

Department of Legislative Services
Maryland General Assembly
2006 Session

FISCAL AND POLICY NOTE

Senate Bill 285

(Chairman, Finance Committee)

(By Request – Departmental – Transportation)

Finance

Economic Matters

Maryland Transportation Authority - Gasoline Service Stations on Kennedy Highway - Establishment in Service Areas

This departmental bill alters the distribution of gasoline service stations authorized in travel plazas on the John F. Kennedy Memorial Highway. It provides that gas stations operated by at least two different companies may be established among the travel plazas along the highway.

Fiscal Summary

State Effect: Nonbudgeted revenues would not be directly affected. Potential revenue effect after FY 2011 if the FY 2009 contract for service plaza operations includes one gasoline station at each service plaza.

Local Effect: None.

Small Business Effect: The Maryland Transportation Authority (MdTA) has determined that this bill has minimal or no impact on small business (attached). Legislative Services concurs with this assessment.

Analysis

Current Law: MdTA must construct any necessary gasoline service stations along the John F. Kennedy Memorial Highway at its service areas. In order to ensure competition, two different companies must provide gasoline at each area. No company or individual can operate more than 50% of the gasoline service stations along the highway.

Under federal law, 23 U.S.C. 111, a state cannot permit automotive service stations or other commercial establishments for serving motor vehicle users to be constructed or located on the rights-of-way of the interstate highway system. Exemptions are made for certain toll roads, including sections of Interstate 95 in Maryland designated as the John F. Kennedy Memorial Highway, that were built before the roads were designated as interstates. This law was enacted to prevent unfair advantages for companies located on the interstate as opposed to companies located off the interstate at an exit.

Background: MdTA operates two travel plazas along the John F. Kennedy Memorial Highway, Maryland House and Chesapeake House. These are full service travel plazas, with two gasoline stations at each plaza, a Sunoco and an Exxon, and several fast-food restaurants. The gas stations pay a per gallon fee on gas sold to MdTA, along with a percentage on any other items sold – snacks, tire repair, etc. In fiscal 2005, payments from gas stations to MdTA were \$2.6 million.

In 1977, when the requirement to have two gasoline service stations operated by different companies at each travel plaza was introduced, a traveler on the Kennedy Memorial Highway was required to pay a ramp toll whenever he or she entered or exited the highway. This would have imposed a burden of time and money on the traveler exiting the highway to purchase gasoline. The ramp toll was eliminated in 1981.

MdTA advises that its travel plaza redevelopment study has indicated that the most efficient use of land at its travel plazas would be to develop a single fuel facility at each plaza. This could also result in an increase in the number of pumps at each travel plaza from less than 30 to up to 60 pumps. In addition, a large single fuel facility could also incorporate an improved convenience store, meaning travelers would no longer be required to enter the travel plaza proper.

State Fiscal Effect: No direct effect, however MdTA advises that when the current service area operation contract expires in October 2008, it intends to integrate service area redevelopment specifications into the next contract. MdTA anticipates that service area redevelopment specifications would be integrated into the procurement of the next operations contractor for the service plazas. The bill will allow MdTA to seek an operator willing to operate one large scale gasoline service station for each of the travel plazas – each associated with a different vendor/subcontractor. MdTA would like to include one large gasoline station at each area in its planned Request for Proposals from developers.

MdTA anticipates that the redesigned gasoline service areas may increase gasoline revenues by improving operational efficiency, however, any revenue effect cannot be accurately predicted at this time. In addition, MdTA may not be able to find a contractor

willing to assume the capital costs of reconstructing the gasoline stations; in that situation, there would be no effect on revenues.

MdTA advises that the reconstruction of each station will take approximately 20 months to two years, beginning in fiscal 2009. MdTA intends to close one travel plaza, reconstruct it, and then close the other, so that at least one plaza is open at all times.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Maryland Department of Transportation, Department of Legislative Services

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Analysis by: Nora C. McArdle

Direct Inquiries to:
(410) 946-5510
(301) 970-5510