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FISCAL AND POLICY NOTE
First Reader

House Bill 437 (Delegate Edelson, *et al.*)
Appropriations and Environment and
Transportation

Transportation - Major Highway Capacity Expansion Projects and Impact
Assessments (Transportation and Climate Alignment Act of 2026)

This bill requires the Maryland Department of Transportation (MDOT) to take various actions, including conducting impact assessments and/or evaluations of the greenhouse gas (GHG) emissions and vehicle miles traveled (VMT) associated with major highway expansion capacity projects and major capital projects, implementing multimodal transportation programs to offset GHG emissions associated with major highway expansion capacity projects, and undertaking other offsetting activities for major capital projects. **The bill takes effect July 1, 2026.**

Fiscal Summary

State Effect: Transportation Trust Fund (TTF) expenditures increase by \$1.5 million in FY 2027; 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 projects are affected by the bill, as discussed below; any such impact is not shown in the table below.

(in dollars)	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
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 does not 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, grade separations including interchanges, or extended highway lanes and (2) has a total cost that exceeds \$100.0 million.

The bill’s requirements do not apply to a major highway capacity expansion project that, on or before June 30, 2026, (1) was a part of the Statewide Transportation Improvement Program (STIP) that received funding for construction; (2) was funded for construction in the *Consolidated Transportation Program* (CTP); or (3) completed the environmental review process under the National Environmental Policy Act (NEPA).

Major Highway Capacity Expansion Projects – Impact Assessments and Multimodal Transportation Programs Required

As part of the planning and implementation of a major highway capacity expansion project, MDOT must perform an impact assessment of the project and develop and implement a corresponding multimodal transportation program. During project development, the corresponding program must identify investments in transit, transit-oriented development, transportation demand management, pedestrian and bicycle facilities, land use changes, and other specified activities to offset the increase in GHG emissions associated with the project. The multimodal transportation 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;
- the region in which the major highway capacity expansion project is located; and
- the State at large.

The multimodal transportation program must offset the GHG emissions associated with the major highway capacity expansion project; the net GHG emissions from the project and its associated multimodal transportation program must be zero or a negative number.

MDOT must consider both the major highway capacity expansion project and the corresponding multimodal transportation program when it evaluates the project for inclusion in the CTP using its project-based scoring system. MDOT must (1) fund elements of the multimodal transportation program concurrently with funding for the construction of the major highway capacity expansion project or (2) defer the major highway expansion capacity project until the project meets the offsetting requirements for a multimodal transportation program.

Major Capital Projects – Evaluations and Offsetting Activities

Beginning with the CTP for fiscal 2028 through 2033, 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.

Additionally, beginning with the CTP for fiscal 2028 through 2033, and in each annual release thereafter, MDOT must achieve, to the maximum extent practicable and subject to State appropriations, a program whose impact on GHG emissions and progress toward achieving GHG reduction targets are, over the CTP period, consistent with the projected GHG emission reductions modeled for roads in *Maryland's Climate Pollution Reduction Plan: Modeling Appendix*. MDOT must fund offsetting activities to make the CTP more consistent with GHG emission reduction goals under MDOT's 2023 *Climate Pollution Reduction Plan* and the targets established by the bill.

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; (3) are eligible for funding under the provisions described above regarding the CTP for fiscal 2028 through 2033; and (4) include specified activities, initiatives, and strategies.

To achieve these requirements, MDOT must set (1) annual statewide declining GHG emission reduction targets that incorporate assumptions about the use of electric vehicles in the State and (2) annual regional declining GHG emission reduction targets that meet specified requirements.

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 major capital projects on VMT per capita and GHG emissions; (3) consider the direct climate 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 system preservation activities.

Establishment of Processes and Other Requirements

The Secretary of Transportation must (1) establish a process to perform capacity expansion impact assessments; (2) establish a process for considering progress made toward meeting the annual statewide and regional GHG emission targets specified by the bill; (3) establish a process for developing a multimodal transportation program under the bill, including a method for considering the direct and induced demand impacts of a major highway capacity expansion project; and (4) publish on MDOT's website the processes established pursuant to these provisions, as specified, and any multimodal transportation program developed under the bill.

In fiscal 2028, 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.

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 2025 through 2028 and includes TIPs from each of the State's six MPOs, which are listed below:

- Baltimore Regional Transportation Board;
- Calvert – St. Mary's 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. The [2023 MDOT Climate Pollution Reduction Plan](#) presents MDOT's approach to support the requirements of Chapter 38; MDOT's most recent [Climate Action Status Report](#) was released in December 2025.

National Environmental Policy Act

For major transportation projects, NEPA requires a range of alternatives to be considered and the environmental impacts of each alternative to be analyzed. This environmental impact statement is required prior to the commitment of federal funds to any major project or prior to any action taken by a federal agency that might cause a significant impact on the environment. Some of the basic steps in this process include a public scoping process, data collection, analysis of policy alternatives, and preparation of draft and final documents. The process involves numerous federal, state, and local partners.

State Fiscal Effect: This analysis assumes that the bill requires impact assessments for and/or evaluations of projects undertaken by both MDOT and the Maryland Transportation Authority (MDTA), when applicable.

As discussed in more detail below, TTF expenditures increase by a total of \$1.5 million in fiscal 2027 for MDOT to develop an assessment tool to be used for the required impact assessments and evaluations; TTF expenditures increase by an estimated \$50,000 annually thereafter to conduct impact assessments/evaluations. Nonbudgeted expenditures for MDTA increase by \$50,000 annually beginning in fiscal 2028 to conduct impact assessments/evaluations. MDOT and SHA can issue the required report using existing resources.

Assessment Tool Development

TTF expenditures increase by \$1.5 million in fiscal 2027 for MDOT to engage its expert consultants to develop an impact assessment tool capable of measuring a project's impact on GHG emissions and VMT. This estimate is based on information provided by MDOT regarding recent estimates provided by its consultants. This analysis assumes that the tool, once complete, can be used to evaluate both MDOT's and MDTA's projects.

Impact Assessments/Evaluations

The number of impact assessments/evaluations required under the bill depends on the type and scope of future projects that require such assessments/evaluations, which are unknown at this time. For purposes of this analysis, it is assumed that, on average, MDOT and MDTA

will each be required to conduct one impact assessment or evaluation for new projects each year.

MDOT plans to continue to engage the consultant that develops the impact assessment tool to complete any future assessments/evaluations, and each assessment/evaluation is estimated to cost between \$50,000 and \$80,000. For purposes of this analysis, beginning in fiscal 2028, TTF expenditures are assumed to increase by \$50,000 annually to perform impact assessments/evaluations for affected MDOT projects, and nonbudgeted expenditures are assumed to increase by \$50,000 annually to perform impact assessments/evaluations for affected MDTA projects. Actual costs will vary depending on the number of impact assessments/evaluations ultimately performed.

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 programs are implemented and other required offset activities are undertaken. *For illustrative purposes*, for similar legislation introduced during the 2025 session, MDOT advised 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 such an increase in VMT could total hundreds of millions or even billions of dollars depending on the strategies employed.

The bill requires MDOT to (1) fund elements of the multimodal transportation program concurrently with funding for the construction of the major highway capacity expansion project or (2) defer the project until it meets the offsetting requirements for a multimodal transportation program under the bill. To the extent that any projects are deferred, TTF and/or nonbudgeted finances may be affected, but any such impact cannot be predicted in advance. Such a deferral 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 be affected to the extent the bill results in the deferral of any highway projects. In addition, small businesses could benefit from the development and implementation of the various offsetting activities required by the bill.

Additional Information

Recent Prior Introductions: Similar legislation has been introduced within the last three years. See SB 395 and HB 84 of 2025 and SB 681 and HB 836 of 2024.

Designated Cross File: SB 59 (Senator Hettleman) - Budget and Taxation.

Information Source(s): Maryland Department of Transportation; Maryland Department of the Environment; Department of General Services; Maryland Energy Administration; Baltimore City; Howard and Prince George's counties; cities of Annapolis and Takoma Park; Maryland Municipal League; Department of Legislative Services

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