

**Library Note:**

This article was found after the 3-2-1981 meeting of Assembly Taxation. The Library was unable to determine whether the article belonged to an exhibit from this or another hearing for Assembly Taxation, so the article is being included at the end of all Assembly Taxation minutes as miscellaneous material.

Research Library  
September 2012



By R. Norman Heston, staff photo.

As gasoline conservation reduces funds available for highway repair, officials are scrutinizing highway contracts to ensure that dwindling revenues aren't misapport

# Justice Department follows growing trail of illicit highway contracts; many states consider higher gas taxes as roads seriously deteriorate

**Inflated repair costs, fuel conservation force search for more revenue**

By George B. Merry  
Staff writer of  
The Christian Science Monitor

Boston

Either higher gasoline taxes or increasingly bumpy highways are not too far down the pipe for millions of American motorists.

With most state highway funds from Maine to Hawaii shrunk by inflation and gasoline conservation, state lawmakers are being forced to either lay down more road-building money or face sharp cutbacks in construction and repair programs.

In North Carolina, one of the states where the pinch is particularly great, less than half as much resurfacing is scheduled this year as was two years ago. "We're falling farther and farther behind in even minimal maintenance," laments David Hayes, the state's assistant transportation secretary.

Fast-climbing road construction costs are coming at a time when less driving and more fuel-efficient cars are teaming to lower gasoline tax revenues, the major source of income for state highway funds.

Although total motor fuels revenues nationally have continued to increase, thanks in part to rate boosts in some states, these levies have grown at a much slower rate than state taxes as a whole. Between 1978 and 1979, the motor fuels portion of total state tax revenues dropped from 8.5 percent to 7.9 percent, a 14.2 percent decline.

Especially hard hit are populous states with huge networks of heavily traveled roadways such as Illinois, Michigan, New Jersey, Ohio, and Pennsylvania, notes Francis Francota, executive director of the American Association of State Transportation Officials.

"Many states have cut back, are cutting back, or soon will be facing cutbacks in road construction projects and personnel," he reports, noting that in at least two states - New Jersey and Pennsylvania - state legislatures last fall failed to come to grips with highway funding crises.

Within the past three years, 21 states have increased their gasoline taxes, four of them twice. In 1980, for example, 11 such highway-fund aid measures were enacted.

Similar, if not greater, activity is expected during the next few months.

Proposals to hike gasoline levies are either being readied or under consideration in at least 41 states and the District of Columbia. Several already have the backing of governors.

In 20 of these states and the District of Columbia lawmakers will be weigh-



State gas taxes across the US (cents/gallon)

Inflation stalls once-effective 'pay as you drive' uptask system

ing not only measures to raise the gasoline tax on a cents-per-gallon basis but alternative legislation that would switch to a levy based on a percentage of either the wholesale or retail price.

Variable-levy plans are on legislative dockets alone in 14 other states.

The remaining seven states with gas tax boost measures under consideration are weighing only traditional cents-per-gallon proposals.

Among the 30 states where highway fund relief legislation is, or soon will be,

saves lawmakers from having to pass further cents-per-gallon gas tax boosts to meet future needs.

Critics, however, contend the arrangement is a means to quietly slide the levy upward, even though in most proposals a ceiling is provided.

The largest of the proposed tax boosts is in North Carolina, where Gov. James B. Hunt Jr. is weighing a five-cents-per-gallon hike, the state's first since 1969. It would bring the tax rate to 14 cents a gallon. An alternative proposal would add a 4 percent bite to the existing nine-cents-per-gallon fee.

In Vermont, Gov. Richard A. Snelling wants state lawmakers to approve a measure that would replace the current nine-cents-a-gallon rate with a rate of 9 percent of the retail price. The new levy would bring in an estimated \$8.8 million in new revenue. The yield at today's gasoline prices would be equivalent to an 11 cents a gallon tax.

"We really have no choice but to go for this because our highways are deteriorating at an alarming rate," explains gubernatorial aide Michael St. Clair.

Some legislators who are resisting a boost in the gasoline tax favor sharp increases in registration fees for heavy trucks. They contend that these vehicles are more responsible for wearing out roadways than are cars and other small vehicles. Several states already have hiked license and registration fees to help ease the highway fund shortfall.

Current gasoline levies range from five-cents-a-gallon in oil-rich Texas to 13.6-cents-a-gallon in Nebraska, along with a 2 percent sales tax add-on imposed last Oct. 1.

**"We really have no choice but to go for this [tax hike] because our highways are deteriorating at an alarming rate," explains a Vermont official.**

on the agenda are eight of 12 states that have not hiked gas taxes for at least a decade. They are Alaska, California, Colorado, Illinois, Nevada, North Carolina, Oregon, and Tennessee.

Although most states still tax motor fuels on the cents-per-gallon basis, six states - Indiana, Kentucky, Massachusetts, Nebraska, New Mexico, and Washington - already have switched wholly or in part to a variable tax pegged to a percentage of either wholesale or retail prices.

This system, its advocates say, helps cushion state highway funds against inflation and softens the impact of less gasoline consumption. It also

## Courts levy \$7.6 million in fines in highway bid-rigging schemes

By Robert M. Press  
Staff correspondent of The Christian Science Monitor

Atlanta

An expanding federal probe into millions of dollars of the gasoline taxes Americans pay at the pumps is having results.

Dozens of management personnel in construction companies have been convicted of rigging public highway construction bids.

So far the federal probe has touched six Southeastern states, plus Louisiana, Texas, and Kansas. But "there are indications it may go to other states," says Justice Department spokesman Mark Sheehan.

The department's antitrust probe, now joined by some states and at least one city - Atlanta - also focuses on airport construction, something passengers pay for indirectly through the price of tickets.

City attorneys for Atlanta recently filed suit against 50 construction officials and companies alleging bid rigging on the recently opened airport here, which has the world's largest passenger terminal.

As a result of the investigations, several states have tightened their highway bid monitoring procedures. But federal and state highway officials express concern that such improvements may not stop the problem. Often the actual conspiring to rig bids, they say, is done orally.

Such conspiracy is "almost impossible to prove unless you get a canary (someone involved who is willing to talk)," says Jim Billett, regional counsel here for the Federal Highway Administration.

Apparently Justice Department investigators found a "canary" willing to "sing" about the little-known world of bid rigging. Altogether, some 40 corporations and 67 officials have been indicted on charges of conspiring to rig construction bids for public highways and airports in violation of the federal antitrust law since the federal investigation began in December 1978.

All but one of the 85 cases that have gone to court so far have ended with guilty pleas. The 59th case ended with a "no contest" plea. And \$7.6 million in fines has been levied.

Although some top construction officials now are in jail, others and their companies have been given lighter penalties in return for information on additional bid-rigging. As a result, the investigation is "snowballing," says Mr. Billett.

Federal Highway Administration officials contacted here and in Washington could think of no additional steps they might take to improve the quality of their surveillance of how states spend federal highway money.

The bid-rigging "ranges from actual dollar exchanges - payoffs - to a territorial agreement," says Rex Leatherera, regional Federal Highway Administration official here. Crooked bidders sometimes pay off other potential bidders so they won't bid, he said. Or bidders divide up jobs, deciding who will be the low bidder in each case. It is not uncommon, officials say, to have only two bidders.

Most of the bid-rigging detected so far has been in asphalt paving. The price of asphalt is tied to the rapidly fluctuating price of crude oil, making it hard for state officials to determine what is a fair price.

One of the guilty pleas came from officials at the Richmond, Va., division of Ashland-Warren, a subsidiary of Ashland Oil Inc., one of the nation's largest independent refinery companies. A spokesman for Ashland Oil says the company has taken a "more aggressive attitude" toward educating employees about antitrust laws. No company officials have been dismissed since the guilty pleas were made.