



House Bill 1394

Highway User Revenues – Revenue and Distribution

MACo Position: **SUPPORT**
with AMENDMENTS

To: Environment & Transportation Committee

Date: March 5, 2020

From: Michael Sanderson

The Maryland Association of Counties **SUPPORTS HB 1394**, with **AMENDMENTS** providing a long-term restoration for the state-levied transportation revenues needed to support safety and maintenance work on local roads and bridges across Maryland.

For decades, the State supported a balanced means to maintain its transportation infrastructure. The bulk of transportation revenues – mainly motor fuel and vehicle titling taxes – have been split between the State (for its consolidated Transportation Trust Fund, serving multiple modes) and local governments (who own and maintain roughly 5 of every 6 road miles across the state). For decades, this split served all parties effectively.

During the depths of the “great recession” in 2009, the State faced a mid-year budget crisis. The Board of Public Works adopted a 90% reduction of the local distributions of these Highway User Revenues and a roughly 40% reduction to Baltimore City’s allocation (the largest by far to any jurisdiction). Since then, recession-driven cutbacks in many service areas have been fully or largely restored. This is not the case with Highway User Revenues – they remain far, far behind historic levels, even after the State has enacted a substantial transportation revenue increase.

HB 1394 takes an appropriate “next step” with Highway User Revenues – eliminating the coming “cliff effect” following a multi-year advance in local funding. The bill also provides an extra step in funding targeted to municipal governments and Baltimore City, while properly attaching the local share to the inflation-adjusted base. Finally, the bill affords the same statutory “lockbox” protection to these local distributions as was granted to State transportation funds, as part of the 2013 changes to transportation revenue structure.

MACo supports each of these provisions. They offer a positive next step for our statewide transportation investments. MACo’s amendments would recognize that the bill, as introduced,

leaves a good deal of recovery ahead for both Baltimore City and the 23 counties, and offers a gradual phase-in of that funding to return to the dollar distributions provided in FY 2008, the last year of “intact” local funding. Counties recognize that an abrupt formula change may shock the state funding streams, and are willing to support a gradual restoration as proposed in these amendments. This phase-in would not even commence until FY 2026, essentially after the end of the current six-year capital planning process, avoiding interference with projects already scheduled and incorporated in that plan.

HB 1394 represents a forward-thinking next step for funding local transportation needs, and avoids a dramatic “cliff effect” in state funding. MACo amendments would identify a gradual phase-in of the remaining funding restoration, bringing the historic balance back to these funding distributions. MACo urges the committee to **SUPPORT HB 1394 WITH AMENDMENTS** to extend its provisions to address all of Maryland’s local jurisdictions.

MACo Proposed Amendment:

On page 5, in line 4, strike “SUBSECTION (C)” and substitute “SUBSECTIONS (C) AND (D)”; and

In line 16, after “(C)” insert:

“FOR FISCAL YEAR 2026, AND EACH FISCAL YEAR THEREAFTER, THE AMOUNTS SPECIFIED IN SUBSECTION (B) OF THIS SECTION SHALL BE ADJUSTED AS FOLLOWS:

- (1) THE SHARE OF FUNDS DIRECTED TO BALTIMORE CITY UNDER SUBSECTION (B)(2) OF THIS SECTION SHALL BE INCREASED BY 0.5%, BUT NOT TO EXCEED THE RATE REQUIRED TO PROVIDE THE LEVEL OF FUNDING TO BALTIMORE CITY PROVIDED IN FISCAL YEAR 2008; AND**
- (2) THE SHARE OF FUNDS DIRECTED TO THE COUNTIES UNDER SUBSECTION (B)(2) OF THIS SECTION SHALL BE INCREASED BY 1.0%, BUT NOT TO EXCEED THE RATE REQUIRED TO PROVIDE THE LEVEL OF FUNDING TO THE COUNTIES PROVIDED IN FISCAL YEAR 2008.**

(D)”.