Testimony for the Joint Meeting of the House Transportation and Infrastructure Committee and the Senate Infrastructure Modernization Committee on February 19, 2013

The National Motorists Association thanks the two committee chairmen and all the committee members for the opportunity to testify on this important issue.

The NMA presented our views to the Transportation Funding Task Force in September of 2008, to a House Transportation Committee meeting in November of 2008, and again before a public meeting of the House Transportation Committee in April of 2010.

Our views remain the same.

Michigan has an obvious under-funding problem for our roads and bridges, principally caused by the fixed state and federal fuel tax rates that have not kept pace with inflation for over 15 years. The real costs to build and maintain our roads and bridges have risen far faster than the fuel tax revenues. We must find a way to maintain and grow our transportation infrastructure to support economic growth.

We believe that increased fuel tax rates with clear communications on how the monies will be spent on our roads and bridges are the proper way to fix the problem for several reasons.

We believe increased registration fees, increased sales taxes, any type of per-mile fees with a GPS system, more transit funding or the introduction of tolls on existing roads are all the wrong approach.

- Fuel taxes are proper user fees <u>and</u> are directly proportional to road usage.

- Higher fuel costs directly encourage the use of more fuel efficient vehicles.

- Higher registration fees fail both the above tests because they are not proportional to usage and do not encourage the use of more fuel efficient vehicles to reduce our needs for oil – domestic or imported.

- Fuel taxes are very inexpensive and efficient to collect with our existing systems.

- Per-mile fees with a new GPS system would not encourage the use of more fuel efficient vehicles <u>and</u> would require a very expensive new collection infrastructure for both the state and the consumers.

- Sales taxes are totally the wrong approach in our view. There are many citizens who do not drive or drive very little who would pay higher taxes on products unrelated to road use. This would be unfair.

- Imposing tolls on existing roads already paid for by road users with their taxes would be totally unfair.

- Diverting more money from fuel tax revenues to public transit systems hoping to lower the level of traffic on the roads would be a bad approach. Most road users in Michigan do not live in areas with decent public transit systems and most commuting routes would not be served by transit systems.

- We believe one thing would be critical for the public to accept any fuel tax increases. The additional revenue would have to be dedicated entirely to roads and bridges. We believe the public would never accept higher fuel taxes if any significant portion of the new revenue were diverted to transit systems that most drivers will never use … or to anything other than building and maintaining our roads and bridges.

We believe the public would accept higher fuel taxes if the money goes entirely to our roads and if the increases were timed properly to reduce the negative effects. Fuel costs are extremely volatile and often vary by 30 to 50 cents per gallon in less than six months. Sometimes we get differences of 25 cents per gallon within 30 days. If the tax increases were done in small stages and timed properly, the effects on consumers would be greatly lessened.

Suppose, for example, Michigan imposed total new fuel taxes of 25 or 30 cents per gallon to more than double the state fuel tax revenues, but imposed them in 5 cent steps over several years, and raised the rates during times when fuel costs were lower. Each step would be almost unnoticed by consumers.

It would also help to publicize the specific types of projects that the new fuel tax revenues would be funding. This would show the public in concrete terms (pun intended) where the money will go. It is easy to develop website pages on government sites with this information. Simple flyers could go with all the mailed license and registration renewal forms, and be available in all state offices. Programmable road signs that MDOT uses could display information from time to time.

One more item should be included in any new legislation on fuel tax rates. We need built-in systems to adjust the tax rates over time to account for inflation and for the increasing average fuel economy in the overall fleet. This would prevent another crisis like the one we have been living with for more than a decade where we don't have enough funds to build and maintain our roads.

It was a bad mistake to set fixed fuel tax rates per gallon many years ago, with no built-in factors to adjust them for inflation or for the increasing fleet fuel economy. We don't need to make that mistake again and have another under-funding crisis 10 to 20 years from now.

Thank you and I would be happy to take any questions.

Respectfully submitted,

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