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Transportation Policy Experts Blast O'Malley Gas Tax Plan

Proposed increase hits poor hardest, while encouraging wasteful spending in Annapolis

Late last year, the Blue Ribbon Commission on Maryland Transportation Funding issued its report, in which it recommended that the state fuel tax be increased by a total of 15 cents per gallon in three years' time, and indexed for inflation thereafter. Since the report's release, that plan has been endorsed by business and political leaders in Maryland, including Gov. Martin O'Malley. Supporters claim that the increase in transportation spending will create jobs, relieve congestion, and improve the quality of the state's infrastructure.

It all sounds good. But a study released today by the Maryland Public Policy Institute – **"Rethinking Maryland's Proposed Gas Tax Increase"** — contends that when it comes to spending in Maryland, what's past is prologue. The study, by renowned transportation policy experts Wendell Cox and Ronald D. Utt, Ph.D., points to the state's historical propensity for diverting large sums of transportation funds to non-transportation purposes – a practice made all the more legislatively tempting in the absence of a constitutionally-protected transportation trust fund. Without such a fund, there exists no mandate to assure that additional funds brought in by a gas tax would be used to fund transportation. In just the last three years alone, the state has diverted money from the transportation trust fund several times for non-transportation purposes, including $370 million in FY2010.

"To put that in perspective," write Cox and Utt, "Maryland would need to raise its gas tax by at least 10 cents for two years to offset those recent diversions of transportation tax revenues."

Who most feels that pain at the pump? It is widely accepted among economists that a gas tax is regressive in the sense that lower-income households pay a greater share of their income on such a tax than do higher-income households. Cox and Utt take that conventional wisdom, and attempt to quantify it, using data from a recently published study by the Transportation Research Board. Their findings are sobering.

"This report estimates that after the proposed tax increase, the lowest-income brackets would pay a share of their incomes more than *seven times greater* than the share paid by wealthier households," they write. "As a result, the lower-income households likely will choose to decrease their driving to a much greater extent than would higher-income households." With more and more Marylanders traveling farther than ever to work, the potential implications of a bump in the gas tax –particularly when coupled with already-spiking gas prices – are both significant and worrisome.

"This is the worst kind of regressive tax, because it makes day-to-day living harder and more expensive for those who can least afford it," says Maryland Public Policy Institute President Christopher Summers. "This isn't a "sin" tax. This is a tax on going to work, on going to the grocery store, on getting your kids to school. That said, this tax might be easier to defend if there were some guarantee that its revenue would actually be used to improve Maryland's transportation infrastructure. With no such guarantee in place, and with no impetus to create one, this proposal is nothing more than another attempt by the state to balance its wasteful budget on the backs of its citizens."

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