

Department of Legislative Services
Maryland General Assembly
2015 Session

FISCAL AND POLICY NOTE
Revised

House Bill 913 (Delegate Hixson)

Environment and Transportation

Budget and Taxation

**Transportation - Highway User Revenues - Local Government Reporting -
Revisions**

This bill prohibits the State Highway Administration (SHA) from distributing highway user revenues to any local jurisdiction that has not submitted its required annual report related to highway user revenue accounting. The bill also expands the information that must be included in the annual report and requires SHA to provide each local jurisdiction with an electronic copy of an accounting report form to be used to submit the required information. Finally, the bill repeals the requirement that local jurisdictions submit those reports to the Governor and specified legislative committees. Instead, local jurisdictions must submit those reports only to SHA. SHA must then compile, summarize, and analyze the information received into a single report and submit it to the Governor and specified legislative committees by February 1 of each year.

The bill takes effect July 1, 2015.

Fiscal Summary

State Effect: The bill's requirements can be handled with existing budgeted resources. Transportation Trust Fund finances are not affected, assuming all local jurisdictions submit the required reports to SHA.

Local Effect: None, assuming local governments submit the required reports to SHA. To the extent local jurisdictions fail to do so, highway user revenues for the affected jurisdictions decrease significantly.

Small Business Effect: None.

Analysis

Bill Summary: In addition to information already required under current law, the accounting report submitted to SHA by local governments must (1) show the amount of the funds diverted from the local general fund to pay for specific authorized projects during the previous fiscal year and (2) list specific authorized projects that have been delayed due to a lack of funding.

Current Law: Chapter 638 of 2014 requires Baltimore City and each county and municipality that receives local highway user revenues to submit a report by January 1 of each year detailing (1) the actual local highway user expenditures incurred in the previous fiscal year; (2) the projected expenditures for the current fiscal year; and (3) for both the prior and current fiscal year, the local highway user revenues spent on specified projects. The report must be submitted to SHA, the Governor, and specified legislative committees.

Background: For more information regarding transportation aid to local governments and highway user revenues, please see the **Appendix – Highway User Revenues**.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Baltimore City, Maryland Association of Counties, Maryland Municipal League, Maryland Department of Transportation, Department of Legislative Services

Fiscal Note History: First Reader - February 28, 2015
mar/lgc Revised - Enrolled Bill - April 29, 2015

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Appendix – Highway User Revenues

Transportation Aid to Local Governments

In fiscal 2015, local governments received \$169.7 million in State aid through highway user revenues and \$16.0 million through municipal transportation grants for the construction and maintenance of local roads. Local governments also received \$7.2 million for special transit grants. **Exhibit 1** illustrates how State aid to local governments for transportation purposes increased by 31.5% between fiscal 2011 and 2015. **Exhibit 2** shows the amount of State aid for local transportation programs in each county, including municipalities and Baltimore City, in fiscal 2015.

Exhibit 1 Transportation Aid Programs – Funding Trend (\$ in Millions)

<u>Aid Program</u>	<u>FY 2011</u>	<u>FY 2015</u>	<u>Difference</u>	<u>Percent Difference</u>
Highway User Revenues	\$139.3	\$169.7	\$30.3	21.8%
Municipal Transportation Grants	0.0	16.0	16.0	N/A
Elderly/Disabled Grants	4.4	4.3	-0.1	-2.5%
Paratransit Grants	3.0	2.9	-0.1	-2.2%
Total	\$146.8	\$192.9	\$46.2	31.5 %

Source: Department of Legislative Services

Exhibit 2
Transportation Aid Programs
Fiscal 2015

County	Highway User Revenues	Municipal Grants	Elderly/ Disabled	Paratransit	Total Aid	Per Capita Aid	Per Capita Ranking
Allegany	\$820,822	\$809,832	\$141,544	\$68,400	\$1,840,598	\$25	9
Anne Arundel	3,148,028	698,158	245,996	416,000	4,508,182	8	21
Baltimore City	136,102,428	0	379,335	0	136,481,763	219	1
Baltimore	4,004,521	0	395,836	0	4,400,357	5	24
Calvert	701,291	198,831	127,003	76,099	1,103,224	12	16
Caroline	511,026	286,110	120,217	40,000	957,353	29	6
Carroll	1,496,445	925,146	151,029	0	2,572,620	15	14
Cecil	833,388	463,297	134,073	0	1,430,758	14	15
Charles	1,034,239	264,130	137,609	175,848	1,611,826	11	18
Dorchester	574,998	329,211	122,724	50,000	1,076,933	33	3
Frederick	2,087,612	1,764,578	159,159	460,000	4,471,349	19	11
Garrett	629,723	262,429	119,664	0	1,011,816	34	2
Harford	1,690,629	775,904	170,371	40,592	2,677,496	11	17
Howard	1,531,557	0	162,520	430,000	2,124,077	7	23
Kent	295,694	170,016	120,217	0	585,927	29	5
Montgomery	4,712,706	2,546,645	379,108	0	7,638,459	8	22
Prince George's	4,257,842	3,276,302	332,819	446,663	8,313,626	9	20
Queen Anne's	560,814	109,824	122,064	0	792,702	16	13
St. Mary's	785,018	70,845	131,054	135,000	1,121,917	10	19
Somerset	327,969	122,127	117,447	96,667	664,210	25	8
Talbot	511,139	437,810	120,217	0	1,069,166	28	7
Washington	1,314,937	1,051,976	146,917	188,100	2,701,930	18	12
Wicomico	1,021,159	892,293	134,507	96,667	2,144,626	21	10
Worcester	732,161	544,537	134,508	206,666	1,617,872	31	4
Total	\$169,686,146	\$16,000,001	\$4,305,938	\$2,926,702	\$192,918,787	\$33	

Note: Highway User Revenues column includes Municipal Aid
Source: Department of Legislative Services

Highway User Revenues – Generally

Since the early 1900s, the State has shared motor vehicle-related revenues with the counties and Baltimore City. Initially these revenues consisted of vehicle registration fees. In 1927, when the gasoline tax increased from \$0.02 to \$0.04 cents per gallon, the State began sharing these taxes with local governments. In 1968, the General Assembly approved legislation that established a formula for apportioning the county and municipal shares of highway user revenues. The legislation also initiated the sharing of motor vehicle titling taxes with the subdivisions. Legislation enacted in 1970 created the Maryland Department of Transportation (MDOT) and a consolidated Transportation Trust Fund (TTF). As provided by that legislation, the State shares with the counties, Baltimore City, and municipalities those revenues credited to the Gasoline and Motor Vehicle Revenue Account in TTF, more commonly referred to as “highway user revenues.” Currently, the revenues dedicated to the account include all or some portion of the motor vehicle fuel tax, vehicle titling tax, vehicle registration fees, short-term vehicle rental tax, and State corporate income tax.

Highway User Revenues – Distribution

Historically, highway user revenues have been distributed to TTF for MDOT’s capital program, debt service, and operating costs and to the counties, Baltimore City, and municipalities to assist in the development and maintenance of local transportation projects. In fiscal 2009, prior to recent budget reconciliation legislation reducing the local share of highway user revenues to help balance the budget, the \$1.6 billion in highway user revenues were distributed as follows:

- \$1.1 billion (70%) to MDOT;
- \$187.6 million (12.06%) to Baltimore City;
- \$239.4 million (15.38%) to counties; and
- \$39.8 million (2.56%) to municipalities.

In response to the ongoing budget crisis, the Budget Reconciliation and Financing Act of 2010 (Chapter 484) significantly reduced the share of highway user revenues distributed to the counties and municipalities, while increasing the portion going to the general fund. In accordance with Chapter 484, in fiscal 2011, the \$1.6 billion in highway user revenues were distributed as follows:

- \$1.1 billion (68.5%) to MDOT;
- \$377.1 million (23.0%) to the general fund;
- \$129.5 million (7.9%) to Baltimore City;

- \$8.2 million (0.5%) to counties; and
- \$1.6 million (0.1%) to municipalities.

The following year, the Budget Reconciliation and Financing Act of 2011 (Chapter 397) divorced the relationship between highway user revenues and the general fund, reducing the distribution of highway user revenues to the general fund in fiscal 2012 and ending the distribution to the general fund in fiscal 2013. **Exhibit 3** illustrates this transition and funding from fiscal 2012 through 2015.

Baltimore City has generally received a larger share of highway user revenues than other local jurisdictions because the State does not conduct highway maintenance or construction in Baltimore City (except for portions of I-95) as it does in the counties. The city's share of total highway user revenues is currently 7.7% each year, as shown in Exhibit 3.

Exhibit 3
Highway User Revenues – Distribution
Fiscal 2012-2015
(\$ in Millions)

	Fiscal 2012		Fiscal 2013		Fiscal 2014		Fiscal 2015	
	<u>Percent</u>	<u>Dollars</u>	<u>Percent</u>	<u>Dollars</u>	<u>Percent</u>	<u>Dollars</u>	<u>Percent</u>	<u>Dollars</u>
MDOT	79.8%	\$1,318.6	90.0%	\$1,445.4	90.4%	\$1,543.40	90.4%	\$1,597.90
General Fund	11.3%	186.7						
Baltimore City	7.5%	123.9	8.1%	130.1	7.7%	131.5	7.7%	136.1
Counties	0.8%	13.2	1.5%	24.1	1.5%	25.6	1.5%	26.5
Municipalities	0.6%	9.9	0.4%	6.4	0.4%	6.8	0.4%	7.1
Total	100%	\$1,652.3	100%	\$1,606.0	100%	\$1,707.3	100%	\$1,767.6

MDOT: Maryland Department of Transportation
Source: Department of Legislative Services
