



Maryland Municipal League

The Association of Maryland's Cities and Towns

TESTIMONY

February 2, 2021

Committee: Senate Budget and Taxation

Bill: SB 362 - Transportation - Highway User Revenues - Revenue and Distribution

Position: Support - MML Priority Legislation

Reason for Position:

The Maryland Municipal League (MML) supports SB 362, which eliminates the highway user revenue (HUR) funding sunset after FY 24 and increases the share to municipalities and Baltimore City in FY 25.

Restoration of HURs has been a priority of the League ever since 96% of municipal HUR were cut in 2009 in the depths of the recession. Although HUR funding has crept up over the years and several one-time capital grants have been included in the State operating budget, the funding level and predictability have never returned to where they were in the decades prior to 2009.

In 2018, the General Assembly passed CH 330/331 which increased HUR funding for municipalities, counties, and Baltimore City. This legislation returned about 85% of municipal HUR, but included a sunset provision ending that funding level after FY 2024.

SB 362 has two components:

1. Remove the fiscal cliff for municipalities, counties, and Baltimore City after FY 24; and
2. Increase the percentage of HUR allocated to municipalities and Baltimore City starting in FY 25,

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Predictability of the revenue sources into and the distribution allocation out of the HUR account was something on which local governments could rely in the decades preceding the cuts of 2009. Gas tax revenue and vehicle registration fees account for the lion's share of inputs into the HUR account while distribution to local governments based on a percentage written into statute provide the funding predictability.

The combination of these two elements allowed for local governments to engage in long-term infrastructure planning at a funding level that met the needs of the residents. This arrangement represented a partnership between the State and local governments that provided a stable, predictable revenue sharing mechanism for local governments to rely upon when budgeting for transportation infrastructure projects. This has not been the case over the past decade and cities and towns have struggled to compensate for the unexpected loss of these funds.

What used to be a split of 70% to the State and 30% to local governments now sits at 86.5% to the State and 13.5% to local governments. After the current funding level is set to expire after FY 2024, that split moves to 90.4% to the State and 9.6% to local governments. This lower and inconsistent funding allocation presents serious challenges to budgeting for infrastructure projects.

Municipalities have lost about \$280 million in HUR since the initial cuts a decade ago. SB 362 will return the HUR allocation for municipalities to pre-recession levels and eliminate the impending sunset of current funding allocations after FY 2024 for all local governments. The certainty of a stable funding allocation at a level that suits the needs of local governments will allow for a more stable budgeting process and higher quality local transportation infrastructure.

For these reasons, the Maryland Municipal League respectfully requests that this Committee provide SB 362 with a favorable report.

FOR MORE INFORMATION CONTACT:

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