

September 29, 2005

To: Members,
Senate Natural Resources & Transportation Committee

Subject: Support for Repealing Motor Fuel Tax Indexing

The Wisconsin Motor Carriers Association (WMCA) is opposed to fuel tax indexing and believes that if the fuel tax rate needs to be raised, it should be done by a vote of the Legislature.

The Wisconsin Motor Carriers Association (WMCA) is a non-profit trade association representing the interests of truck owners within the state of Wisconsin. The association has 1,250 members, ranging from independent contractors with one truck to companies with thousands of trucks.

Under current law, the rate of the motor vehicle fuel tax is annually adjusted by multiplying the tax rate by the percentage change in the annual average U.S. Consumer Price Index. The Wisconsin Motor Carriers Association is testifying in support of all three measures being considered at today's hearing. These bills include the following:

- Senate Bill 330 provides that if the motor vehicle fuel tax is no longer annually adjusted, annually, beginning in 2007, an amount from the sales and use taxes imposed on the sale of motor vehicles and motor vehicle parts and service will be deposited into the transportation fund.
- Senate Bill 331 provides that after the adjustment of the tax rate on April 1, 2006, the rate of the motor vehicle fuel tax is not annually adjusted.
- Senate Bill 156 provides that the rate of the motor vehicle fuel tax is not annually adjusted.

USER FEES AND TAXES PAID BY THE TRUCKING INDUSTRY

The trucking industry in Wisconsin paid approximately \$688 million in federal and state roadway taxes and fees in 2002, or 36% of all taxes and fees paid by all motorists. Although the industry pays 36% of all federal and state roadway user fees and taxes, trucking represents just 8% of vehicle miles traveled in the state.

WMCA members appreciate the importance of the state's highway and bridge system. They use this system and are willing to help pay for it through the use of fair and equitable highway user fees.

However, Wisconsin is one of the few states that pays for non-highway programs with highway user fees. It is also one of the few states that does not provide General Fund support to transportation programs. Most other states provide GPR assistance for transportation because a good transportation system contributes to the general economic condition of the state.

Motor fuel taxes alone provide about 65 percent of state transportation revenues, compared to a national average of about 50 percent. Wisconsin's reliance almost exclusively on the fuel tax and registration fees to pay for transportation and other programs traditionally supported by GPR funds have resulted in very high motor vehicle user fees in this state:

- Wisconsin's diesel fuel tax rate of 32.9 cents per gallon (including the petroleum inspection fee) is one of the highest in the country and over nine cents per gallon higher than what the average state charges.
- Wisconsin's annual truck registration fee of \$2,044 for an 80,000 pound combination currently ranks 10th in the nation. The national average is \$1,586, making Wisconsin's fee over \$450 higher than what the average state charges.
- Overall, Wisconsin ranks 5th in the country for all highway user fees paid by truckers. A typical tractor semi-trailer combination in Wisconsin pays \$8,767 per year in highway user fees. The only states higher than Wisconsin are:

Oregon	\$11,307
New York	\$10,779
Illinois	\$9,992
Arizona	\$9,386

It should be noted that Michigan ranks 27th (\$6,401 per year), Iowa ranks 29th (\$6,401 per year), and Minnesota ranks 33rd (\$5946).

Since 1985, the fuel tax has risen 10.4 cents per gallon because of the automatic indexing mechanism. During the same period, the Legislature voted twice to raise the fuel tax by a total of only three cents. For an average over-the road truck, consuming 20,000 gallons of fuel per year, that translates into an additional \$2,400 in fuel taxes paid in the next twelve months that was never voted on by the Legislature.

WMCA members have watched with dismay as millions of dollars have been transferred from the Transportation Fund for non-transportation programs in the last two biennial budgets. WMCA members want and need good highways and bridges and they are willing to pay for them. However, they are unwilling to pour more money into the "transportation bucket" as long as that bucket has serious leaks in it and the existing funds are being drained off for other purposes.

OTHER RECOMMENDATIONS

In addition to eliminating motor fuel tax indexing, the WMCA would like to make the following recommendations relative to transportation in this state:

1. **Stop Raiding the Transportation Fund** – Continuing to tap motor vehicle users for non-highway programs is unfair and it diverts the resources away from the programs that these user fees were originally dedicated to assist.
2. **Broaden the Funding Base for Transportation** - Utilize state general-purpose revenue to support the Transportation Fund. WMCA members find it ironic that at a time that most states are seeking ways to help provide for a quality transportation system through the use of GPR-funds, Wisconsin is siphoning transportation money out of the Transportation Fund for General Purpose Revenue programs.
3. **Phase out PECFA:** The WMCA applauds the Governor and Legislature for eliminating one cent per gallon of the Petroleum Environmental Clean-up Fund Act (PECFA) fuel tax on May 1, 2006. We hope that there is support to phase out of the remaining two cents per gallon.

Thank you for the opportunity to testify today and I would be happy to answer any questions.

Sincerely,

Thomas A. Howells
President