

Department of Legislative Services
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 2025 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 395 (Senators Hettleman and Gile)
 Budget and Taxation

Transportation - Major Highway Capacity Expansion Projects and Impact Assessments (Transportation and Climate Alignment Act of 2025)

This bill requires the Maryland Department of Transportation (MDOT) to take various actions, including implementing multimodal transportation programs, undertaking offsetting activities, and conducting impact assessments, to reduce or offset the vehicle miles traveled (VMT) and greenhouse gas (GHG) emissions associated with major highway expansion projects and major capital projects. **The bill takes effect July 1, 2025.**

Fiscal Summary

State Effect: Transportation Trust Fund (TTF) expenditures increase by \$1.5 million in FY 2026; TTF and nonbudgeted expenditures each increase by an estimated \$50,000 annually thereafter. TTF and nonbudgeted expenditures and revenues may otherwise be significantly affected depending on how major highway capacity expansion projects and major capital projects are affected by the bill, as discussed below; any such impact is not shown in the table below.

(in dollars)	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Revenues	\$0	\$0	\$0	\$0	\$0
SF Expenditure	1,500,000	50,000	50,000	50,000	50,000
NonBud Exp.	0	50,000	50,000	50,000	50,000
Net Effect	(\$1,500,000)	(\$100,000)	(\$100,000)	(\$100,000)	(\$100,000)

Note: () = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease

Local Effect: The bill is not anticipated to directly affect local government operations or finances.

Small Business Effect: Meaningful.

Analysis

Bill Summary:

Applicability

“Major highway capacity expansion project” means a major capital project that (1) through all phases increases highway capacity through new highway lanes or extended highway lanes and (2) has a total cost for all phases that exceeds \$5.0 million.

The bill’s requirements do not apply to a major highway capacity expansion project that, on or before June 30, 2025, was a part of the Statewide Transportation Improvement Program (STIP) or funded for construction in the *Consolidated Transportation Program* (CTP).

Major Highway Expansion Projects – Multimodal Transportation Programs Required

As part of the planning and implementation of a major highway expansion project, MDOT must develop and implement a corresponding multimodal transportation program for the proposed highway corridor expansion. During development of the major highway expansion project, the corresponding program must identify investments in transit, transit-oriented development, transportation demand management, pedestrian and bicycle facilities, land use changes, and other measures to offset the increase in VMT associated with the project. The program must focus on areas in the following order of priority:

- overburdened communities and underserved communities impacted by the project;
- areas within or associated with at least one of the communities impacted by the project;
- overburdened communities and underserved communities across the State;
- overburdened communities and underserved communities in the region in which the project is located; and
- benefits to the entire State.

The multimodal transportation program must offset the VMT associated with the major highway capacity expansion project; the net VMT from the project and its associated multimodal transportation program must equal zero or a number less than zero.

MDOT must consider both the major highway capacity expansion project and the corresponding multimodal transportation offset program when it evaluates the project for inclusion in the CTP using its project-based scoring system. MDOT must fund elements of

the multimodal transportation program concurrently with funding for the construction of the major highway capacity expansion project.

Major Capital Projects – Greenhouse Gas Emissions and Vehicle Miles Traveled Requirements

Beginning with the CTP for fiscal 2027 through 2032, and in each annual release thereafter, MDOT must evaluate major capital projects included in the CTP for their impact on GHG emissions and VMT per capita. The evaluation must be published for the draft CTP by October 1 each year and with the final CTP each year. If the net impact of a project is an increase in GHG emissions, the State must fund offsetting activities to reduce the net GHG emissions to zero or a number less than zero.

Additionally, beginning with the CTP for fiscal 2027 through 2032, and in each annual release thereafter, MDOT must achieve, to the maximum extent practicable and subject to the State budget, a program whose impact on GHG emissions is consistent with, and makes progress toward, achieving GHG reduction targets consistent with the State's carbon pollution reduction plan over the CTP period. MDOT may fund offsetting activities to make the CTP more consistent with GHG emission reduction goals under the State's carbon pollution reduction plan or to increase progress toward those goals.

The offsetting activities required are activities that (1) demonstrably create consistent, long-term reduction in GHG emissions or VMT; (2) prioritize overburdened and underserved communities; and (3) include specified activities, initiatives, and strategies.

To achieve these requirements, MDOT must set annual declining GHG emission reduction targets that incorporate assumptions about the use of electric vehicles in the State.

In evaluating the CTP's impact on GHG emissions and VMT, MDOT must (1) establish the baseline total GHG emissions attributable to surface transportation in the State for the CTP period; (2) consider the direct and induced demand impacts of highway capacity expansion projects and transit capital projects on VMT per capita and GHG emissions; (3) consider the direct benefits of specified investments; and (4) compare the projected GHG emissions to the target emissions established pursuant to the bill to determine whether the CTP achieves the emissions targets. In evaluating whether the CTP meets GHG emission goals, MDOT may not consider state of good repair activities and activities that are solely for system preservation.

Impact Assessments

The Secretary of Transportation must (1) establish a process to perform capacity expansion impact assessments; (2) require the use of an impact assessment in the determinations required by the bill; and (3) implement the requirements, including by establishing:

- any necessary policies, procedures, manuals, and technical specifications;
- procedures to perform an impact assessment that provides for the required determinations, as specified;
- criteria for identification of a capacity expansion project; and
- related data reporting from local units of government on local multimodal transportation systems and local project impacts on GHG emissions and VMT.

An analysis under a capacity expansion impact assessment must include estimates resulting from a project or portfolio of projects for (1) GHG emissions over a period of 20 years; (2) a net change in VMT for the affected network; and (3) impacts to State highways and related impacts to local road systems, on a local, regional, or statewide basis as appropriate. The analysis and estimates must be determined using the best available data and modeling tools, as specified.

In fiscal 2025, MDOT must allocate funding for the implementation and development of statewide and regional travel demand modeling related to the required impact assessments, including induced demand and land use effects from transportation investments.

Highway Project Reporting Requirement

MDOT and the State Highway Administration (SHA) must issue a report prior to proceeding to the final project planning phase for a highway project that documents (1) the evaluation of the alternatives identified when MDOT and SHA have determined that the objective of the proposed project cannot be reasonably achieved through other specified projects or improvements or (2) a determination through other required planning documents.

Current Law: “Major capital project” means any new, expanded, or significantly improved facility or service that involves planning, environmental studies, design, right-of-way, construction, or purchase of essential equipment related to the facility or service.

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, Metropolitan Planning Organizations

(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 [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 6-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 measures specified in State law and must include a summary of the types of projects and programs that are proposed to accomplish the goals and measures, using a multimodal approach when feasible.

Statewide Transportation Improvement Program

[Federal regulations](#) require each state to develop an 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](#).

Greenhouse Gas Emissions Reduction Targets

Chapter 38 of 2022 (the Climate Solutions Now Act) made broad changes to the State's approach to reducing statewide GHG emissions and addressing climate change. Among other things, the Act accelerated previous statewide GHG emissions reductions targets originally established under the Greenhouse Gas Emissions Reduction Act by requiring the State to develop plans, adopt regulations, and implement programs to (1) reduce GHG emissions by 60% from 2006 levels by 2031 and (2) achieve net-zero statewide GHG emissions by 2045.

In December 2023, the Maryland Department of the Environment published [Maryland's Climate Pollution Reduction Plan](#), which was developed to implement Chapter 38. [MDOT's most recent Climate Action Status Report](#), also released in December 2023, includes MDOT's mission, goals, strategies, and activities to reduce GHG emissions and VMT in the State.

State Expenditures: This analysis assumes that the bill requires impact assessments for projects undertaken by both MDOT and the Maryland Transportation Authority (MDTA), when applicable, due to the broad definition of major highway capacity expansion project and major capital project.

As discussed in more detail below, TTF expenditures increase by a total of \$1.5 million in fiscal 2026 for MDOT to develop the assessment tool; TTF expenditures increase by an estimated \$50,000 annually thereafter to conduct impact assessments. Nonbudgeted expenditures for MDTA increase by \$50,000 annually beginning in fiscal 2027 to conduct impact assessments. MDOT and SHA can issue the required report using existing resources.

Assessment Tool Development

TTF expenditures increase by \$1.5 million in fiscal 2026 for MDOT to engage its expert consultants to develop an impact assessment tool that meets the bill's requirements and can accurately predict and measure GHG emissions and VMT. This estimate is based on information provided by MDOT regarding recent estimates provided by its consultants. MDOT advises that, once complete, it plans to use the tool to evaluate its own major highway capacity expansion projects and major capital projects and to allow MDTA to use the tool to evaluate its major highway capacity expansion projects and major capital projects as well.

Impact Assessments

The number of impact assessments required under the bill depends on the type and scope of future projects that require such assessments, which are unknown at this time. However, a preliminary analysis by MDOT estimates that, on average, it and MDTA will each be required to conduct one impact assessment for new major highway capacity expansion projects and major capital projects each year.

MDOT plans to continue to engage the consultant that develops the impact assessment tool to complete any future assessments, and each assessment is estimated to cost \$50,000. Accordingly, beginning in fiscal 2027, TTF expenditures are assumed to increase by \$50,000 annually to perform impact assessments for affected MDOT projects, and nonbudgeted expenditures are assumed to increase by \$50,000 annually to perform impact assessments for affected MDTA projects. Actual costs will vary depending on the number of impact assessments ultimately performed. Additionally, should multiple assessments be required in any given fiscal year, MDOT may require additional staff to help manage the assessment process; to the extent additional staff are needed, TTF expenditures increase further.

Effects on Projects and Associated Fiscal Effects

Depending on the structure and implementation of any future highway capacity expansion projects and major capital projects undertaken by MDOT or MDTA, State revenues and expenditures are likely to be significantly affected.

Total project costs for major highway expansion projects and major capital projects may increase significantly as multimodal transportation offset programs are implemented and other required offset activities are undertaken. MDOT advises that, utilizing the State Highway Induced Frequency of Travel Calculator developed by the Rocky Mountain Institute, if a highway expansion project were to add 20 lane miles in the Baltimore Statistical Area, the expected VMT growth would be 116 million to 173 million VMT annually. Mitigation efforts to counteract this increase in VMT could total hundreds of millions or even billions of dollars depending on the strategies employed by MDOT.

Alternatively, a project could instead be canceled. The cancellation of a project could affect overall TTF and/or nonbudgeted expenditures (as well as nonbudgeted revenues for MDTA) depending on the extent to which funding is redirected to other projects and the costs of (and any revenues resulting from) those projects. It could also affect federal fund revenues (and associated expenditures).

Small Business Effect: Small businesses that work in the State's transportation industry could be significantly affected by the bill. For example, small businesses involved in road

construction could lose business to the extent the bill results in the cancellation of any highway projects, while other businesses could benefit from any funding redirected to other projects.

Additional Comments: The bill requires MDOT, in fiscal 2025, to allocate funding for the implementation and development of statewide and regional travel demand modeling related to the requirements of the bill, including induced demand and land use effects from transportation investments. However, the bill takes effect at the start of fiscal 2026 and, therefore, it is assumed that this provision has no effect. Nevertheless, MDOT advises that the impact assessment tool developed to implement the bill will include this functionality.

Additional Information

Recent Prior Introductions: Similar legislation has been introduced within the last three years. See SB 681 and HB 836 of 2024.

Designated Cross File: HB 84 (Delegate Edelson) - Appropriations and Environment and Transportation.

Information Source(s): Maryland Department of Transportation; Maryland Department of the Environment; Maryland Energy Administration; Maryland Association of Counties; Kent, Montgomery, Washington, and Worcester counties; Maryland Municipal League; Town of Bel Air; Department of Legislative Services

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caw/lgc

Analysis by: Richard L. Duncan

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