House Bill 167

Vehicle Excise Tax - Rate Increase

MACo Position: **LETTER OF INFORMATION**

To: Ways and Means Committee

Date: January 28, 2025

From: Kevin Kinnally

The Maryland Association of Counties (MACo) takes no position on HB 167 but raises the following issues for the Committee's consideration on the policy matters raised by this bill.

This bill provides a mechanism to raise revenue for the State's Consolidated Transportation Trust Fund, but local governments face a dire crisis as transportation funding remains unpredictable, severely insufficient, and far below historical levels.

Highway User Revenue—mainly motor fuel and vehicle titling taxes—was historically the central funding source for local roadways and bridges, providing counties, Baltimore City, and municipalities with a consistent and equitable share of state transportation revenues. However, during the Great Recession, the State reallocated nearly ninety percent of this funding from local governments to the State's General Fund to address budget shortfalls. This dramatic reduction severely constrained local governments' ability to maintain and improve vital infrastructure.

Local governments own and maintain approximately five out of six of the state's road miles—supporting public safety, economic development, and residents' quality of life. Over the past decade, incremental increases in the local share of transportation revenue have partially addressed severe funding shortfalls. However, current allocations remain far below historical levels, forcing local governments to increasingly rely on property tax revenues to maintain local roads and bridges. This unsustainable approach defies residents' reasonable expectation that dedicated revenues should fund transportation infrastructure.

While the governor's 2026 fiscal plan appears to resolve multi-billion-dollar deficits in the Transportation Trust Fund, it assumes temporary increases to the local share of Highway User Revenue will expire after fiscal 2027. Without legislative action, this "funding cliff" could slash hundreds of millions of dollars from local roads and bridges, compounding years of cumulative cuts to local transportation funding. These reductions would force counties to defer critical infrastructure projects, undermining safety, economic growth, and residents' quality of life.

A sustainable solution to the local transportation funding crisis is long overdue. County leaders urge the General Assembly to advance a sustainable solution to address critical infrastructure needs across the state. Properly restoring the Highway User Revenue formula should be a priority in advancing such a plan, creating sensible and reliable support for all locally maintained roadways.