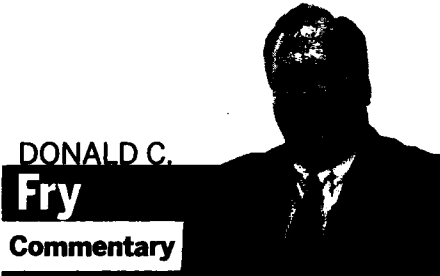


If not the gas tax, then what?



Since state lawmakers are palpably reluctant to increase Maryland's per-gallon gasoline tax, which is the single largest source of revenue for the state's Transportation Trust Fund, last month in this space I asked the question, "If not the gas tax, then what?"

That's the crux of Maryland's dilemma as the state faces a more than \$40 billion backlog of highway, transit, port and airport projects that are planned but not funded for construction.

So what are the state's transportation funding options if increasing the gas tax is off the table?

Almost three dozen strategies currently used or contemplated elsewhere in the U.S. and abroad for generating new transportation revenue are being studied by a private-sector task force convened in January by the Greater Baltimore Committee.

Here are summaries of three potential alternative revenue strategies that are getting a lot of attention in the U.S.

Vehicle miles traveled tax

Proposals to replace gas taxes with a tax on vehicle miles traveled (VMT), also known as road pricing, appear to be gaining traction at the federal level and in at least one Western state.

Last February, the National Surface Transportation Infrastructure Financing Commission recommended that a VMT tax system be implemented by 2020 to replace the federal gas tax, now 18.4 cents per gallon. The federal gas tax could be reduced and ultimate-

ly eliminated as a VMT system is put in place, the commission said.

Oregon lawmakers are considering a proposal from Gov. Theodore R. Kulongoski to launch a statewide pilot program implementing a VMT tax to ultimately replace Oregon's 24-cent per gallon gas tax.

Road pricing proposals have been promoted by many in government as having advantages over traditional per-gallon gas taxes. But they have prompted concerns over privacy issues related to technology that could be used to track miles traveled by drivers.

Objections center around whether there will be public acceptance of placing a GPS device or similar technology in vehicles so governments can collect data on miles traveled.

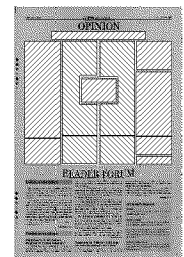
Congestion pricing

The concept of congestion pricing employs existing technology to charge variable tolls on highways, bridges and tunnels, depending on the time of day and on the amount of congestion.

It would impose variable tolls for entire toll roads or special highway lanes, including express lanes and so-called "HOT" lanes where high-occupancy vehicles travel for free but low-occupancy vehicles are charged a toll.

Congestion pricing also includes "cordon pricing," where tolls are charged for driving into a congestion-impacted urban area.

While the technology currently exists to collect variable tolls at highway speeds, and congestion pricing is employed in a number of countries, the concept has yet to be widely



adopted in the U.S. Obstacles include public resistance and overcoming what has so far been stiff opposition by lawmakers.

Public-private partnerships

Use of public-private partnerships, though complicated in the details of each partnership, is a conceptually straightforward alternative approach to obtaining capital funding for transportation infrastructure.

The most basic partnership involves the long-term leasing — sometimes for as long as 99 years — of a government-owned transportation facility and its revenue to a private company in exchange for an upfront payment that can be used to pay for other transportation infrastructure.

The key is for the public sector to develop viable mechanisms to compensate private-sector partners for their investment while protecting government interest in the facility.

Public-private partnerships have successfully financed numerous infrastructure improvements in Europe. Over the last 15 years, more than 1,000 such partnerships have been implemented, mostly in the United Kingdom, Portugal and Spain.

In the U.S., New York appears increasingly interested in negotiating public-private partnerships to address a precipitous decline in state government infrastructure investments since the 1970s. Like Maryland, New York is experiencing a worsening infrastructure deficit and mounting capital investment needs.

In Illinois, Chicago's Skyway in 2006 became the first publicly owned toll road in the U.S. to be leased to a

private operator. The company paid \$1.8 billion for the right to operate the road and collect toll revenue for 99 years.

California had two public-private toll road projects, but bought one back to build new highway lanes, paying \$100 million more for the buyback than it made from the initial lease.

In Indiana, Australian and French companies that paid extremely high prices to the state for a major toll road are reportedly losing money because the companies' interest expenses in financing the deal exceeded recession-depressed toll revenue by more than \$100 million last year.

Maryland law provides authority to enter into public-private partnerships, subject to General Assembly review. Lawmakers added more extensive review provisions in transportation budget language during the 2009 session.

Other options

Other less exotic options for strengthening transportation funding include imposing additional taxes and fees on a variety of transportation-related items such as batteries, tires, bicycles, driver's licenses, registrations, parking, and for safety violations. Other potential options could involve dedicating larger portions of more traditional general revenue sources, such as corporate income taxes and sales taxes, to transportation.

The GBC's task force is not, at this point, endorsing any of the options that it is studying. But the task force's goal is to issue recommendations for strengthening transportation funding to the governor and General Assembly later this year.

It's unlikely that Maryland's transportation funding shortfall can be adequately addressed by any one approach. But it's clear that Maryland must move away from short-term

patchwork transportation revenue solutions.

Our state needs a broader, more strategic approach that will provide a strengthened and reliable revenue stream to improve the transportation resources that are vital to our business climate and quality of life.

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