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*Subcommittees*

Chair, Oversight Committee  
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## THE MARYLAND HOUSE OF DELEGATES ANNAPOLIS, MARYLAND 21401

### **HB 1457 Testimony – Highway Use Fee March 4, 2025 – Environment and Transportation Committee**

Chair Korman, Vice Chair Boyce, and Colleagues,

Thank you for the opportunity to present on HB 1457, legislation to establish a sustainable funding stream for transportation infrastructure funded through the Maryland Transportation Trust Fund (TTF).

Maryland currently faces a more than \$1 billion gap between the road and transit projects in the six-year Consolidated Transportation Program and the projected revenues in the state's TTF. A blue-ribbon panel, the Transportation Revenue and Infrastructure Needs Commission (the TRAIN Commission) found the state's gas tax, the primary source of transportation funding, will not be able to keep pace with inflation and basic maintenance of existing road and transit projects. The Trust Fund faces several challenges, including rising costs, declining revenues because of increased fuel-efficient cars and electric vehicle adoption, and aging infrastructure. Governor Moore recently stated "the business model is broken and needs to be fixed."<sup>1</sup>

In order for our state to have flexibility in meeting our transportation needs and challenges, we must focus on:

1. Sustainability – provide longer-term stability to transportation funding
2. Equitability – provide an equitable way to support transportation funding
3. Economic growth – support existing and future industry critical to the overall economic health of Maryland
4. Adequacy – provide adequate revenue to support necessary transportation projects across Maryland

More than \$1.3 billion dollars of the TTF coming from the motor fuel tax, which is more than one quarter of annual trust fund revenue. By 2031, according to the Eastern Transportation Coalition and MDOT, our fuel tax revenue is projected to decline by over \$300 million. Maryland's Climate Pollution Reduction Plan seeks to reduce fossil fuel use in the state by approximately 80 percent by 2045 according to a December 28, 2023 report. This could mean a reduction down to around only 620 million gallons of fuel consumption for the state by 2045. All this means we need to figure out a better way to pay for our transportation systems over the long term and this legislation is a bridge to get that done.

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<sup>1</sup> <https://marylandmatters.org/2024/12/31/the-stories-that-dominated-2024s-transportation-conversations-are-likely-to-repeat-in-2025/>

### **What does HB 1457 do?**

HB 1457 creates a new Highway User Fee on fuel-efficient, alternative fuel, and electric vehicles – a tiered fee based on fuel economy. The fee is:

- Based on 85% of the difference between fuel tax paid by the average vehicle in MD (24.2 miles per gallon) and the fuel tax paid by the fuel-efficient vehicle (based on data from MDOT/MVA).
  - Assumes average miles traveled by passenger vehicles in MD and the manufacturers combined fuel economy
- Paid at the time of registration
- Applied to vehicles up to 26,000 pounds (anything over 26k is an 18-wheeler)
- Directs the Maryland Department of Transportation to develop a voluntary Mileage-Based User Fee Program
- Vehicle owner would pay a per mile fee capped at the applicable Highway User Fee determined by dividing the applicable Highway Use Fee by the average number of miles travelled by vehicles in MD

Additionally, the bill repeals the \$125 vehicle license tax for electric vehicles and the \$100 vehicle license tax for plug-in hybrid vehicles

### **Who is Exempt from the HUF?**

- Vehicles with a combined MPG rating LESS than 25 MPG
- Autocycles
- Motorcycles
- Mopeds
- A vehicle with a gross weight greater than 26,000 pounds
- A vehicle that is owned by a governmental entity
- A vehicle registered under the [International Registration Plan \(IRP\)](#)

### **How is the HUF Calculated?**

The HUF calculation is based on:

- The vehicle's fuel efficiency (both the average MD MPG (25) and manufacturers' combined rating)
- The fuel tax rate at the time the vehicle was registered - updated annually on July 1 – Currently 46 cents
- The yearly average number of miles driven by all Marylanders (11,245 miles)
- HUF is 85% of the difference between the fuel taxes paid by a vehicle with a 24.2 rating and fuel taxes paid by a vehicle using the manufacturer's combined MPG rating based on the average miles driven by all Marylanders

**HUF** =  $\left[ \left( (11,245 \text{ average miles traveled} \times 0.46) / 24.2 \right) - \left( (11,245 \text{ average miles traveled} \times 0.46) / \text{vehicle's MPG rating} \right) \right] \times 0.85$

### **How is the HUF Equitable?**

- Under this proposal, the HUF will not apply to vehicles with less than 25 MPG, as older and less fuel-efficient vehicles pay substantially more in fuel taxes than fuel-efficient vehicles. All

vehicles will now pay their fair share of roadway and transit costs, either through the gas tax or the highway use fee.

- Zero emissions vehicles and plug-in hybrid electric vehicles will no longer be subject to an annual surcharge fee of \$125 (electric vehicles) and \$100 (plug-in hybrid vehicles) and instead will be charged an equitable and fair amount.

**Thank you for your consideration and I urge a favorable report for HB 1457.**

### **GAS TAX INEQUITIES:**

**Examples of the decline and inequity in gas tax revenue based on fuel efficiency improvements:**

Toyota Camry			
Model Year	MPG	Tax Paid	Less Fuel Tax
2004	23.5	\$ 220.11	
2014	28	\$ 184.74	(16%)
2024	32	\$ 161.65	(27%)
2024 Hybrid	52	\$ 99.48	(55%)

Jeep Grand Cherokee			
Model Year	MPG	Tax Paid	Less Tax Paid
2004	16	\$ 323.29	
2014	20	\$ 258.64	(20%)
2024	22	\$ 235.12	(27%)
2024 Hybrid	56	\$ 92.37	(71%)

Honda Accord			
Model Year	MPG	Tax Paid	Less Tax Paid
2004	24	\$ 215.53	
2014	29	\$ 178.37	(17%)
2024	32	\$ 161.65	(25%)
2024 Hybrid	48	\$ 107.76	(50%)

Ford F150 (2WD)			
Model Year	MPG	Tax Paid	Less Tax Paid
2004	16	\$ 323.29	
2014	18	\$ 287.37	(11%)
2024	21	\$ 246.32	(24%)
2024 Hybrid	25	\$ 206.91	(36%)