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The Maryland Toll Rate Reform Act of 2024 (HB1070) Fact Sheet

What does the bill do?

The Maryland Toll Rate Reform Act of 2024 requires the Maryland Transportation Authority (MdTA) to transfer \$75 million to the Transportation Trust Fund (TTF) annually, up to a total of \$750 million. This will function as a repayment for the \$750 million transferred from the TTF to the MdTA for construction of the Intercountry Connector, one of the MdTA's facilities. Prior to transferring any funds, the Authority will have to certify that they are maintaining their toll facilities and meeting all financial obligations.

Why does the state transportation system need more revenue? Why are tolls being raised?

Over the past two decades, aggregate gasoline consumption has stagnated due to improvements in vehicle fuel efficiency and adoption of zero-emission vehicles. The impact of this is an erosion in motor fuel tax revenue. The motor fuel tax has historically made up the largest share of state transportation revenue. In 2022, it made up 38.4% nationally, down from 41.1% in 2018.¹ In Maryland, the Department of Transportation estimated that motor fuel taxes would constitute 23.1% of Transportation Trust Fund revenues between FY23 and FY28. Excluding federal funds, the share of motor fuel tax revenue in the TTF is 30%.²

Additionally, in 2015, despite warnings that the decision would ultimately result in toll hikes and hinder the state's ability to address aging transportation infrastructure, then-Governor Hogan chose to lower toll rates.³ These cuts have cost the state more than \$500 million since their implementation, one factor that has resulted in the state's

¹ NCSL Staff, "Road Worries: Sagging Gas Tax, Rising Traffic Safety Woes," National Conference of State Legislatures, April 21, 2023, <https://www.ncsl.org/state-legislatures-news/details/road-worries-sagging-gas-tax-rising-traffic-safety-woes-2>.

² Maryland Department of Legislative Services, *Maryland Department of Transportation Fiscal 2024 Budget Overview*, Annapolis, MD: Maryland General Assembly (2023), 9, <https://mgaleg.maryland.gov/pubs/budgetfiscal/2024fy-budget-docs-operating-J00-Maryland-Department-of-Transportation-Overview.pdf>.

³ Lori Aratani and Ovetta Wiggins, "Maryland cuts tolls on Bay Bridge, ICC, and other roadways," *Washington Post*, May 7, 2015, https://www.washingtonpost.com/local/trafficandcommuting/hogan-slashes-tolls-in-maryland/2015/05/07/096cd64e-f4d0-11e4-bcc4-e8141e5eb0c9_story.html.

transportation system budget deficit.⁴ According to the Authority, tolls will need to be raised to meet existing financial obligations by FY29.⁵ Furthermore, \$750 million from the TTF, in the form of GARVEE bonds, was transferred to MdTA in order to build the Intercounty Connector.

Funding needs are only growing including Maryland's substantial operating commitment to two urban transit systems, the capital backlog across multiple modes, and the desire to embark on significant projects such as the Baltimore Red Line, MARC rail improvements, the Frederick Douglass Tunnel, roadway improvements and so on.

The legislature has looked to the General Fund in recent years to offset increasing transportation expenditures and declining revenues. In 2020, the legislature allocated \$40 million from the General Fund to the Howard Street Tunnel Project.⁶ In 2022, the legislature increased the portion of corporate income tax revenue that must be distributed to the Gasoline and Motor Vehicle Revenue Account⁷ and allocated part of the revenue from the State Lottery Fund to the Department of Transportation for bus rapid transit system grants.⁸ State support for the Washington Metropolitan Area Transit Authority (WMATA) has also come from General Funds and bond premiums.⁹ In 2023, \$100 million from the General Fund was allocated to fund certain transportation priorities.¹⁰ Further reallocations from the General Fund are not a long-term or sustainable solution as they require a parallel decrease in other General Fund expenditures.

As a motor fuel tax increase and further General Fund reallocations are not viable options for a sustainable revenue stream that can meet Maryland's transportation investment needs, other revenue sources and financing mechanisms will have to be leveraged.

⁴ Hannah Gaskill and Lia Russell, "After a decade of no increases, Maryland may need to raise toll prices," *The Baltimore Sun*, September 20, 2023, <https://www.baltimoresun.com/2023/09/20/after-a-decade-of-no-increases-maryland-may-need-to-raise-toll-prices/>.

⁵ Maryland Department of Legislative Services, *J00J00 – Maryland Transportation Authority Operating Budget Analysis*, Annapolis, MD: Maryland General Assembly (2024), 21, <https://mgaleg.maryland.gov/pubs/budgetfiscal/2025fy-budget-docs-operating-J00J00-Maryland-Transportation-Authority.pdf>.

⁶ Maryland Department of Legislative Services, *Fiscal Briefing*, by Hiram L. Burch, et al., Annapolis, MD: Maryland General Assembly (2020), 30, <https://mgaleg.maryland.gov/Pubs/BudgetFiscal/2020rs-operating-budget-fiscal-briefing.pdf>.

⁷ Maryland General Assembly, *Transportation – Highway User Revenues – Revenue and Distribution*, CH 240, 2022 Regular Session, https://mgaleg.maryland.gov/2022RS/Chapters_noln/CH_240_hb1187e.pdf.

⁸ Maryland General Assembly, *Economic Development – Sports Entertainment Facilities and Events, Prince George's County Blue Line Corridor Facilities, and Racing Facilities*, CH 61, 2022 Regular Session, https://mgaleg.maryland.gov/2022RS/Chapters_noln/CH_61_hb0897t.pdf.

⁹ Maryland Department of Legislative Services, *J00A104 – Maryland Department of Transportation – Washington Metropolitan Area Transit Authority Operating Budget Analysis*, Annapolis, MD: Maryland General Assembly (2023), 15, <https://mgaleg.maryland.gov/Pubs/BudgetFiscal/2024fy-budget-docs-operating-J00A0104-MDOT-WMATA---Operating-Budget.pdf>.

¹⁰ Maryland General Assembly, *Budget Bill (Fiscal Year 2024)*, CH 101, 2023 Regular Session, https://mgaleg.maryland.gov/2023RS/Chapters_noln/CH_101_hb0200e.pdf.

Will this requirement impact the Authority's ability to maintain its own facilities and meet federal requirements?

No. The MDTA must certify annually that it is adequately maintaining all toll facilities and that the transferred funds will be utilized for eligible expenses, as defined by federal law. Furthermore, the Authority can only transfer funds after meeting all financial obligations, including current expenses, debt service obligations, and maintenance and operations reserve requirements.

Do other states use toll revenue to fund transportation projects outside of the toll authority's jurisdiction?

Yes, many states in the surrounding region use toll revenue to fund their broader transportation network. Since 2007, Pennsylvania has used nearly \$8 billion in revenue generated by the Pennsylvania Turnpike Commission (PTC) to fund statewide transportation projects. As of 2022, \$50 million is dedicated annually to public transit projects.¹¹ The New York Metropolitan Transit Authority (MTA) uses surplus toll revenues from MTA Bridges and Tunnels (B&T) to support MTA's public transit needs.¹² In 2019, B&T toll revenues provided \$1.14 billion to MTA transit.¹³ In 2019, the New York state legislature passed a congestion pricing plan for New York City tolls into Manhattan, which will go into effect later this year. Tolls will vary depending on demand and will be charged on vehicles entering Manhattan's central business district, south of 60th Street, with discounts for low-income drivers.¹⁴ It is expected to raise \$1 billion annually¹⁵, 80% of which will go to subway and bus improvements and 20% to commuter rail¹⁶.

New Jersey is using tolls to finance its portion of the Gateway Tunnel project, a series of rail projects between Newark, New Jersey, and Penn Station.¹⁷ The New Jersey Turnpike Authority, which collects tolls on the New Jersey Turnpike and the Garden State

¹¹ "Act 44 Plan," Pennsylvania Turnpike Commission, <https://www.paturndpike.com/about-us/investor-relations/act-44-plan>.

¹² "2022 New York Laws :: PBA - Public Authorities :: Article 5 - Public Utility Authorities :: Title 9 - New York City Transit Authority :: 1219-A - Transfer and Receipt of Surplus Funds.," Justia Law, <https://law.justia.com/codes/new-york/2022/pba/article-5/title-9/1219-a/>.

¹³ "MTA Bridges and Tunnels," Metropolitan Transit Authority, accessed February 12, 2024, <https://new.mta.info/agency/bridges-and-tunnels>.

¹⁴ "Central Business District Tolling Program," Metropolitan Transit Authority (MTA), accessed February 12, 2024, <https://new.mta.info/project/CBDTP>.

¹⁵ Michelle Kaske, "NYC's Controversial \$15 Congestion Tax Wins Initial Approval," Bloomberg, December 6, 2023, <https://www.bloomberg.com/news/articles/2023-12-06/nyc-s-congestion-pricing-tolling-structure-gets-initial-approval>.

¹⁶ "Why New York City Needs Central Business District Tolling," Metropolitan Transit Authority (MTA), accessed February 12, 2024, <https://new.mta.info/project/CBDTP/why-NYC-needs-central-business-district-tolling>.

¹⁷ "The Gateway Program," Amtrak, accessed February 12, 2024, <https://www.amtrak.com/gateway-program>.

Parkway, will make an annual \$81 million payment on loans to fund the state's portion.¹⁸ The New Jersey portion of the project, estimated at \$2.3 billion, was originally going to be funded by fare increases for transit riders.

Virginia has a system of allocating toll revenue to support transit through the Northern Virginia Transportation Commission (NVTC). The NVTC is an independent government agency that serves Loudon, Fairfax, and Arlington counties, as well as the cities of Alexandria, Falls Church, and Fairfax.¹⁹ The Commission administers the Commuter Choice program which uses toll revenues from the I-66 and I-395/95 express toll lanes to fund transit projects that benefit users of the toll road.²⁰ Local jurisdictions apply for funds from the Commuter Choice program and the NVTC evaluates and chooses projects based on merit and the region's transportation priorities.²¹ Since its establishment in 2017, the Commuter Choice program has allocated more than \$100 million to almost 60 transit projects.²² These projects have included expanded bus service in Fairfax and Loudon counties, bicycle access, and more.²³

Toll raises will have a significant impact on many people in the state. How does the bill account for the impact on Marylanders?

The MdTA is currently statutorily required to provide information on proposed commuter discounts when setting or revising toll rates. This legislation additionally requires that the MdTA consider offering discounted rates for Maryland E-ZPass account holders.

¹⁸ Larry Higgs, "N.J. Turnpike negotiates paying \$81M a year for new rail tunnel loan," January 19, 2022, <https://www.nj.com/news/2022/01/nj-turnpike-negotiates-paying-81m-a-year-for-new-rail-tunnel-loan.html>.

¹⁹ "Commuter Choice," Northern Virginia Transportation Commission, <https://novatransit.org/programs/commuterchoice/>.

²⁰ Ibid

²¹ Ibid

²² Mischa Wanek-Libman, "VRE approved for \$20 million in funding through I-395/95 Commuter Choice program," *Mass Transit Magazine*, June 5, 2023, <https://www.masstransitmag.com/rail/infrastructure/article/53062421/vre-approved-for-20-million-in-funding-through-1-395-95-commuter-choice-program>.

²³ Stephen Repetski, "With Less Toll Money, Northern Virginia Looks to Fund a Pared-Back Transit Project List," Greater Greater Washington, September 4, 2020, <https://ggwash.org/view/78925/with-less-toll-money-northern-virginia-looks-to-fund-pared-back-transit-project-list>.