

Department of Legislative Services
Maryland General Assembly
2009 Session

FISCAL AND POLICY NOTE

Senate Bill 722 (Senator Madaleno)
Budget and Taxation

Tax General - Motor Fuel Tax - Sales and Use Tax

This bill increases the State motor fuel tax rate for all fuels except aviation gasoline and turbine fuel by 5 cents per gallon; alters the allocation of motor fuel and sales tax revenues; and alters the method of allocating local highway user revenues to Baltimore City.

The bill takes effect July 1, 2009.

Fiscal Summary

State Effect: General fund revenues increase by \$207.2 million in FY 2010 and Transportation Trust Fund (TTF) revenues increase by \$22.7 million. Expenditures are not affected.

(\$ in millions)	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
GF Revenue	\$207.2	\$223.0	\$238.4	\$251.8	\$0
SF Revenue	\$22.7	\$8.8	(\$5.1)	(\$17.0)	\$138.8
Expenditure	0	0	0	0	0
Net Effect	\$229.9	\$231.8	\$233.3	\$234.8	\$138.8

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

Local Effect: Local highway user revenues decrease by approximately \$72.0 million in FY 2010 through 2013, but increase by \$23.5 million in FY 2014. Expenditures are not affected.

Small Business Effect: Minimal.

Analysis

Bill Summary: The bill increases the motor fuel tax rate by 5 cents per gallon and makes several changes to the statutory allocation of certain revenues. Fund redistributions are described below according to funding source.

The bill changes how motor fuel tax revenues, except from aviation fuel, are distributed. Revenue from aviation fuel will continue to be distributed to TTF. Under the bill:

- 2.3% of the first 18.5 cents is distributed to the Chesapeake Bay 2010 Trust Fund;
- 15.5 cents is distributed to the Gasoline and Motor Vehicle Revenue Account (GMVRA) in TTF; and
- all of the remaining revenue is distributed to TTF.

The bill also alters the amount of total highway user revenues distributed to Baltimore City, by making the city's funding equal to the greater of \$157.5 million or 11.5% of the total highway user revenues for the fiscal year.

Sales and use tax revenue that is currently distributed to TTF will be redistributed to the general fund in fiscal 2010 through 2013; and to GMVRA beginning in fiscal 2014.

Current Law: The State motor fuel tax rate per gallon or gasoline-equivalent gallon is: 23.5 cents for gasoline; 24.25 cents for special fuel (diesel); 7 cents for aviation gasoline and turbine fuel; and 23.5 cents for clean burning fuel. The motor fuel tax rate is not indexed or automatically adjusted. The State is projected to collect \$749.1 million in motor fuel taxes in fiscal 2010.

Motor fuel taxes, after distributions to an administrative and refund account, are distributed as follows:

- all of the net proceeds of the aviation fuel tax to the TTF;
- fuel tax revenues that are attributable to the portion of the rate that exceeds 18.5 cents per gallon are distributed to the GMVRA; and
- the remainder is distributed as follows: 2.3% to the Chesapeake Bay 2010 Trust Fund; and the remainder to GMVRA.

Of the amount distributed to GMVRA, 30% is distributed to local governments in the form of local highway user revenues. Baltimore City receives the greater of \$157.5 million or 11.5% of the total highway user revenues plus 11.5% of any growth in

the counties' share of highway user revenues over fiscal 1998 base levels. All other counties and municipalities receive the remaining local share as set forth below.

- 50% is distributed based on the ratio of road mileage in a particular county to total county road mileage statewide as of December 1 of the preceding calendar year.
- 50% is distributed based on the ratio of vehicle registrations in a particular county to total vehicle registrations statewide as of December 1 of the preceding calendar year.
- Municipalities receive a share of their respective county's distribution based on the same prorated formula noted above.

Distribution of State Sales Tax Revenues

The State sales and use tax rate is 6%. Chapter 10 of 2008 altered the distribution of sales and use tax revenues by requiring that, for fiscal 2009 through 2013, 5.3% of revenues be distributed to TTF. Beginning in fiscal 2014, the amount distributed to TTF increases to 6.5%.

State Fiscal Effect: The bill increases the motor fuel tax by 5 cents per gallon and redistributes motor fuel and sales tax revenues. **Exhibit 1** details the fiscal impact of the bill. General fund revenues will increase by \$207.2 million in fiscal 2010 and by \$251.8 million in fiscal 2013. General fund revenues are not affected after fiscal 2013. TTF revenues increase by \$22.7 million in fiscal 2010 and by \$8.8 million in fiscal 2011. In fiscal 2012 and 2013, TTF revenues decrease by \$5.1 million and \$17.0 million, respectively. In fiscal 2014, TTF revenues will increase by \$138.8 million.

Local Revenues: Local governments receive a portion of total transportation revenues in the form of local highway user revenues for the purpose of constructing and maintaining local roads. Pursuant to this legislation, local highway user revenues decrease by about \$72.0 million annually in fiscal 2010 through 2013 and increase by \$23.5 million in fiscal 2014 as shown in **Exhibit 1**. Local expenditures are not affected. **Exhibit 2** shows the impact by local jurisdiction in fiscal 2010. **Exhibit 3** shows the fiscal impact through fiscal 2014.

Small Business Effect: Small businesses for which motor fuel constitutes a significant portion of their costs (transportation firms, delivery companies, taxicabs, etc.) will have increased tax burdens as a result of the bill. Based on the estimated increases under the bill the impact is expected to be modest. The incidence of the tax will be shared by customers through higher product prices and owners of the small businesses. Small businesses may potentially benefit to the extent that additional transit funding improves the State's infrastructure.

Exhibit 1
Fiscal Estimate – SB 722
(\$ in Millions)

	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>
<i>Fuel Tax Increase</i>					
Net Fuel Taxes					
Current Law	740.2	746.6	751.6	756.6	760.9
SB 722	898.2	905.9	911.9	917.9	923.3
Difference	\$158.0	\$159.3	\$160.3	\$161.3	\$162.4
CBF					
Current Law	13.0	13.1	13.2	13.3	13.4
SB 722	13.0	13.1	13.2	13.3	13.4
Difference	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
State – TTF					
Current Law	509.3	513.7	517.1	520.6	523.5
SB 722	739.2	745.5	750.4	755.4	759.8
Difference	\$229.9	\$231.8	\$233.3	\$234.8	\$236.3
Local – HUR					
Current Law	217.9	219.8	221.2	222.7	224.0
SB 722	145.9	147.2	148.1	149.1	150.0
Difference	-\$72.0	-\$72.6	-\$73.1	-\$73.6	-\$74.0
<i>Redistribution of Sales Tax Revenues</i>					
State – GF	207.2	223.0	238.4	251.8	0.0
State – TTF	-207.2	-223.0	-238.4	-251.8	-97.5
Local – HUR	0.0	0.0	0.0	0.0	97.5
Total	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
<i>Net Impact – Fuel Tax Increase/Sales Tax Redistribution</i>					
State – GF	207.2	223.0	238.4	251.8	0.0
State – TTF	22.7	8.8	-5.1	-17.0	138.8
Local – HUR	-72.0	-72.6	-73.1	-73.6	23.5
Total	\$157.9	\$159.2	\$160.2	\$161.2	\$162.4

Exhibit 2
Local Highway User Revenues – Fiscal 2010

County	Road Mileage Jan 1, 2008	Vehicle Registration Dec 1, 2007	Funding Under SB 722	FY 2010 Allowance	Difference	Percent Difference
Allegany	725.94	63,369	\$5,594,090	\$6,394,986	-\$800,896	-12.5%
Anne Arundel	1,831.33	527,091	24,420,909	27,917,208	-3,496,299	-12.5%
Baltimore City	0.00	0	157,500,000	193,582,000	-36,082,000	-18.6%
Baltimore	2,640.81	675,824	32,850,311	37,553,431	-4,703,120	-12.5%
Calvert	548.12	90,753	5,428,283	6,205,441	-777,158	-12.5%
Caroline	539.29	37,442	3,885,357	4,441,617	-556,260	-12.5%
Carroll	1,143.41	176,716	10,969,960	12,540,510	-1,570,550	-12.5%
Cecil	661.67	92,683	6,079,236	6,949,589	-870,353	-12.5%
Charles	763.54	137,519	7,873,209	9,000,403	-1,127,194	-12.5%
Dorchester	645.06	32,265	4,295,897	4,910,933	-615,036	-12.5%
Frederick	1,557.36	223,914	14,470,420	16,542,125	-2,071,705	-12.5%
Garrett	746.23	33,573	4,864,351	5,560,772	-696,421	-12.5%
Harford	1,170.02	234,782	12,739,815	14,563,752	-1,823,937	-12.5%
Howard	986.87	246,112	12,095,281	13,826,941	-1,731,660	-12.5%
Kent	302.89	21,071	2,183,348	2,495,934	-312,586	-12.5%
Montgomery	2,631.19	729,670	34,311,300	39,223,587	-4,912,287	-12.5%
Prince George's	2,304.65	633,364	29,891,681	34,171,219	-4,279,538	-12.5%
Queen Anne's	566.34	54,130	4,495,959	5,139,638	-643,679	-12.5%
St. Mary's	612.21	100,678	6,043,692	6,908,957	-865,265	-12.5%
Somerset	380.96	21,131	2,595,375	2,966,950	-371,575	-12.5%
Talbot	454.04	42,459	3,578,113	4,090,384	-512,271	-12.5%
Washington	1,036.41	137,531	9,307,641	10,640,199	-1,332,558	-12.5%
Wicomico	887.56	92,269	7,254,764	8,293,415	-1,038,651	-12.5%
Worcester	701.47	58,574	5,330,894	6,094,108	-763,214	-12.5%
Total	23,837.35	4,462,920	\$408,059,886	\$480,014,099	-\$71,954,213	-15.0%

Exhibit 3
Impact on Local Highway User Revenues – Senate Bill 722
Based on Fiscal 2010 Formula Calculation

County	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Allegany	-\$800,900	-\$815,300	-\$826,400	-\$837,500	\$537,400
Anne Arundel	-3,496,300	-3,559,100	-3,607,500	-3,656,000	2,345,900
Baltimore City	-36,082,000	-36,082,000	-36,082,000	-36,082,000	-567,800
Baltimore	-4,703,100	-4,787,600	-4,852,700	-4,918,000	3,155,600
Calvert	-777,200	-791,100	-801,900	-812,700	521,400
Caroline	-556,300	-566,300	-573,900	-581,700	373,200
Carroll	-1,570,600	-1,598,800	-1,620,500	-1,642,300	1,053,800
Cecil	-870,400	-886,000	-898,000	-910,100	584,000
Charles	-1,127,200	-1,147,500	-1,163,000	-1,178,700	756,300
Dorchester	-615,000	-626,100	-634,600	-643,100	412,700
Frederick	-2,071,700	-2,108,900	-2,137,600	-2,166,300	1,390,000
Garrett	-696,400	-708,900	-718,600	-728,200	467,300
Harford	-1,823,900	-1,856,700	-1,881,900	-1,907,300	1,223,800
Howard	-1,731,700	-1,762,800	-1,786,700	-1,810,800	1,161,900
Kent	-312,600	-318,200	-322,500	-326,900	209,700
Montgomery	-4,912,300	-5,000,600	-5,068,500	-5,136,700	3,296,000
Prince George's	-4,279,500	-4,356,400	-4,415,600	-4,475,000	2,871,400
Queen Anne's	-643,700	-655,200	-664,100	-673,100	431,900
St. Mary's	-865,300	-880,800	-892,800	-904,800	580,600
Somerset	-371,600	-378,300	-383,400	-388,600	249,300
Talbot	-512,300	-521,500	-528,600	-535,700	343,700
Washington	-1,332,600	-1,356,500	-1,374,900	-1,393,400	894,100
Wicomico	-1,038,700	-1,057,300	-1,071,700	-1,086,100	696,900
Worcester	-763,200	-776,900	-787,500	-798,100	512,100
Total	-\$71,954,500	-\$72,598,800	-\$73,094,900	-\$73,593,100	\$23,501,200

Additional Information

Prior Introductions: None.

Cross File: None.

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Analysis by: Robert J. Rehrmann

Direct Inquiries to:
(410) 946-5510
(301) 970-5510