



THE MARYLAND GENERAL ASSEMBLY
ANNAPOLIS, MARYLAND 21401-1991

MEMORANDUM

To: Members, Maryland Commission on Transportation Revenue and Infrastructure Needs

From: Frank J. Principe, Jr., Chair

Date: ~~November 21, 2023~~ December 13, 2023

Re: Interim Recommendations

1. In the 2024 legislative session, ~~the~~ the Maryland General Assembly— should consider options to ~~authorize the Motor Vehicle Administration (MVA) to collect an additional revenue for the Transportation Trust Fund to offset the loss of revenue to the Trust Fund from the increase adoption registration fee for~~ of electric and/or hybrid vehicles, including adding a new registration fee for electric and/or hybrid vehicles, other differential registration fees, or increasing registration fees for all drivers.

At its first meeting, the Maryland Commission on Transportation Revenue and Infrastructure Needs (Commission) heard from the Department of Legislative Services (DLS) about the sources and uses of the Transportation Trust Fund (Trust Fund). Motor fuel taxes make up the largest share of funding to the Trust Fund (24%), while other major sources of funding include federal funds (20%) and titling taxes (19%).

The motor fuel tax has served as the primary source of funding for transportation projects in the United States for almost 100 years because it was an efficient proxy for a direct user fee. However, at its first meeting, the Commission heard from Ed Regan, a transportation consultant with 45 years of experience working for various transportation-related consulting firms, that, because of increasing fuel efficiency and the dramatic shift toward electric vehicles (EVs), Maryland may have reached its peak of revenue from the motor fuel tax. In Maryland, total fuel sales experienced a large decrease in 2020 due to the COVID-19 pandemic, and in both 2021 and 2022 total fuel sales continued to be lower than the 2019 motor fuel sales. This trend in Maryland is similar to motor fuel sales statistics in other states like Virginia, New York, Delaware, and Pennsylvania. The Commission heard that the United States likely reached peak fuel consumption in 2019 and that as EV sales begin to surge, future fuel consumption and motor fuel tax revenues will continue to decline significantly.

At its first meeting, the Commission also heard about the nationwide trends in EV sales for both battery EVs and plug-in hybrid EVs. Between 2017 and 2020, new EV sales in the United States averaged 300,000 per year. By 2021, annual EV sales had more than doubled to 635,000. That

increase has continued in 2022 to a total of 915,000, and EV sales are on track to reach 1.3 million in 2023. In Maryland, EV registrations have increased from less than 10,000 vehicles in 2016 to almost 70,000 in 2022. As of 2022, Maryland ranked 12th in the country for the highest number of EVs per 1,000 residents, at 9.16. Additionally, in March 2023, Governor Wes Moore announced Maryland's adoption of California's Advanced Clean Cars II rule which requires manufacturers to continuously increase the share of EVs they sell so that by model year 2035 EVs will account for 100% of passenger car and light truck sales.

The decrease in revenue from the motor fuel tax is a reality for the Trust Fund. At its second meeting, the Commission heard from the Maryland Department of Transportation (MDOT) that the fiscal 2024-2029 Draft Consolidated Transportation Program (CTP) submitted in September 2023 was not balanced, in that programmed capital spending exceeds projected funding by \$2.1 billion over the six-year program. This results from the combination of decreased revenues and additional operating spending to address employee compensation, contract escalations, and collective bargaining costs.

At its fourth meeting, the Commission had a discussion related to collecting an additional fee on EVs and hybrid vehicles to generate funding to supplant lost revenue to the Trust Fund from the motor fuel tax [because drivers of EV and hybrid vehicles use the roads but contribute little or nothing in gas tax for the Trust Fund](#). The Commission heard from Deron Lovas, Chief of Environment and Sustainable Transportation with MDOT, and Colleen Turner, Associate Vice President and Senior Project Manager with Michael Baker International, that 33 states have enacted an EV registration fee, and 11 states have proposed an EV registration fee. The average EV fee is \$128 while the average hybrid vehicle fee is \$63. Some Commissioners raised the concern that an increased registration fee for EVs may discourage individuals from choosing to purchase an EV or hybrid vehicle. However, according to MDOT, that concern has not been validated in states with EV registration fees.

The Commission also heard from MDOT about different revenue projections if Maryland were to enact an additional registration fee on EVs or hybrid vehicles. In looking at modeling options, MVA determined that a \$220 fee per EV registration would be an accurate proxy for the average annual gas tax payment by a non-EV Maryland vehicle owner. If MVA was authorized to collect a \$200 registration fee for EVs and hybrid vehicles, the fee could potentially generate \$40 million in additional revenue in fiscal 2025 and would increase to \$118 million in fiscal 2029. Under a different model with a fee of \$200 for EVs and \$100 for hybrid vehicles, MVA projected an additional \$39 million in fiscal year 2025, increasing to \$110 million in fiscal 2029. Although this would provide a significant new source of revenue to the Trust Fund [and create more equity by assessing a fee to all vehicles](#), the Commission noted that this new revenue alone would not sufficiently supplant funding lost from the decrease in motor fuel tax revenue. [In follow up materials to the Commission from MDOT, the department explained that an increase of \\$10 in vehicle registration fee generates approximately \\$45 million in annual revenue.](#)

[Some states have started to add fees based on number of miles a vehicle travels, referred to as a vehicle miles traveled fee, road user charge, or a mileage-based user fee. The federal Fixing America's Surface Transportation Act \(FAST Act\) created the Surface Transportation System](#)

Funding Alternatives (STSFA) program to provide grants to states to demonstrate user-based alternative revenue mechanisms to maintain the long-term solvency of the Highway Trust Fund. The FAST Act authorized \$95 million for this program over federal fiscal 2016 to 2020. The IIJA renamed STSFA as the Strategic Innovation for Revenue Collection (SIRC) and expanded eligibility to include Metropolitan Planning Organizations and local governments. According to the Federal Highway Administration (FHWA), a total of \$73.9 million of funding through STSFA was awarded to 14 states for various pilot studies and programs with many of the awards received on behalf of groups of states jointly carrying out the studies and programs. Maryland has not applied for funding through STSFA/SIRC nor conducted any pilot studies. It is, however, a member of The Eastern Transportation Coalition (TETC), which has been active in this effort. TETC, formerly the I-95 Corridor Coalition, is a partnership of 17 states and the District of Columbia focused on connecting public agencies across modes of travel to increase safety and efficiency. MDOT indicates it has committed to being part of the exploratory work being coordinated by TETC in Phase 5 of its STSTA grant.

In discussing a recommendation option related to EV fees, Commissioners voiced ~~concerns~~ the pros and cons about requiring MVA to collect ~~this~~ a new fee. While other states considered or adopted a wide range of EV and hybrid vehicle fees, ~~are doing something similar~~, Commissioners agreed that they could not determine the specific appropriate fee for MVA to collect, how to differentiate fees for EVs and hybrid vehicles, or whether MVA should instead increase registration fees on all vehicles to compensate for the ~~lack-decrease~~ of revenues to the Trust Fund from EVs and hybrid vehicles. Commissioners were cognizant that the imposition of a fee might have a negative impact on the State's effort to encourage adoption of EVs, however, the Commission felt that the immediate need of the Trust Fund warranted making a recommendation and that the State would need to continue to explore other revenue options. The Commission intends to consider policies related to vehicle miles traveled fees during the 2024 interim. ~~The Commission recommends that the Maryland General Assembly authorize MVA to collect an additional registration fee on EVs and hybrid vehicles. Having this flexibility will allow MVA to weigh all of these options and determine if and/or when an additional fee is appropriate and how to balance the fee amount against the desire to increase EV ownership. Additionally, the Commission recommends that MVA explore different fee amounts or payment options for low-income individuals.~~

Recommendation 1: In response to urgency of the need to find revenue for the fiscal year 2025 budget, the Commission recommends that the Maryland General Assembly consider in the 2024 legislative session, options to collect additional revenue help offset the loss of revenue to the Transportation Trust Fund from the increased adoption of electric vehicles and/or hybrid vehicles. These options include adding a new registration fee for electric and/or hybrid vehicles or increasing registration fees for all drivers. The Commission believes that the State should use the increased funding to build out EV infrastructure, after the State has maximized use of available IIJA funding for the same purpose.

Recommendation 2: The Commission recommends that MVA explore different fee amounts or payment options for low-income individuals.

2. The Maryland General Assembly should require the Maryland Transportation Authority (MDTA) to adjust toll rates on out-of-state E-Z Passes to maximize toll revenue in order to generate ~~additional~~ new revenues to help support Maryland's broader transportation system.

Since 1971, MDTA has been responsible for constructing, managing, operating, and improving the State's toll facilities and for financing new revenue-producing transportation projects. Generally, MDTA may issue revenue bonds without obtaining the consent of any instrumentality, agency, or unit of the State and without any proceedings or the happening of any condition or terms other than those specifically required by State law. MDTA is a non-budgeted State agency, meaning that its budget is not subject to the General Assembly's appropriation process.

MDTA has the authority to set tolls on transportation facilities projects under its supervision. Tolls must provide funds that, when combined with bond proceeds and other available revenues, are sufficient to (1) pay maintenance, repair, and operating costs for transportation facilities projects that are not otherwise paid for; (2) pay the interest and principal of any outstanding bond issues; (3) create reasonable reserves for these purposes; and (4) provide funds for the cost of replacements, renewals, and improvements. Toll revenues are deposited into the Transportation Authority Fund, which is wholly separate from the Trust Fund. However, any funds collected by MDTA from rentals, rates, fees, tolls, and other charges and revenues that are not needed to meet the obligations of the Transportation Authority Fund and the trust agreement between MDTA and bond holders or to provide adequate and complete payment of all principal and interest on all bonds issued in connection with specified transportation facilities projects may be transferred to the Trust Fund, upon the recommendation of the Secretary of Transportation and approval by the Board of Public Works.

At its second meeting, the Commission heard from MDTA regarding their 2024-2029 CTP, for which MDTA's budget includes 180 projects totaling \$2.7 billion. MDTA explained that, because MDTA is a non-budgeted agency solely supported by self-generated revenue and tolls were last raised nearly a decade ago, MDTA has significant operating costs and may be facing a toll increase in the coming years. When asked by Commissioners, MDTA explained that toll reductions in 2015 reduced MDTA's revenue by more than \$500 million in anticipated revenues over the past eight fiscal years. Although a plan was adopted at the time of the reductions to help mitigate the impact of the toll reductions, it was assumed that toll increases would resume in fiscal 2024. Commissioners asked what increased revenue for MDTA could be generated from increasing tolls. For illustrative purposes only, DLS completed an analysis of an increase of \$0.50 for all vehicles that would yield \$81.4 million in additional revenue to MDTA.

At the Commission's fourth meeting, DLS provided an analysis that a \$0.50 increase for all out-of-state vehicles would yield \$26.7 million in additional revenue to MDTA. Although MDTA already applies a discounted rate for two-axle vehicles with a Maryland-issued E-ZPass transponder at many of its tolled facilities (compared to vehicles using an E-ZPass transponder from another state), Commissioners were interested in how increased revenue from passenger vehicles with non-Maryland-issued E-ZPass transponders could be deposited into a special fund as a revenue

source for transportation-related purposes unrelated to the tolled highway. ~~Because a change like this would require an enabling act,~~

Recommendation 3: ~~†~~The Commission recommends that the Maryland General Assembly require MDTA to adjust toll rates on out-of-state E-Z Passes to maximize toll revenues to generate ~~additional~~-new revenue to support projects in Maryland's broader transportation system outside of MDTA. This could provide additional resources for ~~public~~ transportation, cycling, pedestrian infrastructure, and transit oriented development.

3. MDOT should reevaluate the prioritization process used for CTP development and project prioritization with the goal of adopting a new consistent and fair process for the 2026-2031 CTP.

Maryland law establishes a decades-old process for developing the CTP that includes the submission of county priority letters, the publication of a draft CTP by September 1, a visit to each county and Baltimore City to review the draft CTP as part of the fall CTP tour, and submission of the final CTP in January as part of the Governor's budget submission.

More recently, Chapter 30 of 2017 required MDOT to develop a project-based scoring system model for ranking major transportation projects for inclusion in the CTP. While MDOT uses the model to evaluate, score, and rank proposed projects for inclusion in the CTP, MDOT is not required to use the model to prioritize projects for inclusion in the CTP.

The annual scoring cycle begins in January. Applications must be completed and submitted by proposing entities by March 1. In the four months following application submission, MDOT processes applications, validates project information and eligibility, collects necessary technical data, and completes all modeling and forecasting. Beginning in July, MDOT utilizes the modeling results and technical data to evaluate each project across nine goals and 23 measures (established in statute), calculate the scores, and determine the final ranking of projects. The final ranking then helps inform the development of the Draft CTP in August. The Draft CTP is made public in early September. The final project scores and rankings are included as an appendix in the Draft CTP and are also posted on MDOT's website.

During the Commission's meetings over the 2023 interim, MDOT sent a survey to stakeholders to solicit input on CTP development and the project prioritization process to generate feedback. Although MDOT only received 33 responses, the themes in the responses were similar to concerns Commissioners expressed during presentations around the prioritization process. Common concerns the Commission heard were that the processes are not transparent, it is unclear why a project is or is not funded, and the scoring results are not reflected in projects selected for inclusion in the CTP and the overall fairness and ability of using one scoring system to compare multiple types of projects. During presentations from the Maryland Association of Counties and the Maryland Municipal League, the Commission heard recommendations related to the benefits around standardization, the need for clearer and earlier information in project selection, and the need for local input in prioritization.

At its third meeting, the Commission heard from North Carolina and Illinois about the development and implementation of each state's specific transportation project prioritization system. Although each system must be uniquely tailored to the needs to the state, Commissioners generally agreed that a prioritization process is important for transportation project selection to (1) make informed decisions; (2) make the most of limited resources; ~~and~~ (3) be transparent and accountable; and (4) equally evaluate projects in a diverse transportation system.

Recommendation 4: The Commission recommends that MDOT develop a new draft prioritization process to present to the Commission during the 2024 interim, with the goal of implementing the new prioritization process for the 2026-2031 CTP. The current process lacks consistency and uniformity and can be improved to promote fairness. While the Commission was interested in prioritization processes in Virginia, Illinois, and North Carolina, ~~T~~the Commission was not comfortable recommending the implementation of a specific prioritization process and agrees that MDOT should develop a new draft prioritization process with the goal of implementing the new prioritization process for the FY 2026-2031 CTP. The Commission believes that a new process should attach funding decisions to statewide priorities.

Recommendation 5: The Commission further recommends that the prioritization process have performance metrics related to safety, accessibility and mobility, climate change and the environment, equity, economic factors, and land use. The Commission recommends that the new prioritization process also take into consideration:

- the goals set forth in the Maryland Transportation Plan and regional long range transportation plans and modal strategic and long-range plans;
- providing a meaningful role for stakeholders;
- the ~~importance of transit expansion and improvement projects~~ equitable allocation of funds to expand and improve our roads, bridges, rail transit, bus transit, and airports;
- the role of active transportation; ~~and~~
- emphasizing a ~~holistic~~ comprehensive approach to road projects that (1) enables mobility and alternative transportation options rather than focusing on just the road project itself; (2) improves how communities are served, connected, and integrated with safe systems; (3) addresses equity; (4) furthers economic development; and (5) results in a more comprehensive transportation network;~~;-~~
- the different needs of rural and urban counties;

November 21, 2023

Page 7

- the use of separate scoring systems for each of the three major modes of transportation: roads/bridges, transit, and aviation.
- Recommendation 6: In developing a prioritization process, MDOT should standardized local priority letters, create a process to provide comments to local governments related to request projects, and always present a balanced draft CTP in September prior to the local road show.

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