



AMERICANS FOR PROSPERITY®

**Testimony re: A-10, A-12, S-2411 and S-2412
Senate Budget and Appropriations Committee
Committee Room 4, 1st Floor, State House Annex**

Friday, July 29, 2016

Dear Chairman Sarlo and Members of the Committee:

On behalf of the nation's largest grassroots advocate for free markets and responsible government; we respectfully urge you to oppose all efforts to raise the gas tax in the state of New Jersey. The current proposal being discussed today is a tax hike on working- and middle-class New Jerseyans, without even a discussion about structural and spending reforms which would make these tax hikes unnecessary. The legislature must first look to address the underlying causes of the problem before putting an even greater tax burden on the struggling families of New Jersey.

You have heard and will continue to hear proponents of raising taxes on New Jersey families speak of the condition of the state's roads and bridges. While AFP agrees that maintaining a well-functioning system is certainly a core function of our government, raising the gas tax will only mask the underlying problems with our current system, while at the same time disproportionately harming those struggling in an anemic New Jersey economy. Only 12 cents on the dollar of the gas tax actually goes to state roadways and 36 cents goes to mass transit. New Jersey must reprioritize its tax dollars for road projects. (Courier Post, 2015).

As you will hear from the Reason Foundation today, New Jersey spends over \$2 million per mile of roadwork. We recently sent around to your offices an outline of analysis on recent studies, correcting the record on how much New Jersey spends per mile.

Looking at these costs, we can clearly see New Jersey doesn't have a revenue problem but rather a spending problem. In fact, the state brought in more than \$1.9 billion in combined motor fuel taxes and tolls last year. Additionally, as the state of New Jersey often bonds thirty years into the future, well past the lifespan of a road, the long term debt continues to pile on taxpayers, threatening future infrastructure projects.

This tax hike wouldn't affect all in the state of New Jersey equally. Economists have long recognized that a motor fuel tax is extremely regressive - poorer residents are disproportionately hurt by this tax. This is because increased costs in essential goods and services, like gas, are not easily substituted.

Although this current proposal would create other tax exemptions, this is not the way to craft efficient or effective tax policy. For too long New Jersey has been trading broad tax increases, for tax carve-outs to other groups of citizens. Rather than this shell game of tax increases for

special exemptions, New Jersey should keep taxes transparent and low, while fixing any issues from the spending side, not from the taxpayers.

Rather than raising taxes, New Jersey must look for structural reform in its highway system. This means bringing New Jersey in line with the rest of the Northeast when it comes to per mile cost of roads. New Jersey should start by repealing its antiquated prevailing wage laws, allowing smaller and less politically-connected, but no less qualified, firms to bid on construction contracts. This competition will save money for taxpayers and increase the quality of infrastructure across the state. Moreover, the state should immediately audit the Department of Transportation to identify and eliminate wasteful spending, and ensure that gas tax revenues are not being misappropriated for light rail boondoggles and other wasteful pet projects, in addition to enacting other cost-saving reforms.

For too long, New Jersey has continued to double down on failed policies and continued to ask taxpayers to pick up the tab. With one of the worst tax burdens in the nation the last thing citizens need are more tax and spend policies. For that reason, Americans for Prosperity's Garden State activists are calling on the Legislature to stand up for those struggling most in this economic recovery and make the hard decision to enact structural reform rather increase taxes. To date the New Jersey Chapter of Americans for Prosperity has made over 200,000 voter contacts alerting residents about the proposal to hike the tax on gas and the need for reform. We will continue to do so as long as calls to raise the gas tax are on the table. We respectfully urge you to reject all calls to raise this tax and fight for those who are most in need of your help.

Sincerely,

Mike Proto
New Jersey Communications Director
Americans for Prosperity

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