Maryland Department of Transportation

Robert L. Ehrlich, Jr.
Governor
Michael S. Steele
Lt. Governor
Robert L. Flanagan
Secretary
Trent M. Kittleman
Deputy Secretary

Transportation Task Force

Transportation Needs and Funding Report

December 23, 2003

Transportation Task Force

LEGISLATIVE SERVICES

December 23, 2003

The Honorable Robert L. Ehrlich, Jr.
Governor
State of Maryland
100 State Circle
Annapolis, MD 21401

The Honorable Robert L. Flanagan
Secretary
Maryland Department of Transportation
7201 Corporate Center Drive
Hanover, MD 21076

Re: Transportation Task Force Report

Dear Governor Ehrlich and Secretary Flanagan:

On behalf of the Transportation Task Force, I am pleased to present you with the report containing our recommendations regarding transportation needs and funding for the six-year program period (FY 2005 to FY 2010).

The Task Force commends Secretary Flanagan for his ongoing efforts regarding cost containment and efficiencies to assure that Marylanders are getting the best value for their current transportation dollar.

However, with Trust Fund revenues increasing annually at less than inflation and operating costs, particularly transit related, increasing at rates greater than inflation, projections indicate that funds available for capital improvements will decrease from $1.8 billion in FY 2003 and FY 2004 to $1.2 billion in FY 2006 (a 33% reduction) and to $0.9 billion in FY 2008 through FY 2010 (a 50% reduction).

The Task Force supports the Department's recommendation to increase their 6-year capital program by $4.7 billion. We concur with the Department's estimates that $2.9 billion of this $4.7 billion increase can be funded using anticipated available funding along with innovative financing mechanisms. To achieve the recommended $4.7 billion funding level, $1.8 billion in new state revenues will be required over the six-year period ($300 million per year).

The report includes a matrix of a number of potential options to generate the $300 million per year in needed new revenues. We recommend that these options (and others which might be suggested) be considered as you discuss the recommended capital program level and potential funding sources with the General Assembly leadership.

We thank you for the opportunity to serve our fine State and stand ready to support you in your efforts to address this important and immediate need.

Best Wishes for the Holiday.

Sincerely,

William K. Hellmann
Chairman
Transportation Task Force

Transportation Needs

The success of our transportation system is extremely important to the economy of Maryland and the quality of life of our citizens.

Transportation Task Force Members (See Cover Letter)

- Secretary of Transportation
- Secretary of Budget & Management
- 5 State Senators
- 5 State Delegates
- 17 Maryland Citizens

Task Force Assignment

- Ensure that the Department of Transportation (Department) is providing the citizens of Maryland with cost effective and efficient transportation system and services.
    - Review the Department's Operating and Capital Programs and the Transportation Trust Fund (Trust Fund) Status
    - Review the Department's Cost Containment Initiatives and Innovative Financing Efforts
    - Review the Maryland Transportation Authority's (Authority) Operating and Capital Programs and Fund Status
    - Review Statewide Transportation Needs
- Provide realistic recommendations to address transportation needs that are critical to Maryland, including the funding of those needs.
    - Recommend a capital program funding level to meet a reasonable percentage of statewide transportation needs
    - Recommend revenue sources to fund the recommended capital program level (level of investment in statewide transportation needs)

Maryland Department of Transportation is Unique

- All modes of transportation in Maryland are under one Department – highways, transit, ports, airports and the administration of motor vehicles.
- The Department "bank account" is the Transportation Trust Fund.
- The Trust Fund is separate and distinct from the State's General Fund and is dedicated to financing the construction, operation and maintenance of Maryland's transportation system and services.
- Trust Fund revenue sources include:
  - Motor fuel taxes
  - Vehicle titling taxes
  - Motor vehicle registration and fees
  - Corporate income taxes
  - Bonds
  - Federal funding
  - Operating revenues
- A portion of the Trust Fund revenues are shared with Maryland's 23 counties and Baltimore City to provide for local transportation needs.

The Department's services are extremely important to the citizens of Maryland

Maryland is fortunate to have a strong economic base, relative affluence and good quality of life. However, a consequence is rapidly growing strain on Maryland's transportation systems. The Department's ability to make necessary improvements to its transportation facilities plays a direct role in sustaining Maryland as a desirable place to live, work and visit. All modes of transportation, each in their own way, play an important part in the quality of the overall system.

The Department:

- Manages and maintains nearly 17,000 lane miles of highways, including most of the interstate system and major highways throughout the state;
- Owns, operates, or provides funding for mass transit in the Baltimore region (Metro, Light Rail and bus), the Washington area transit system (Metrorail and bus), the three commuter rail lines serving central Maryland, and smaller locally operated transit systems throughout the state, serving over 1 million daily trips, many of which occur during peak periods of travel, thus reducing congestion on highways;
- Handles over 50,000 passengers a day at Baltimore Washington International (BWI) Airport;
- Moves 40 million tons of cargo a year through the Port of Baltimore (7 million tons through Maryland Port Administration facilities); and
- Conducts 54,000 daily transactions at the Motor Vehicle Administration in order that our citizens can legally own and operate vehicles on our highways.

Importance of Mobility

- Transportation mobility – or the ease of movement from one place to another across a transportation network – is vitally important for both people and goods and for a wide range of purposes and destinations.

- The range of mobility needs in the State requires a multimodal transportation network that ensures that people and businesses can access the transportation network easily, travel or move goods without significant delays, and transfer seamlessly among complementary transportation systems and services.

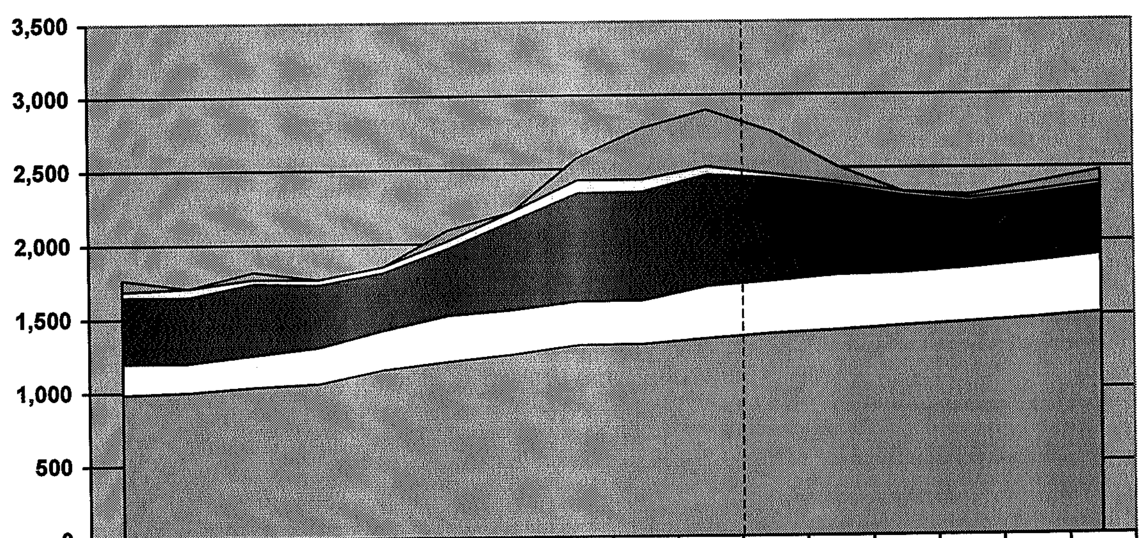
Operating and Capital Programs – Transportation Trust Fund Status

- Primary factors affecting transportation such as population, households, registered vehicles, licensed drivers, and multi-car households have far outpaced the rate at which transportation infrastructure and services have been provided over the past 20 years.

- The Department continues to try to play "catch up" with transportation needs, driven by economic growth.

- Trust Fund revenues average about $2.5 billion per year, including bonds and federal funds.

SOURCES OF FUNDS SUMMARY
FY 1995 – FY 2010

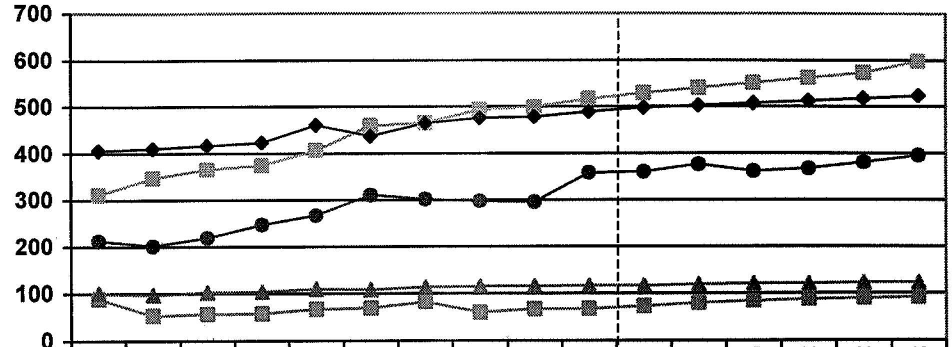


	95	96	97	98	99	00	01	02	03	04	05	06	07	08	09	10
Bonds	75	0	50	0	0	75	0	150	345	385	285	105	0	25	55	80
Other	41	60	31	37	42	51	62	90	85	58	29	25	25	25	25	25
Federal Aid	449	448	483	424	390	452	602	731	735	752	694	602	517	441	453	466
Operating Revenue	213	202	219	248	268	312	303	298	296	359	361	377	362	368	382	396
User Revenues	988	1,001	1,035	1,056	1,149	1,202	1,247	1,308	1,313	1,345	1,378	1,402	1,430	1,454	1,479	1,510

Millions of Dollars

- Trust Fund revenues, for the most part, do not keep pace with inflation.

MAJOR SOURCES OF REVENUES
FY 1005 – FY 2010



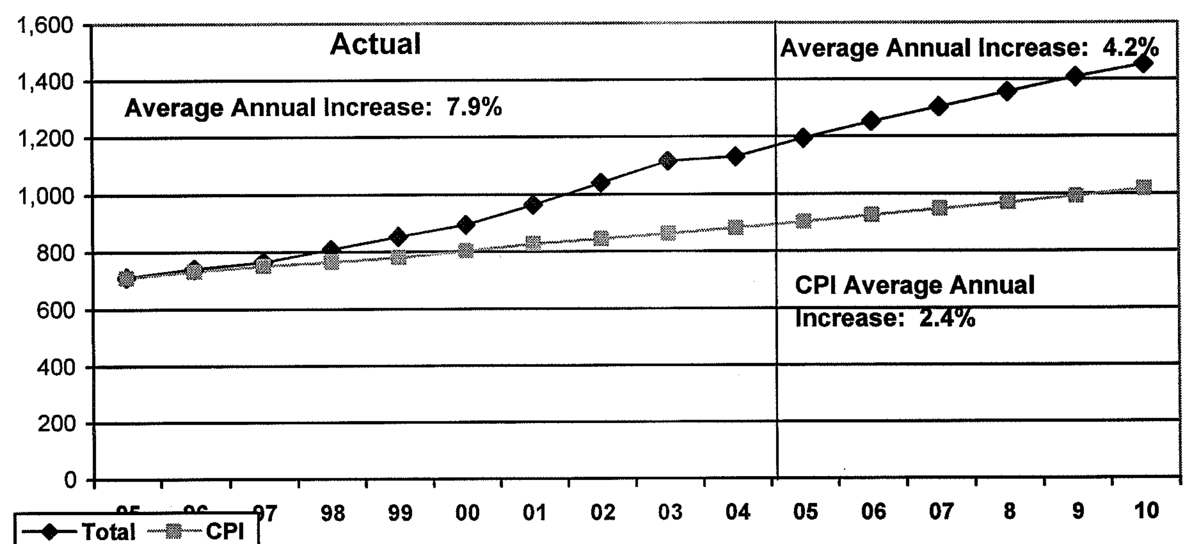
	95	96	97	98	99	00	01	02	03	04	05	06	07	08	09	10
Titling Tax	312	348	366	375	407	460	466	494	500	517	529	540	551	562	573	598
Motor Fuel Tax	406	411	417	424	461	438	465	476	479	489	498	503	508	513	518	524
Corporate Income Tax	89	54	57	58	67	70	83	60	67	68	74	80	85	88	90	92
Registrations	101	98	103	104	110	109	114	115	116	117	117	120	121	121	123	123
Operating Revenue	213	202	219	248	268	312	303	298	296	359	361	377	362	368	382	396

Millions of Dollars

- The Department's operating budget will increase from $1.20 billion to $1.45 billion over the six-year program period (FY 2005 – FY 2010).

- The average annual operating expenditure increase is projected to be 4.2 percent from FY 2005 through FY 2010, as compared to 7.9 percent for actual expenditures from FY 1995 through FY 2004, a period of major transit system expansion.

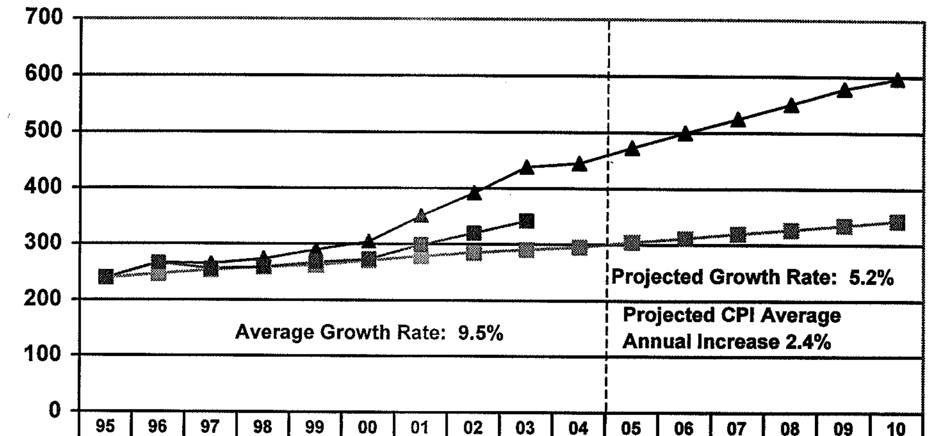
OPERATING EXPENDITURES
FY 1995 - 2010



Millions of Dollars

- Transit operating subsidies, which have historically increased at a rate greater than inflation, have a major effect on the Department's operating budget and, thus, those funds available for the capital program. MTA and WMATA operating subsidies are projected to increase from $473 million in FY 2005 to almost $600 million in FY 2010.

TRANSIT (MTA & WMATA) - OPERATING SUBSIDIES
FY 1995 – FY 2010



	95	96	97	98	99	00	01	02	03	04	05	06	07	08	09	10
Transit Subsidy	240	267	265	274	290	305	351	392	438	445	473	500	525	551	579	597
Exp Inflated by CPI	240	247	254	259	263	271	279	285	291	296	305	312	320	327	335	343
Growth w/o Enhancements	240	266	256	259	268	273	299	320	342							

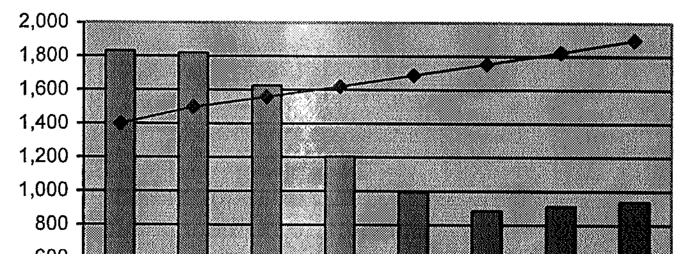
Millions of Dollars

- The precise amount of federal funds that will be available to the Department over the program period will not be known until completion of the re-authorization of federal surface transportation programs. The Department has provided a reasonable "middle of the road" estimate of future federal funds.

- A total of $300 million was transferred from the Trust Fund to the General Fund for FY 2004 and FY 2005 to assist in meeting General Fund needs.

- The capital program will decrease from $1.6 billion to $0.9 billion during the FY 2005 – 2010 period – a reduction of 44 percent. Furthermore, the FY 2005 capital program level of $1.6 billion is $200 million less than the $1.8 billion capital program level for FY 2003 and 2004.

MDOT CAPITAL PROGRAM



	2003	2004	2005	2006	2007	2008	2009	2010
MDOT Capital Program	1,832	1,821	1,625	1,203	994	884	910	938
CTI Recommendation	1,400	1,500	1,560	1,622	1,687	1,754	1,824	1,897

Millions of Dollars
CTI: Commission on Transportation Investment (1999)

- Without the infusion of significant additional revenues into the Trust Fund, the Department's capital program level (i.e., the level of investment in statewide transportation needs) will reach a crisis level over the next few years. For example, the State Highway Administration has only one new expansion project start in FY 2005 and zero new starts from FY 2006 – FY 1010.

Department Cost Containment Initiatives

- The Department is making a significant effort to examine on-going programs, with an eye for achieving cost efficiencies. Further, new projects and program initiatives are subjected to careful examination before commitments are made.

- Cost Containment Actions for FY 2004 include:
  - MPA – Reduction of $1.5 million in salaries & wages, contractual services, travel & utilities and information technology.
  - MAA – Reduction of $2.9 million in salaries & wages, contractual services, fuel & utilities and consultants & temporary personnel.
  - MVA - Reduction of $3.7 million in salaries & wages, contractual services, leases & credit cards and information technology. Plus office consolidations and conversion of proprietary software systems.
  - SHA - Reduction of $6.2 million in special & technical fees, vehicle purchases, vehicle operations, contractual services and information technology.
  - MTA – Savings of $20.2 million from service and service support reductions.
  - WMATA – Adopted budget with $24 million in cost containment actions including reduction of management positions, streamlining sales and scaling back consultants.

- Other Cost Containment Initiatives currently underway by the Department include:
  - Expanding the use of outsourcing
  - Review of negotiation practices
  - Review of non-mission critical asset utilization
  - Working with IWIF on Workers Compensation costs

- The amount of potential funding "saved" through cost containment initiatives will not reduce the need for a significant revenue increase to meet statewide transportation needs.

Department Innovative Financing Initiatives

- The Department is evaluating and pursuing a number of innovative ways to fund projects and generate additional resources to meet needs. These efforts include:
  - The potential sale of underutilized and unneeded Department assets
  - Tax advantage leasing
  - The use of GARVEE Bonds (bonds supported by future federal funds)
  - Self-supporting projects at BWI and the Port of Baltimore

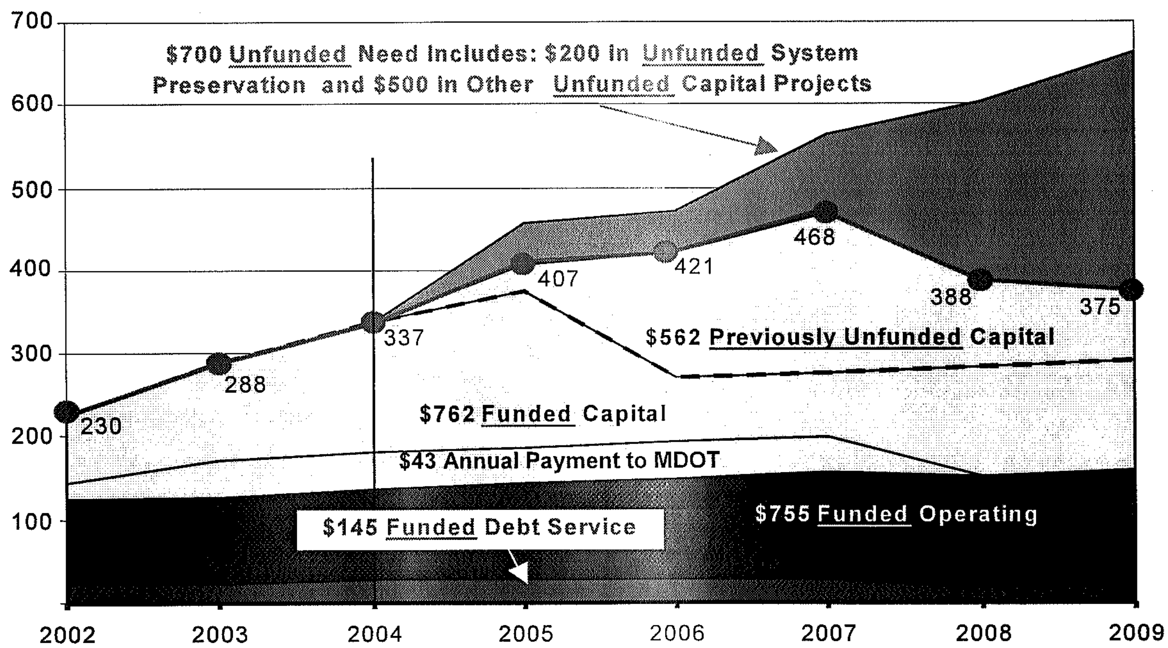
- Current initiatives have already been incorporated into the Department's recommended $4.7 billion increase in the Capital Program (see page D-2).

- Significant additional funds could not be generated through these types of sources in the six-year program period.

Maryland Transportation Authority (Authority) Operating and Capital Program

- The Maryland Transportation Authority, separate from and in addition to the Department, builds and operates the State's seven toll facilities:
  - John F. Kennedy Highway (I-95)
  - Thomas J. Hatem Bridge (US 40)
  - Baltimore Harbor Tunnel (I-895)
  - Francis Scott Key Bridge (I-695)
  - Fort McHenry Tunnel (I-95)
  - Harry W. Nice Bridge (US 301)
  - William Preston Lane, Jr. Memorial (Bay) Bridge (US 50 / US 301)
- In November 2003, the Authority increased tolls on the three Baltimore Harbor Crossings and the John F. Kennedy Highway.
- Commuter rates were not increased at these four toll facilities.
- Revenues from the toll increase will be used to expand the Authority's capital program, to address growing congestion on Authority facilities, and to fund the preservation of the Authority's aging facilities. More specifically, the toll increase will fund major improvements to the John F. Kennedy Highway, significant system preservation at the three Baltimore Harbor crossings and continued improvements at the Chesapeake Bay Bridge.

MARYLAND TRANSPORTATION AUTHORITY FINANCIAL FORECAST
FY 2004 – FY 2009



Millions of Dollars

Notes: Assumes maintenance of $150 million cash balance in FY 2005 – FY 2009 and 90% spending rate for capital program. The chart above does not show bonding capacity, nor the funding for the ICC.

- The toll increase will allow the Authority to carry out its capital program which will involve expenditure of over $1.3 billion in FY 2004 – FY 2009 period (two yellow areas). Without the toll increase, some $562 million of the capital program would not have been funded (top yellow area).

- The toll increase provides for these capital improvements while maintaining the Authority's strong financial position. The toll increase preserves approximately $1 billion in bonding capacity over six years which could be used for (1) the Intercounty Connector (ICC), (2) current Authority unfunded needs/potential additional Authority projects, (3) potential new toll facilities/toll managed lane projects, and (4) reserve for unanticipated emergencies at any of the existing seven toll facilities.

- This bonding capacity should also be viewed as a potential safety net for the Authority's robust capital program, the ICC and potential new toll facilities/toll managed lane projects. It is important to note that the Authority's bonding capacity can only be used on revenue producing projects.

- In view of the Authority's aggressive capital program, and its added responsibilities for the ICC and potential new toll facilities/toll managed lane projects, the Authority will not be in a position to assist further in addressing the needs of the Trust Fund during the six-year program period.

New Toll Facilities / Toll Managed Lane Facilities

- New toll facilities / toll lane facilities appear to have merit and warrant further investigation and analysis by the Department. New toll facilities / toll lanes provide the potential to accelerate a limited number of highway projects that would otherwise not be possible and provide an opportunity to manage congestion through user based fees.

- However, at this point in time, there is no certainty that potential new toll projects / toll lane projects will, in every case, generate revenues capable of covering capital costs.

- To the contrary, during the current six-year program period, it is likely that most new toll facilities / toll lane projects would actually require supplemental funding, rather than generating excess revenues for other transportation improvements.

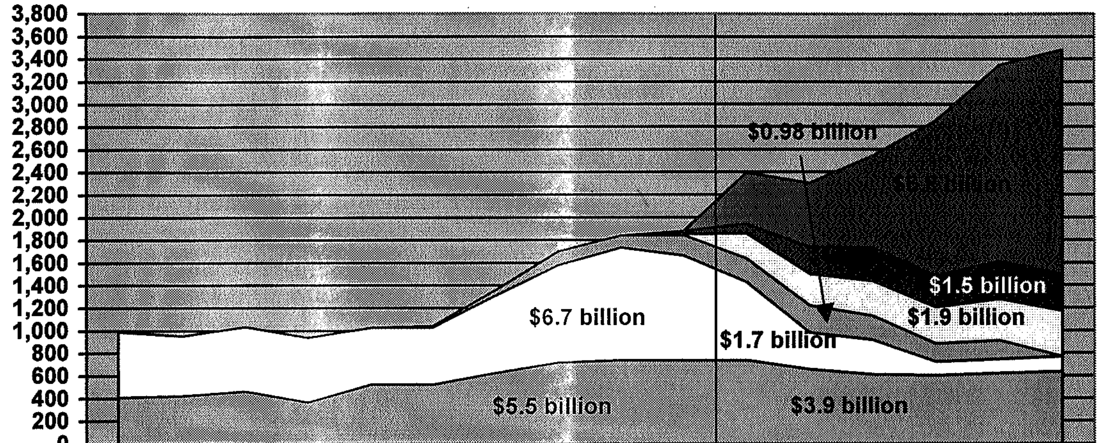
- Thus, while offering significant potential for the future, new toll / managed lane projects will not offer a solution to overall Trust Fund revenue needs during the six-year program period.

Statewide Transportation Needs

- The Department identified $17.1 billion in total capital needs between FY 2005 and 2010, including $1.7 billion for the construction of the Intercounty Connector.
- With the Department's projected capital program totaling $6.6 billion, there is a minimum of $10.5 billion in unfunded statewide transportation needs over the six-year period.
- Unfunded system preservation averages $317 million a year or $1.9 billion between FY 2005 and FY 2010.
- Of this $1.9 billion unfunded preservation total, $1.1 billion is for highway system preservation including safety and spot improvements, pavement and resurfacing, bridge replacement and rehabilitation, and intersection capacity improvements.
- Another $445 million is for unfunded transit preservation needs. Port, airport and motor vehicle administration have $384 million in unfunded preservation needs.

- Unfunded capital expansion needs are estimated to be $6.9 billion including the construction of a portion of the projects from the highway development and evaluation program, WMATA railcar and bus expansion, transit corridor projects in Baltimore and Washington, plus capacity improvements, port landside and waterside improvements, airport airside and facility improvements at motor vehicle administration locations.

FUNDED vs. UNFUNDED NEEDS
1995 - 2010



	95	96	97	98	99	00	01	02	03	04	05	06	07	08	9	10
Expansion Unfunded	0	0	0	0	0	0	0	0	0	0	453	565	810	1370	1741	1990
ICC Unfunded	0	0	0	0	0	0	0	0	0	27	83	237	294	277	330	326
Preservation Unfunded	0	0	0	0	0	0	0	0	0	11	220	283	311	322	366	401
WWB Funded	0	0	0	0	0	15	47	122	105	179	209	239	208	160	168	0
Expansion Funded	581	530	572	570	503	506	686	864	998	930	693	323	309	122	126	130
Preservation Funded	410	422	462	368	523	523	624	714	737	734	737	656	610	602	620	638

Millions of Dollars

- The unfunded needs increases from $38 million in FY 2004 to $756 million in FY 2005, indicating the importance of needing to address this issue in the 2004 legislative session.

Intercounty Connector (ICC)

- The Department has recommended a funding concept for the ICC which includes GARVEE bonds supported by anticipated growth in Maryland's future federal highway funds, Authority issued revenue bonds backed by tolls on the ICC and the existing seven Authority toll facilities, state funds and federal funds which might be specifically authorized or appropriated for the ICC.

- The funding concept utilizes an appropriate balance of funding sources. Maryland has not used GARVEE bonds in the past; the ICC is a logical project to use this funding mechanism. Using the Authority's financial capabilities is logical given the proposal to build the ICC as a toll road.

- Issuing the considerable amount of debt contemplated for the ICC is reasonable. The alternative is to fund the ICC using pay-as-you go funding available to MDOT. This would have a negative impact on MDOT's ability to fund other statewide needs.

- Considering the early stage of the project, the plan incorporates adequate flexibility to meet the funding needs of this major complex undertaking.

Firewall for Transit / Other Modes

- While transit was part of the initial Maryland Department of Transportation /Trust Fund concept, conditions have changed since 1971. When the Department was created, the Baltimore transit system was bus only. The Washington system included limited heavy rail; and, Prince George's and Montgomery counties were responsible for a portion of WMATA funding. Over time, the systems have been expanded significantly. Legislative changes have shifted more and more of that WMATA funding to the Department, the only State DOT in the country which fully funds two major transit systems, excepting locally operated transit systems.

- The other significant unforeseen transit development is the Federally mandated paratransit service on which the Department now spends $45 million per year. These costs continue to increase significantly.

- Budget checks and balances should ensure transit operates as efficiently and effectively as possible, a priority of the Ehrlich Administration.

- The current multi-modal, consolidated funding structure of the Department provides maximum flexibility to each Administration in establishing statewide transportation priorities. The integrity of the Trust Fund should remain intact.

- Regardless of the potential differences in opinion about the need for and merits of creating firewalls between modes within the Trust Fund, a fundamental point of agreement is the recognition that the Trust Fund currently does not have adequate revenues to undertake a reasonable capital program of balanced transportation improvements. Regardless of the issue of firewalls, this need for additional funding must be addressed.

Public Input

- The Task Force conducted seven public hearings:
  - Denton
  - Frederick
  - Hughesville
  - Annapolis
  - Towson
  - Silver Spring
  - Greenbelt

- About 300 attended the seven public hearings, with approximately 150 providing oral testimony and 25 providing written testimony. Over 125 e-mails were received.

- Support was received for numerous local transportation needs including: MD 404 and US 113 dualization (Denton); I-70/I-270 improvements (Frederick); Hughesville Bypass and Waldorf Bypass (Hughesville); Baltimore Beltway and Baltimore Rail System (Annapolis, Towson, Greenbelt); and ICC/other roadway improvements, Purple Line, Corridor Cities and WMATA needs (Annapolis, Greenbelt and Silver Spring).

- Extensive support was provided by state and local elected officials and the public for the Department's recommended $4.7 billion increase in the six-year capital program period.

- Strong support for the $4.7 billion increase in the capital program was provided by the business community – Maryland Chamber of Commerce, Washington Board of Trade, Greater Baltimore Committee, Downtown Partnership and numerous local Chambers of Commerce.

- Extensive support was heard for reimbursing, as quickly as possible, the $300 million transferred to the General Fund from the Trust Fund.

- Extensive support was received for $300 million per year or greater in new revenues for the Trust Fund to support the $4.7 billion increase in the capital program in the six-year program period.

- No consensus was evident from the public hearings regarding recommended sources for the $300 million in new revenues for the Trust Fund. Rural areas tended to support increases in registration fees over gas tax increases, noting they drive further plus concern over the "across the border" issue with gas tax / price increases. Urban areas tended to support a gas tax increase or combination of gas tax increase and registration fee increase, noting the registration fee increase is unfair to those who don't drive much, such as the elderly.

- No consensus on the use of new funds was provided as a result of the public hearings. Rural areas focused primarily on highway needs. Urban areas expressed strong support for highway and transit needs, promoting the need to fund the planning, right-of-way, and design phases of the transit projects in the Baltimore and Washington regions. An opinion was expressed that transit needs presented to the Task Force were understated.

- Extensive support was noted for sharing the $300 million per year in new revenues with local governments to help meet local transportation needs

- Testimony was received both in favor of and in opposition to establishing a "firewall" between the General Fund and Trust Fund.

Capital Program Level

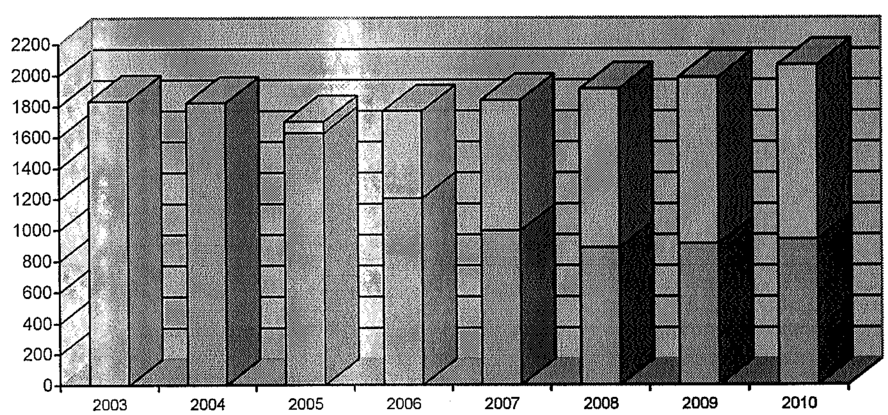
Comments

- Without a revenue increase, the current six-year capital program (FY 2005 – FY 2010) would provide for approximately $6.6 billion in expenditures.
- The Department has recommended that this be increased by $4.7 billion to $11.3 billion over the same period.
- The $11.3 billion capital program would meet about two-thirds of the $17.1 billion in identified capital needs.

FY	Total Capital Needs		MDOT's Current Capital Program	MDOT's Recommended Capital Program
2005	2,721		1,625	1,699
2006	2,760		1,203	1,767
2007	2,816		994	1,838
2008	2,872		884	1,911
2009	2,926		910	1,987
2010	2,977		938	2,066
TOTAL	17,072	-	6,554	11,268
	Unfunded Needs for 6-year Period	=	10,518	
	% of Needs Funded	=	38%	
	Funded Capital Program	=		-6,554
	Increase Needed	=		**4,714**

Millions of dollars

- The Department's recommendation would increase the FY 2005 capital program to $1.7 billion (about 4%), with the program increasing at a rate of about 4% to 5% per year to a level of almost $2.1 billion in FY 2010.



	2003	2004	2005	2006	2007	2008	2009	2010
Current MDOT Capital Program	1,832	1,821	1,625	1,203	994	884	910	934
MDOT Recommended Increase in Capital Program			1,699	1,767	1,838	1,911	1,987	2,066

Millions of Dollars

Recommendations

- The Task Force supports the Department's recommendation to increase the six-year capital program by $4.7 billion.

- This program level is considered by the Task Force to be a prudent start in an effort to address Maryland's statewide transportation needs.

- The need to provide additional revenues to the Transportation Trust Fund should be addressed in the 2004 legislative session. Without action, the Department's capital program will decrease dramatically from about $1.8 billion FY 2003 and FY 2004 to about $1.2 billion (33% decrease) in FY 2006 and to about $0.9 billion in fiscal years 2008 through 1010 (50% decrease).

Additional State Revenues Required to Achieve Recommended Level of Capital Program Expenditures

Comments

- The Department has recommended a $4.7 billion increase in the six-year capital program that would be achieved by:
  - Use of $2.9 billion in current / anticipated revenue sources. These include Federal funds (reauthorization, unprogrammed, special authorized funding for Maryland projects, etc.), self-supporting projects at BWI and the Port of Baltimore, the sale of assets / tax advantage leasing and the funding concept for the ICC (GARVEE Bonds, Authority revenue bonds supported by ICC tolls, and the Authority's existing seven toll facilities).
  - $1.8 billion in new State revenues ($300 million per year).

		Six-Year Program Period totals (2005 – 2010)
		Proposal
Level of Funds Needed (shown on page D-1)		4,700
Federal Funds		870
MAA / MPA – Self Supporting Projects		400
Sale of Assets / Tax Advantage Leasing		100
ICC – GARVEE & MdTA Bonding		1,530
Sub-total =		2,900
Revenue Increase	- Total	1,800
In State Funds	- **Per Year**	**300**

Millions of Dollars

Recommendations

- The Task Force concurs in the Department's recommendation to increase the six-year Capital Program by $4.7 billion from $6.6 billion to $11.3 billion.

- The Task Force concurs in the Department's estimation of the availability of $2.9 billion in anticipated revenue sources, and believes that the $300 million per year increase in State revenues to the Trust Fund is needed to achieve the $4.7 billion program level.

- The Task Force considers the recommended $300 million per year increase in State funds for the Trust Fund reasonable because:
  - The resulting program provides for a gradual increase in capital spending of approximately 4 to 5 percent per year over the next six years ($1.7 billion to $2.1 billion).
  - This level of capital program does not exceed the production capability of the Department.
  - The recommended program level would address two-thirds of the identified needs during the 6-year program period, which is consistent with the 1999 recommendations of the Commission on Transportation Investment, and
  - There is no readily apparent alternative mechanism to achieve the recommended $4.7 billion increase in the capital program level over the six-year program period.

Sources for Additional State Revenues to the Trust Fund

Comments

- The Department presented a matrix of potential major funding sources to achieve $300 million per year in additional state revenues for the Trust Fund. These alternatives included increases in vehicle registration fees, motor fuel tax, indexing the motor fuel tax to the Consumer Price Index (CPI), applying the sales tax to the motor fuel tax, increasing the titling tax and increasing the sales tax.

- The Task Force considered the advantages and disadvantages of the various potential solutions. However, the Task Force is not recommending a preference for a particular solution, in light of the fact that a final decision will be the result of extensive negotiations between the Governor, the Secretary of Transportation, the Secretary of Budget & Management and the General Assembly.

- Furthermore, the Task Force considered it unreasonable to ask the 10 members of the General Assembly on the Task Force to vote on a single solution, at this time. These elected officials should be provided a reasonable period of time to weigh the data and information provided to the Task Force, along with other issues currently facing the State, before taking a position on a specific solution to transportation funding needs.

- The matrix of potential funding sources is thus presented without recommendation as to the specific funding source, or blend of sources. The Task Force recognizes that the Department's matrix is not all-inclusive and that the Governor and General Assembly may identify additional potential resources / options.

Additional State Revenues Matrix

Components	Annual Average 70% w/ Bonds	Option 1	Option 2	Option 3	Option 4	Option 5	Option 6	Option 7	Option 8
Vehicle Registrations = $40.50/yr.	($ in Millions)								
Increase per year									
$ 20.00	*$100*						$100		
$ 30.00	*$150*					$150			
$ 40.00	*$200*				$200				
$ 50.00	*$250*			$250					
$ 60.00	*$300*	$300							
Motor Fuel Tax = 23.5¢ / gal.									
Incr. 1¢	*$32*								$32
Index to CPI	*$65*			$65					
Incr. 5¢	*$159*					$159			
Incr. 5¢ + Index	*$203*						$203		
Apply Sales Tax = 7½¢	*$238*							$238	
Incr. 7½¢ + Index	*$300*		$300 or						
Incr. 10¢	*$318*		$318						
Titling Tax = 5%									
Incr. 1% - From 5% to 6%	*$145*								$145
Incr. 1% - Allow trade-in	*$61*							$61	
Corporate Income Tax = 7%				or					
Incr. 1% dedicated to TTF	*$68*			$68					
Incr. Share - from 24% to 48%	*$115*				$115				
Sales Tax = 5%									
Incr. ¼% - From 5% to 5¼%	*$146*								$146
MDOT TOTAL		$300	$318	$315	$315	$309	$303	$299	$323
LOCAL TOTAL		$90	$95	$95	$95	$93	$91	$86	$88

NOTE: During tits November 25th meeting, the Transportation Task Force agreed to include the Corporation Income Tax as a component of the Revenues Matrix
Millions of Dollars

Department Priorities

Recommendations

- Safety enhancements, system preservation, improved capacity and homeland security should remain the Department's highest funding priority.

- The Task Force supports the fair distribution of increased funding between highways, transit and the other modes as the Secretary and Governor establish transportation priorities for an expanded Consolidated Transportation Program (CTP) that would result from additional revenues to the Trust Fund.

Cost Containment Initiatives

Comments

- The Task Force commends the Department on its current aggressive efforts regarding cost containment and encourages the Department to continue to look for additional opportunities to ensure that Marylanders are getting the best value for their transportation dollar.

Recommendations

- The Secretary of Transportation should report annually to the budget committees on the success of the Department's cost containment efforts.

New Toll Facilities / Toll Lanes / Innovative Financing Initiatives

Recommendations

- The Department, together with the Transportation Authority, should conduct a statewide study of potential new toll facilities and toll managed lane projects.

- The Task Force recommends the Department continue efforts to identify, evaluate, and if prudent and feasible, utilize other innovative funding techniques in implementing improved facilities and services, including potential "pilot projects," such as private-public partnerships.

Local Governments' Transportation Funding Needs

Comments

- The Task Force has not identified a prudent and feasible solution to simultaneously reimburse local governments for the transportation funding reductions that resulted from the 2003 budget reconciliation action. While it would be desirable to be able to accomplish this, the Task Force believes that the first priority is to provide enhanced revenues to the Trust Fund, and to share those funds with local governments.

- The Task Force agrees that a revenue increase is also needed to help meet local transportation needs as well as to meet funding needs at the State level. To increase funds only for the benefit of the State without addressing local needs would be unfair.

Recommendations

- The Task Force strongly recommends that additional State revenues be shared with the local governments utilizing the current distribution formulae. With a $300 million per year increase in State revenues to the Trust Fund, local governments would receive an additional $90 million per year in new highway user revenues.

$300 Million Reimbursement to Trust Fund from General Fund

Recommendations

- The $300 million transferred from the Trust Fund to the General Fund should be reimbursed, as soon as practically possible. It is recognized that due to the ongoing budget issues pertaining to the General Fund, the immediate reimbursement of the $300 million is not feasible.

- The Task Force supports the Department's proposal to add an average of a $20 surcharge to moving traffic violations. There are approximately 1 million moving traffic violations per year in Maryland. Therefore, the $20 surcharge would generate approximately $20 million per year in additional revenues to the General Fund. These new General Fund revenues could then be transferred to the Trust Fund. This scenario would replenish the Trust Fund with a General Fund revenue source, without a reduction of current General Fund revenues. Considering the potential increase in bonding capacity based on the increase in revenues to the TTF, this method of reimbursement could be accomplished within 10 years.

General Fund / Trust Fund Firewall

Comments

- It has been suggested that legislation should be enacted precluding the transfer of Trust Funds to the General Fund, unless the Governor declares a state of emergency. Apparently there are 25 states across the country that have somewhat similar provisions in their statutes.

Recommendations

- The Task Force believes that the Administration and General Assembly should have maximum flexibility to address statewide funding crises and protect the State's AAA bond rating. They should have access to all potential resources when solving extraordinary problems. Creating a firewall prohibiting transfers or greatly complicating their execution would limit flexibility.

- At the same time, the Task Force strongly believes that the flexibility to make such transfers must be accompanied by the responsibility to repay them. Any transfer from one fund to the other should be replenished, as has generally been the case in Maryland, as quickly as possible.

Separate Revenue Source for Transit, Firewall Between Transit and Other Modes and Local Government Transportation Revenue Options

Recommendations

- The Task Force recommends a new Task Force be established to study and make recommendations on a separate revenue source for transit, a firewall between transit and other modes and local government transportation revenue options.

- In addition to seeking additional funds for new transit starts, the Department should work with WMATA and the Maryland and Virginia congressional delegations in an effort to gain additional federal transit funds for METRO, the nation's transit system and critical to the daily operation of the Federal Government.