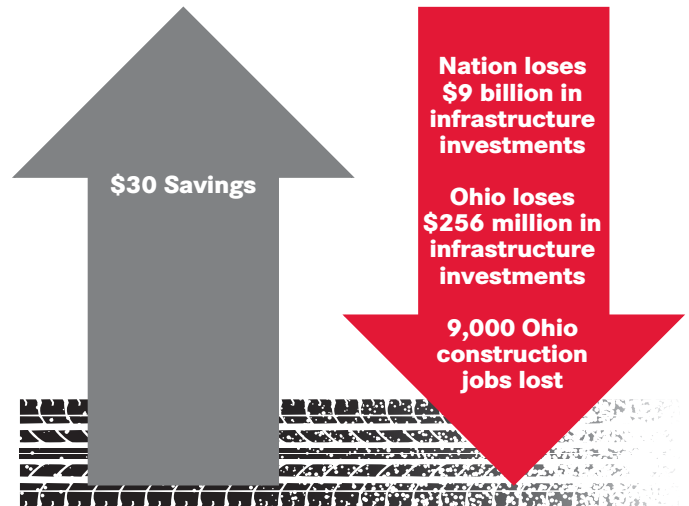


# GAS TAX 'HOLIDAY' REARS UGLY HEAD IN TIME FOR ELECTION SEASON



*THE UPSIDE AND DOWNSIDE OF A GAS TAX HOLIDAY:*  
An approximately 100-day "vacation" from paying the federal gas tax will save the average American motorist \$30, but it will eliminate nearly \$9 billion in investments toward the nation's infrastructure - including \$256 million in Ohio alone. Estimates also show 9,000 Ohio construction jobs in jeopardy because of the federal gas tax holiday.

**W**hen there's pain at the pump, politicians begin offering "solutions" to ease it; solutions like gas tax "holidays." Suspending the tax that motorists pay for motor fuel seems like a sure way to "help" people who are getting crunched by

rapidly rising gas prices. Unfortunately, the reality isn't nearly as positive.

Recognizing how big the issue surrounding gas prices have become, Presidential nominee Sen. John McCain

> continued on page 2

*Infrastructure Insight* is featuring a series of articles on innovative transportation financing ideas. In this issue we study the Vehicle Mile Tax:

#### Innovative Transportation Financing Ideas

VAT TAX

SPRING

P3s

SUMMER

Congestion Pricing & Dedicated Freight Lanes

FALL

## HOW ARE WE GOING TO PAY FOR INFRASTRUCTURE IN THE COMING DECADES?

### A Look at the VMT Tax

**T**he winter 2008 issue of *Infrastructure Insight* featured an article on the National Commission on Surface Transportation's report. The report focuses not only on the need for additional

revenue to address the nation's infrastructure challenges, but also new mechanisms for collecting revenue to provide long-term stability to the transportation system.

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## The Gas Tax and Pump Price

- The federal gas tax has not been increased in 15 years
- The purchasing power of the federal gas tax has dwindled from 18.4 cents/gallon in 1993 to 12.45 cents/gallon in 2008
- The federal gas tax does not fluctuate as prices of gas shift, it remains constant at 18.4 cents/gallon
- The current high prices of gas are not the result of the gas tax, they are due to:
  - increasing demand from Asia
  - geopolitical uncertainties in oil producing nations
  - decline in value of the U.S. dollar



(R-Arizona) attempted to make a big splash on Tax Day, April 15. While outlining his economic platform, Sen. McCain called for a **federal gas tax "holiday"** by **suspending the collection of the 18.4 cent per gallon federal gasoline tax and the 24.4 cent/**

**gallon diesel tax for the period between Memorial Day and Labor Day**, claiming, "The effect will be an immediate economic stimulus – taking a few dollars off the price of a tank of gas every time a family, a farmer, or trucker stops to fill up."

It didn't take long for the proposal to take on fire – kind of like throwing gasoline on an open flame. Transportation advocacy groups, such as the American Road & Transportation Builders Association (ARTBA) and Associated General Contractors, quickly informed U.S. Congress members on why **gas tax holidays are not a good idea**.

According to ARTBA, a **"holiday" would eliminate nearly \$9 billion in investments toward the nation's infrastructure**. In Ohio alone, the **state's lost share of revenue** from a four-month federal gas tax holiday would cost nearly \$256 million. Of course, with any huge loss of revenue, the effects are likely to be felt across the entire economy. ARTBA estimates that a summer-long federal gas tax holiday **would cost Ohio nearly 9,000 construction jobs** over the next several years, as a result of the need to pare back the workforce due to less projects being funded. Clearly, given Ohio's already tough position economically, such a hit to the gut would make things worse.

Unfortunately, it's not just one political party that seems to not know the dangers of eliminating transportation funding – even for 98 days. A week following Sen. McCain's proposal, Presidential candidate Hillary Clinton (D-NY) jumped into the fray and came out in favor of suspending the fuel taxes while appearing on CNN's Larry King Show, though she did indicate any loss to the Highway Trust Fund must be made up.

Many economists are predicting gas prices to reach more than \$4/gallon this summer; others are calling for \$10/gallon gas in the next several years. This means gas prices – and gas tax holidays – will continue to be front and center as the General Election campaign kicks into high gear, even if it's a **bad idea for the nation and Ohio**.

This issue of *Infrastructure Insight* begins a series of articles examining several innovative transportation financing ideas. Here is a look at the Vehicle Miles Traveled Tax, or VMT Tax:

While the Commission acknowledges that the **gas tax will remain the major source of revenue for the near future**, it also sees a **need to find a replacement funding mechanism due to the increasing use of alternative fuels and improved efficiency in vehicles**; meaning that less tax revenue can be generated through the sale of gasoline because automobiles are traveling farther on a gallon of gas and less gas is found in alternative fuels. To that end, the Commission recommends Congress include in the next federal transportation funding bill a “*major national study to develop the specific mechanisms and strategies for transitioning to an alternative to the fuel tax to fund surface transportation programs.*” Specifically the Commission recommends looking at a VMT Tax.

**A VMT Tax is a mileage-based pricing concept where a road user can be charged a fee based on:**

- **Actual miles traveled**
- **Time of day of travel**
- **Facility and/or jurisdiction of travel**
- **Vehicle type**

According to the Commission, advantages to shifting to a VMT Tax are that it could be **equitably applied to any vehicle regardless of fuel efficiency or fuel type**. The VMT Tax rates could be **adjusted to reflect congestion levels**, and the **charge could be modified based on how much relative wear and tear on the road a given vehicle might produce**.



*Currently, more fuel-efficient vehicles, as well as automobiles operating on alternative fuels, are not paying their fair share of the wear and tear they cause to the nation's road system. The VMT Tax would have motorists paying a user-tax based on miles driven, not gallons of fuel purchased.*

The VMT Tax was first put to the test with a pilot program in Oregon. The 12-month pilot was initiated by the Oregon Department of Transportation in April 2006, and included 299 volunteer motorists, 285 vehicles and two gas stations in Portland, where the VMT tax was collected at the pump.

The study was considered a success, with key findings indicating that not only was the overall concept viable, but that the **utilization of existing infrastructure (such as gas station collection points)** was possible, **administrative costs minimal**, and that **privacy issues could be adequately managed**.

If the VMT Tax concept is to be used on a larger scale, several things must occur. A legislative mandate is needed for vehicles to be outfitted with the technology to track the number of miles they travel, and gas pumps at retail stations need to be set up for the pay-by-the-mile tax payment – instead of the current by-the-gallon tax.

Because of a \$16-million authorization through the current federal transportation funding bill, SAFETEA-LU, VMT Tax pilot programs are being conducted in six areas across the nation. While the outcome of these pilot programs will be important in the final decision about the utilization of a VMT Tax, the Oregon experience demonstrates that this is a viable option for generating transportation revenue.

In the summer issue of *Infrastructure Insight*, another form of innovative financing ideas considered in the National Commission on Surface Transportation's report – Public-Private Partnerships (P3) – will be studied.

# TO THE 21st CENTURY ... AND BEYOND

## Task Force to Generate Ohio's Future Transportation Priorities

**C**all the 21st Century Transportation Priorities Task Force a shot of B12 or Vitamin D, courtesy of the Ohio Department of Transportation (ODOT).

On the heels of its bleak forecast in its 2008-2009 business plan for the state's transportation program – where it estimates a **\$3.5-billion shortfall within seven years** – ODOT has initiated a statewide effort to gather opinions from Ohio citizens. **The state's transportation shortfall is in the wake of increasing construction costs, inflation and flattening revenue.**

The goal of the 27-member Task Force is to have “one voice” on the state's transportation needs prior to discussion of Ohio's next biennium budget and authorization of the next federal transportation funding bill.

**Billed as a first-of-its-kind “Transportation Conversation,”** the task force's first meeting took place May 7, with others soon to follow. Each meeting is **designed for public input.** And to stress the importance of that public input, **concerned citizens can offer their opinions on Ohio's transportation future through the task force's Web site at <http://www.dot.state.oh.us/21ctptf/Conversation.asp>.**

ODOT Director James Beasley said the Task Force is designed “to prioritize how the state balances the **movement of people and freight,** boosts **safety**

### Task Force Mission

“The Ohio 21st Century Transportation Priorities Task Force is bringing all Ohioans to the table to explore the broad spectrum of transportation issues facing the state. With your input, we will prioritize how the state balances the movement of people and freight, promotes safety and reduces congestion, creates jobs and encourages responsible growth, helps to build sustainable communities, and links all modes of transportation – connecting highways to rail, aviation, water ports and transit.”

Source: [transportationfortomorrow.ohio.gov](http://transportationfortomorrow.ohio.gov)

while **cutting congestion** and **encourages growth.**” Also on the table for discussion is the exploration of **alternative methods of financing.**

Ohio's 21st Century Transportation Priorities Task Force is being chaired by Ty Marsh, president of the Columbus Chamber of Commerce, and Cleveland City Mayor Frank Jackson and Montgomery County Commissioner Deborah Lieberman are serving as vice chairs. The remaining 24 task force members include

representatives from **Ohio's major trade associations, unions, regional planning commissions, port authorities, chambers of commerce, local and county officials and private companies.**

Task Force members (which are listed at [www.dot.state.oh.us/21ctptf/Members.asp](http://www.dot.state.oh.us/21ctptf/Members.asp)) are divided among three steering committees and work groups:

- **Ohio's Multimodal System** – which will examine increasing the movement of freight; adding value to goods; and considering the movement of people
- **Economic Development** – which will assess economic development impacts; encouraging smart growth
- **Public Investment** – which will examine innovative financing tools; partnering with the private sector; and securing greater federal investments

(Source: [transportationfortomorrow.ohio.gov](http://transportationfortomorrow.ohio.gov))

# U.S. DOT Lowers Estimates Concerning Highway Investment Job Creation

**F**urther proof that a dollar doesn't go as far as it once did, the U.S. Department of Transportation (U.S. DOT) recently revised its estimate on the number of jobs created through federal highway investment.

Previously, U.S. DOT's answer to the frequently asked question of how many jobs are generated per \$1 billion invested in transportation by the federal government was 47,500. However, **as inflation has increased along with construction costs, the number of jobs has dwindled.**

In late March, **the U.S. DOT issued to Congress a revised estimate that for every \$1 billion invested into transportation** now provides 30,076 jobs. The U.S. DOT number crunchers re-checked their math – remembered to carry the one – and in mid-April modified the figure to **34,799 created jobs**; that's still nearly a 27-percent drop from 47,500 jobs. According to the U.S. DOT, the more than 12,700 **fewer jobs** per \$1 billion investment are **due to higher building costs** – 56-percent and 24-percent spikes, respectively, in the cost of asphalt and diesel fuel – and the resulting loss of purchasing power.

In a construction conference earlier this spring, Ohio Department of Transportation (ODOT) Director James Beasley said inflation is hurting the Buckeye State's transportation construction picture as well. He said **41-percent compounded inflation over the past five years has ODOT re-figuring projects** – as \$1 in 2006 will have the purchasing power of .52 cents in 2015.

While the number of jobs generated per \$1 billion investment dropped, the American Road & Transportation Builders Association (ARTBA) said the total **number of jobs supported by highway investment rose 12.5 percent – or 2,000 jobs** – between 1997 and 2007. The higher job count was due to **increased highway investment in all levels of government, and includes jobs in construction, supplier industries and occupations indirectly supported throughout the economy.** According to ARTBA, 2.13 million jobs are supported through the transportation industry.

Studies by the Federal Highway Administration show that **every \$1 million in highway spending supports 7.9 direct jobs** in road construction and **19.7 jobs in**

**industries supplying materials or other goods** in support of the construction industry. **Another 14.5 jobs are generated through re-spending of income on consumer goods and services.**

As part of its Transportation Makes America Work! program, ARTBA estimates that the **U.S. transportation construction industry generates more than \$200 billion in annual economic activity** and helps sustain 2.5-million American jobs. The U.S. Department of Commerce estimates that more than 84 percent of the nation's \$7 trillion worth of commodities delivered annually occurs on the nation's highways.

Though the dollar may not go as far as it once did, the U.S. highway construction industry is at least making sure that the nation's economy is at least going somewhere.

II

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# The Ohio Construction Information Association Membership Application

— **YES,** I want to be a part of informing Ohio's citizens about the benefits of restoring and improving our highways, streets, bridges, water & sewer systems!

**Please enroll us at the following level:**

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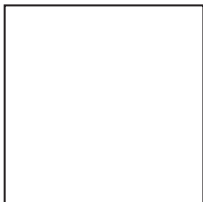
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