



Analytics

Published by the Caesar Rodney Institute

RELEASE: CRI - Center for Economic Policy and Analysis

RE: The Transportation Trust Task Force Report

DATE: 7/29/11

The recently released Transportation Trust Fund Task Force report projects a shortfall of \$3.7 billion between spending and revenues over the coming ten years. The danger of not dealing with the shortfall is deterioration in Delaware's transportation infrastructure and the resulting negative consequences for the state's economy.

The Task Force report is excellent and comprehensive. It recommends both cost containment measures as well as alternative ways to enhance revenue. Of the 95 prioritized alternatives for raising revenue, indexing the motor fuel tax to inflation ranks 31st. In light of the economic facts, this low priority for the motor fuel tax can be challenged.

The motor fuel tax for gasoline was raised to 23 cents in 1995 (22 cents per gallon for special fuels) and has been unchanged since. Through 2010 Delaware motor fuel tax revenue are up 28%. Over the same time period general prices in the Philadelphia region rose 49% and the price of gasoline jumped 128%. Clearly some indexing of the motor fuel tax is appropriate, or a flat tax rate should be applied.

Leakage of gasoline sales from an increase in Delaware's motor fuel tax will be minimal. Pennsylvania sits at 32.3 cents per gallon. Maryland is 23.5 cents per gallon and a bill to increase the rate 10 cents is gaining momentum in the state's legislature. The low 14.5 cent tax per gallon in New Jersey is confounded by the bridge tolls which must be incurred.

In addition, the consumption of gasoline is relatively insensitive to changes in price. In the near term a 10% increase in the price of gas reduces consumption by 2.5% and over the longer term by 6%. A 10 cent increase in Delaware's motor fuel tax would equate to a 2.6% increase in the current \$3.90 per gallon price of gasoline, leading to a one half of one percent drop in gas consumption in the near term.

Motor fuel tax revenue has dropped from over one-third of the TTF's total revenue to one-quarter today. More than any other TTF source of revenue, the motor fuel tax relates road usage to road maintenance. It makes sense to give a higher priority to an increase in the motor fuel tax rate.

Dr. John E. Stapleford, Director
Center for Economic Policy and Analysis