



House Taxation Committee

Hearing on HB 2382

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Testimony by Dr. Alison Premo Black, Senior Vice President of Policy & Chief Economist

Mr. Chairman and members of the Committee, my name is Alison Premo Black. I am the chief economist for the Washington, D.C. based American Road and Transportation Builders Association.

My organization represents nearly 8,000 members from across the nation that design, build and maintain our transportation network.

I appreciate the opportunity to testify in support of House Bill 2382, which would raise the Kansas state gas tax rate by 11 cents per gallon.

During my 17 years with ARTBA, my team and I have authored more than 80 studies on state transportation funding trends.

In a comprehensive report released this week, we found an annual increase of \$264 million in highway investment would support over \$600 million in economic activity throughout all sectors of the Kansas economy. This additional demand would support or create 5,000 jobs – with over half being in sectors outside of the construction industry.

But this just measures the effects of the construction activity. In the long run, Kansas drivers would spend less time stuck in traffic and save on operating costs as mobility and road conditions improve.

Increased business productivity would lead to stronger economic growth. A conservative estimate finds the return on highway investment is between \$4 and \$5 dollars for every \$1 invested. This means the additional annual \$264 million highway investment would provide not only an immediate economic boost, but over \$1 billion in savings for Kansas drivers and businesses.

I have also conducted a study measuring the impacts of a state gasoline tax increase on the retail price of gasoline, paid at the pump by consumers. Our empirical analysis of 13 states that increased their gas tax rates in 2013 found that about 50 percent of the increase was passed through to the consumer in the retail price of gasoline within a month. After that time, there was no measurable effect.

A more recent example is Iowa, which raised its gas tax by 10 cents on March 1, 2015. According to the state's Department of Agriculture's Fuel Price Report, the average retail price of gasoline rose 3 cents per gallon the next week, but then fell a total of 8 cents over the following three weeks. This trend largely followed average U.S. gasoline prices and the price of crude oil.

A state gas tax increase of 11 cents would cost the average driver in Kansas anywhere from \$4 to \$8 a month, but the return on that investment would be immense for individual drivers, businesses and the local economy.

Mr. Chairman, and members of the Committee, thank you again for the opportunity to be here today.