



TESTIMONY PRESENTED TO THE SENATE BUDGET AND TAXATION COMMITTEE

SENATE BILL 400 – TRANSPORTATION – HIGHWAY USER REVENUE – DISTRIBUTION

Sponsor – The President (By Request – Administration, et al)

February 9, 2022

DONALD C. FRY

PRESIDENT & CEO

GREATER BALTIMORE COMMITTEE

Position: Support with Amendments

This Administration bill increases the share of funds from the Gasoline and Motor Vehicle Revenue Account (GMVRA) that the Maryland Department of Transportation (MDOT) must annually provide to local governments through capital transportation grants beginning in fiscal 2025 by making permanent the distribution levels that are in effect for fiscal years 2020 through 2024.

Additionally, by July 1 each year, each local government that received funding through GMVRA in the preceding fiscal year must submit an accounting report to the State Highway Administration (SHA). SHA may not disburse any GMVRA funding to a jurisdiction that has not submitted the required report.

Legislation passed by the General Assembly in 2018 provided for the current funding level for municipal Highway User Revenue (HUR) for a duration of five fiscal years. The looming sunset complicates local governments' ability to commit to longer-term transportation project plans.

Even maintaining the current level of grants is not adequate to fund the transportation needs of local governments around the state. Prior to the 2008 recession, local governments shared in 30% of the funds in the GMRVA.

In 2009, as the state faced a mid-year budget crisis, the Board of Public Works adopted a 90 % reduction of the local distributions and a 40% reduction to Baltimore City (which maintains all of the roads within its borders with few exceptions). While other recession cuts have been restored, Highway User Revenues have not, despite the State adopting a substantial transportation revenue increase in 2013.

Senate Bill 400 is a step in the right direction by avoiding a reduction to the lowest local share levels adopted during the recession. But more needs to be done. Predictability of the revenue sources and the distribution allocation of HUR was something on which local governments could rely in the decades preceding the cuts of 2009. Gas tax revenue and vehicle registration fees accounted for the lion's share of revenues into the HUR account while distribution to local governments based on a percentage written into statute provided the funding predictability. This allowed for local governments to engage in long-term infrastructure planning at a funding level that met the needs of the residents. This arrangement represented a partnership between the State and local governments that provided a stable, predictable revenue sharing mechanism for local governments to rely upon when budgeting for transportation infrastructure projects. This has not been the case over the past decade and local governments have struggled to compensate for the unexpected loss of these funds.

The GBC supports an amendment to Senate Bill 400 that would increase the local government share of HUR, working toward a return to the distribution that existed prior to the Great Recession.

GREATER BALTIMORE COMMITTEE

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Senate Bill 400 with the proposed amendment is consistent with a key tenet in *Gaining A Competitive Edge: Keys to Economic Growth and Job Creation in Maryland*, a report published by the GBC that identifies eight core pillars for a competitive business environment and job growth:

Superior transportation infrastructure with reliable funding mechanisms. An essential prerequisite of a competitive business environment includes well-funded and maintained highway, transit, port, and airport infrastructure that provides reliable and efficient options to move people, goods, and services.

For these reasons, the Greater Baltimore Committee urges a favorable with amendments report on Senate Bill 400.

The Greater Baltimore Committee (GBC) is a non-partisan, independent, regional business advocacy organization comprised of hundreds of businesses -- large, medium and small -- educational institutions, nonprofit organizations and foundations located in Anne Arundel, Baltimore, Carroll, Harford, and Howard counties as well as Baltimore City. The GBC is a 67-year-old, private-sector membership organization with a rich legacy of working with government to find solutions to problems that negatively affect our competitiveness and viability.