

# Modest Fees Will Help Meet Marylanders' Transportation Needs

## Position Statement in Support of House Bill 1215

*Given before the House Environment and Transportation Committee and the House Economic Matters Committee*

Modern, multimodal transportation infrastructure is one of the fundamental building blocks of Maryland's economy, but severe revenue shortfalls threaten to undermine our transportation systems for years to come. House Bill 1215 would help meet Marylanders' transportation needs by levying modest fees on deliveries and app-based ride services that create wear and tear on Maryland roads. **For these reasons, the Maryland Center on Economic Policy supports House Bill 1215.**

House Bill 1215 generates revenue from two services:

- A \$0.50-per-transaction fee on delivery of retail purchases subject to sales tax. In the wake of COVID-19-related shifts in consumer behavior, it is essential to ensure that these services generate revenue to support the transportation infrastructure they rely on. The fee exempts tax-free deliveries such as groceries and is structured to prevent multiple fees when a single transaction results in multiple deliveries.
- A small fee on app-based ride services. Both academic research<sup>i</sup> and these companies' own analysis<sup>ii</sup> finds that app-based ride services increase traffic, reduce transit ridership, and have little impact on car ownership. The bill levies a \$0.25 fee on electric vehicle rides and a \$0.50 fee on other rides.

The resulting revenue would be used to fund transportation capital needs, local highway user revenues, and (if sufficient revenue is available) local transit funding.

Reliable transportation infrastructure is essential for a strong Maryland economy. Surveys of corporate executives have placed highway access among the top five location considerations in four of the last five years.<sup>iii</sup> Furthermore, research has linked the quality of transit service, urban population density, and productivity and economic growth, especially in the knowledge economy.<sup>iv</sup>

Transit investments made possible by House Bill 1215 would build opportunity for Marylanders of color, based on a 2021 MDCEP analysis:<sup>v</sup>

- About one in six Black workers in Maryland take public transportation to get to work, compared to only one in 20 white workers. Workers in other racial and ethnic groups are about twice as likely to commute via transit as their white counterparts.
- On average, it takes transit commuters in Maryland just over 50 minutes to get to work each day, plus 50 minutes to get back home. Average car commutes are a little over 30 minutes each way. Over the course of a year, this adds up to about a week of extra commuting time for a full-time worker.
- On average, workers in the Baltimore metro area can reach only 8% of jobs in the region by transit in one hour or less. By car, 100% of jobs in the region are accessible within an hour. In fact, there are more jobs within a 20-minute drive of an average Baltimore-area worker than within an hourlong transit ride.
- In the Washington, DC, metro area (including portions outside Maryland), workers can on average reach 10% of the region's jobs in an hour via transit or 85% in an hour by car.

Strengthening transportation revenue is also essential to guarantee quality transportation services for Marylanders with disabilities. A federal investigation in 2023 found that delayed pickups and drop-offs as well as long call center waits violated the Americans with Disabilities Act.<sup>vi</sup> The revenue generated by House Bill 1215 would enable the state to improve service quality and come into compliance with federal law.

**For these reasons, the Maryland Center on Economic Policy respectfully asks that the House Environment and Transportation Committee and the House Economic Matters Committee make an favorable report on House Bill 1215.**

## **Equity Impact Analysis: House Bill 1215**

### *Bill summary*

House Bill 1215 creates a \$0.50-per-transaction fee on deliveries and a fee on app-based ride services (\$0.25 for electric vehicle rides, \$0.50 for other rides). The revenue from these fees would support transportation capital investments, local highway user revenues, and (if sufficient revenue is available) local transit funding.

### *Background*

A six-year deficit of \$3 billion in the Transportation Trust Fund makes severe cuts to transportation operating and capital funding likely.

### *Equity Implications*

Maryland's current transportation infrastructure – especially insufficient historical investments in transit – has significant shortcomings with respect to racial equity:

- About one in six Black workers in Maryland take public transportation to get to work, compared to only one in 20 white workers. Workers in other racial and ethnic groups are about twice as likely to commute via transit as their white counterparts.
- On average, it takes transit commuters in Maryland just over 50 minutes to get to work each day, plus another 50 minutes to get back home. Average car commutes are a little over 30 minutes each

way. Over the course of a year, this adds up to about a week of extra commuting time for a full-time worker.

- On average, workers in the Baltimore metro area can reach only 8% of jobs in the region by transit in one hour or less. By car, 100% of jobs in the Baltimore region are accessible within an hour. In fact, there are more jobs within a 20-minute drive of an average Baltimore-area worker than within an hourlong transit ride.
- In the Washington, DC, metro area (including portions outside Maryland), workers can on average reach 10% of the region's jobs in an hour via transit or 85% in an hour by car.

Current transportation policies also discriminate against Marylanders with disabilities. A federal investigation in 2023 found that delayed pickups and drop-offs as well as long call center waits violated the Americans with Disabilities Act.

Insufficient funding in coming years threatens to worsen these inequities. The revenue generated under House Bill 1215 would protect investments needed to make Maryland's transportation systems more equitable.

While detailed, disaggregated data on consumer delivery and ride service expenditures are not available, consumption-based taxes and fees like those levied under House Bill 1215 typically create greater responsibilities for working families than other revenue sources. One way to improve the distributional equity of House Bill 1215 would be to pair the bill with measures to increase Transportation Trust Fund revenue from the corporate income tax.

### *Impact*

House Bill 1215 may generate both positive and negative equity impacts, but on net would likely **improve racial, disability, and economic equity** in Maryland.

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<sup>i</sup> Mi Diao, Hui Kong, and Jinhua Zhao, "Impacts of Transportation Network Companies on Urban Mobility," *Nature Sustainability* 4, 2021, <https://www.nature.com/articles/s41893-020-00678-z>

<sup>ii</sup> Kyle Hyatt, "Ride-Hailing Companies Like Uber and Lyft Have Been Making Traffic Worse, Report Says," *CNET*, August 6, 2019, <https://www.cnet.com/roadshow/news/uber-lyft-ride-hailing-traffic-worse/>

<sup>iii</sup> MDCEP analysis of *Area Development* magazine 33<sup>rd</sup> to 37<sup>th</sup> annual corporate surveys.

<sup>iv</sup> See:

Avishai Ceder, "Urban Mobility and Public Transport: Future Perspectives and Review," *International Journal of Urban Sciences*, 2020, <https://doi.org/10.1080/12265934.2020.1799846>

Richard Knowles, Fiona Ferbrache, and Alexandros Nikitas, "Transport's Historical, Contemporary and Future Role in Shaping Urban Development: Re-Evaluating Transit Oriented Development," *Cities* 99, 2020, <https://doi.org/10.1016/j.cities.2020.102607>

"Economic Impact of Public Transportation Investment," American Public Transportation Association, 2020, <https://www.apta.com/wp-content/uploads/APTA-Economic-Impact-Public-Transit-2020.pdf>

Gabriel Ahlfeldt and Elisabetta Pietrostefani, "The Economic Effects of Density: A Synthesis," Centre for Economic Policy Research Discussion Paper DP13440, 2019, <https://repec.cepr.org/repec/cpr/ceprdp/DP13440.pdf>

Patricia Melo and Daniel Graham, "Transport-Induced Agglomeration Effects: Evidence for US Metropolitan Areas," *Regional Science Policy & Practice* 10(1), 2018, <https://rsaiconnect.onlinelibrary.wiley.com/doi/abs/10.1111/rsp3.12116>

Chandler Duncan, Naomi Stein, Mike Brown, Sue Moses, and Darnell Grisby, "Public Transportation's Role in the Knowledge Economy," American Public Transportation Association, 2016, <https://www.apta.com/wp-content/uploads/Resources/resources/reportsandpublications/Documents/APTA-PT-Knowledge-Economy.pdf>

Daniel Chatman and Robert Noland, "Transit Service, Physical Agglomeration and Productivity in US Metropolitan Areas," *Urban Studies* 51(5), 2013, <https://doi.org/10.1177/0042098013494426>

Jaison Abel, Ishita Dey, and Todd Gabe, "Productivity and the Density of Human Capital," *Journal of Regional Science* 52(4), 2011, <https://doi.org/10.1111/j.1467-9787.2011.00742.x>

<sup>v</sup> Christopher Meyer, "Budgeting for Opportunity: Maryland's Workforce Development Policy Can Be a Tool to Remove Barriers and Expand Opportunity," Maryland Center on Economic Policy, 2021, <https://www.mdeconomy.org/budgeting-for-opportunity-workforce/>

<sup>vi</sup> Bryan Sears, "U.S. Attorney: Maryland Paratransit System Does Not Comply with ADA; Lawsuit Threatened," *Maryland Matters*, July 19, 2023, <https://www.marylandmatters.org/2023/07/19/u-s-attorney-maryland-paratransit-system-does-not-comply-with-ada-lawsuit-threatened/>