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THE SENATE OF MARYLAND
ANNAPOLIS, MARYLAND 21401

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Senator Justin Ready

SB 841 Transportation – Motor Fuel Tax Rates, Vehicle-Miles-Traveled Tax, and Farebox Recovery Requirements (Transportation Equity, Fairness, and Privacy Act of 2024)

Chairman Guzzone, Vice Chair Rosapepe and members of the Budget & Tax Committee:

Senate Bill 841 seeks to restore transportation equity between users of roads and public transportation. It includes, 1) repealing, beginning in 2025, future increases in motor fuel tax rates based on annual growth in the Consumer Price Index (CPI), 2) prohibiting the State or a local jurisdiction from imposing or levying a vehicle-miles-traveled tax or other similar fee, toll, or tax and 3) requiring the Maryland Transit Administration to recover a mandated percentage of operating costs for specified services through farebox revenues by FY2029.

- 1) The Transportation Infrastructure Act of 2013 requires the Comptroller to determine and announce the annual motor fuel tax rate which is currently indexed to annual change in CPI. As of July 1, 2023, the sales and use tax accounts for 47 cents or more depending on the type of fuel. With recent extreme increases in inflation, the CPI has had a significant spike. Marylanders are already struggling with the high price of gas, groceries, rent, and other essentials. Senate Bill 841 would repeal this annual increase based on CPI.
- 2) Due to the introduction of hybrid, electric, and more fuel-efficient vehicles, many states across the country, including our own, along with other I-95 corridor states, have been exploring other alternatives. A prominent alternative is a per-mile tax. There are a number of concerns that should be associated with this proposal. The 4th Amendment of U.S. Constitution, guarantees our right to privacy from unwarranted government intervention. In order to tax citizens per mile, the state must track their mileage. Additionally, if a tax like this were to be enacted on top of what is already one of the highest gas taxes in the country, it would be a crippling “commuter tax” on many of those who could least afford it – the working poor and middle class in outlying areas.

The disparity between rural and urban drivers is also a major concern. Rural residents would have to drive much farther than their urban counterparts and will therefore be taxed more.

- 3) Farebox Recovery - Prior to FY2018, MTA was required to recover from fares and other operating revenues at least 35% of total operating costs for bus, light rail, and Metro subway services in the Baltimore region and all passenger railroad services under MTA control. State law further required MTA to set fare prices and collect other operating revenues in an amount sufficient to achieve this farebox recovery requirement and prohibited MTA from reducing services in order to meet the requirement. Attached you will see the Transportation Trust Fund Special Fund Spending. In FY22 MTA bus, light rail, (subway), and commuter rail operating costs were 7%, 6%, 8%, and 8% respectively. The disparity shows and attached you will see the Transportation Trust Fund Special Fund Spending showing the vast amount of subsidy that Maryland drivers are paying for the limited amount of public transportation available. It was already very high and has jumped since 2021. We need to gradually return to a 35% farebox recovery requirement phased in through 2029. SB 841 phases this in modestly, starting with 15% in FY25, rising 5% each year until reaching 35% in FY2029.

In summary, Maryland drivers are heavily taxed, face increases - perhaps double taxing, and are forced to subsidize nearly half of all transit's costs. Putting the above measures in place would ensure increased equity between Maryland gas tax payees and those using mass transit and protect the privacy of our drivers. I respectfully request a **favorable** vote on Senate Bill 841.