



BILL NO: Senate Bill 971

TITLE: Maryland Transportation Financing and Infrastructure Investment Act of 2012

POSITION: **OPPOSE**

DATE: March 14, 2012

COMMITTEE: Budget and Taxation

CONTACT: Andrea Mansfield

The Maryland Association of Counties (MACo) **OPPOSES** Senate Bill 971. This bill would phase-in the application of a 6% sales tax to the price of motor fuel over a three year period and establish a new Local Transportation Infrastructure Aid Account to distribute a portion of the new revenue to local jurisdictions. The bill also establishes a mechanism to slow the phasing-in of the sales tax if the price of gasoline were to increase by more than 15% over the prior year and provides some additional statutory protections for the transfer of transportation funding to the State's general fund, but these protections do not apply to the local share.

Maryland's long-standing and wise policy has always been to provide Highway User Revenues (HUR) as the primary source of revenue for local roads maintenance budgets, including snow removal, patching and chip sealing, signage and pavement stripping, and drainage work. For smaller jurisdictions, HUR have funded all of roadway maintenance and capital expenditures. Maryland counties have no independent capacity to raise transportation-derived revenues for similar purposes. They are entirely dependent on the State.

This policy took a drastic turn in FY 2010 when the Board of Public Works reduced HUR by 90% for nearly all jurisdictions, compounding already deep cuts enacted by the General Assembly for that year. During the 2010 General Assembly, these reductions were made permanent with no local offset slashing these local distributions to benefit the state's general fund. In 2011, legislation shifted these funding allocations around within the state budget, but again left most counties struggling with only pennies on the dollar of the prior HUR formula, and with some \$350 million or more per year being diverted away from local roadway projects.

Although SB 971 provides some level of transportation aid to local governments, it strays greatly from the recommendations of the Blue Ribbon Commission on Maryland Transportation Funding, which would have incrementally restored the annual HUR to local governments. Instead this proposal maintains the current 90% State/10% local HUR share and establishes the Local Transportation Infrastructure Aid Account (Account) to allocate new revenues generated by the sales tax on gasoline to local governments.

MACo has consistently advocated for full restoration of HUR back to the historic 70% State/30% local share and would strongly suggest that this existing program be used to fund local roadways. The creation of this new Account is duplicative and unnecessary as a program already exists for this purpose. The Department of Legislative Services, in its State Highway Administration budget analysis, has also recommended that the existing HUR program be used to achieve the Administration's policy objectives.

Further, this proposal would only restore counties to 42% of their 2008 funding level with no future enhancements to bring counties back to their proportional share, nor bring local governments back to the full 30% share of HUR. Maryland's local governments have a direct effect on the transportation system of our state and are responsible for more than 80% of Maryland's road miles. Maryland's citizens do not know where state road maintenance stops and local road maintenance begins. They simply know that they pay taxes on their vehicles and fuel and have an expectation of travel on good, safe roadways. MACo believes that our transportation system should be operated as one system with State and local roadways being maintained. The sharing of HUR has enhanced this relationship for years and any transportation package should work toward restoring this state and local partnership, not putting a new program in its place.

Lastly, while the bill provides additional protections against transfers from the Transportation Trust Fund to the general fund, it does nothing to protect the local share of HUR. MACo has supported many bills this session to constitutionally prohibit the transfer of revenue from the Transportation Trust Fund to the State General Fund, including the local share of HUR. MACo would argue that the same protections provided to the State's share of the Transportation Trust Fund should also be afforded to the local share of HUR. In fact, the state's own documented history of transportation fund diversions shows that it is the local share of funding that has suffered most greatly by diversions to non-transportation purposes.

For these reasons, MACo urges the committee to give SB 971 and **UNFAVORABLE** report.