

## **MONTANA MESSAGE SEPTEMBER 2015 ISSUE**

### **PETRO POLLY...**

*The customer had a complaint and called the waiter over.. "I've got a fly in my salad", the customer said.*

*"What's he doing in there?" the waiter replied. "He's supposed to be in the soup."*

That's what you call quick thinking! Some would find this humorous and give the waiter a bigger tip. Others might be offended and think the waiter a jerk. Which would you be?

As with the Legislature that meets in odd numbered years, the Association experiences a "Changing of the Guard" in odd numbered years. Several years back the Board adopted two-year terms for officers and Board members – primarily to match the timing of the Legislature. As of July 1<sup>st</sup>, the Association welcomed a new President, Mr. Wes Burley with Town & Country Supply in Laurel. Past President Kary Tonjum with CityServiceValcon in Kalispell, has accepted the position of director to the national association, Petroleum Marketers of America. Newly elected is Ron May with Mikes Convenience Store in Columbia Falls, to the office of Vice President. Also joining the Board as new members are; Chris Rindal with Rindal Oil in Lewistown, Dirk Cooper with Hi Noon Petroleum in Missoula, and newly appointed associate member, Kirk Brumfield with Marketing Specialties in Billings. I look forward to working with these individuals and we need to thank them for volunteering their time and efforts to the Association. Finally we want to thank outgoing Board members Greg Tabish with Great Western Petroleum in Missoula, Dennis Whitmore with GM Petroleum in Billings and associate member, Tim Gibbar of Northwest Fuel Systems for their service to the Association. All these individuals deserve a pat-on-the-back for their contribution in assuring a healthy, viable Association.

### **MONTANA'S INFRASTRUCTURE**

Looking back at the 64<sup>th</sup> Legislative Session brings us to an ongoing issue that will, in some way or another, affect the petroleum marketing industry. That of course is "*infrastructure*".....primarily highways and road infrastructure. The last two legislative sessions have failed to produce an infrastructure funding plan that addresses the needs of Montana overall; I will contain my remarks to the transportation piece of this. Due to the failure of any bills to either study or provide funding for infrastructure needs, a group of organizations has appeared to the Revenue & Transportation Legislative interim Committee to urge them to add this to their agenda with possible recommendations to the 65<sup>th</sup> Legislature. The Montana Chamber of Commerce provided a report to the Committee discussing schools, wastewater, solid waste, drinking water, irrigation canals, dams, transit and of course transportation. The report was prepared by the American Society of Civil Engineers designed as a report card that grades each state in these various infrastructure categories. Montana's overall GPA was a C-. Transportation itself graded a C. The summary states:

*Montana has the third highest fatality rate in the nation, with a backlog of transportation projects waiting for available funding. 46% of major roads are in poor to mediocre condition and 40% of gravel roads are in poor or failed condition. These rough roads cost each Montanan approximately \$292 to \$484 per year in extra maintenance costs depending on their area's roads. 59% of the \$60 billion in goods shipped within Montana travel by truck across the state's vast highway infrastructure, further emphasizing the vital role of the Montana transportation network. It is estimated that \$14.8 billion is needed to take care of Montana's roadway system and bridges, but projected funding can only meet 25% of those needs. Despite being underfunded, the state's highways are in fair to good condition and 92% of the state highway bridges are in good condition,*

efficiently moving citizens and goods from place to places. The overall lack of adequate funding cripples the effectiveness and lowers the overall rating to a C.”

The report offered several recommendations but the one we should be most interested in is the indexing of the state gas tax to inflation. The report states: “As discussed on a national level, Montana should consider indexing state gas tax to inflation. Inflation continually increases construction costs, causing existing taxes to lose their value over time. Linking taxes to inflation would cause taxes to retain their intended value without any political interference”.

As we know, the federal government remains a critical source of funding for Montana’s transportation system and provides a significant return in funding based on the revenue generated in the state by the federal motor fuel tax. From 2008 to 2012, the Federal government provided \$3.07 for every \$1 the state paid in federal fuel tax. As the US Congress debates the future of the almost insolvent Highway Trust Fund, the balance declines, further delaying needed infrastructure replacements and increasing the backlog of projects.

As of this writing, the Revenue & Transportation Committee has not endorsed the request to adopt the issue into their interim plan but, I expect they will.

### FEDERAL AID IN MONTANA

The following map was produced by the Tax Foundation, a national organization that monitors tax policy issues. This map shows the portion of each state’s revenue that comes from the Federal government. Federal funds transferred to the states include such things as Federal highway funds, Medicaid funds, environmental funding, money to fund hunting & fishing programs and education funding, as well as many other programs.

