



SB 331
Vehicle-Miles-Traveled Tax and Associated Mandated Devices - Prohibition
Budget and Taxation and Education, Health, and Environmental Affairs
Committees
Position: Oppose

Maryland AGC, the Maryland Chapter of the Associated General Contractors of America, provides professional education, business development, and advocacy for commercial construction companies and vendors. While the overwhelming majority of our members are open shop, we welcome union contractors and are the bargaining agent with four of the basic trades. AGC of America is the nation's largest and oldest trade association for the construction industry. AGC of America represents more than 26,000 firms, including over 6,500 of America's leading general contractors, and over 9,000 specialty-contracting firms. More than 10,500 service providers and suppliers are also associated with AGC, all through a nationwide network of chapters. Maryland AGC opposes SB 331 and respectfully urges the Committee to give the bill an unfavorable report.

SB 331 prohibits the use of any version of a vehicle-miles-travelled tax. As stated in the Fiscal Note: "[t]his bill prohibits the State or a local jurisdiction from directly or indirectly imposing or levying a vehicle-miles-traveled (VMT) tax, a mileage-based user fee, a toll based on global-positioning-satellite tracking, or any other similar form of tax." The bill also prohibits the installation of any device to facilitate VMT reporting.

VMT or some variant represents the best technology to date to address the problem that steadily increasing fuel efficiency poses for a transportation system built on motor vehicle fuel taxes. Maryland, like most states, depends on motor vehicle fuel taxes to fund our highway and transit construction programs. Even at current gas tax levels, Maryland's highway and transit construction program is underfunded. The Trump administration has proposed replacing existing *CAFE* standards with lower *SAFE* fuel economy standards, which would freeze required fuel economy at its current level of 37 mpg, ostensibly ensuring current gas tax revenues.¹ Despite that, the rate of adoption for hybrid, electric, and perhaps even hydrogen vehicles, whose owners pay little or no fuel tax, is projected to expand over the next several decades. So, the increasing shortfall in fuel tax revenues will be due not only to inflation but also to changes in fuel economy and fuel type.²

Oregon completed a multi-year VMT trial ("OReGO") using volunteer motorists. The trial was deemed a success and OReGO is now a standing option for Oregon motorists. Starting January 1, 2020, drivers of electric and high-mpg vehicles (40 mpg or better) enrolled in OReGO do not have to pay significant registration fee increases in 2020 and 2022. Instead, they will pay just the base registration (\$43 per year) plus the road charge of 1.8 cents per mile.³ A surprising finding was that VMT might be beneficial to rural areas, because drivers in those areas tend to own less fuel-efficient vehicles and would pay more under a per gallon tax than under VMT.⁴ VMT has been the subject of a wide range of studies, which generally have concluded as did the RAND Corporation:

Transportation funding shortfalls will grow even more acute in the coming years as improved vehicle fuel economy and the adoption of alternative-fuel vehicles reduce federal and state fuel tax revenues by billions of dollars per year. A system of mileage fees - while challenging to design and implement and more costly to administer - would offer a significantly more stable source of funding in future decades and could support additional policy goals as well.⁵

¹"U.S. DOT and EPA Propose Fuel Economy Standards for MY 2021-2026 Vehicles" (Press release). 2018-08-02. Retrieved 02/05/2020.

²Mileage-Based User Fees for Transportation Funding: A Primer for State and Local Decisionmakers. Sorensen, Paul, Liisa Ecola and Martin Wachs. Santa Monica, CA: RAND Corporation, 2012, p. 7. Retrieved 02/05/2020

³Highlights of HB 2017. Oregon Department of Transportation. Retrieved 02/05/2020.

⁴Oregon's pay-per-mile program could go from test to reality. Anderson, Taylor W. The Bulletin. Retrieved 02/05/2020

⁵Sorensen et al., op cit., p. 6

The decline in motor fuel prices since Maryland revised its motor vehicle fuel tax structure has a negative impact on Maryland's motor fuel tax revenues. And this occurs at the same time that lower gas prices encourage more driving. A mileage-based system would avoid this mismatch of revenues and highway maintenance costs. In short, VMT is a necessary – perhaps the only realistic option, to fund highway and transit construction in the future. Rejecting VMT out of hand would be premature at the best.

Opponents of VMT make two essential points: first, VMT would be unfair to people in rural areas who simply have longer drives to work, shopping, and virtually everything else. That is certainly true, but this objection assumes that the mileage rate under any VMT scheme would be the same for all drivers across the state. There is nothing inherent in VMT that requires that. Indeed, there are a variety of ways the General Assembly could levy VMT fees that recognize home address GPS coordinates and adjust the tax rate accordingly.

The second objection is concern about privacy. Opponents fear that VMT would allow government to track every driver's movements and then use this information in secret or illicit ways as part of a police state adverse to the public's interest in privacy. Here again, VMT technology can address this in a variety of ways that separate personally identifiable information from miles traveled.⁶ Indeed, some commentators fault VMT for not being intrusive enough and including fees calculated to reflect not just miles driven but also congestion, road damage, and pollution. According to these advocates "Technology and consumer acceptance have blown past the simple-minded idea of a VMT fee. Nearly all American adults already have smart-phones and other GPS-enabled devices that track their locations in real time."⁷

In its simplest terms, this bill attempts to repeal the future before it arrives. It should be rejected again this year. Accordingly, we respectfully urge the Committee to give SB 331 an unfavorable report.

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⁶ [Hanley, Paul and Kuhl, Jon. National Evaluation of Mileage-Based Charges for Drivers.](#) Transportation Research Record, 01/01/2011. Retrieved 02/05/2020

⁷ [An idea whose time has passed: The VMT Fee.](#) City Commentary 01-30-2018. Retrieved 02/05/2020