

Department of Legislative Services
Maryland General Assembly
2009 Session

FISCAL AND POLICY NOTE

House Bill 947
(Montgomery County Delegation)
Ways and Means

Transportation - Highway User Revenues - Highway Maintenance
MC 903-09

This bill changes the formula used to distribute highway user revenues so that 12.3% goes to Baltimore City; 12.3% goes to Montgomery County, less the deductions to municipalities within the county; 15.4% goes to remaining local jurisdictions; and the remaining 60.0% is retained within the Transportation Trust Fund (TTF). In addition, responsibility for maintenance of all State highways located in Montgomery County, except Interstates 270 and 495, is transferred from the State Highway Administration (SHA) to Montgomery County.

The bill takes effect July 1, 2009.

Fiscal Summary

State Effect: TTF revenues decrease by \$160.0 million in FY 2010 and by \$193.8 million in FY 2014 due to the new highway user revenue allocation formula. TTF expenditures decrease by an estimated \$10.8 million annually beginning in FY 2010 due to SHA's reduced highway maintenance workload.

(\$ in millions)	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
SF Revenue	(\$160.0)	(\$171.3)	(\$179.8)	(\$188.6)	(\$193.8)
SF Expenditure	(\$10.8)	(\$10.8)	(\$10.8)	(\$10.8)	(\$10.8)
Net Effect	(\$149.2)	(\$160.5)	(\$169.0)	(\$177.8)	(\$183.0)

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

Local Effect: In FY 2010, local revenues increase by a total of \$160.0 million, with Montgomery County and Baltimore City increasing by \$157.6 million and \$3.2 million, respectively, and a decrease of \$800,000 among other local jurisdictions. In FY 2014, local revenues increase by a total of \$193.8 million, with Montgomery County increasing

by \$191.6 million, Baltimore City decreasing by \$1.3 million, and other local jurisdictions increasing by \$3.5 million. Expenditures increase in Montgomery County by an estimated \$10.8 million annually to reflect its new highway maintenance workload. **This bill imposes a mandate on a unit of local government.**

Small Business Effect: None.

Analysis

Current Law/Background: SHA is responsible for more than 5,200 miles or approximately 16,800 lane miles of road, 2,500 bridges, 3,500 small stream crossing structures, and 80 miles of sound barriers. It also has responsibility for planning, designing, constructing, and maintaining these roads and bridges to safety and performance standards while considering sociological, ecological, and economic concerns.

Funds credited to the Gasoline and Motor Vehicle Revenue Account (GMVRA) are known as highway user revenues, and these funds are composed of all or some portion of the motor vehicle fuel tax, vehicle titling tax, vehicle registration fee, short-term vehicle rental tax, and State corporate income tax. Highway user revenues credited to GMVRA are distributed to (1) TTF (70%) for the Maryland Department of Transportation's (MDOT) capital program, debt service, and operating costs; and (2) counties and municipalities (30%) to assist in the development and maintenance of local transportation projects. The local distribution is divided among the counties and Baltimore City, with Baltimore City receiving 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. After determining Baltimore City's allocation, the remaining revenue is distributed among the counties as follows:

- 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.
- The remaining 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: 50% of a county's share is apportioned among the county and its municipalities on the basis of road mileage; and 50% is apportioned on the basis of vehicle registrations.

A county road is defined as a public highway where the title or the easement for the use of which is vested in a public body or governmental agency, excluding State highways or roads located in Baltimore City.

Either the State or a local jurisdiction may have title to, jurisdiction over, or responsibility for maintenance of a county road or a State highway.

State Fiscal Effect: The bill reduces the amount of annual highway user revenue allocated to TTF for MDOT by 10 percentage points from 70% to 60%. The bill's impact on the allocation of highway user revenues to TTF is illustrated in **Exhibit 1**. In response to this reduction in highway user revenue, MDOT may be required to delay or eliminate projects and reduce services. In addition, there may be an adverse impact on MDOT's ability to repay its outstanding bonds and its ability to meet the covenants with its bondholders. However, the impact is tempered in part by a simultaneous reduction in SHA's highway maintenance responsibilities. Annually, SHA budgets approximately \$7.1 million for routine maintenance and \$3.7 million for winter maintenance of State highways in Montgomery County. Actual expenditures for annual winter maintenance (including plowing snow and salting roads) vary significantly from year to year. Shifting these maintenance responsibilities to Montgomery County may save SHA up to approximately \$10.8 million annually. This estimate assumes MDOT retains SHA maintenance personnel and reallocates them to meet other responsibilities in other jurisdictions.

Exhibit 1
Highway User Revenues to TTF – Fiscal 2010-2014
(**\$ in Millions**)

	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>
Current Law	\$1,120.0	\$1,199.2	\$1,258.6	\$1,320.0	\$1,356.5
Proposed	960.0	1,027.9	1,078.8	1,131.3	1,162.7
Difference	(\$160.0)	(\$171.3)	(\$179.8)	(\$188.6)	(\$193.8)

Source: Maryland Department of Transportation

Due to the recession and its impact on vehicle sales and economic activity, fiscal 2009 transportation revenues were revised significantly downward. Titling tax revenue was revised downward by \$267 million, motor fuel tax revenue by \$39 million, and registration fee revenue by \$15 million. As a result of this decline in estimated revenues, MDOT indicates that it has reduced its capital program by \$2.2 billion for the fiscal 2009-2014 period.

Local Fiscal Effect: The bill increases the total allocation of highway user revenues to local jurisdictions by 10 percentage points from 30% to 40% and adjusts the allocation among local jurisdictions. When this new allocation formula is applied to the Governor's proposed fiscal 2010 budget, it has the following impact:

- Baltimore City receives \$196.8 million in highway user revenues as opposed to \$193.6 million in accordance with current law, a \$3.2 million or 1.7% increase.
- Montgomery County receives \$196.8 million in highway user revenues as opposed to \$39.2 million in accordance with current law, a \$157.6 million or 401.8% increase. However, the county is also given new highway maintenance responsibilities, which currently cost SHA approximately \$10.8 million annually to implement. The cost for Montgomery County to assume these responsibilities is much higher as the county does not have the personnel or equipment necessary. Thus, Montgomery County advises significant additional resources are required in fiscal 2010 to implement the bill, including \$16.0 million for additional staff and \$32.3 million for other operating expenditures such as administration, supplies, and contractual services. Furthermore, Montgomery County reports fiscal 2011-2014 costs may include \$100.0 million to build two depot facilities and \$27.7 million to acquire necessary equipment and vehicles to support the maintenance operations.
- The remaining local jurisdictions receive \$246.4 million in highway user revenues as opposed to \$247.2 million in accordance with current law, an \$800,000 or 0.3% decrease. Four jurisdictions receive additional highway user revenue (Anne Arundel, Baltimore, Howard, and Prince George's counties), while the remaining jurisdictions receive less revenue.

Appendices 1 and 2 show the impact of the bill on local jurisdictions in fiscal 2010 and 2014.

Additional Information

Prior Introductions: None.

Cross File: None.

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

Fiscal Note History: First Reader - March 10, 2009
mcp/ljm

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Appendix 1
Impact on Highway User Revenues Allocation – Fiscal 2010 Proposed Budget
(\$ in Thousands)

County	Under HB 947	FY 2010 Proposed Budget	Difference	Percent Difference
Allegany	\$6,309	\$6,395	-\$86	-1.3%
Anne Arundel	28,035	27,917	118	0.4%
Baltimore City	196,806	193,582	3,224	1.7%
Baltimore	37,646	37,553	93	0.2%
Calvert	6,179	6,205	-26	-0.4%
Caroline	4,369	4,442	-73	-1.6%
Carroll	12,475	12,541	-65	-0.5%
Cecil	6,903	6,950	-47	-0.7%
Charles	8,974	9,000	-26	-0.3%
Dorchester	4,812	4,911	-99	-2.0%
Frederick	16,437	16,542	-105	-0.6%
Garrett	5,443	5,561	-117	-2.1%
Harford	14,546	14,564	-18	-0.1%
Howard	13,856	13,827	29	0.2%
Kent	2,455	2,496	-41	-1.6%
Montgomery	196,806	39,224	157,583	401.8%
Prince George's	34,292	34,171	121	0.4%
Queen Anne's	5,077	5,140	-63	-1.2%
St. Mary's	6,879	6,909	-30	-0.4%
Somerset	2,911	2,967	-56	-1.9%
Talbot	4,039	4,090	-51	-1.3%
Washington	10,560	10,640	-80	-0.8%
Wicomico	8,202	8,293	-92	-1.1%
Worcester	6,008	6,094	-87	-1.4%
Total	\$640,019	\$480,014	\$160,005	33.3%

Source: Maryland Department of Transportation

Appendix 2
Impact on Highway User Revenues Allocation – Fiscal 2014 Estimate
(*\$* in Thousands)

County	Under HB 947	Current Law	Difference	Percent Difference
Allegany	\$7,641	\$7,629	\$12	0.2%
Anne Arundel	33,952	33,303	649	1.9%
Baltimore City	238,350	239,605	-1,255	-0.5%
Baltimore	45,593	44,799	794	1.8%
Calvert	7,484	7,403	81	1.1%
Caroline	5,291	5,299	-8	-0.1%
Carroll	15,108	14,960	148	1.0%
Cecil	8,360	8,290	70	0.8%
Charles	10,869	10,737	132	1.2%
Dorchester	5,828	5,858	-30	-0.5%
Frederick	19,907	19,734	173	0.9%
Garrett	6,592	6,634	-42	-0.6%
Harford	17,616	17,374	242	1.4%
Howard	16,780	16,495	285	1.7%
Kent	2,973	2,977	-4	-0.2%
Montgomery	238,350	46,791	191,559	409.4%
Prince George's	41,530	40,764	766	1.9%
Queen Anne's	6,148	6,131	17	0.3%
St. Mary's	8,332	8,242	90	1.1%
Somerset	3,525	3,539	-14	-0.4%
Talbot	4,892	4,880	12	0.3%
Washington	12,789	12,693	96	0.8%
Wicomico	9,933	9,894	39	0.4%
Worcester	7,277	7,270	7	0.1%
Total	\$775,120	\$581,300	\$193,820	33.3%

Source: Maryland Department of Transportation