

Department of Legislative Services
Maryland General Assembly
2020 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

Senate Bill 982

(Senators Serafini and McCray)

Budget and Taxation

Environment and Transportation

Highway User Revenues – Distribution

This bill increases the share of funds from the Gasoline and Motor Vehicle Revenues Account (GMVRA) that the Maryland Department of Transportation (MDOT) must annually provide to local governments through capital transportation grants beginning in fiscal 2025. Specifically, the bill makes permanent the current distribution of funds that applies through fiscal 2024. **The bill takes effect July 1, 2020.**

Fiscal Summary

State Effect: Because MDOT's capital program is fully subscribed, overall TTF expenditures are not affected. However, the bill requires MDOT to redirect \$80.4 million in funding from other projects in FY 2025. The effect continues in future fiscal years, as discussed below. Revenues are not affected.

Local Effect: Local government revenues increase by an estimated \$80.4 million in FY 2025. Local government revenues increase similarly in future fiscal years. Local expenditures are not directly affected.

Small Business Effect: None.

Analysis

Bill Summary: **Exhibit 1** illustrates the bill's effect on the percentage of GMVRA revenues annually distributed to local governments beginning in fiscal 2025.

Exhibit 1
Local Share of Highway User Revenues
Fiscal 2025 and Future Fiscal Years

	<u>Current Law</u>		<u>Under the Bill</u>
MDOT	90.4%	MDOT	86.5%
Baltimore City	7.7%	Baltimore City	8.3%
Counties	1.5%	Counties	3.2%
Municipalities	0.4%	Municipalities	2.0%

MDOT: Maryland Department of Transportation

Source: Department of Legislative Services

Current Law/Background:

Transportation Trust Fund

TTF is a nonlapsing special fund that provides funding for transportation. It consists of tax and fee revenues, operating revenues, bond proceeds, and fund transfers. MDOT issues bonds backed by TTF revenues and invests the TTF fund balance to generate investment income. The Maryland Transit Administration (MTA), Motor Vehicle Administration, Maryland Port Administration, and Maryland Aviation Administration generate operating revenues that cover a portion of their operating expenditures. After meeting debt service requirements, MDOT may use funds in TTF for any lawful purpose related to the exercise of its rights, powers, duties, and obligations. This includes issuing Consolidated Transportation Bonds.

Highway User Revenues

TTF provides local transportation aid through GMVRA. 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.

Chapters 330 and 331 of 2018 altered the manner in which GMVRA revenues (commonly known as highway user revenue) are shared with local governments. Instead of directly sharing the revenue with local governments, the Acts require 100% of the funds in GMVRA to be retained by TTF and distributed to local governments through capital transportation grants beginning in fiscal 2020. This change allows MDOT to issue bonds backed by the GMVRA revenues that are ultimately issued to local governments; MDOT was unable to do so prior to the enactment of Chapters 330 and 331.

Chapters 330 and 331 also increased the local government share of GMVRA revenues from fiscal 2020 through 2024. **Exhibit 2** shows the effect of Chapters 330 and 331 on the local share of GMVRA revenues beginning in fiscal 2020. Beginning in fiscal 2025, the percentage of revenues provided to local governments reverts back to the totals in place before the enactment of Chapters 330 and 331; however, the revenues must continue to be distributed as capital transportation grants.

Exhibit 2
Distribution of Highway User Revenues
Effect of Chapters 330 and 331 of 2018

	<u>Prior to FY 2020</u>	<u>FY 2020-2024</u>	<u>Beginning in FY 2025</u>
MDOT	90.4%	86.5%	90.4%
Baltimore City	7.7%	8.3%	7.7%
Counties	1.5%	3.2%	1.5%
Municipalities	0.4%	2.0%	0.4%

MDOT: Maryland Department of Transportation

Source: Department of Legislative Services

State Fiscal Effect: Under Chapters 330 and 331, MDOT must provide the local share of highway user revenues to local governments through capital transportation grants. Altering the GMVRA distribution formula beginning in fiscal 2025 decreases MDOT’s share of highway user revenues and increases the local jurisdictions’ share of highway user revenues. Because MDOT’s capital program is fully subscribed, MDOT must redirect capital funding from other projects to provide the additional revenues to local governments. Based on the estimated funds credited to GMVRA, MDOT must redirect an estimated \$80.4 million in fiscal 2025. MDOT must continue to redirect funding from State projects to provide a greater share of GMVRA revenues to local governments in future fiscal years.

Local Fiscal Effect: Local jurisdictions’ highway user revenues increase by an estimated \$80.4 million in fiscal 2025. Local revenues increase similarly in future fiscal years. The distribution of the increase in fiscal 2025 among Baltimore City, the counties, and municipalities is shown in **Exhibit 3**.

Exhibit 4 shows the increase in highway user revenues distributed to localities and the total amount of highway user revenues distributed to localities in fiscal 2025 under the bill (by county).

Exhibit 3
Projected Increase in Local Distribution of Highway User Revenues
Fiscal 2025
(\$ in Millions)

	<u>FY 2025</u>
Baltimore City	\$12.4
Counties	35.0
Municipalities	33.0
Total	\$80.4

Note: Totals may not sum due to rounding.

Source: Department of Legislative Services

Exhibit 4
Local Government Increase and Total – Highway User Revenues
Fiscal 2025
(\$ in Millions)

	<u>Increase</u>	<u>Total</u>
Allegany	\$2.1	\$3.0
Anne Arundel	5.2	8.9
Baltimore City	12.4	171.2
Baltimore	5.2	9.7
Calvert	1.2	2.0
Caroline	1.1	1.7
Carroll	3.4	5.1
Cecil	1.8	2.7
Charles	1.8	3.0
Dorchester	1.3	1.9
Frederick	5.5	8.0
Garrett	1.2	1.9
Harford	3.3	5.2
Howard	2.1	3.9
Kent	0.6	1.0
Montgomery	10.0	15.5
Prince George's	10.7	15.8
Queen Anne's	0.9	1.6
St. Mary's	0.6	1.0
Somerset	1.2	2.1
Talbot	1.4	2.0
Washington	3.2	4.7
Wicomico	2.7	3.9
Worcester	1.7	2.6
Total	\$80.4	\$278.5

Notes: Totals may not sum due to rounding. Estimate assumes that highway road miles and vehicle registrations in fiscal 2021 remain constant.

Source: Department of Legislative Services

Additional Information

Prior Introductions: None.

Designated Cross File: HB 1394 (Delegate Anderton, *et al.*) - Environment and Transportation.

Information Source(s): Maryland Department of Transportation; cities of Baltimore and Havre de Grace; Charles, Frederick, and Montgomery counties; Maryland Association of Counties; Maryland Municipal League; Comptroller's Office; Department of Legislative Services

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