POSITION STATEMENT

TESTIMONY PRESENTED TO THE
SENATE BUDGET AND TAXATION COMMITTEE

SENATE BILL 589 – MOTOR FUEL TAX RATES – CONSUMER PRICE INDEX AND SALES AND USE TAX EQUIVALENT RATE ADJUSTMENTS – REPEAL

DONALD C. FRY
PRESIDENT & CEO
GREATER BALTIMORE COMMITTEE

POSITION: Oppose

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 60-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. It is an organization that prides itself on advocating for changes in public policies that strengthen the business climate while improving the quality of life.

The Greater Baltimore Committee opposes Senate Bill 589 – Motor Fuel Tax Rates – Consumer Price Index and Sales and Use Tax Equivalent – Repeal.

In 2013, the Maryland General Assembly took decisive steps to fix a long-term issue in Maryland: our state's roads, bridges, and transit systems were aging and the revenue source for transportation was rapidly dwindling. At the time, the state's gas tax had not been increased in more than 20 years and the Transportation Trust Fund – the state's source of funding for transportation projects – was projected to have enough money to only maintain existing transportation infrastructure. Without a change, there would be no hope for the long backlog of local transportation projects, no new innovations in transit, and no solution to the traffic that snarled our roadways. The Red and Purple Line projects, critical to our state's future economic growth and vitality, would never come to fruition.

By passing the Transportation Infrastructure Investment Act of 2013, the General Assembly sent a message that our state was not going to fall behind again. The legislation not only increased the gas tax, but also included a provision that tied future increases of the gas tax to the Consumer Price Index (CPI), a tool used to measure inflation in the economy. By tying future increases to the CPI, the legislature ensured that future transportation revenues would keep pace with growing transportation needs and the escalating costs of construction.

Senate Bill 589 seeks to eliminate that provision, as well as future increases that were scheduled to take place. Removing the indexing provision and other scheduled increases would essentially undo all of the work done by the legislature in 2012 and take Maryland back to where it was two years ago – with a transportation revenue structure that is not inflation sensitive and will not serve the growing transportation demands of the state.

A superior transportation infrastructure with reliable funding mechanisms is one of the Eight Core Pillars of Economic Growth and Job Creation identified in the GBC's "Gaining a Competitive Edge" report as critical to improving our state's competitiveness and ensuring future economic growth. Without a reliable transportation funding mechanism, the state has no way of creating and maintaining the type of high-quality transportation system expected by its citizens and businesses. Mobility is an essential component of economic growth. The inability to move goods and services would be a detriment to our state's progress.

While automatic increases that do not receive General Assembly review and approval prior to taking effect are not ideal, in the case of transportation funding, there is merit to such a structure. Prior to the 2013 increase, the issue of sustainable transportation funding had not been addressed in the General Assembly in over 20 years and the gas tax remained a stagnant 23.5 cents per gallon. However, over the same time period, the cost of transportation projects – labor, equipment, and materials - escalated year over year, resulting in less purchasing power of the transportation revenue available and fewer projects. Because Maryland has chosen a transportation funding structure that relies heavily on a motor fuel tax as opposed to a tax that is inflation sensitive, it is necessary that Maryland's transportation revenues have some mechanism that meets the rising costs of labor, equipment and materials needed to complete transportation projects.

A modern transportation revenue structure is essential to a strong and healthy economy. Maryland businesses cannot grow, thrive and compete without a transportation system that is capable of handling the needs of an expanding 21st century economy.

For the reasons stated above, the Greater Baltimore Committee urges an unfavorable report of Senate Bill 589.