



MEMORANDUM

Date: January 13, 2015

To: The Honorable Chair and Members
Pima County Board of Supervisors

From: C.H. Huckelberry
County Administrator 

Re: **Issues Regarding the Gasoline Tax (or User Fee as the Republican Chairman of the Senate Environment and Public Works Committee Refers to It)**

Attached is a *Wall Street Journal* article regarding United States Senate discussion about potentially raising transportation user fees to fund the federal Highway Trust Fund. This is the same user fee that has not been increased since 1993 at the federal level or since 1991 at the state level. Hopefully, federal policymakers will recognize the connection between economic expansion/economic development and quality, safe and efficient transportation systems.

An additional article from the *Wall Street Journal*, which discusses transportation user fees at the state level, is also attached.

CHH/mjk

Attachments

c: John Bernal, Deputy County Administrator for Public Works
Priscilla Cornelio, Director, Department of Transportation
Farhad Moghimi, Executive Director, Regional Transportation Authority

January 8, 2015, 7:54 AM ET

Senate Republicans: Higher Gas Taxes Are On The Table

By Amy Harder



Vice President Joe Biden administers the Senate oath to Sen. James Inhofe (R-Okla.) during a ceremonial swearing-in ceremony on Jan. 6 in the Old Senate Chamber of Capitol Hill.

Some leading Republican senators are signaling they might be willing to embrace a political anathema: raising the nation's gasoline tax.

Senate Environment and Public Works Chairman James Inhofe (R., Okla.), who just took the reins of the panel, said he is open to considering raising the gas tax as a way to help pay for the dwindling Highway Trust Fund that keeps up the nation's roads and other transportation infrastructure.

"Everything is on the table," Mr. Inhofe said in a Wednesday briefing with reporters to preview his committee agenda. He said his top priority is passing a long-term transportation bill, whose spending runs out at the end of May.

With gasoline prices at lows not seen since 2009, some political observers and business executives say now is the ideal time to raise the 18.4 cent-a-gallon tax on gasoline and the 24.4 cent-a-gallon tax on diesel fuel, which haven't increased since 1993. The taxes are the main source of revenue for the highway trust fund.

Mr. Inhofe didn't say he supports raising the gas tax, and he refutes referring to it as such. "It's not a tax," Mr. Inhofe said. "It's a user fee."

He also said this period of cheap gas isn't really a window of opportunity given it could close sooner than Congress is going to act. "You don't know what's going to happen to the price of gas," Mr. Inhofe said.

His cautious statements resemble those made recently by other leading Republican senators, whose party assumed control of the Senate on Tuesday and strengthened its majority in the House.

“We’ll have to look at that. I’m looking at everything—every possible way of taking care of the highway bill,” said Senate Finance Chairman Orrin Hatch (R., Utah).

Senate Commerce Chairman John Thune (R., S.D.), speaking Sunday on Fox News, said he didn’t favor raising the gas tax but also said everything should be on the table regarding the highway fund.

The U.S. has some of the cheapest fuel taxes in the world, and the idea that lawmakers would raise them is politically controversial given the typical voter anger that ensues from expensive gasoline.

“As long as people continue to try to associate that [a user fee] with all taxes, that puts people in an awkward position, people who are conservatives,” Mr. Inhofe said.

The Wall Street Journal’s CEO Council [recommended in December](#) that Congress should increase fuel taxes to pay for highway infrastructure.

Sen. John Barrasso (R., Wyo.), who said he doesn’t support an increase and doesn’t think there is a political appetite for doing so on Capitol Hill, said that regardless of business support, lawmakers are answering to voters.

“Congress is elected by their voters in their home districts, not by the business council,” Mr. Barrasso said.

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THE WALL STREET JOURNAL.

By Josh Mitchell
The Wall Street Journal

Updated Jan. 8, 2015 5:10 p.m. ET



Lower gasoline prices may have given lawmakers a window to raise gas taxes to fund repairs of aging infrastructure. Here, construction crews work to erect a new highway bridge to carry I-65 traffic across the Ohio River from Louisville, Ky., this past summer. Bloomberg News

The sharp drop in gasoline prices over the past few months is providing a rare political opening for state and federal officials who want to raise gasoline taxes to repair highways and boost construction jobs.

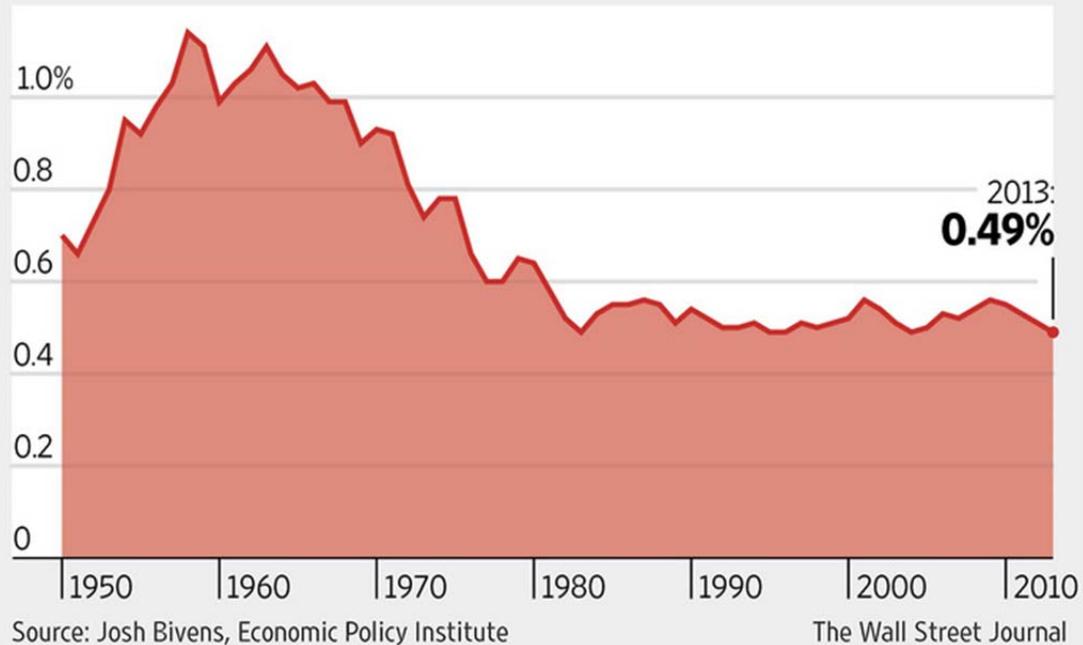
In Iowa, Republican Gov. Terry Branstad is gauging lawmakers' support for the first state gas-tax increase since 1989, among other options to raise transportation funds. In Michigan, the GOP-controlled legislature approved a plan last month for a ballot initiative to boost the gas tax for road repairs. In Utah, Republican leaders in the state House signaled this week they are moving to raise the gas tax to cover a transportation-funding shortfall.

In the nation's capital, several top Senate Republicans—supported by some Democrats—are signaling an openness to raising the federal levy from the 18.4 cents a gallon it's been at since 1993. The backers include business groups and corporate leaders who want to see infrastructure improvements and job-minded unions.

Falling Investment

Lower gas prices could give legislators leeway to raise fuel taxes to support efforts to fix old and stressed infrastructure.

State and federal spending on highway infrastructure as a share of GDP



The emerging push is taking lawmakers into two issues that can spark a backlash from voters: gas prices and taxes.

A 2013 poll by research firm Gallup—taken while gas costs were high—showed two-thirds of Americans oppose raising state gas taxes by up to 20 cents to fund infrastructure projects. But the sharp drop in gasoline prices—to less than \$2 a gallon at more than a third of U.S. stations—is brightening consumers' moods, potentially taking the edge off raising state taxes that total as much as 50 cents a gallon on top of the federal tax of 18.4 cents.

Elected officials from both parties are treading into the debate cautiously, framing the issue around improving highway safety and local economies by repairing a growing backlog of troubled roads and bridges. Their hurdle: Lawmakers who support higher fuel levies risk being blamed for the burden of high prices.

“There aren’t many products where every time you go for a drive you see the price thrown at you a dozen times before you get to your destination,” said Carl Davis, a senior policy analyst at the Institute on Taxation and Economic Policy, a nonprofit research group in Washington. “Gasoline is something people buy frequently. It’s a significant expense for people.”

Republicans in some states have couched proposals to raise state gas taxes as “user fees.” In Iowa, Mr. Branstad has asked his transportation director to propose options to raise road funds, including increases in the gas tax and vehicle registration fees. Mr. Branstad met with legislative leaders Wednesday to gauge support for the measures, his spokesman said.

"The timing is right [to raise taxes] in light of the fact that fuel prices have dropped significantly," Mr. Branstad said at a press conference in December. "People are going to more and more fuel-efficient vehicles which consume less gasoline, less diesel fuel," he said, draining state revenues.

Michigan's Republican Gov. Rick Snyder has pushed for a gas-tax increase by warning the state's roads would deteriorate without more money to maintain them. The legislature approved a ballot measure to effectively raise the gas tax for the first time since 1997, as part of a plan to boost annual transportation funding by \$1.2 billion, or 34%. The measure goes to voters in May.

Kirk Steudle, Michigan's transportation director, said the gas-price drop along with the prevalence of potholes from last winter's storms have convinced many residents to support higher levies.

"They see it in the roads that they're driving on, they're seeing it in their repair costs in bent rims," Mr. Steudle said. "We've been talking about it for years but it manifested itself in front of them last spring and they said we have to do something about this."

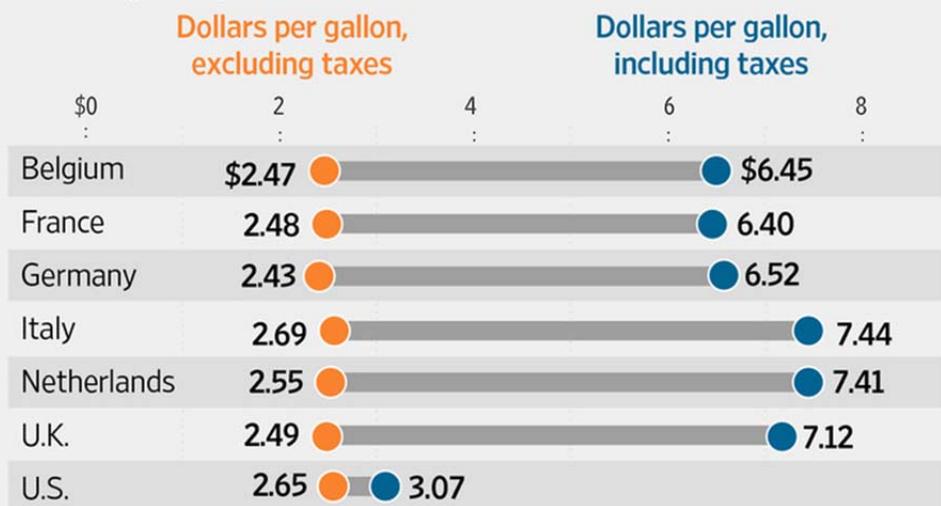
Two other Republican governors—New Jersey's Chris Christie and South Dakota's Dennis Daugaard — have been coy about whether they'd support gas-tax increases being debated by their state legislatures, though they haven't ruled them out.

Meanwhile, Congress faces a looming deadline on road funding. The federal Highway Trust Fund, which derives revenue from the federal gas tax, is again set to run dry in May. And there's a growing consensus among lawmakers that previous fixes—piling onto the national debt—won't fly this time.

"I don't think there's a person around that doesn't realize if we're going to do it, now is the time to do it," Sen. Bob Corker (R., Tenn.) said of raising the federal gas tax, a move he supports. He has pointed to the 40% drop in gasoline prices since summer as he tries to win colleagues' support for raising the levy.

Relatively Taxing

Drivers in the U.S. pay about one-fourth of what many Europeans pay in gasoline taxes. Now, with prices low, some U.S. politicians are looking to raise the gas levy.



Note: Prices from Thursday

Source: U.S. Energy Information Administration

The Wall Street Journal

The federal levy—which amounted to about \$23.5 billion in gasoline tax revenue in the 12 months through September 2013—has stood at 18.4 cents a gallon since the first year of the Clinton administration, despite multiple proposals over the years to raise it. Over the past decade, Congress has approved higher spending for highway construction but hasn't raised the tax to pay for it, creating periodic funding crises.

Mr. Corker said many colleagues privately say they should raise the tax but remain fearful of a public backlash. Lawmakers say they are typically flooded with calls from angry constituents any time talk of a gas-tax increase surfaces. And some Republicans say they want tighter restrictions on how the money is spent—to cut down on pork-barrel projects that have little benefit—before approving an increase.

To circumvent a backlash, Mr. Corker is working with Democrats to couple a gas-tax increase with an income-tax break for the lowest earners. Instead of a standalone bill, the plan would be inserted into a broad package of legislation this year, such as one aimed at overhauling corporate taxes, Mr. Corker said.

Supporters of an increase say they still face an uphill climb, particularly given Republicans' increased power in Congress. House Speaker John Boehner (R., Ohio) said Thursday that he has never voted to raise the gas tax and cast doubt on whether the current Congress would. "When the Democrats had total control of the Congress, they couldn't find the votes to raise the gas tax," he said. "It's doubtful that the votes are here to raise the gas tax again."

The U.S. Chamber of Commerce business group has supported raising the gas tax to boost infrastructure, which they say would create jobs and improve productivity by speeding the flow of goods and services on the nation's highways and railways. The AFL-CIO union federation has also supported higher gas levies.

President Barack Obama—who repeatedly criticized calls for a gas-tax increase during his first term—suggested he was open to one at a recent White House event. Asked by FedEx Corp. Chief Executive Fred Smith about current proposals in Congress to raise the tax for infrastructure improvements, Mr. Obama said he would talk with leaders from both parties to gauge how many votes the plans could get. An administration official said later that the president still proposes to pay for infrastructure by increasing taxes on companies' overseas profits.

"In fairness to members of Congress, votes on gas tax are really tough," Mr. Obama said. "Gas prices are one of those things that really bug people. When they go up, they're greatly attuned to them. When they do down, they don't go down enough. And so, historically, I think there's been great hesitance."

Ultimately, proponents of raising the gas tax say political opposition appears to have eased with cheaper gasoline. Many economists expect prices to stay low at least into 2015 before eventually rising again as a buildup in oil supplies eases.

"The politics of this issue get easier when gas prices are lower and the economy is growing," said Sen. Chris Murphy (D., Conn.), who supports an increase. "The political excuses aren't there any longer and the policy alternatives are drying up."