MARYLAND DEPARTMENT OF TRANSPORTATION

Wes Moore
Governor
Aruna Miller
Lieutenant Governor
Paul J. Wiedefeld
Secretary

February 11, 2025

The Honorable Vanessa Atterbeary
House Ways and Means Committee
131 Taylor House Office Building
Annapolis, MD 21401

RE: Letter of Opposition – House Bill 695 – Repair the Transportation Trust Fund Act

Dear Chair Atterbeary and Committee Members,

The Maryland Department of Transportation (MDOT) respectfully opposes House Bill 695 and offers the following information for the Committee's consideration.

House Bill 695 repeals the annual inflation adjustment to the motor fuel tax; prohibits the State from pursuing mileage-based user fees; and establishes farebox recovery requirements for the Maryland Transit Administration.

In 2013, additional transportation revenues were adopted to provide additional funding to transportation operations and projects across the state. Few transportation revenue sources in Maryland keep pace with inflation, yet all transportation expenses are impacted by inflation. The result is that transportation revenues lose their buying power over time. Concerned about this impact on the State's transportation investments, the legislature indexed the motor fuel tax. This variable rate has been critical to stabilizing the State's transportation investments over the last decade. Unfortunately, today, the State's transportation investments face a new challenge from declining sales of motor fuel, as vehicles become more fuel efficient and the ownership of electric vehicles increases.

The six-year forecast for the Transportation Trust Fund assumes increases to the motor fuel tax rate during the forecast period in adherence with current State law. Abolishing the indexing requirement thus reduces anticipated transportation revenues by an estimated $344 million and will require a deferral of projects currently in the Consolidated Transportation Program.

Across the transportation industry, mileage-based user fees are widely seen as a potential future replacement for the motor fuel tax as the motor fuel tax revenues continue to decline due to increased fuel efficiency and the growing market share of electric vehicles. While the State has no immediate plans to move toward a mileage-based user fee, MDOT is concerned about any outright prohibition on mileage-based user fees. Mileage-based user fees are under consideration at the national level as a future replacement for the federal gas tax. Thus, any prohibitions on implementation of mileage-based user fees may have implications for the future of both federal and state transportation revenues.

The final provision of House Bill 695 is to establish a farebox recovery requirement for the Maryland Transit Administration. Nationwide, the transit industry has not yet recovered from the COVID pandemic. Transit ridership and revenue remain well below pre-pandemic levels for most transit modes, although there are variations among transit modes in ridership and revenue. Across the Maryland Transit Administration, fiscal year 2024 farebox recovery was 7%, with recovery by mode ranging from 2.4% on Metro to 12.3% on MARC. House Bill 695 establishes a phased-in implementation of a farebox recovery rate of 35% by fiscal year 2030. This requires either substantial reductions to services and projects or significant increases in transit fares. Either condition will likely result in further declines in passenger levels and reduce transportation options available to Maryland citizens, including many who rely on transit to access jobs, education, and health care.

To continue to maintain the State's investment in its transportation system, the Transportation Trust Fund requires additional funding. The legislature has before it a transportation investment package to restore the transportation services and projects that Maryland citizens rely on. House Bill 695 runs contrary to these efforts.

For these reasons, the Maryland Department of Transportation respectfully requests an unfavorable vote on House Bill 695.

Respectfully submitted,

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Maryland Department of Transportation
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