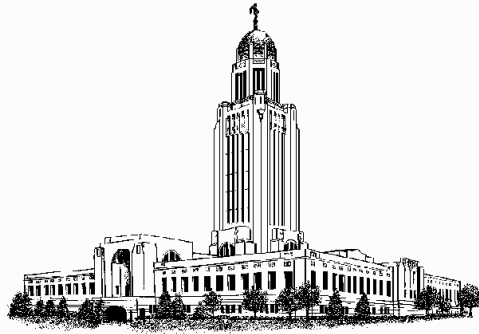


Nebraska State Legislature

SENATOR TONY FULTON

District 29
5935 South 53rd Street
Lincoln, Nebraska 68516

Legislative Address:
State Capitol
PO Box 94604
Lincoln, Nebraska 68509-4604
(402) 471-2734
tfulton@leg.ne.gov



COMMITTEES

Vice Chairman - Building Maintenance
Appropriations

Contact: Noelle Badeer
(402) 471-2734

FOR IMMEDIATE RELEASE

ROADS – A WAY FORWARD

December 18, 2007 – Lincoln - Our state is presently at a critical juncture regarding our infrastructure. The cost to build and maintain our roads is escalating, and we currently do not have the proper mechanism in place to improve our position. A viable transportation infrastructure is integral to the economic vitality of our state and the safety of our citizens, and it is my responsibility as a legislator to move this issue to the forefront of public discourse.

The Nebraska Department of Roads projects a 190 million dollar shortfall by the end of this decade, at which point road building will effectively cease. I don't believe, however, that Nebraskans want an increase in the gas tax. This stems from the mysterious swings in the price of gasoline – AND THE ACCOMPANYING PSYCHOLOGICAL DISCOMFORT OF PAYING MORE MONEY ON DIFFERENT WEEKS FOR THE SAME QUANTITY OF FUEL. I believe most people would agree there is widespread cynicism about gas prices and the elements which make up that pricing, part of which is Nebraska's gas tax. Therefore, in my opinion there should not be a search for a new pot of money without first assuaging concerns about the existing pot. The public and the legislature must be presented with convincing evidence that current road funding is being used as efficiently and effectively as possible. To this end, I plan to introduce measures to require an audit of the Department of Roads. The legislature has within its authority the ability to do limited performance audits on areas of government. I am working with my colleagues in this regard, and I plan to introduce measures to this effect.

In addition to ensuring that road spending is optimized, it is necessary to take a hard look at new ways to mitigate costs. A private, independent study may be in order to discover whether we might more fully exploit private sector practices to the state's benefit. For example, other states have effectively reduced construction costs by offering incentives to contractors to complete projects ahead of schedule. Moreover, we must address rising material costs. Asian expansion has inordinately driven material costs up: a trend that will only continue. We should therefore consider pathways to bulk purchasing of materials where each county takes advantage of the state's bulk contract. It

stands to reason that practices employed in the private sector with great success should be utilized in government when appropriate. It also stands to reason that the advantages enjoyed by government that the private sector doesn't – such as the ability to negotiate pricing due to volume purchasing power – should be exploited. I am working with government officials to ensure this is occurring.

Even if maximum efficiency were reached, global inflationary forces will cause material costs to rise such that present funding mechanisms will become increasingly inadequate to meet our infrastructure needs. The magnitude of this reality is compounded by the fact that increases in both automotive fuel efficiency and the price at the pump have stunted growth from what has historically been our primary revenue source: the gas tax. The present burden is too heavy for the present funding mechanism to be a part of sound future policy.

Many serious people are presently at work to address the best means of creating this new pot of money and driving our future roads policy. There exists an idea to create an export tax on ethanol produced in Nebraska, much like Wyoming's tax on the exportation of coal. In my opinion, it is unwise at this point in history to tinker with our ethanol industry, particularly as there is no guarantee on the future performance of ethanol markets. There also exists ideas to create toll roads, however, the number of tolls necessary to meet current shortfalls would be so substantial as to be counterproductive. It is my understanding that the road we would most like to toll, I-80, cannot be tolled as it is part of our federal interstate system. We would require the cooperation of the federal government, and I have learned this is permission the State will not receive. Bonding likewise appears detrimental as other states have experienced long-term fiscal difficulties when they have resorted to pulling out the credit card for capital construction projects. It does make mathematical sense to borrow money now as the cost to borrow money is much less than the increasing, inflationary price of building roads. However, I don't believe we are at this urgent juncture as of yet. Some other ideas which will be considered by senators this year are: cash reserve expenditures, general fund use, and a gas sales tax. I trust we will get the opportunity to debate these ideas.

Another item I have taken interest in studying is the "hot fuels" phenomenon. This is a little-understood, little-realized reality of physics which may be hampering our fuel policy and our Roads funding. The gas tax may not be generating revenue as it should in part due to the way in which we measure gasoline consumption. In the profession of engineering in most of the sciences, fluids are measured on a gravimetric basis: by mass or weight. Gasoline is measured in the US by the gallon: a measure of volume. The volume of gasoline, like the volume of any other liquid, expands as its temperature rises. There is actually more gas, more energy more miles to be had, in a gallon of gas in December than there is in the same gallon in July. As there usually exists a temperature difference between the storage tank, the pump and your car's gas tank, it stands that the amount of gas in your tank does not correspond to the amount of gas that you pay for and thus the amount of gas tax generated is inaccurate. Is this hampering our efforts at a discernable policy? This is such a little-understood phenomenon that my staff and I have had difficulty finding appropriate data. I plan to introduce an interim study resolution to examine this question in greater detail.

The motor vehicle tax paid when you register your vehicle is likewise not properly allocated, in my opinion. Currently the motor vehicle tax is collected at the city or county level based on your vehicle's value last year. Last year the amount of money generated was approximately \$197 million statewide. These funds are then distributed to the city, county and school districts where the vehicle is registered. School districts receive 60% of this revenue (Approximately \$118 million), counties receive 22%, and cities receive the remaining 18%. I have spoken with, literally, thousands of constituents as well as several public officials in varying capacities, and in my experience it is unanimously believed that the vehicle tax goes to pay for roads. To give proper credit: Senator Raikes was the lone individual aware of the present allocation. This belief stands to reason: gas tax pays for roads because gas goes into vehicles that use and wear on the roads, shouldn't taxes or fees on the vehicle itself go to roads for the same reason? The fact that it doesn't introduces some scandal into the minds of many citizens, perhaps even cynicism. Our policy ought to be understandable to the public. I hope to have a discussion why it is not. Again, first things, let us make sure we do not already have the proper tools before going out to invent more.

Of all the issues to consider this year, I believe how we fund our roads is one worthy of debate. I hope by introducing this package of ideas, we can conduct such a debate now before we are forced to do so by procrastination. But let us do so with a sobriety of logic and focus on existing mechanisms first.