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Maryland Municipal League

The Association of Maryland's Cities and Towns

TESTIMONY

February 9, 2022

Committee: Senate Budget & Taxation

Bill: SB 400 – Transportation – Highway User Revenues – Distribution

Position: Support with Amendment

Reason for Position:

The Maryland Municipal League supports Senate Bill 400 with amendments.

Restoration of HURs has been a priority of the League ever since 96% of municipal HUR were cut in 2009 in the depths of the recession. Although HUR funding has crept up over the years and several one-time capital grants have been included in the State operating budget, the funding level and predictability have never returned to where they were in the decades prior to 2009.

In 2018, the General Assembly passed CH 330/331 which increased HUR funding for municipalities, counties, and Baltimore City. This legislation returned about 85% of municipal HUR but included a sunset provision ending that funding level after FY 2024. This bill proposes eliminating that drastic sunset provision, which would keep us at our current levels of funding in perpetuity.

The League appreciates this crucial measure, but we do not believe it goes far enough. Municipalities have lost more than $280 million in HUR since the initial cuts over a decade ago. We need to return the HUR allocation for municipalities to pre-recession levels. The certainty of a stable funding allocation at a level that suits the needs of local governments will allow for a more stable budgeting process and higher quality local transportation infrastructure.

The League is also concerned with the reporting requirements included in this bill. Local governments are already required to submit an annual report to the Maryland Department of Transportation that includes much of the same information. The proposed reporting

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requirements are largely redundant and will create more administrative work for local governments.

MML proposes removing the new reporting requirements and adding provisions to increase HUR funding to the levels we need to safely maintain our local infrastructure. With adoption of these amendments, the League would enthusiastically support this measure.

FOR MORE INFORMATION CONTACT:

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SB0400 - 2.9.22 -- Transportation - Highway User R
Uploaded by: Donald Fry
Position: FWA

gbc POSITION STATEMENT

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, predicable 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.

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.

MARYLAND Association of COUNTIES

Senate Bill 400

Transportation – Highway User Revenue – Distribution

MACo Position: **SUPPORT WITH AMENDMENTS**

To: Budget and Taxation Committee

Date: February 9, 2022

From: Dominic J. Butchko and Kevin Kinnally

The Maryland Association of Counties **SUPPORTS** SB 400, **WITH AMENDMENTS**. The bill as introduced provides short-term stability for the state-levied transportation revenues needed to support safety and maintenance work on local roads and bridges across Maryland.

MACo urges amendments to not only avoid the sunset of current funding levels, but the proper restoration of the state/local balance that served Maryland for decades prior to recession-driven cutbacks. **Restoration of local infrastructure funding sits atop MACo's legislative initiatives for the 2022 session - it is local governments' top priority.**

For decades, the State supported a balanced means to maintain its transportation infrastructure. The bulk of transportation revenues – mainly motor fuel and vehicle titling taxes – have been split between the State (for its consolidated Transportation Trust Fund, serving multiple modes) and local governments (who own and maintain roughly 5 of every 6 road miles across the state). For decades, this split served all parties effectively.

During the depths of the "great recession" in 2009, the State faced a mid-year budget crisis. The Board of Public Works adopted a 90% reduction of the local distributions of these Highway User Revenues and a roughly 40% reduction to Baltimore City's allocation (the largest by far to any jurisdiction). Since then, recession-driven cutbacks in many service areas have been fully or largely restored. This is not the case with Highway User Revenues – they remain far, far behind historic levels, even after the State has enacted a substantial transportation revenue increase.

SB 400, as introduced, avoids a short-term crisis with Highway User Revenues – eliminating the coming "cliff effect" following a multi-year tier in annual local funding. This is an important step. However, given the opportunity created by federal infrastructure investments, and the compelling needs demonstrated by local governments on a decade-plus "starvation diet" of road and bridge funding, counties support a full restoration of the 30% share to local governments, not a mere extension of the last incremental step toward that fully warranted policy goal.

SB 400 can be amended to restore funding to local transportation needs. Accordingly, MACo urges the committee to **SUPPORT full funding for our local roads and bridges**, whether through an **AMENDED** version of SB 400, or other legislation.