

February 12, 2025

The Honorable Guy Guzzone
Chair, Budget and Taxation Committee
3 West Miller Senate Office Building
Annapolis, MD 21401

RE: Letter of Information – SB 499 – Baltimore City – Highway User Revenues Capital Grants – Calculation

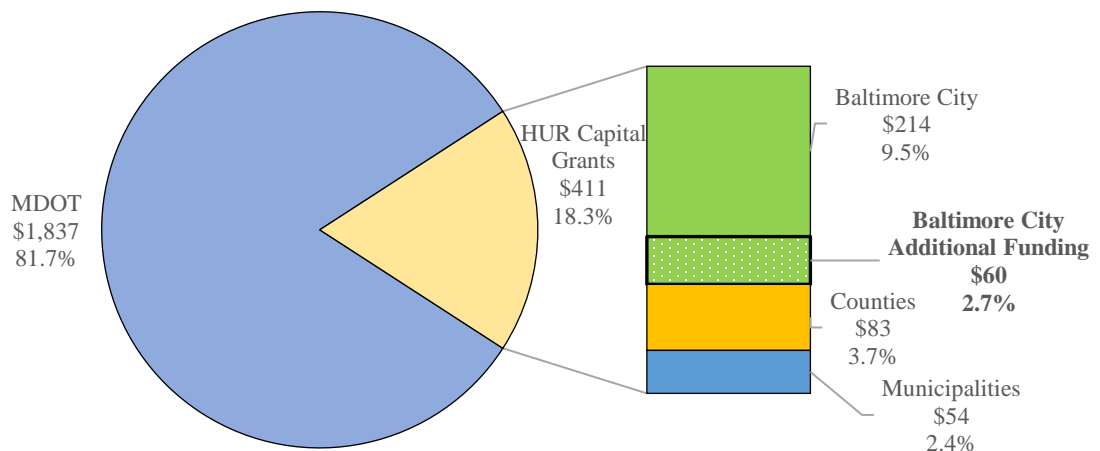
Dear Chair Guzzone and Committee Members:

The Maryland Department of Transportation (MDOT) takes no position but offers the following information for the Committee’s consideration of Senate Bill 499.

HUR capital grants allocate a portion of certain transportation revenues imposed at the statewide level to local jurisdictions. The allocation is made in accordance with distributions established in law. Funds not distributed to local jurisdictions are retained in the Transportation Trust Fund for statewide transportation purposes. SB 499 mandates an increase in funding for the Baltimore City highway user revenues (HUR) capital grant beginning in FY 2028.

The proposed distribution of revenues under SB 499 is outlined in Figure 1. As shown, this bill would redirect approximately \$60 million annually that is currently programmed for statewide transportation projects. This results in approximately a \$180 million reduction to MDOT’s six-year capital program.

Figure 1: Distribution of Certain Transportation Revenues Under Senate Bill 499
FY 2028



The General Assembly periodically reconsiders the allocation of HUR capital grants. Typically, allocations for all local jurisdictions are modified at one time, versus considerations for the City or a subset of counties or municipalities.

The HUR capital grant program was last modified in 2022, at which time the General Assembly increased allocation of transportation revenues to all local jurisdictions through FY 2027. To hold harmless the statewide funding for MDOT, the General Assembly increased the portion of corporate income tax revenues distributed to the Transportation Trust Fund (TTF). Beginning in FY 2028, the share of corporate income tax revenue distributed to the TTF decreases from 22% to 20% in conjunction with reduced funding to local jurisdictions. *An increase in funding to any HUR capital grants, absent a matching increase in available revenues, results in decreased funding available to MDOT; this will negatively impact the Department's ability to deliver on its operations and those capital projects identified for funding in the Fiscal Year 2025 to 2030 Consolidated Transportation Program.*

MDOT made significant, strategic reductions to its operating and capital programs over the last several years to maintain affordability of the six-year program.¹ Additional revenues established by the General Assembly during the 2024 legislative session, as well as additional revenues proposed by Governor Moore this session, allowed the Department to restore some reductions. However, continued fiscal constraint is required until the investments being made in Maryland's economic growth jumpstart the economy. A mandated increase in the Baltimore City HUR capital grant will require offsetting reductions across the Department to maintain the affordability of MDOT's six-year operating and capital program.

The Maryland Department of Transportation respectfully requests the Committee consider this information during its deliberation of Senate Bill 499.

Respectfully submitted,

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¹ Notably, MDOT did not propose HUR reductions as a means of balancing its fiscal year 2026 operating or capital budgets, thereby maintaining funding for local roadway investments at mandated levels despite declining revenues gas tax revenues.