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THE MARYLAND HOUSE OF DELEGATES
Annapolis, Maryland 21401

The Transportation Funding Act of 2024 (HB1215)
Testimony of Delegate Marc Korman – Favorable

Thank you, Madam Chair, Environment and Transportation Committee colleagues, and Economic Matters Committee guests. I come before the committee today to discuss HB 1215, the Transportation Funding Act of 2024. As you all are aware, Maryland's transportation system is facing a funding deficit. I was honored to sit on the Transportation Revenue and Infrastructure Needs Commission over the interim, which, among its many responsibilities, was tasked with evaluating and making recommendations on sustainable, long-term transportation funding options. The Commission has not yet concluded, with a final report due January 1, 2025. However, the need for establishing new sources of transportation funding is more pressing than was understood when the Commission was established. Since then, the Department of Transportation has introduced significant budget cuts and a budget shortfall of $2.8 billion over the next six years. While the Governor's proposed budget minimizes the impact for FY25, the cuts that the Department of Transportation will have to make in future years without changes to their revenue forecast would be devastating for all of our constituents. Next session would be too late to implement new revenue sources and prevent substantial reduction to the state's investment in our transit system, local priorities, and road maintenance and much-needed repairs. Maryland urgently requires new, sustainable sources of revenue to ensure that we can meet our state's transportation needs.

The Transportation Funding Act of 2024 does just that. It establishes two new fees consistent with recent developments in other states that reflect the dramatic shift that our interactions with the transportation network have undergone. First, it introduces a $0.50 fee on purchases made online and delivered to a personal address. While convenient and a true lifeline for many of us during the pandemic, the increased use of trucks for last-mile delivery causes greater stress on local roads, more traffic and congestion, and higher levels of CO_2 emissions. The World Economic Forum estimates that there will be 36% more delivery vehicles on the road in 2030 than there were in 2020, increasing related emissions by nearly one-third and adding an average of 11 minutes to already extensive passenger commutes. Other states have also recognized the need to address the negative impacts of the growing e-commerce delivery system. Colorado enacted an e-commerce delivery fee in 2022, Minnesota's will go into effect on July 1, 2024, and it is under consideration in New York and Washington state. Colorado faced implementation challenges and the legislature has since amended the law, providing us with an opportunity to learn from their experiences and avoid major pitfalls. This fee is intended to mitigate the harm to our transportation network from modern retail, not to overburden businesses. To that end, businesses have the option of either charging the customer directly or paying the fee on their behalf, allowing them to avoid costly and significant software upgrades.

The other fee that this bill establishes is a $0.50 fee on transportation network company trips in internal combustion engine vehicles and a $0.25 fee for trips in an electric vehicle. Transportation network companies, also known as digital dispatch or ride-hailing services, have marketed themselves as a tool to reduce traffic congestion through ridesharing and promote regional transit usage as a first- and last-mile connection. Unfortunately, the opposite proves to be true. Drivers spend significant time on the road without any passengers before and after paid trips, increasing congestion. Research has also found that many ride-hailing trips replace lower-carbon modes of transportation, producing an estimated 69 percent more emissions than the trip it replaces.

Some local jurisdictions here in Maryland, including Annapolis, Baltimore City, Montgomery County, and Ocean City, have implemented a $0.25 fee on TNC trips that originate in their jurisdiction. The fee established in this legislation would be assessed in addition to any local fee, similar to the TNC fee structure established in New York and California. TNCs increase wear and tear and congestion on both state and local roads. This fee structure ensures that both relevant authorities have the resources necessary to address the negative impact of TNCs on their roadways. Furthermore, the maximum total fee in Maryland – $0.75 – is much lower than the $3 charged in Chicago and $2.75 in New York City and likely lower than the average fee paid in jurisdictions such as Hawaii, Rhode Island, Washington, DC, and Wyoming, that charge rates of 4 to 7 percent.

Estimates suggest that in their first year, the e-commerce delivery fee will generate $150 million and the TNC fee will generate $30 million. Revenues will increase annually with inflation, capped at an eight percent increase, to ensure that revenues keep pace with expenditures. Additionally, because the Maryland Department of Transportation bonds off of its revenue, the value of these funds will ultimately be greater than the amount raised. Bond capacity is estimated to increase by $985 million over the first four years of fee collection.

The revenue raised through the fees will be used to directly mitigate the impact of these activities on our local roadways. It will be used for the Maryland Transit Administration's State of Good Repair needs and to support local jurisdictions through Highway User Revenues, the statutory increases for which are not fully funded under the budget for future years. Any remaining funds will be used for Locally Operated Transit System funding, which is also subject to future cuts without changes to the revenue forecast.

In reviewing this legislation with the Comptroller's office, we have put together a set of friendly amendments that will improve the implementation process. They are largely technical in nature, adding clarifying language and refining the fee's collection, reporting, and administrative structure to align with other fees collected by the office. There are three substantive clarifications or modifications. The first adds language to accurately reflect the legislative intent that the e-commerce delivery fee not be included in the taxable price and that it be paid by a marketplace facilitator, such as Amazon or Etsy, and not by the marketplace seller, which is the company producing the good. The second is the removal of the minimum annual sales threshold for businesses for the e-commerce delivery fee. This change was implemented to align with the state sales and use tax and simplify the administration of the fee. Finally, the effective date was pushed back to July 1, 2027, to reflect the impact of the Comptroller's time-intensive software modernization effort and allow time for the personal income tax to be transitioned to the new system prior to the implementation of these fees.

A comprehensive, safe, and functional transportation system is integral to Maryland's efforts to reach our environmental goals and expand our economy. It requires sustained investment in transit, in maintenance and repair of existing infrastructure, and in support to local jurisdictions to ensure they have sufficient resources. Establishing e-commerce delivery and transportation network company fees would create a revenue structure that matches our contemporary usage of the transportation network. I urge a favorable report.