

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE
Revised

House Bill 677 (Delegate Barve)
Ways and Means

Referred to Budget and Taxation

State Aid to Local Subdivisions

This enrolled bill changes the Highway User Revenue distribution formula to provide that Baltimore City receive the greater of \$157.5 million or 11.5% of highway user revenues in fiscal 1998. In addition, the city would receive 11.5% of the amount by which 30% of total highway user revenues, excluding the greater of 11.5% of highway user revenues or \$157.5 million, increase over the base year of fiscal 1998. If Baltimore City's share of highway user revenues falls below 12.25% prior to 2008, the city's share may not exceed 12.25% in any other fiscal year prior to fiscal 2008. Under current law Baltimore City receives 15% of total highway user revenues and the counties receive 15%.

The bill also requires the Maryland Port Administration to make payments in lieu of taxes (PILOTs) for the properties known as "McComas-A2", "DMT Bendix", "Seagrit-Parcel B", and "Toyota-Md. Ship" to Baltimore City. Further, the bill provides that Baltimore City shall receive \$5 of each security interest filing fee collected by the Motor Vehicle Administration (MVA). The bill is effective July 1, 1997.

Fiscal Summary

State Effect: Special fund revenues would decrease by an estimated \$2.2 million and special fund expenditures would increase by \$410,000 beginning in FY 1998.

(\$ in millions)	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002
SF Revenues	(\$2.2)	(\$2.3)	(\$2.4)	(\$2.5)	(\$2.7)
SF Expenditures	0.4	0.4	0.6	0.6	0.6
Net Effect	(\$2.6)	(\$2.7)	(\$3.0)	(\$3.1)	(\$3.3)

Note: () - decrease; GF - general funds; FF - federal funds; SF - special funds

Local Effect: Baltimore City highway user revenues would decrease by an estimated \$13.0 million and the counties' share would increase by a similar amount in FY 1998. In addition, Baltimore City revenues would increase by \$2.6 million beginning in FY 1998. Expenditures would not be affected.

Fiscal Analysis

State Expenditures: Special fund expenditures would increase by \$410,000 for PILOTs made by the Maryland Port Administration as discussed in the “Local Revenues” section below.

State Revenues: Special fund revenues would decrease by \$2.2 million annually as a result of the transfer of \$5 of security interest filing fees from the MVA to Baltimore City as discussed below.

Local Revenues: The bill has three significant impacts on local governments as follows: (1) alteration of the Highway User Revenue distribution formula; (2) payments in lieu of taxes from the Maryland Port Administration to Baltimore City; and (3) the payment of \$5 of each security interest filing fee to Baltimore City. Each of these are discussed in greater detail below.

Distribution of Highway User Revenues

The bill reduces Baltimore City’s share of highway user revenues by an estimated \$13.0 million in fiscal 1998. This reduction in Baltimore City’s share would be distributed to the counties. Exhibit 1 presents a county-by-county breakdown of the estimated change in the distribution of highway user revenue.

Exhibit 1
Estimated Distribution of Highway User Revenue
 (\$ in thousands)

	Estimated FY 1998 Distribution Current Law	Estimated FY 1998 Distribution HB 677	Difference
Allegany	\$ 4,330	\$ 4,661	\$ 331
Anne Arundel	16,084	17,314	1,231
Baltimore	23,821	25,643	1,823
Calvert	2,950	3,175	226
Caroline	2,765	2,976	212
Carroll	7,166	7,715	548
Cecil	4,085	4,397	313
Charles	4,853	5,224	371
Dorchester	3,173	3,415	243
Frederick	9,327	10,041	714
Garrett	3,560	3,833	272
Harford	8,203	8,831	628
Howard	7,751	8,344	593
Kent	1,597	1,720	122
Montgomery	23,923	25,753	1,831

Prince George's	20,922	22,523	1,601
Queen Anne's	2,959	3,185	226
St. Mary's	3,686	3,968	282
Somerset	1,876	2,020	144
Talbot	2,450	2,637	187
Washington	6,477	6,972	496
Wicomico	4,953	5,332	379
Worcester	3,640	3,919	279
Baltimore City	\$170,551	\$157,500	\$(13,051)

Payments in Lieu of Taxes (PILOTs)

The bill requires the Maryland Port Administration to make PILOTs to Baltimore City for the properties known as "McComas-A2", "DMT-Bendix", "Seagrit-Parcel B", and Toyota-Md. Ship". Payments will be \$410,000 and \$418,200 in fiscal 1998 and 1999, respectively. In fiscal years beginning after July 1, 1999, the PILOTs must be equal to the assessed value of the land comprising these properties multiplied by the Baltimore City real property tax rate in effect for the fiscal year. These properties have an aggregate full cash value of \$26.7 million and an assessed value of \$10.7 million for fiscal 1997. Based on the fiscal 1997 assessed values and the current Baltimore City real property tax rate of \$5.80 per \$100 of assessed value, the PILOT would be approximately \$620,000 beginning in fiscal 2000. Thus, Maryland Port Administration expenditures will increase and Baltimore City revenues will increase in equal amounts beginning in fiscal 1998.

Distribution of Security Interest Filing Fees

Finally, the bill requires the Motor Vehicle Administration to deposit \$5 of each security interest filing fee collected into a special fund for the benefit of Baltimore City. It is estimated that 435,000 such filings will be realized in fiscal 1998. Thus, Baltimore City revenues could increase by an estimated \$2,175,000 in fiscal 1998 and Transportation Trust Fund revenues would decrease by an equal amount. Such revenues are estimated to increase at the rate of 4.5% in fiscal 1999 and beyond.

Information Source(s): Department of Transportation, Department of Assessments and Taxation, Department of Fiscal Services

Fiscal Note History: First Reader - February 27, 1996
 ncs Revised - House Third Reader - April 1, 1996
 Revised - Correction - April 4, 1996
 Revised - Enrolled Bill - June 24, 1996

Analysis by: Paul Ballou	Direct Inquiries to:
Reviewed by: John Rixey	John Rixey, Coordinating Analyst
	(410) 841-3710
	(301) 858-3710