Department of Legislative Services

Maryland General Assembly
2025 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 1370 (Delegate Spiegel, *et al.*)

Environment and Transportation and Appropriations

Transportation - Regional Transportation Authorities

This bill establishes three regional transportation authorities, and related special funds, to prepare and implement regional transportation projects and programs for the Baltimore region, the Capital region, and the Southern Maryland region, as those regions are defined. The bill specifies the duties and powers of each authority and requires each special fund to be used to finance transportation facilities in its respective region. The bill imposes three tax surcharges (hotel, sales tax, and transfer tax) to provide funding to capitalize the special funds and for distribution to counties and municipalities in the respective regions. The bill also authorizes the authorities to issue various types of bonds (which the bill specifies are not considered State debt) to finance the cost of transportation facilities and projects within their respective regions.

Fiscal Summary

State Effect: Special fund revenues for the three authorities increase significantly beginning as early as FY 2026; based on current sales and use tax and county hotel rental tax collections, special fund revenues may increase by more than $300.0 million in the first full year of implementation. Special fund expenditures for the three authorities increase significantly, beginning as early as FY 2026, to pay the ongoing operating and administrative costs of the authorities and to fund transportation projects. General fund expenditures for the Comptroller's Office increase by $879,000 in FY 2026; future years reflect annualization, inflation, and ongoing costs. General fund revenues increase, potentially significantly, from interest earnings of the new special funds through FY 2028. The bill may also affect Transportation Trust Fund (TTF) finances and statewide debt affordability considerations, as discussed below.

Local Effect: Local revenues increase significantly, beginning as early as FY 2026, from the imposed tax surcharges; based on current sales and use tax and county hotel rental tax collections, local revenues could increase by more than $100.0 million in the first full year of implementation. Local expenditures may be affected, as discussed below.

Small Business Effect: Potential meaningful.

Analysis

Bill Summary:

Establishment, Purpose, and Staffing

The bill establishes three regional transportation authorities for the purpose of preparing and implementing investments in transportation projects that maximize the movement of people and promote efficiency, safety, and other values such as environmental and social justice impacts in the respective region. The regional transportation authorities include:

- the Baltimore Region Transportation Authority, which comprises Anne Arundel, Baltimore, and Howard counties and Baltimore City;
- the Capital Region Transportation Authority, which comprises Frederick, Montgomery, and Prince George's counties; and
- the Southern Maryland Region Transportation Authority, which comprises Calvert, Charles, and St. Mary's counties.

Each authority is a body politic and corporate and is an instrumentality of the State. The bill specifies the membership of each authority and requires each authority to elect a chair and a vice chair from its members. Each authority must adopt rules and regulations as necessary for the conduct of its affairs.

Each authority must employ an executive director to serve as the chief executive officer of the authority; the executive director serves at the pleasure of the authority. Each authority may employ or retain officers, staff, and agents, including engineering, architectural, fiscal, and construction experts and attorneys, and set their compensation.

Duties and Powers

Each authority must prepare a regional transportation plan for the region it represents and may revise the plan. Each plan must include transportation improvements of regional significance. After adopting a plan, an authority may construct or acquire, by purchase, lease, contract, or otherwise, the transportation facilities specified in its regional transportation plan. Each authority has the following duties and responsibilities:

- general oversight of regional transportation programs;
- long-range regional planning for the region it represents;
- recommending to State, regional, and federal agencies regional transportation priorities, including public-private transportation projects, and funding allocations;
- allocating to priority regional transportation projects any funds made available to the authority and, at the discretion of the authority, directly overseeing the projects;
- recommending to the Maryland Department of Transportation (MDOT) priority regional transportation projects for receipt of federal and State funds;
- recommending to MDOT use or changes in use of tolls or charges for facilities in the region it represents;
- general oversight of regional transportation issues of a multijurisdictional nature, including intelligent transportation systems, signalization, and preparation for and response to emergencies;
- serving as an advocate for the transportation needs of the region it represents before the State and federal governments; and
- applying to and negotiating with the federal government and the State for grants and any other funds available to carry out the purposes of the bill.

Each authority is authorized to:

- adopt bylaws for the conduct of its business;
- adopt a seal;
- maintain offices at a place it designates in the State;
- accept loans, grants, or assistance of any kind from the federal or State government, a local government, a college or university, or a private source;
- enter into contracts and other legal instruments;
- sue or be sued;
- acquire, purchase, hold, lease as a lessee, and use specified property and interests or a franchise, patent, or license;
- sell, lease as lessor, transfer, license, assign, or dispose of property or a property interest that it acquires;
- fix and collect rates, rentals, fees, royalties, and charges for services and resources it provides or makes available;
- create, own, control, or be a member of a corporation, limited liability company, partnership, or other entity, whether operated for profit or not for profit;

- exercise power usually possessed by a private corporation in performing similar functions unless to do so would conflict with State law; and
- do all things necessary or convenient to carry out the powers granted by the bill.

Each authority must consult with MDOT, metropolitan planning organizations (MPOs), and other stakeholders in recommending or prioritizing any transportation project.

By January 1, 2026, and by each January 1 thereafter, each authority must report to the General Assembly on its activities during the prior year.

Funding

The bill establishes the following special funds and their respective purposes:

- the Baltimore Region Transportation Fund, to finance transportation facilities in the Baltimore region;
- the Capital Region Transportation Fund, to finance transportation facilities in the Capital region; and
- the Southern Maryland Region Transportation Fund, to finance transportation facilities in the Southern Maryland region.

The executive director of each authority must administer the fund for its respective region.

Each fund consists of:

- money appropriated in the State budget to the fund;
- interest earnings;
- revenue from the hotel surcharge and sales tax surcharge;
- revenue from the transfer tax surcharge; and
- any other money from any other source accepted for the benefit of the fund.

Each fund may only be used for the financing of transportation facilities in its respective region. Expenditures from each fund may be made only in accordance with the State budget. Money expended from each fund for financing transportation facilities is supplemental to and is not intended to take the place of funding that otherwise would be appropriated for transportation facilities in the respective region.

Transportation Authority Tax Surcharges

The bill imposes the following transportation authority tax surcharges in each region:

- a 0.5% sales tax surcharge is imposed on a specified retail sale, use, or taxable service in each region;
- a 1% hotel surcharge is imposed on the sale of a right to occupy a room or lodgings as a transient guest in each region; and
- a 0.15% transfer tax surcharge is imposed on an instrument of writing that transfers nonresidential property and is recorded with the clerk of the circuit court for a county located in each region.

Revenue from the tax surcharges is distributed as follows: (1) 70% to the regional transportation funds established by the bill; and (2) 30% to the counties and municipalities in the respective region, as specified. Counties and municipalities that receive a payment or distribution pursuant to these provisions may only use the revenue for transportation purposes.

Financing of Transportation Projects through Revenue Bonds

To finance the cost of transportation facilities and projects, the bill authorizes each of the three authorities to issue bonds, notes, or other evidence of obligation, payable solely from the revenues distributed to each authority. Bond proceeds may only be used for paying the cost of transportation facilities and projects. An authority may issue bonds without obtaining the consent of any instrumentality, agency, or unit of the State and without any proceedings or the occurrence of any conditions or obligations other than those specifically required by the bill.

Any bonds, notes, and other evidences of obligation issued under the bill, their transfer, the interest payable on them, and any income derived from them, including any profit realized in their sale or exchange, must be exempt from taxation by the State or by any of its political subdivisions, municipalities, or public agencies.

Bonds issued by an authority under the bill may not (1) constitute a debt of the State or a political subdivision of the State other than the authority that issues the bond, and must so state on their face; (2) constitute a pledge of the full faith and credit of the State or a political subdivision of the State; or (3) directly or indirectly obligate the State or a political subdivision of the State to impose any tax, and must contain a statement on their face to that effect.

The bill includes requirements that must be adhered to and followed by the authorities when issuing bonds, including, among other things, requirements related to:

- the timing, terms, and structure of the issuance of such bonds;
- the issuance of deficiency and refunding bonds;

- the preparation of definitive bonds;
- the issuance of bond anticipation notes;
- the use of a trust agreement between an authority and a corporate trustee to secure any bonds issued;
- revenue and money that must be used as security for any bonds issued; and
- the right of a trustee or bondholder to bring suit against an authority, as specified.

Current Law:

Consolidated Transportation Program and Maryland Transportation Plan

Long-term transportation planning in the State is a collaborative process designed to consider input from the public, local jurisdictions, MPOs, and elected officials. Among the numerous reports, meetings, and discussions that take place, two important documents are developed to guide transportation planning in the State: the *Consolidated Transportation Program* (CTP); and the Maryland Transportation Plan (MTP).

The CTP, which is issued annually to the General Assembly, local elected officials, and interested citizens, provides a description of projects proposed by MDOT for development and evaluation or construction over the next six-year period. The MTP is a 20-year forecast of State transportation needs based on MDOT's anticipated financial resources during that 20-year period. It must be revised every 5 years through an inclusive public participation process. Furthermore, it must be expressed in terms of goals and objectives and include a summary of the types of projects and programs that are proposed to accomplish the goals and objectives, using a multimodal approach when feasible.

Metropolitan Planning Organizations

Federal regulations require that each urbanized area, as a condition of the receipt of federal capital or operating assistance, have a continuing, cooperative, and comprehensive transportation planning process carried out by an MPO in cooperation with the state that results in plans and programs consistent with the development of the urbanized area. The federal regulations specify that each MPO must consist of (1) local elected officials; (2) officials of public agencies that administer or operate major modes of transportation in the metropolitan area; and (3) appropriate state officials. An MPO designation remains in effect until otherwise redesignated. An MPO may be redesignated by an agreement between the Governor and units of local government that together represent 75% of the existing planning area population.

The federal regulations also require each state to develop a Statewide Transportation Improvement Program (STIP) for all areas of the state that covers a period of at least four years. The STIP must be updated at least every four years, be developed in cooperation with the state's MPOs, and include Transportation Improvement Programs (TIPs) from each of the urbanized areas represented by those MPOs. The STIP must include capital and noncapital surface transportation projects (or phases of projects) within boundaries of the state proposed for federal funding and may include other specified projects, such as safety projects and emergency relief projects. Specified information about each project, such as the estimated total project cost and amount of federal funds proposed to be obligated for the project, must also be included.

The State's current STIP covers fiscal 2022 through 2025 and includes TIPs from each of the State's seven MPOs, which are listed below:

- Baltimore Regional Transportation Board;
- Calvert – St. Mary's Metropolitan Planning Organization;
- Cumberland Metropolitan Planning Organization;
- Hagerstown-Eastern Panhandle Metropolitan Planning Organization;
- National Capital Region Transportation Planning Board;
- Salisbury/Wicomico Area Metropolitan Planning Organization; and
- Wilmington Metropolitan Planning and Coordinating Council.

A visualization of the urbanized areas covered by these MPOs can be found here.

State Sales and Use Tax

The State sales and use tax rate is 6%, except for the sale of alcoholic beverages and cannabis products, which are taxed at a rate of 9%. Taxable services include cellular phone and other mobile telecommunications services; telephone custom calling features; 900-type telephone services; telephone answering services; prepaid telephone calling arrangements; security services; commercial building cleaning; certain commercial cleaning and laundering of textiles for businesses; credit reporting services; pay-per-view television; production of tangible personal property by special order; transportation services for transmission, distribution, or delivery of taxable electricity or natural gas; and consumption of wine not provided by a restaurant, club, or hotel.

The sales and use tax is the State's second largest source of general fund revenue, accounting for approximately $6.0 billion in fiscal 2025 and $6.1 billion in fiscal 2026, according to the December 2024 revenue forecast. **Exhibit 1** shows the sales and use tax rates in surrounding states and the District of Columbia.

Blueprint for Maryland's Future Fund

Chapter 33 of 2022 altered the distribution of sales and use tax revenues beginning in fiscal 2023. Chapter 33 requires the Comptroller, after making certain other distributions, to pay to the Blueprint for Maryland's Future Fund (BMFF) the following percentage of the remaining sales and use tax revenues:

- 11.3% for fiscal 2025;
- 11.7% for fiscal 2026; and
- 12.1% for fiscal 2027 and each subsequent fiscal year.

Chapter 33 also repealed the distribution of sales and use tax revenues to BMFF from marketplace facilitators, certain out-of-state vendors, and specified digital products or digital codes.

Exhibit 1
Sales and Use Tax Rates in Maryland and Surrounding States

Delaware	0.0%
District of Columbia	6.0%; 10.0% for liquor sold for on-the-premises consumption and restaurant meals; 10.25% for alcoholic beverages for consumption off the premises, tickets to specified sporting events, and specified rental vehicles; 8.0% for specified soft drinks; 14.95% for transient accommodations; 18% for motor vehicle parking in commercial lots
Maryland	6.0% 9.0% for alcoholic beverages
Pennsylvania	6.0% plus 1.0% or 2.0% in certain local jurisdictions
Virginia*	5.3%; 1.0% for eligible food items; 1.0% for specified essential personal hygiene items
West Virginia	6.0% plus 1.0% in specified municipalities

* An additional state tax of (1) 0.7% is imposed in localities in Central Virginia, Northern Virginia, and the Hampton Roads region; (2) 1.0% in Charlotte, Gloucester, Halifax, Henry, Northampton, Patrick, and Pittsylvania counties, and the City of Danville; and (3) 1.7% is imposed in James City County, York County, and Williamsburg (Historic Triangle). The sales and use tax rate for food and personal hygiene products decreased to 1.0% as of January 1, 2023.

Local Hotel Rental Taxes

Hotel rental taxes are imposed in all counties in Maryland. In several jurisdictions, revenues collected from the hotel rental tax are shared with municipalities and community organizations. A few municipalities are also authorized to impose a hotel rental tax or to collect the county tax within their jurisdiction.

In fiscal 2025, county governments expect to collect $136.7 million in revenue from the hotel rental tax. Additional information on local hotel rental tax rates and revenues can be found in the *County Revenue Outlook Report*.

State Transfer Tax

Any person or business conveying title to real property by means of an instrument of writing recorded with the clerk of a circuit court (for any county) or filed with the State Department of Assessments and Taxation is required to pay the transfer tax. The tax base is the amount of consideration payable for the instrument of writing. The consideration includes the amount of any mortgage or deed of trust assumed by the grantee.

The State transfer tax rate is 0.5% of the consideration payable for an instrument of writing. However, in the case of a first-time Maryland homebuyer purchasing a principal residence, the transfer tax rate is 0.25% (which is paid by the seller). The statutory allocation of State transfer tax revenue is shown below:

- 75.15% to Program Open Space (POS) within the Department of Natural Resources (DNR) for purposes under the program, including land acquisition;
- 1.0% to POS only for land acquisition;
- 17.05% to the Maryland Agricultural Land Preservation Fund within the Maryland Department of Agriculture;
- 5.0% to the Rural Legacy Program within DNR; and
- 1.8% to the Heritage Conservation Fund within DNR.

The POS allocations are subject to further allocation among the State and local components of the program and other purposes. The funds allocated to local governments assist the local governments in acquisition and development of land for recreation and open space purposes. Statute also authorizes a specified portion of the POS allocation to be transferred to the Maryland Heritage Areas Authority within the Maryland Department of Planning.

State Fiscal Effect:

Transportation Authority Finances

Authority Finances, Generally: To provide funding for the regional transportation authorities, the bill establishes three new tax surcharges that are imposed on hotel rentals, retail sales, and transfers of nonresidential property that occur in each region. Revenues from the surcharges are deposited into the respective special funds of the authorities. The special funds also consist of any money appropriated in the State budget to the funds and any other money from any other source accepted for the benefit of the funds. Notably, the bill authorizes the issuance of bonds by the authorities and authorizes the authorities to collect fees and other charges (*e.g.*, tolls) for the services and resources it provides or makes available.

Thus, beginning as early as fiscal 2026, special fund revenues to and expenditures from the three regional transportation authorities increase significantly as various revenues, including mandated surcharge revenues, begin to accrue to the special funds, bonds are issued, staff are hired, and transportation projects are undertaken. More detail is provided below.

Authority Staff and Administrative Expenditures: Special fund expenditures for the three authorities increase significantly for staff and administrative expenses; notably, the bill requires each authority to have an executive director and authorizes each authority to hire a full complement of expert transportation staff. While the total number of staff and other administrative expenses that may be incurred by the authorities is unknown, it is anticipated that the projected revenues to the respective special funds, as discussed below, can fully support any such costs.

Tax Surcharge Revenues: Based on fiscal 2024 State sales and use tax collections, as allocated by county, and estimated fiscal 2025 county hotel rental tax collections, State special fund revenues for the three regional transportation authorities derived from the tax surcharges imposed by the bill could increase by more than $300.0 million in the first full year of implementation, as shown in **Exhibit 2**. This estimate does not include revenues from the transfer tax surcharge due to a lack of data on transfer tax collections from nonresidential transactions.

Exhibit 2
Estimated Surcharge Revenues – Regional Transportation Authorities
($ in Millions)

	Hotel Surcharge	Sales Tax Surcharge	Transfer Tax Surcharge	Total	Special Funds	Local Government
Baltimore Region						
Baltimore City	$3.7	$50.7	-	$54.4	$38.1	$16.3
Anne Arundel	3.0	67.9	-	70.8	49.6	21.3
Baltimore	1.4	87.5	-	89.0	62.3	26.7
Howard	0.8	37.8	-	38.6	27.0	11.6
Total	**$8.9**	**$243.9**	**-**	**$252.9**	**$177.0**	**$75.9**
Capital Region						
Frederick	$0.5	$23.8	-	$24.4	$17.1	$7.3
Montgomery	3.3	85.2	-	88.5	62.0	26.6
Prince George's	1.7	81.1	-	82.8	58.0	24.9
Total	**$5.6**	**$190.2**	**-**	**$195.8**	**$137.0**	**$58.7**
Southern Maryland Region						
Calvert	$0.1	$6.5	-	$6.6	$4.6	$2.0
Charles	0.3	14.4	-	14.7	10.3	4.4
St. Mary's	0.2	9.2	-	9.4	6.6	2.8
Total	**$0.6**	**$30.1**	**-**	**$30.7**	**$21.5**	**$9.2**
Statewide Total	**$15.1**	**$464.2**	**-**	**$479.3**	**$335.5**	**$143.8**

Note: Hotel surcharge estimate does not include potential revenue generated within a municipality.

Source: Department of Legislative Services

Bond Revenues and Debt Service: To the extent that any of the authorities choose to issue bonds to finance transportation projects, as authorized by the bill, special fund revenues may increase significantly further as bond proceeds are collected; in such a case, special fund expenditures increase to pay debt service on the outstanding bonds. However, specific estimates relating to bond issuances and the use of bond proceeds is not included in this analysis because, as the three authorities do not yet exist, the timing and amount of any future bond issuances, as well the terms of any such bond issuances, cannot be predicted.

Debt Affordability Considerations: The bill specifies that any bonds issued by an authority under the bill may not (1) constitute a debt of the State or a political subdivision of the State other than the authority; (2) constitute a pledge of the full faith and credit of the State or a political subdivision of the State; or (3) directly or indirectly obligate the State or a political subdivision of the State to impose any tax. Nevertheless, the State Treasurer's Office advises, and the Department of Legislative Services concurs, that bonds issued by the authorities could be considered State debt after it is reviewed by the Capital Debt Affordability Committee (CDAC).

Specifically, because State taxes are a revenue source for the three special funds and would be used to support the debt service of any bonds issued by the three authorities, the debt must be evaluated for inclusion in the State debt and other CDAC calculations. If the bonds issued under the bill are determined to be constitutional debt, this increases the State's overall debt burden, limits opportunities for other types of State debt being issued while remaining within debt affordability limits, and could create an unintended violation if the debt were issued for a time period beyond the constitutional limit of 15 years.

Comptroller Expenditures

General fund expenditures for the Comptroller's Office increase by $879,044 in fiscal 2026, which accounts for the bill's October 1, 2025 effective date. This estimate reflects the cost of hiring one financial compliance officer and one revenue examiner to identify businesses subject to the surcharges, process surcharge returns and payments, audit surcharge returns and payments, and enforce surcharge compliance. It includes salaries, fringe benefits, and ongoing operating expenses. The estimate also includes $750,000 in computer programming expenses in fiscal 2026 to add the new surcharges to the current tax system and make modifications for the various revenue distributions. These costs include discovery, design, development, testing, and system interfaces.

Positions	2.0
Salaries and Fringe Benefits	$114,306
Computer Programming Expenses	750,000
Operating Expenses	14,738
Total FY 2026 Comptroller Expenditures	**$879,044**

Future year expenditures reflect full salaries with annual increases and employee turnover and ongoing operating expenses.

Interest Earnings for the General Fund

Although the bill indicates that interest earnings of the new special funds remain in the respective funds, the bill does not amend Section 8 of Chapter 717 of 2024 (the

Budget Reconciliation and Financing Act of 2024) which requires, notwithstanding any other provision of law, that interest earnings from special funds (with certain exceptions) accrue to the general fund from fiscal 2024 through 2028. Thus, general fund revenues increase, potentially significantly, from interest earnings of the new special funds through fiscal 2028. The funds are exempted from a similar requirement under § 6-226(a)(2) of the State Finance and Procurement Article that applies from fiscal 2029 forward.

Maryland Department of Transportation

Although the three authorities could choose to support State transportation facilities and projects in their respective regions, existing funding for transportation projects provided by MDOT may not be supplanted, as the bill explicitly states that money expended from each of the special funds is supplemental to and is not intended to take the place of funding that otherwise would be appropriated for transportation facilities in each region. Nevertheless, the bill creates significant new revenues for transportation facilities and projects in the State, which may affect MDOT operations and finances. In addition, the authorities may compete with MDOT for available federal funding. The extent to which TTF finances are ultimately affected is unclear.

Local Fiscal Effect: Local government revenues increase significantly beginning as early as fiscal 2026. As shown in Exhibit 2, revenues may increase by more than $100.0 million in the first full year of implementation. While the bill does not require additional spending at the local level, local governments may only use the revenue received under the bill for transportation purposes. Thus, it could supplant other local spending on transportation projects or result in additional projects being undertaken. The bill also contemplates the potential for local governments to provide funding to the three authorities.

It is assumed that local government representation on the authorities can be handled with existing resources.

Existing transportation funding provided to local governments appears to be unaffected by the bill. However, the authorities may compete with local governments for available federal funding; any such impact cannot be predicted in advance.

Small Business Effect: Small businesses that provide planning, engineering, and construction services may experience an increase in business to the extent that the bill results in additional transportation projects being undertaken in the State.

Additional Information

Recent Prior Introductions: Similar legislation has been introduced within the last three years. See HB 924 and SB 1126 of 2024.

Designated Cross File: SB 881 (Senator Rosapepe) - Budget and Taxation and Finance.

Information Source(s): Comptroller's Office; State Treasurer's Office; Judiciary (Administrative Office of the Courts; Maryland Department of Transportation; Montgomery and Worcester counties; Town of Bel Air; Maryland Municipal League; Federal Highway Administration; Department of Legislative Services

Fiscal Note History: First Reader - March 2, 2025
km/hlb

Analysis by: Michael Sanelli

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