

Bad-news budget guts transportation

By Sean R. Sedam

ANNAPOLIS — Tax revenues are down, federal transportation aid has dried up and more cuts are on the way.

A litany of bad news hit Annapolis this week as lawmakers got a look at the latest numbers facing the state budget.

A sluggish economy claimed its first big-ticket budget victim with state transportation officials announcing Wednesday that a lack of federal aid coupled with declining revenue from gasoline and titling taxes and registration fees would force the deferment of more than \$1 billion in projects.

Meanwhile, legislative leaders braced for cuts across state agencies that could come as early as the next Board of Public Works meeting Oct. 1.

Budget Secretary T. Eloise Foster said Tuesday that the state should prepare for "hundreds of millions of dollars" in cuts across the board to the state's \$31.6 billion budget.

Foster made the comments at a meeting of the Board of Revenue Estimates, which reduced its estimate of general fund revenues for fiscal 2009, which began July 1, by \$431.9 million.

The sluggish revenues are expected to continue into fiscal 2010, when analysts predict the budget gap is likely to balloon to \$1 billion. That means legislators will likely face another hard slog through budget negotiations during the 2009 General Assembly.

"This is not going to be a fun session again," said Sen. Robert A. Zirkin (D-Dist. 11) of Owings Mills.

Individual income tax receipts are expected to grow 5.3 percent in fiscal 2009, to \$7.3 billion. That is \$135 million less than predicted six months ago. Sales tax estimates are expected to grow 3.1 percent, a \$265.2 million write-down.

The cigarette tax, which was increased by \$1 a pack during the 2007 special session to help pay for an expansion of health care to low-income Marylanders, is expected to grow 15.1 percent, but fiscal 2009 estimates were reduced by \$17.9 million.

It is a signal that it is time to tighten up on spending, legislators from both parties said this week.

"Events have forced onto the leadership of the General Assembly and onto the governor a scenario that's going to force spending restraint," said Del. Steven R. Schuh (R-Dist. 31) of Gibson Island.

In a statement released Tuesday, Gov. Martin O'Malley defended his administration's budget approach, saying that budget growth of 4 percent in fiscal 2008 and fiscal 2009 was below spending guidelines set by the General Assembly.

That is "compared to 22 percent in the last two years of our Republican predecessors," said O'Malley (D).

His administration already has cut \$1.8 billion from state spending, eliminated over 700 state positions, increased the state sales tax by 20 percent and revamped the income tax structure during last year's special legislative session, he added.

The revenue news came a day after the Capital Debt Affordability Committee recommended increasing the state's borrowing capacity by nearly 20 percent — 17 percent more than anticipated — to \$1.11 billion for fiscal 2010.

The added capacity will allow O'Malley to propose \$325 million for school construction when he submits his fiscal 2010 budget to the General Assembly in January. That is about the same amount included in the current budget.

The \$1.1 billion in transportation cuts announced Wednesday are spread throughout the \$10.5 billion transportation capital budget for fiscal 2009 through fiscal 2014.

The cuts include \$529.8 million in deferred spending that will delay or change the scope of about 50 highway projects that are under construction statewide.

The plan, outlined by Transportation Secretary John D. Porcari, also cuts \$437.2 million to Maryland Transit Administration projects, including \$84.2 million in track improvements on MARC's Penn Line and \$25.2 million for engineering the Purple Line, a proposed 16-mile bus or light-rail link between the Bethesda and New Carrollton Metro stations.

The Purple Line and Corridor Cities Transitway, a proposed bus or light-rail line along Interstate 270, will compete for federal funds next year, Porcari said.

Left intact is the Intercounty Connector, the 18-mile toll road that is under construction between Gaithersburg and Laurel.

"It's a separate stand-alone financing plan and we're going to live within that financing plan one way or another," Porcari said.

To stay within the project's \$2.4 billion price structure, transportation officials have delayed indefinitely two final stages, including collector and feeder lanes on Interstate 95 and a final portion between Interstate 95 and U.S. 1.

Sagging revenues from the state's chief transportation funding sources prompted the cuts. That includes \$82 million less than expected in titling tax revenue, \$18 million less than expected from the gasoline tax and \$15 million less than expected from registration fees.

Compounding the funding woes, on Sept. 5, the U.S. Department of Transportation announced the unprecedented decision to delay repayment to states for projects eligible for federal aid. Declining federal gasoline tax revenue means that the federal Highway Trust Fund is expected to run out of money this month.

Maryland expected to receive about 80 percent of \$575 million in federal aid for

which it was eligible in fiscal 2009. Federal dollars make up the largest single piece of the state's capital program for transportation, about 15 percent.

"From my perspective the game of chicken that the [Bush] administration has initiated with the federal Highway Trust Fund is both reckless and irresponsible," Porcari said. "I'm saying this because this could get worse if it's not solved at the federal level."

On Wednesday, Sen. Benjamin L. Cardin (D) called on Congress to pay back \$8 billion from the federal general fund that he said was borrowed from the Highway Trust Fund 10 years ago.

If the funds are not restored, the state of Maryland would lose more than \$190 million and a projected 6,629 related jobs, Cardin said in a statement.

Meanwhile, O'Malley will host Virginia Governor Timothy M. Kaine (D) and Washington, D.C., Mayor Adrian M. Fenty (D) for an annual regional transportation and public safety summit today in Silver Spring.

The annual "road show," where Maryland transportation officials hold public forums on projects around the state, begins next week.

Deeper transportation cuts are not out of the question, officials said.

The economic downturn highlights the need for the state to look at new ways to fund transportation, said Donald C. Fry, president and CEO of the **Greater Baltimore Committee**, which has formed a task force to study the issue.

Transportation infrastructure "doesn't become important until it becomes a crisis," said Fry, whose group proposed that the state spend \$600 million on transportation this year. The budget includes about \$400 million.

"We've been trying to run fast to catch up to begin with," Fry said. "And [the cuts are] certainly putting the bar even further out of reach."

It is unclear where other cuts could be made.

House Minority Leader Anthony J. O'Donnell said that "no one should be surprised," to find the state in its present situation. "We predicted this in the special session," he said.

O'Malley should cut money from vacant state government positions that are funded but not filled, "greatly reduce the amount of state vehicles being used to the absolute bare essentials," return salaries increased under the O'Malley administration to their pre-fiscal 2008 levels and immediately restrict all state-funded travel, O'Donnell said.

"That's the easy stuff," said O'Donnell (R-Dist. 29C) of Lusby.

Every piece of the budget should be scrutinized, but public safety must take priority, said Zirkin, a member of the Senate's public safety, transportation and environment budget subcommittee.