



MTBMA

MARYLAND TRANSPORTATION BUILDERS
AND MATERIALS ASSOCIATION

HB 479 Motor Fuel Tax - Increase (Barkley and Bronrott)
HB 969 Motor Fuel Tax - Adjustments (Barkley)

HOUSE WAYS AND MEANS COMMITTEE
MARCH 2, 2010
SUPPORT

HB 479 increases the 23.5-cent gas tax in 2-cent increments in each of the next five years, beginning July 1, 2010. It will generate approximately \$60 million annually for the Transportation Trust Fund.

HB 969 increases the gas tax by 1/2-cent and indexes the gasoline tax to the construction cost index. Annual increases are limited to 1-cent (approximately \$30 million).

INDEXING THE GAS TAX

Historically, the flat rate gas tax was retained because General Assembly was greater oversight to ensure that MDOT was not asking for more money than they needed or could spend. The gas tax was raised approximately a nickel every 4-5 years, but the gas tax has not increased since 1992. An indexing provision would essentially increase the gas tax by a nickel every five years.

You cannot finance transportation infrastructure with tax revenues based on gallons of gasoline used when at the same time you're trying to reduce the amount of gasoline used. Indexing the gas tax somewhat ameliorates this situation, and is in concert with the TTF's other major revenue source, the auto titling tax which rises with the price of automobiles.

The need for making the gas tax inflation sensitive has been discussed for thirty years. It is more relevant than ever because of: (1) the reluctance politically to increase the gas tax; and (2) the high degree of unmet transportation infrastructure needs.

ECONOMIC CONDITION OF THE HIGHWAY CONSTRUCTION INDUSTRY

We appreciate the opportunity to discuss the economic condition of the industry and the need for revenues to sustain Maryland's transportation program. The transportation construction industry is comprised of contractors, engineers, equipment manufacturers, aggregates supplies, and other suppliers which employ workers with a wide variety of skill levels. The industry and its workers are dependent upon a healthy transportation program.

Layoffs in Maryland by Association members were at 28% in November 2009, with some companies experiencing 50% - 70% layoffs. The health of the Transportation Trust Fund (TTF) is the lifeblood of this industry, and the impact of lack of highway contracts has been felt even before the September 2008 and January 2009 cuts in the State's Consolidated Transportation Plan (CTP) which deferred \$2.2 billion in projects over the six-year program period. Most companies are forecasting additional job losses in 2010 because virtually no contract awards coming out of MDOT.

The combination of underinvestment, inflationary increases in construction costs, and more fuel efficient vehicles have eroded the health of the TTF over time. Certainly the recession has dramatically impacted the health of the Trust Fund, whereby \$2.2 billion in capital projects (over the 6-year period) have been deferred - 53% of that amount cut was from SHA. Multi-year reductions in Highway User Revenues for local governments have only exacerbated an anemic transportation program.

2009 FEDERAL STIMULUS DOLLARS FOR HIGHWAY MAINTENANCE

The 2009 stimulus package represented approximately \$430 million for highways which was welcomed, but did not back-fill the reductions that had occurred in September 2008. The stimulus allowed some repaving projects to go forward and temporarily forestalled layoffs. It is uncertain to predict what further action will be taken by the Congress in 2010 in connection with a jobs bill and infrastructure investment.

STATE OF THE TRANSPORTATION TRUST FUND

The current state of TTF is dire. As noted by the Department of Legislative Services FY 2011 MDOT budget analysis, "downside risks exist in MDOT's current TTF forecast. Titling revenue estimates may be ambitious, federal authorizations are likely to decrease significantly absent federal tax increases, there is no additional State debt capacity, and debt service coverage levels remain below administrative levels and close to the minimum required in bond covenants. The operating budget appears understated relative to actual experience, particularly for snow removal and transit operating costs. This forecast calls into question MDOT's ability to meet its current operating and capital commitments, much less its ability to respond to other unmet needs even if a robust economic recovery provides the level of revenue already estimated."

We are asking for a stop-gap measure through an increase in the gas tax, until more innovative solutions can be found to fund Maryland's transportation infrastructure needs.

We respectfully request action this Session to increase revenues to the Transportation Trust Fund.

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