

## **Re: SB 10 AN ACT CONCERNING REVENUE ITEMS TO IMPLEMENT THE GOVERNOR'S BUDGET**

*"We have a system that increasingly taxes work and subsidizes nonwork." – Milton Friedman*

Chairman Fonfara, Chairman Rojas, Chairman Frantz, Ranking Member Davis, and members of the Finance, Revenue, and Bonding Committee, thank you for allowing me to present testimony today, March 2, 2018. I am Joe Sculley, President of Motor Transport Association of Connecticut (MTAC), which represents the trucking industry in the State of Connecticut.

This bill proposes to raise motor fuel taxes including diesel taxes. Unfortunately, MTAC must oppose this measure. Just as Milton Friedman apparently took issue with what was done with tax revenue, MTAC objects to the use of fuel tax revenue in the State of Connecticut. Connecticut has a system that imposes "highway user fee" taxes (like the fuel tax) on cars and trucks, and spends the revenue for non-highway purposes.

### MOTORISTS PAYING HUGE TRANSIT SUBSIDIES

CT DOT states that 62% of its operating budget is spent on transit subsidies. MTAC finds this to be an outrageous number. MTAC reminds the legislature that the Special Transportation Fund (which funds CT DOT) is funded almost entirely by motor vehicles taxes and fees. Yet most of the money is spent on transit subsidies (some for empty buses), DOT pensions, and fringe benefits.

If the situation were different, MTAC's position would likely be different. State Trucking Associations in other states are advocating for increased fuel taxes, because their state Constitutions clearly state that fuel tax revenue must be spent on highways, roads, and bridges. Connecticut has no such provision, so accordingly, MTAC does not endorse a fuel tax increase.

### GASOLINE TAX NOT 25 CENTS PER GALLON

There are a couple of points regarding fuel taxes that are important to this discussion.

There have been misleading claims recently about the gasoline tax being 25 cents per gallon. To be clear, the price of the gasoline tax is created from a two-tiered system. One tier is the per-gallon excise tax, which is 25 cents per gallon, and the second tier is based on the Petroleum Gross Receipts Tax. According to the American Petroleum Institute, as of January 2018, the second tier amounted to 14.3 cents per gallon, for a total gasoline tax rate of 39.3 cents per gallon.

### DIESEL TAX RATE

The diesel tax is also based on a two-tier system and is currently 41.7 cents per gallon. The base rate is a 29 cent per gallon excise tax, and the second tier is derived from a calculation involving the gross receipts tax. Accordingly, the per gallon diesel tax rate can also rise (or fall) without



legislative action, based on a calculation that is done every year. Changes in the rate are effective every July 1.

#### NO FREE RIDE FOR OUT OF STATE TRUCKS

It is important to note that out-of-state trucks driving through the state pay for the fuel that they use at this same rate. For example, if a trucker uses 100 gallons of fuel driving through the state, they owe Connecticut 100 gallons X 41.7 cents per gallon, for \$41.7.

This happens because Connecticut, along with the other continental United States and Canadian Provinces participate in the International Fuel Tax Agreement (IFTA). A central clearinghouse administers the sending of funds to jurisdictions which are owed money. **Because of this system, there is no free ride for out of state trucks!** Available data from the last couple of years shows that CT netted \$14-\$15 million annually from out of state trucks under this system. (CT nets additional money from a similar system based on truckers' registration fees).

#### EQUITABLE TAXATION AND SPENDING DESIRED

MTAC members want to see the taxes and fees that they pay for the privilege of using highways, roads, and bridges, put back into highways, roads, and bridges. But that does not happen in Connecticut. For context, the federal Highway Trust Fund spends about 80% of its revenues on highway projects, and 20 % on transit projects. Additionally, Federal Highway Administration data shows that a large majority of all state-imposed "highway user fees" are spent on highway purposes. Connecticut is upside-down on this issue, and needs to change course and spend highway user fee revenue on highways, roads, and bridges.

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#### ABOUT CT TRUCKING INDUSTRY:

**85.8%**: number of Connecticut communities that depend exclusively on trucks to move their goods

**\$3.2 billion**: total trucking industry wages paid in Connecticut (2016)

**59,390**: trucking industry jobs in Connecticut (2016)

**\$53,430**: average annual salary in Connecticut (2016)

**\$8,258**: average annual CT-imposed highway user fees paid by tractor trailers

**\$8,906**: average annual fed-imposed highway user fees paid by tractor trailers