gbc POSITION STATEMENT

TESTIMONY PRESENTED TO THE SENATE BUDGET AND TAXATION COMMITTEE

SENATE BILL 337 – MOTOR FUEL TAX RATES - CONSUMER PRICE INDEX ADJUSTMENT - REPEAL
Sponsor – Senator Hough, et al

February 8, 2022

DONALD C. FRY
PRESIDENT & CEO
GREATER BALTIMORE COMMITTEE

Position: Oppose

Senate Bill 337 proposes to repeal the requirement that the motor fuel tax rate is annually adjusted based on inflation as measured by the Consumer Price Index (CPI). The Greater Baltimore Committee (GBC) strongly opposes a repeal of the CPI provision, which would negate important strides made to provide adequate funding for Maryland's Transportation Trust Fund (TTF).

Indexing motor fuel tax rates for all fuels, except aviation gasoline and turbine fuel, to the annual change in the CPI was a significant feature of the Transportation Infrastructure Investment Act of 2013 and is critical to ensuring that the State funds its transportation priorities. By tying future increases to the CPI, the Maryland General Assembly provided that future revenues would keep pace with growing transportation needs and the escalating costs of construction.

One of the complications of funding the TTF at a set tax rate is that it cannot respond to inflation. Prior to 1992 the Maryland General Assembly recognized that dynamic and in a bipartisan fashion would regularly raise the gasoline tax in small increments to keep pace with inflation. However, lawmakers abandoned that practice and went from 1992 to 2013 without any increase to the motor fuel tax.

If the intent of Senate Bill 337 is to protect consumers, those provisions already exist in the statute. Current law prescribes that if there is a decline or no growth in the CPI, the motor fuel tax rates shall remain unchanged. Furthermore, the tax rate is prohibited by statute from increasing by more than 8 percent of the tax rate imposed in the previous year. Indexing the motor fuel tax has proved to be a successful way of ensuring State revenues rise in conjunction with growth and increased construction costs.

The GBC, along with strong backing from much of the business community, led a successful effort to increase the motor fuel tax. This effort ensured that growth-oriented transportation policies were implemented, allowing employers and workers to benefit from an interconnected multimodal transportation system that provides reliable ways to reach employment hubs and ensure efficient movement of goods. The CPI component is necessary for reliable and adequate transportation revenues that provide long-term stability.

This bill is inconsistent with one of the key tenets in *Gaining the Competitive Edge: Keys to Economic Growth and Job Creation in Maryland,* a report published by the GBC that identifies eight core pillars for a competitive business environment and job growth:

Superior transportation infrastructure with reliable funding mechanisms. An essential prerequisite of a competitive business environment includes well-funded and maintained highway, transit, port, and airport infrastructure that provides reliable and efficient options to move people, goods, and services.

The revenues from the motor fuel tax's CPI provision are critical to the economic vitality of the State. After years of suffering from inadequate funding, Maryland now possesses a reliable funding mechanism for its transportation priorities, which plays an integral role in a competitive business climate. The State cannot afford to repeal such an essential provision.

For these reasons, the Greater Baltimore Committee urges an unfavorable report of Senate Bill 337.

The Greater Baltimore Committee (GBC) is a non-partisan, independent, regional business advocacy organization comprised of hundreds of businesses -- large, medium and small -- educational institutions, nonprofit organizations and foundations located in Anne Arundel, Baltimore, Carroll, Harford, and Howard counties as well as Baltimore City. The GBC is a 67-year-old, private-sector membership organization with a rich legacy of working with government to find solutions to problems that negatively affect our competitiveness and viability.