

Painful as it is, keep N.C.'s gas tax flowing

By LARRY GOODE

North Carolina is in the midst of a transportation crisis that has been years in the making. Now some policymakers on Jones Street suggest decreases to the state's gas tax. This may be a tempting proposal, but it is neither a new idea nor a good one.

The state gas tax is divided into two portions — a flat rate of 17.5 cents per gallon and a 7 percent charge that “floats” based on the average wholesale price of motor fuel over the past six months. Currently that part of the rate is 9.6 cents per gallon, but will be re-evaluated on Jan. 1. There is little doubt that with rising fuel costs, that rate will increase.

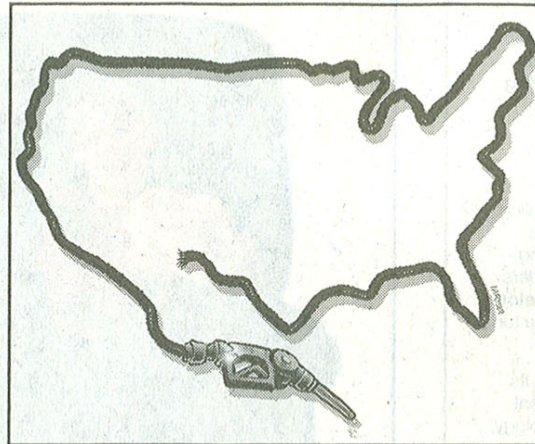
A current legislative proposal supports a cap on the floating portion of the tax at the December 2004 level of 7.1 cents per gallon. This is based on the false premise that a relatively small reduction will be a significant benefit to the public. The truth is, any current savings would be paid back many times over in coming years.

With more than a 100 percent increase in the cost of gasoline in North Carolina over the past year, pain at the pump is a reality. Wholesale distributors have increased their prices in an effort to recoup revenue lost by recent supply disruptions and to guard against runs on fuel should further disruptions occur. For motorists, the price spike is a significant problem, but not one that a reduction of a few cents per gallon will substantially mitigate.

This much we can guarantee: the resulting loss in revenue will be felt by all North Carolinians. The state Department of Transportation has identified \$30 billion in needs over the next 25 years that will not be met by current revenue sources. As the cost of energy rises, so does the cost of meeting these needs. Many mistakenly believe the DOT is making a profit from increased gas tax revenues. Not so.

While gross revenue from the gas tax has increased slightly over the past two years, construction costs have increased at a far greater rate — around 30 percent in the past two years. This is not the time to put yet another burden on the DOT, already strapped for cash.

It is also important to view the gas tax in the proper context. When we consider that North Carolina's high-



way system is the second most extensive in the United States, the per-mile rate of investment is actually much lower than that of other states. Some states with lower rates shift the transportation tax burden down to local governments. For example, Georgia has a relatively low state gas tax rate, but maintenance of all county roads is the responsibility of county governments, which in turn pass the cost on to taxpayers.

North Carolina's gas tax is the primary source of funds for maintenance of our existing roads. And it is the main source of funds for public transportation. Reducing that revenue would set us back for years and result in a greater backlog of unmet needs. The longer our transportation infrastructure goes neglected, the longer it will take to fix. It will also be much more

expensive to accomplish.

Any honest assessment of this situation must take into account lost economic opportunities, wasted resources and loss in quality of life caused by a transportation system that is being degraded. Consider the thousands of jobs that won't be created as companies choose more accessible regions for new facilities. And take into account the millions of gallons of fuel and hours of productivity wasted in gridlock.

Rather than playing politics with our future, we encourage policymakers on both sides of the aisle to take a hard look at what it will take to fix the transportation dilemma. Similarly, citizens must be prepared to spend a few cents now to save dollars later.

A crucial first step is eliminating ongoing diversions from the Highway Trust Fund. This is a solution that goes overlooked yearly. Diversions have drained more than \$3.7 billion over the past 17 years. Instead of trying to score quick political points by weakening existing sources of revenue at this critical juncture, it's time for our leaders to foster a real dialogue about new revenue sources. Possibilities such as local option financing, the establishment of a dedicated fund for public transit and toll roads should be considered.

Gov. Mike Easley has shown foresight and leadership by resisting efforts to tamper with the gas tax. NC Go! vigorously supports this stance. We encourage him to continue to act in the best interest of North Carolinians and ask others to follow his lead. We also encourage him to push further and spearhead an effort to make a reality out of the best ideas for shoring-up North Carolina's transportation infrastructure.

The last push to place a cap on the gas tax was two years ago. It was an irresponsible and shortsighted idea then and remains so today.

Larry Goode is co-chair of NC Go!, a transportation advocacy group. He previously held posts in the state DOT, including as state highway administrator.