



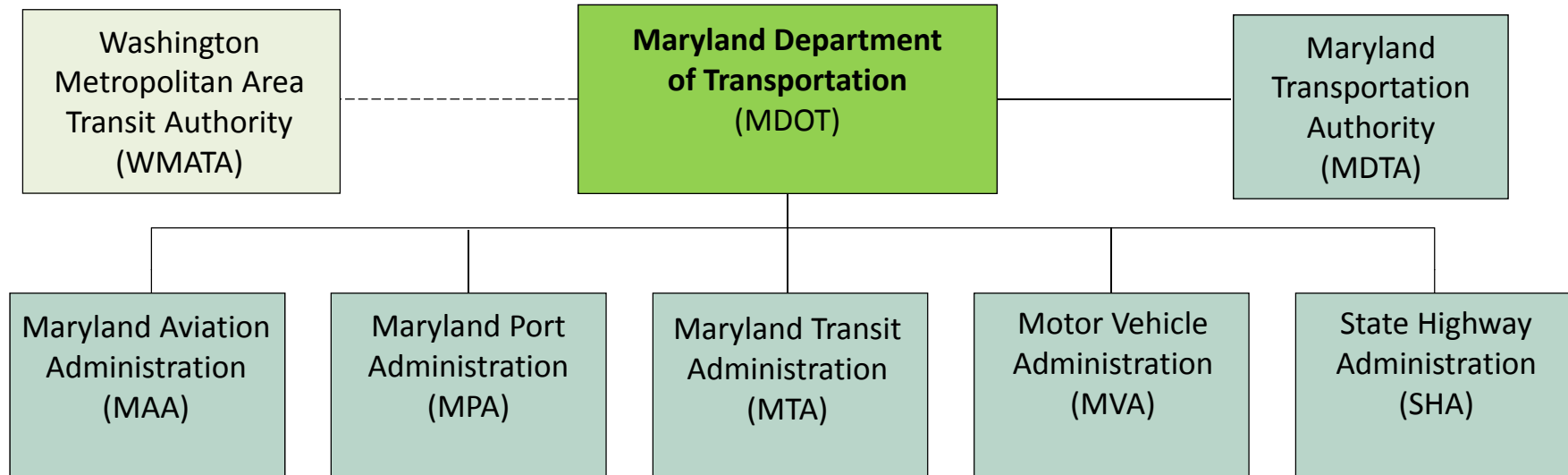
# **Maryland's Transportation Infrastructure Investment Act of 2013**

***Building a Sustainable Transportation Future***

*Our Town  
September 3, 2014*



# Maryland Department of Transportation



*One Maryland, One MDOT*

Maryland's transportation agencies are united in a shared responsibility to provide safe, efficient transportation options for all Marylanders, goods, and services. Each day, MDOT's Modal Administrations and MDTA work together to implement coordinated transportation strategies that are open, transparent, and accountable.



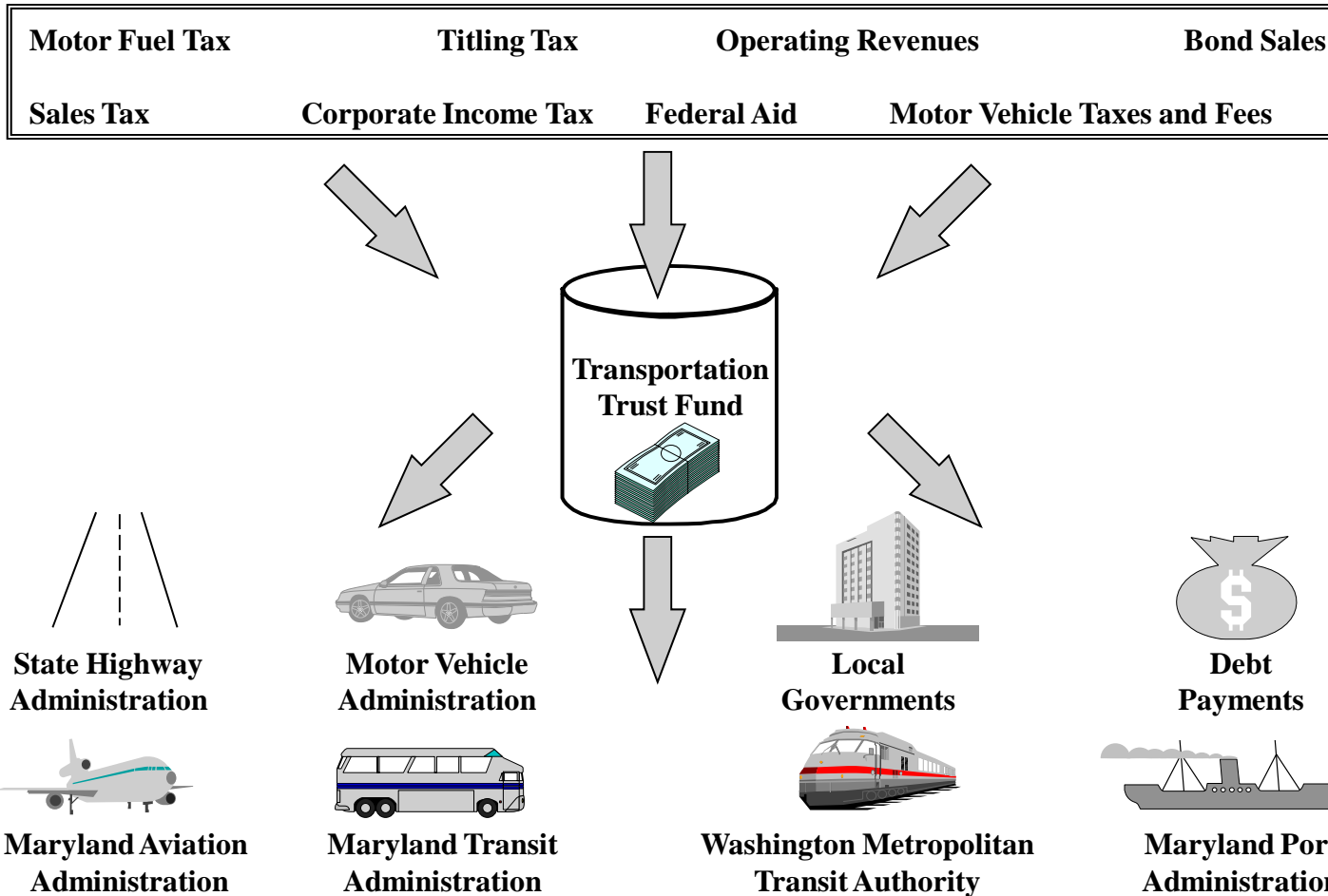
# Transportation Funding in Maryland

## Transportation Trust Fund (TTF)

- Created in 1971 as a dedicated fund to support the Maryland Department of Transportation (MDOT)
- Supports all activities of MDOT, including debt service, modal agency operations, and capital projects
- Revenues deposited into the TTF are not earmarked for specific programs
- Disbursement of funds to projects and programs is made in consultation with state and local elected officials.



# The Transportation Trust Fund





# History of Revenue Increases

Gas Tax Increases – 1982, 1987, 1992, 2013

## Task Force & Commissions:

- 1998 – Transportation Investment Committee
- 1999 – Commission on Transportation Investment
- 2003 – Transportation Task Force (Hellmann Commission)
  - 2004 - \$237 M/year increase (primarily vehicle registration increase)
- 2005 – Transit Funding Study
- 2007 – Special Legislative Session
  - \$450 M/year increase focused on system preservation (5.3% of the 6% sales tax (1%) increase and titling tax which both went from 5-6%)
- 2010 – Blue Ribbon Commission on Transportation Funding
  - Some small fee increases as a result in 2011 Legislative Session



# Blue Ribbon Commission



- 2010 Legislative Session established the 28 member Blue Ribbon Commission on Maryland Transportation Funding
- Key goal was options for sustainable, long-term revenue sources for transportation
- Group spent over a year developing a full range of recommendations both revenue generating and policy
- Key recommendations centered around the need for a revenue increase of \$870M per year for the State and locals with a “lock box” on the Transportation Trust Fund





# Blue Ribbon Commission



- To get there, it would take a menu of revenue sources such as:
  1. A phased in 15 cents a gallon gas tax w/indexing
  2. Increase vehicle registration fees 50%
  3. Increase the titling fee from 6% to 6.5%
  4. Increase transit fares
  5. Double VEIP fees to \$28
  6. Increase various MVA fees



# Administration's 2012 Revenue Bill

- The goal was to keep the Bill simple.
- The Bill focused on adding sales tax to the wholesale motor fuel tax, 2% a year for three years up to 6%.
- This was a “jobs” Bill as well as a “reduce congestion” Bill.
- The needs focused on the first project priority from each county and Baltimore City which add up to \$12 billion.
- Advocates included most Chambers of Commerce and traditional stakeholders
- A key to support was a proposal for a lock box on the Trust Fund so the money earned would go only to address transportation needs.
- More money is needed to build the improvements that Maryland's citizens want, which will create jobs...





# Administration's 2012 Revenue Bill

- Timing was bad:
  - \$4+ a gallon gas and projections of further increases in the next year;
  - General Fund deficit that needed to be fixed;
  - We did not start early enough selling our needs.
- No strong champions stepped forward (stakeholders or elected officials):
  - Competing needs (general fund);
  - Oil company and service station email campaign .
- We didn't discuss or promote what the revenue increase would specifically "buy" in enough detail to seal the deal.



# Administration's 2013 Strategy

- What we learned from loss in 2012:
- The Bill responded to two factors
  - Senate President's bill that was to “start the conversation”;  
and,
  - Virginia's proposal for a revenue increase.
- This remained a “jobs” Bill as well as a “reduce congestion” Bill.
- The messaging was broader than in 2012, but focused on key issues of enhanced safety and system preservation.
- Key legislators were now advocates
- Support remained for a lock box.



# Messaging the Need for a Revenue Increase

- Transportation Funding Essentially Capped Since 1992
  - Lack of funding has led to the worst traffic in the nation
- Purchasing Power Has Declined 70% in MD
  - \$1.00 in 1992 is only 30 cents today
- No New Projects Without Action
  - MDOT focused only on system preservation by FY2017
- Jobs, Jobs, Jobs
  - Increased transportation revenue could create more than 57,200 jobs
- Growing Transit Demand
  - Transit ridership has increased by 20% since FY2006



# Messaging the Need for a Revenue Increase

## By The Numbers - Highways

**\$6.2**  
BILLION

The estimated yearly cost to Marylanders due to poor road conditions, congestion and inadequate capacity

\$1,781

The per-driver cost in Baltimore

\$2,195

The per-driver cost in the DC area

**41**  
PERCENT

The percentage of Maryland's major locally and state-owned roads that are in either poor or mediocre condition

**84**  
PERCENT

The percentage of SHA roadways that are at least 30 years old

**55**  
PERCENT

The percentage of Maryland's urban highways that are congested

**0**

The number of new expansion projects the state will be able to fund without increased revenue



# Messaging the Need for a Revenue Increase

## Facing the Gas Tax Head On

Maryland's Gas tax rate was the 21<sup>st</sup> lowest state rate

Total State Motor Fuel Tax Rates in Neighboring Jurisdictions (cents per gallon)

	<u>Gasoline</u>	<u>Diesel</u>	<u>Sales Tax</u>
Delaware	23.0¢	22.0¢	
District of Columbia	23.5	23.5	
North Carolina	37.8	37.8	
Pennsylvania	32.3	39.2	
Virginia	19.9	20.2	Yes*
West Virginia	34.7	34.7	
<b>Maryland</b>	<b>23.5</b>	<b>24.25</b>	
National Average	30.4¢	30.0¢	

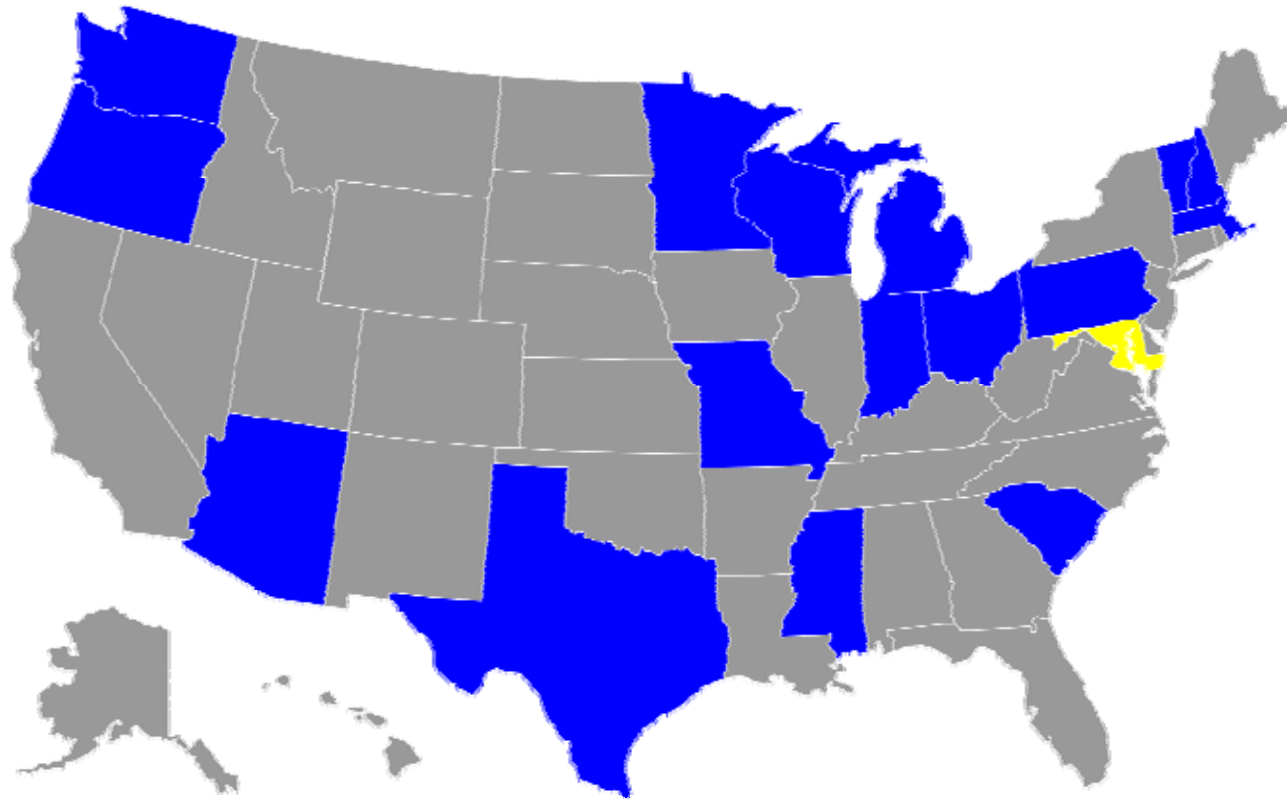
Note: Rates are before passage of VA HB2313.



# Messaging the Need for a Revenue Increase

## National Efforts

16 other states sought to increase transportation funds





# Messaging the Need for a Revenue Increase

## Action vs. Inaction

## Cost of Inaction vs. Benefits of Action

- **Costs**
  - Loss of FTA New Starts funds
  - Inability to compete for Transit-Oriented Development Projects
  - Congestion Impact on economic competitiveness
- **Benefits**
  - Competitive position for federal funds
  - Economic development
  - Quality of Life
  - Chesapeake Bay Environmental Benefits

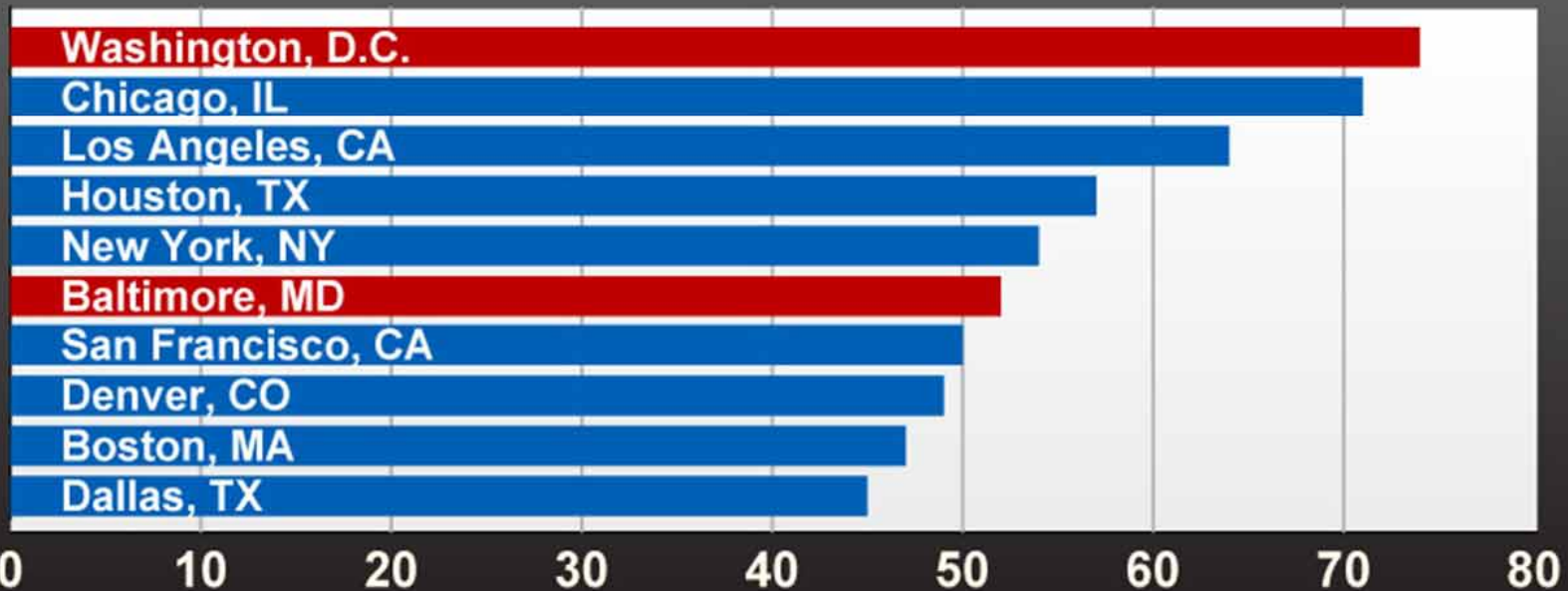


# Messaging the Need for a Revenue Increase

## Congestion

- The Washington, D.C. metro area has the highest delay per commuter nationally, with Baltimore ranking 6<sup>th</sup>.
- There are currently 6 congestion-relief projects that could be rapidly advanced with a revenue increase.

### YEARLY DELAY PER AUTO COMMUTER IN HOURS

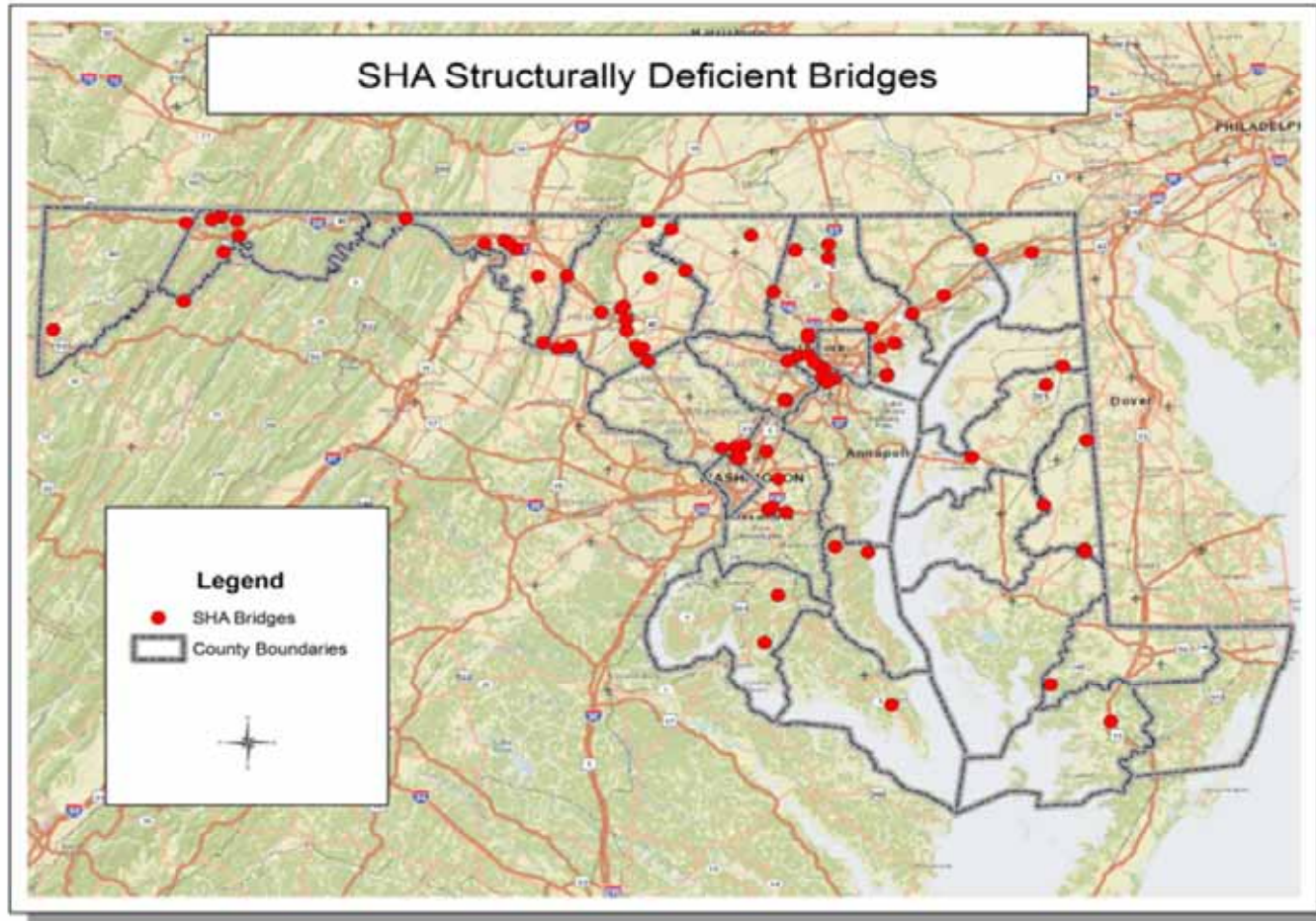






# Messaging the Need for a Revenue Increase

One-quarter of Maryland bridges are structurally deficient or functionally obsolete

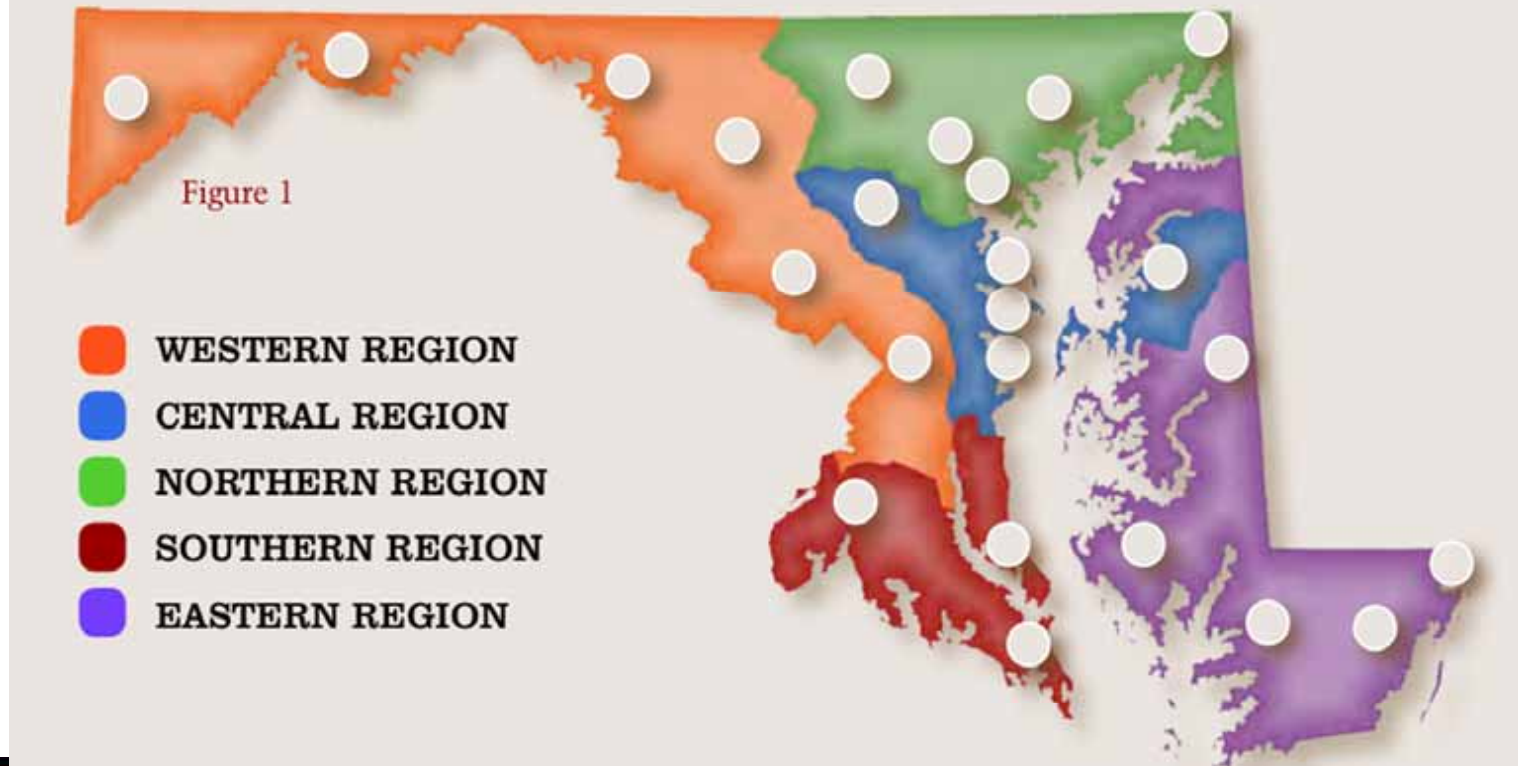




# Messaging the Need for a Revenue Increase

There is a pressing need to support basic transit system preservation and improved services across our State

## LOCATIONS OF LOCALLY OPERATED TRANSIT SYSTEMS





# Messaging the Need for a Revenue Increase

## Price Fluctuations Dampen Proposed Impact

21 cent difference between 6 stations on one street



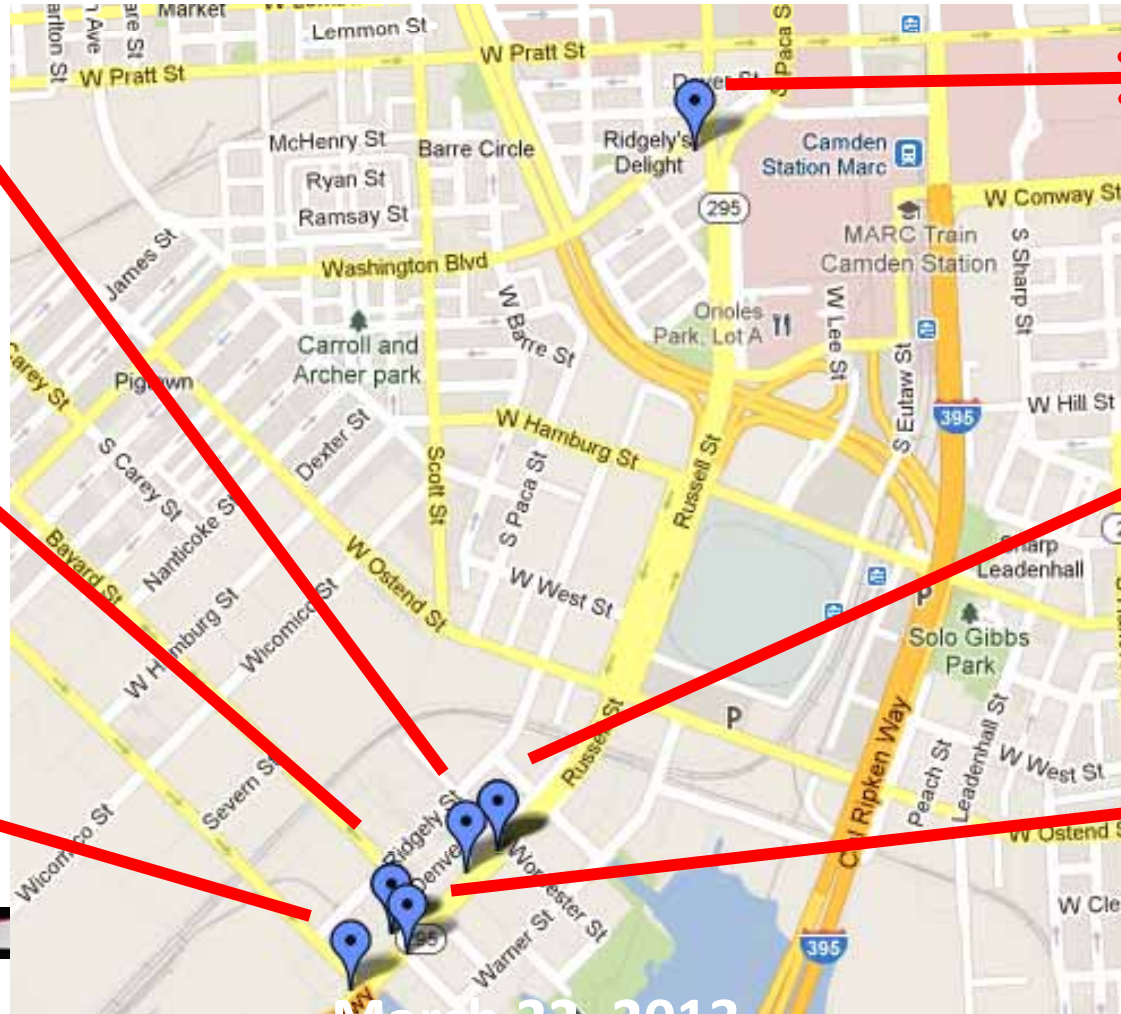
\$3.59



\$3.62



\$3.61



\$3.79



\$3.58



\$3.65

March 22, 2012

Maryland Department of Transportation



# Messaging the Need for a Revenue Increase

## Support from Maryland Business Leaders



*“Maryland’s businesses are dependent on a modern and diverse transportation network to engage in commercial activity.”*



*“Passage of HB1515 will begin to restore superior mobility to our state – an essential prerequisite for economic competitiveness.”*



*“...there is a universal agreement that something must be done and it must be done now.”*



# Messaging the Need for a Revenue Increase

## More Jobs for Maryland Families

According to the Federal Highway Administration, every \$1B invested in highway construction would support approximately 13,000 jobs.



**HB1515 =  
57,200 JOBS**



# Estimated Yields from Sources

**HB1515, signed into law on May 16, 2013, creates \$800 M/year in review or \$4.4 B in new transportation funding**

## HB 1515 - Transportation Infrastructure Investment Act of 2013

### As Passed by the House of Delegates

(\$ in millions)

	Fiscal Year						TOTAL
	2014	2015	2016	2017	2018	2019	
Apply Sales Tax to Gasoline Price - Phased in 1% to 2% to 3%	\$ 101	\$ 157	\$ 329	\$ 340	\$ 350	\$ 360	\$ 1,637
Index Excise Tax on Gasoline to Consumer Price Index	15	31	49	68	87	103	353
Additional Sales Tax from passage of Marketplace Fairness Act *			96	201	210	218	725
Index MTA Fares to Consumer Price Index - All Services		14	14	20	20	25	93
Issue State GO Bonds for Watershed Implementation Plan		45	65	85	100	100	395
<b>Subtotal - New Revenue</b>	<b>\$ 116</b>	<b>\$ 247</b>	<b>\$ 553</b>	<b>\$ 714</b>	<b>\$ 767</b>	<b>\$ 806</b>	<b>\$ 3,203</b>
Additional MDOT Bonding Capacity	275	350	230	125	100	100	1,180
<b>Total - New Funding for Transportation</b>	<b>\$ 391</b>	<b>\$ 597</b>	<b>\$ 783</b>	<b>\$ 839</b>	<b>\$ 867</b>	<b>\$ 906</b>	<b>\$ 4,383</b>
* If MFA not enacted, Sales Tax on Gasoline could increase an additional 2%							



# Transportation Infrastructure Investment Act of 2013

## **Effective July 1, 2013:**

- Index the current 23.5-cent-per-gallon state gasoline tax to the Consumer Price Index (CPI) to adjust for inflation, but also limit the index increase to the gas tax rate so that it cannot exceed 8% a year.
- Apply 1% of the state sales tax on the price of gasoline (before federal and state taxes).
  - ✓ Impact at Pump: 4 cent increase from \$3.56 per gallon to \$3.60 per gallon
- Requires MDOT to conduct two studies and report back to the Governor and the General Assembly:
  - Study the effects of indexing. Report due by January 1, 2019.
  - Study implementing a voucher program to provide free or reduced transit fares for individuals whose household income does not exceed 125% of the federal poverty guidelines. Report due by December 31, 2013.



# Transportation Infrastructure Investment Act of 2013

## **Effective July 1, 2014:**

- State Treasury to issue General Obligation Bonds for federally required environmental improvements undertaken by the State Highway Administration (SHA).
- Index transit fares charged by the Maryland Transit Administration (MTA) to the CPI (bus, light rail, metro subway, commuter bus and MARC rail service).
- The legislation also sets forth periodic CPI adjustments for bus, light rail and metro fares every two years, and commuter bus and MARC rail service every five years.
  - ✓ Impact on Fares: One-way fare for bus, light rail and metro subway to increase 10 cents to \$1.70 from the current \$1.60.
  - ✓ One-way fare for commuter bus and MARC rail service to increase \$1.00.

## **Effective January 1, 2015:**

- Increase to 2% the state sales tax applied to the price of gasoline (before federal and state taxes).
  - ✓ Impact at Pump: 4 cent increase from \$3.60 per gallon to \$3.64 per gallon





# Transportation Infrastructure Investment Act of 2013

## **Effective July 1, 2015:**

- Increase to 3% the state sales tax applied to the price of gasoline (before federal and state taxes).
  - ✓ Impact at Pump: 4 cent increase from \$3.64 per gallon to \$3.68 per gallon

## **Effective January 1, 2016:**

- State transportation to receive revenue generated by implementation of the federal “Marketplace Fairness Act” provided passage by Congress - enables states to require internet sellers to collect sales taxes.
  - STATUS: The U.S. Senate passed the Marketplace Fairness Act on May 6. It is now pending before the House.
- If federal act doesn’t pass, the 3% state sales tax on gasoline increases to 4%, resulting in an additional 4 cent increase.

## **Effective July 1, 2016:**

- If federal act doesn’t pass, the 4% state sales tax on gasoline increases to 5%, resulting in an additional 3.5 cent increase.



# Lessons Learned

- It helps to have a neighboring state pass a transportation bill!
- It helps to have a Governor and Senate President/House Speaker supported transportation revenue increase and jointly developed agreeable legislative terms.
- SB 830 jointly introduced a Transportation Trust Fund “lock-box”.
- Data to support messaging important to have and get right.
- Broad public messaging emphasizing transportation safety and preservation needs and statewide benefits.
- Legwork and facetime needed - MDOT leadership spent countless hours meeting with key stakeholders and elected officials on critical needs/issues and the draft legislation to determine common ground.



# Questions?

Mike Nixon, Manager

Office of Planning and Capital Programming

Maryland Department of Transportation

410-865-1295

[mnixon@mdot.state.md.us](mailto:mnixon@mdot.state.md.us)