



House Bill 925

Vehicle Excise Tax - Rate Increase

MACo Position:

To: Ways and Means Committee

LETTER OF INFORMATION

Date: February 20, 2024

From: Kevin Kinnally

The Maryland Association of Counties (MACo) takes no position on HB 925 but raises the following issues for the Committee's consideration on the policy matters raised by this bill.

This bill presents a mechanism to address a multi-billion-dollar budget shortfall in the State's consolidated Transportation Trust Fund. While the Governor has announced a one-time infusion from the State general fund to maintain services for the coming year, a plan to scale back spending in future years – including a step backward on the share of state-levied taxes dedicated to local transportation needs – remains before the legislature.

In Maryland, local governments have no authority to levy their own transportation revenues – counties and municipalities depend entirely on a share of State-levied revenues to support safety and maintenance work on local roads and bridges across the state. 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 five of every six road miles across the state).

The State faced a mid-year budget crisis during the depths of the "Great Recession" in 2009. In turn, 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 have been fully or primarily restored in many service areas. This is not the case with Highway User Revenues – they remain far behind historic levels, even after the State has enacted a substantial transportation revenue increase.

The \$396 million in the proposed budget plan for FY 2025 remains far short of Maryland's proper and historic funding levels, even on a simple dollar-to-dollar basis. Accounting for road maintenance and materials costs would expand this gap even further. County leaders urge State policymakers to resist these deep cuts and advance a sustainable solution to address these infrastructure needs across the state. In advancing such a plan, a proper restoration of the Highway User Revenue formula should itself be a priority to create sensible and reliable support for all locally maintained roadways.