November 14, 2019

**To:** Senate Transportation Committee

**From:** Eric Blomgren, Associate Director of Government Affairs, New Jersey Gasoline, Convenience Store, Automotive Association

**Re:** Support S-4090 “Establishes ‘Alternative Fuel Vehicle Transportation Financing Commission’ to examine manner in which alternative fuel vehicles may be taxed to contribute to cost of maintaining State transportation system.”

Chair Diegnan, members of the Committee, thank you for holding a hearing this afternoon on an important long-term challenge facing the state. For the last several years, we at NJGCA have been closely following all developments with the state’s various taxes on motor fuels, with a particular focus on the impact of P.L.2016, Chapter 57, the tax reform bill which increased the petroleum products gross receipts tax (PPGRT).

As you are all likely aware, that law included a provision requiring the state Treasurer to annually adjust the per-gallon rate of taxation on motor fuel so that the State would collect almost exactly $2 billion per year from the fuel excise taxes and PPGRT. This adjustment will continue to be made every year through the end of Fiscal Year 2024, when the current Transportation Trust Fund (TTF) authorization runs out.

Since the enactment of Chapter 57 in November 2016, the rate has increase 4.3¢ a gallon, and will almost certainly increase next October 1st, perhaps by several cents. What drives these increases is the declining number of total gallons of motor fuel sold in the state per year. As more and more alternatively powered vehicles join the roadways, the total number of gallons will only continue to decline and the rate of decline will surely increase, leading to higher and higher gas taxes for those who cannot afford battery-electric and hydrogen fuel cell vehicles. Given that the gas tax is inherently a regressive tax, unstoppable annual increases will cause greater and greater hardship.

That is why it is important that one of the recommendations to come out of this Commission be a requirement that all revenue collected as part of whatever fee is instituted should be dedicated entirely to the TTF, and furthermore the law should be amended in order to ensure that all of this new revenue counts towards the calculation of the “highway fuel cap”, making it easier to hit that $2 billion requirement, and solving the problem of runaway gas tax increases.

When the 8-year TTF authorization was passed in 2016, there was some discussion about studying how to fairly and equitably tax vehicles using the roads while paying zero into the TTF (or only paying a portion of their fair share in the case of a hybrid). In the years since, there has been little to no further action on addressing this problem, and I thank the Committee for moving this bill in order to start addressing it.

I ask that you support this bill. Thank you.