



MARCH 15, 2022

# Gas Tax Suspension Provides Little Benefit at Significant Cost

## Position Statement in Opposition to Senate Bill 1010

*Given before the Senate Budget and Taxation Committee*

Motor fuel taxes are 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. Suspending fuel taxes even temporarily would cost the state nearly \$94 million in lost transportation revenue, making it harder to maintain the effective transportation system our economy relies on. In return, typical families would see only a meager boost to their disposable incomes. **For these reasons, the Maryland Center on Economic Policy opposes Senate Bill 1010.**

Fuel tax revenues are projected to total \$1.2 billion in fiscal year 2023, supplying more than one-fifth of the funding for Maryland's Transportation Trust Fund.<sup>i</sup> 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.<sup>ii</sup> Our public investments in transportation also support thousands of jobs throughout Maryland.

Senate Bill 1010 would likely save a typical driver only about \$20 over the course of the month.<sup>iii</sup> Meanwhile, state analysts project that the bill would cost the state \$94 million in lost revenue. To put that cost in context:

- Highway user revenue distribution, 23-county total: \$41 million
- Maintenance of state roads, Montgomery and Prince George's counties: \$53 million
- Airport facilities and capital equipment, BWI and Martin State Airport: \$89 million

Weakening our ability to invest in Maryland's transportation systems would likely worsen existing transportation inequities. As a result of our past choices about where and how to invest in our transportation system, Black Marylanders have longer average commutes to work than their white counterparts. The difference is widest in areas of our state where workers of color live in the highest numbers. In some areas, Black workers commute up to 55 hours more each year than their white neighbors.<sup>iv</sup>

There are far better ways than Senate Bill 1010 to strengthen working families' finances. More effective tax policies include strengthening the Earned Income Tax Credit and the State Child Tax Credit. More effective transportation policy choices include strengthening investments in public transportation, which is especially important for Marylanders living on low incomes as well as many Marylanders of color.

Finally, suspending fuel taxes would further entrench Maryland's reliance on fossil fuels at a time when a shift in the opposite direction is urgently needed to reduce the damage caused by climate change. The climate crisis has already caused "irreversible impacts as natural and human systems are pushed beyond their ability to adapt" and "impacts and risks are becoming increasingly complex and more difficult to manage," according to a 2022 report by the Intergovernmental Panel on Climate Change.<sup>v</sup> We should be taking bold steps to reduce our reliance on fossil fuels – instead, Senate Bill 1010 would double down.

**For the reasons, the Maryland Center on Economic Policy respectfully asks that the Budget and Taxation Committee make an unfavorable report on Senate Bill 1010.**

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## Equity Impact Analysis: Senate Bill 1010

### *Bill summary*

Senate Bill 1010 would suspend.

### *Background*

Fuel tax revenues are projected to total \$1.2 billion in fiscal year 2023, supplying more than one-fifth of the funding for Maryland's Transportation Trust Fund.

As of July 1, 2021, the per gallon motor fuel tax rate is equal to 36.1 cents (gasoline and clean-burning fuel), 36.85 cents (special fuel/diesel), and 7.0 cents (aviation and turbine fuel).

Over several years, surveys of business executives' site selection priorities have consistently found that highway access is business leaders' second-highest priority when choosing where to locate a new facility, outranking taxes, labor costs, and subsidies.<sup>vi</sup>

### *Equity Implications*

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### *Impact*

Senate Bill 1010 would likely **worsen racial and economic equity** in Maryland.

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<sup>i</sup> FY 2023 Maryland budget data.

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ii Geraldine Gambale, “35th Annual Corporate Survey: Effects of Global Pandemic Reflected in Executives’ Site and Facility Plans,” *Area Development*, 2021, <https://www.areadevelopment.com/Corporate-Consultants-Survey-Results/Q1-2021/35th-annual-corporate-survey.shtml>

iii Based on filling a 15 gallon tank once per week.

iv Christopher Meyer, “Budgeting for Opportunity: How Our Fiscal Policy Choices Can Remove Barriers Facing Marylanders of Color and Advance Shared Prosperity,” Maryland Center on Economic Policy, 2018, <http://www.mdeconomy.org/budgeting-for-opportunity-health-education-transportation/>

v “Climate Change 2022 Impacts, Adaptation, and Vulnerability: Summary for Policymakers,” Intergovernmental Panel on Climate Change, 2022, [https://report.ipcc.ch/ar6wg2/pdf/IPCC\\_AR6\\_WGII\\_SummaryForPolicymakers.pdf](https://report.ipcc.ch/ar6wg2/pdf/IPCC_AR6_WGII_SummaryForPolicymakers.pdf)

vi Geraldine Gambale, “35th Annual Corporate Survey: Effects of Global Pandemic Reflected in Executives’ Site and Facility Plans,” *Area Development*, 2021, <https://www.areadevelopment.com/Corporate-Consultants-Survey-Results/Q1-2021/35th-annual-corporate-survey.shtml>

vii Christopher Meyer, “Budgeting for Opportunity: How Our Fiscal Policy Choices Can Remove Barriers Facing Marylanders of Color and Advance Shared Prosperity,” Maryland Center on Economic Policy, 2018, <http://www.mdeconomy.org/budgeting-for-opportunity-health-education-transportation/>