



THE MARYLAND HOUSE OF DELEGATES  
ANNAPOLIS, MARYLAND 21401

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 maximize revenues by setting toll rates at the near optimal rate. MdTA currently uses the revenue generated from tolls to pay off bonds as well as maintain and operate their facilities. This bill allocates any additional revenue above what is needed for this purpose to an account within the statewide Transportation Trust Fund. This revenue will be used to construct and maintain state transit and highway infrastructure that feeds traffic directly into an MdTA facility or provides prospective facility users with an alternate route.

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.<sup>1</sup> 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%.<sup>2</sup>

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.<sup>3</sup> These cuts have cost the state more than \$500

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<sup>1</sup> 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>.

<sup>2</sup> 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>.

<sup>3</sup> 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](https://www.washingtonpost.com/local/trafficandcommuting/hogan-slashes-tolls-in-maryland/2015/05/07/096cd64e-f4d0-11e4-bcc4-e8141e5eb0c9_story.html).

million since their implementation, one factor that has resulted in the state's transportation system budget deficit.<sup>4</sup>

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.<sup>5</sup> In 2022, the legislature increased the portion of corporate income tax revenue that must be distributed to the Gasoline and Motor Vehicle Revenue Account<sup>6</sup> and allocated part of the revenue from the State Lottery Fund to the Department of Transportation for bus rapid transit system grants.<sup>7</sup> State support for the Washington Metropolitan Area Transit Authority (WMATA) has also come from General Funds and bond premiums.<sup>8</sup> In 2023, \$100 million from the General Fund was allocated to fund certain transportation priorities.<sup>9</sup> 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.

How will the new rates be set?

The new toll rates will be set at the near optimal rate. Optimal tolling is the toll rate that maximizes revenue, determined based on an evaluation of the availability and capacity of alternative routes, the type of drivers that make up the individual facility's traffic, and their ability and willingness to pay. As the composition of traffic, and thus revenue

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<sup>4</sup> 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/>.

<sup>5</sup> 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>.

<sup>6</sup> 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](https://mgaleg.maryland.gov/2022RS/Chapters_noln/CH_240_hb1187e.pdf).

<sup>7</sup> 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](https://mgaleg.maryland.gov/2022RS/Chapters_noln/CH_61_hb0897t.pdf).

<sup>8</sup> 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>.

<sup>9</sup> Maryland General Assembly, *Budget Bill (Fiscal Year 2024)*, CH 101, 2023 Regular Session, [https://mgaleg.maryland.gov/2023RS/Chapters\\_noln/CH\\_101\\_hb0200e.pdf](https://mgaleg.maryland.gov/2023RS/Chapters_noln/CH_101_hb0200e.pdf).

optimization calculation, varies, the MdTA must consider imposing differing rates for weekends, holiday travel, seasons, and times of the day.

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.<sup>10</sup> 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.<sup>11</sup> In 2019, B&T toll revenues provided \$1.14 billion to MTA transit.<sup>12</sup> 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.<sup>13</sup> It is expected to raise \$1 billion annually<sup>14</sup>, 80% of which will go to subway and bus improvements and 20% to commuter rail<sup>15</sup>.

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.<sup>16</sup> The New Jersey Turnpike Authority, which collects tolls on the New Jersey Turnpike and the Garden State Parkway, will make an annual \$81 million payment on loans to fund the state's portion.<sup>17</sup> 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

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<sup>10</sup> "Act 44 Plan," Pennsylvania Turnpike Commission, <https://www.paturnpike.com/about-us/investor-relations/act-44-plan>.

<sup>11</sup> "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/>.

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

<sup>13</sup> "Central Business District Tolling Program," Metropolitan Transit Authority (MTA), accessed February 12, 2024, <https://new.mta.info/project/CBDTP>.

<sup>14</sup> 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>.

<sup>15</sup> "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>.

<sup>16</sup> "The Gateway Program," Amtrak, accessed February 12, 2024, <https://www.amtrak.com/gateway-program>.

<sup>17</sup> 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>.

Alexandria, Falls Church, and Fairfax.<sup>18</sup> 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.<sup>19</sup> 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.<sup>20</sup> Since its establishment in 2017, the Commuter Choice program has allocated more than \$100 million to almost 60 transit projects.<sup>21</sup> These projects have included expanded bus service in Fairfax and Loudon counties, bicycle access, and more.<sup>22</sup>

Do other states vary toll rates based on demand?

Yes, many states vary toll rates based on peak hours and weekdays versus weekends. A smaller number of toll roads vary rates based on the time of year. In addition to the Chesapeake Bay Bridge-Tunnel, the Chesapeake Expressway in Virginia<sup>23</sup> and Lake of the Ozarks Community Bridge in Missouri<sup>24</sup> increases rates over the summer months.

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 discounted rates for seniors, low-income individuals, Maryland E-ZPass holders, and those who live in the surrounding area of the MdTA facility.

What will the revenue be used for?

The primary use of the toll revenue will be used to maintain and operate toll facilities as well as pay off construction bonds. Any surplus revenue above what is needed by MdTA will be allocated to an account within the Transportation Trust Fund. This revenue will be used to improve the transportation network around MdTA facilities, including construction or maintenance of state highways that feed traffic directly to these facilities and construction or maintenance of state highway or transit projects that serve as

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<sup>18</sup> "Commuter Choice," Northern Virginia Transportation Commission, <https://novatransit.org/programs/commuterchoice/>.

<sup>19</sup> Ibid

<sup>20</sup> Ibid

<sup>21</sup> 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>.

<sup>22</sup> 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>.

<sup>23</sup> "Chesapeake Expressway," City of Chesapeake, accessed February 12, 2024, <https://cityofchesapeake.net/2982/Chesapeake-Expressway>.

<sup>24</sup> "Welcome", Lake of the Ozarks Community Bridge, accessed February 12, 2024, <http://lakeoftheozarkscommunitybridge.com/>.

alternate routes. Because MdTA and the Maryland Department of Transportation bond off of their revenue, the value of these funds will ultimately be greater than the dollar amount raised.