MDCEP
MARYLAND CENTER ON ECONOMIC POLICY

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# Chipping Away at Transportation Revenue Would Harm Maryland's Economy

*Position Statement Opposing House Bill 911*

*Given before the House Ways and Means Committee*

The gas tax is a common-sense way to ensure that the people who drive on Maryland roads pay their fair share to keep those roads in good condition, just as public transit users pay bus and rail fares to help maintain those services. Right now, the gas tax increases modestly each year to keep up with inflation, so that we have the revenue necessary to maintain our transportation networks as the cost of this maintenance rises. Repealing the inflation adjustment would slowly chip away at transportation funding, jeopardizing the quality of our roads as well as the economic activity they support. For these reasons, the Maryland Center on Economic Policy opposes House Bill 911.

Revenues from the gas tax are expected to total about $1 billion in fiscal year 2018, supplying one-fifth of the funding for Maryland's Transportation Trust Fund—the largest single source of revenue for the fund.[i] [ii] Most of this money goes to the Maryland Department of Transportation, where it supports highway repairs, public transit, the Motor Vehicles Administration, and the department's headquarters. This revenue is essential, because the Department of Transportation does not receive any revenue from the state's general fund. A small portion of the Transportation Trust Fund also supports transportation investments by local governments.

Our investments in transportation are vital for Maryland's economy. Well-maintained transportation networks enable people and goods to move efficiently through Maryland, which is why highways are business executives' second-highest priority when choosing where to locate a new facility—outranking taxes, labor costs, and subsidies.[iii] Our public investments in transportation also support thousands of jobs throughout Maryland.

The annual inflation adjustment to the gas tax ensures that our transportation revenues are stable over time and retain their buying power. If we repeal the adjustment, prices will continue to rise, but revenues won't. House Bill 911 is estimated to cost $13 million in fiscal year 2018, and more in each subsequent year as inflation eats away at gas tax revenues.[iv] By 2022, the annual cost of repealing the inflation adjustment will be more than $100 million.

This would erode our capacity to invest in roads, bridges, and transit, costing jobs right away and harming long-term economic growth.

The cost of House Bill 911 is not balanced by significant savings to drivers. After five years of inflation without an adjustment, repeal of the inflation adjustment would save a typical driver just $14 per year.[v] This trivial savings would come at the cost of weakening our ability as a state to invest in transportation, making Maryland a less attractive place to do business.

**For the reasons, the Maryland Center on Economic Policy respectfully asks that the House Ways and Means Committee report House Bill 911 unfavorably.**

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[i] "Maryland Budget Highlights: Fiscal Year 2018," Department of Budget and Management, 2017, p. B-3, http://dbm.maryland.gov/budget/Documents/operbudget/2018/FY2018Highlights.pdf.

[ii] "Legislative Handbook Series, Vol. 3: Maryland's Revenue Structure," Department of Legislative Services, 2014, p. 186, http://mgaleg.maryland.gov/Pubs/legislegal/2014-LegislativeHandbookSeries-Vol-3.pdf.

[iii] "Site Selection Factors/Strategy." Area Development. 2016. http://www.areadevelopment.com/corporate-site-selection-factors/

[iv] "Fiscal and Policy Note: House Bill 911," Department of Legislative Services, 2017, http://mgaleg.maryland.gov/2017RS/fnotes/bil_0001/hb0911.pdf.

[v] Ibid.