE

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

THE ASSOCIATED GENERAL CONTRACTORS OF AMERICA • 1957 E STREET, N.W.
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."

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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.

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NATIONAL NEWSLETTER

THE ASSOCIATED GENERAL CONTRACTORS OF AMERICA · AGC · SKILL · RESPONSIBILITY · INTEGRITY

January 19, 1989

Route to ____________

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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.

Rep. Bud Shuster

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. 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 reduction, 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.

continued on page 2

NEWSLETTERS

GAS TAX from page 1

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 Pitcock.

NATIONAL NEWSLETTER

January 12, 1989

Route to ________

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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.

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