

Department of Legislative Services
Maryland General Assembly
2011 Session

FISCAL AND POLICY NOTE

Senate Bill 714

(Senator Garagiola, *et al.*)

Budget and Taxation

Transportation Trust Fund - Financing - Use of Funds

This bill proposes to amend the Maryland Constitution to include the Transportation Trust Fund (TTF) and establish rules for its operation and funding. The bill places constitutional restrictions on transfers from TTF and use of TTF monies. It states that constitutional requirements for a majority approval of the amendment in a local jurisdiction do not apply and calls for the amendment to be submitted for a statewide vote at the next general election to be held in November 2012. Beginning July 1, 2011, the bill increases the State motor fuel tax rate for all fuels, except aviation gasoline and turbine fuel, by 10 cents per gallon. Beginning July 1, 2013, the motor fuel tax rate is effective for one year and every subsequent year, on July 1, the motor fuel tax rate must be (1) increased in accordance with the annual percentage growth in the construction cost index, up to one cent per gallon annually; or (2) maintained at its current level if there is no increase in the annual percentage growth in the construction cost index. Beginning July 1, 2011, State vehicle registration fees increase by 50% for all classes of vehicles.

The bill takes effect July 1, 2011, except for specified TTF provisions that are subject to constitutional amendment.

Fiscal Summary

State Effect: If adopted, the constitutional amendment would, beginning in FY 2013, eliminate any transfers or distributions from TTF to the general fund or a special fund that are not consistent with current law. However, the current statutory allocation of TTF revenue to the general fund continues. TTF revenues increase by \$375.1 million in FY 2012 due to the increase in the motor fuel tax and registration fees, with the State share totaling \$336.9 million. Likewise, general fund revenues increase by \$96.1 million in FY 2012. Future year revenues reflect growth in vehicle registrations and adjustments to the motor fuel tax rate. Transportation bond revenues and related debt service may increase, but the increase cannot be reliably estimated.

The *overall* effect on TTF revenues and expenditures is potentially significant but cannot be reliably estimated at this time and would depend on (1) whether, and to what extent, TTF revenue distributions are not modified or transfers are not made as a result of the constitutional amendment; and (2) the extent to which revenue is distributed between operating and capital priorities.

(\$ in millions)	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
GF Revenue	\$96.1	\$92.4	\$98.1	\$104.0	\$109.7
SF Revenue	\$375.1	\$386.4	\$410.2	\$434.5	\$458.8
Bond Rev.	-	-	-	-	-
SF Expenditure	-	-	-	-	-
Bond Exp.	-	-	-	-	-
Net Effect	\$471.2	\$478.8	\$508.3	\$538.5	\$568.5

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

Local Effect: Local government highway user revenue increases by \$38.2 million in FY 2012, \$44.1 million in FY 2013, \$46.8 million in FY 2014, \$49.5 million in FY 2015, and \$52.3 million in FY 2016 due to increased motor fuel tax and vehicle registration revenue. Local expenditures are not affected.

Small Business Effect: Meaningful.

Analysis

Bill Summary:

Transportation Trust Fund

The bill requires TTF funds to be used only to pay the principal of and interest on transportation bonds and for any lawful purpose related to construction and maintenance of an adequate highway system or any other transportation-related purpose. No part of TTF may revert or be credited to the general fund or a special fund, unless authorized by law in effect on October 1, 2010. The bill authorizes the distribution of Gasoline and Motor Vehicle Revenue Account funds to the general fund in accordance with a specified provision of law as it was in effect on October 1, 2010; however, the portion of funds distributed to the general fund may not increase.

The bill creates constitutional authority for TTF's current statutory sources of revenue and requires that not less than the portion of revenue from specified fees and taxes be distributed to TTF as required in specified provisions of law in the Tax-General Article and Transportation Article as they were in effect on October 1, 2010.

The bill creates exceptions to the prohibition on TTF transfers but only for defense or relief purposes and if (1) the State is invaded or a major catastrophe occurs; (2) the Governor proclaims a state of emergency, declares that TTF funds are necessary for the immediate preservation of public health or safety, and proposes a plan to repay TTF within five years; and (3) the General Assembly approves legislation, by a three-fifths vote of both houses, authorizing the use of TTF for defense or relief purposes and approving a repayment plan. The authorizing legislation may contain only those provisions required to authorize the use of TTF for defense or relief purposes.

Motor Fuel Tax

Any person possessing tax-paid motor fuel for sale at the start of business on July 1, 2011, and any day a motor fuel tax increase takes effect, must compile and file an inventory of the motor fuel held at the close of business on the preceding date and remit any additional motor fuel tax that is due within 30 days.

The “construction cost index” is an index published monthly by the *Engineering News-Record* that is a weighted aggregate index of the prices of constant quantities of structural steel, portland cement, lumber, and common labor.

By April 15 annually, the Comptroller must determine and announce (1) the annual percentage growth in the construction cost index based on the change in the index reported from the preceding April through the current April index; and (2) the motor fuel tax rates effective July 1 of the next fiscal year.

Vehicle Registration Fees

A detailed summary of current vehicle registration fees and proposed vehicle registration fee increases under the bill is provided in **Appendix 1**. Examples of vehicle registration fees affected by the bill include those for passenger vehicles; motorcycles; school vehicles; limousines; trailers; tractors; and tow, dump, and farm trucks.

Current Law: After meeting debt service requirements, the Maryland Department of Transportation (MDOT) may use funds in TTF for any lawful purpose related to the exercise of its rights, powers, duties, and obligations. No part of TTF may revert or be credited to the general fund and no part may revert or be credited to a special fund, unless the transfer is approved by the Legislative Policy Committee. If the committee fails to reject the transfer within 15 days after the transfer is presented, it is deemed to be approved.

TTF's Gasoline and Motor Vehicle Revenue Account revenue (commonly known as highway user revenue), which, among other things, consists of specified motor fuel tax receipts and registration fees, must be distributed to the general fund, MDOT, and local jurisdictions as follows:

- 19.5% in fiscal 2010, 23% in fiscal 2011, 20.4% in fiscal 2012, and 19.3% in fiscal 2013 and future years to the general fund;
- 70% in fiscal 2010, 68.5% in fiscal 2011, and 71.5% in fiscal 2012 and future years to MDOT; and
- the balance to local jurisdictions.

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, except electricity. The motor fuel tax rate is not indexed or automatically adjusted. Total motor fuel tax revenues were \$721.3 million in fiscal 2010, are estimated to reach \$728.8 million in fiscal 2011, and are estimated at \$737.6 million in fiscal 2012.

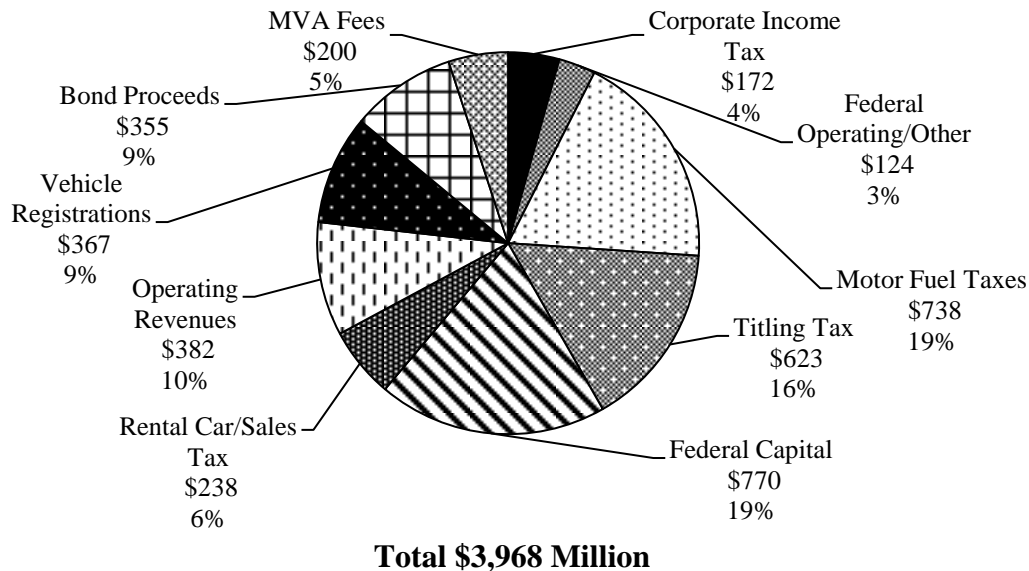
The Motor Vehicle Administration (MVA) has the authority to establish most fees by regulation; however, State vehicle registration fees are established in statute. There are a number of different motor vehicle registration fees, as illustrated in **Appendix 1**. Total vehicle registration revenues were \$350.1 million in fiscal 2010 and are estimated to reach \$364.1 million in fiscal 2011.

Background: TTF is a nonlapsing special fund that provides funding for transportation projects. 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, MVA, Maryland Port Administration, and Maryland Aviation Administration generate operating revenues that cover a portion of their operating expenditures.

The tax and fee revenues allocated to TTF include motor fuel taxes, rental car sales taxes, titling taxes, vehicle registration fees, a portion of the sales and corporate income taxes, and other miscellaneous motor vehicle fees. A portion of these revenues is credited to the Gasoline and Motor Vehicle Revenue Account and is distributed to local jurisdictions, the general fund, and TTF. The funds retained by TTF support MDOT's capital program, debt service, and operating costs.

Exhibit 1 shows that TTF's largest revenue sources in fiscal 2012 are the motor fuel and titling taxes and federal aid for the capital program, which represent almost \$2 billion (56%) of all fund sources. MDOT is projecting that \$355 million in bonds will be sold to supplement the transportation capital program in fiscal 2012.

Exhibit 1
Transportation Trust Fund
State-sourced Revenues and Federal Funds
Fiscal 2012
(\$ in Millions)



MVA: Motor Vehicle Administration

Source: Governor's Budget Books, Fiscal 2012, Volume I, pages 578-582

TTF Transfers to the General Fund

In the past, revenues have been transferred from TTF to the general fund and the general fund has subsequently repaid TTF. (See **Appendix 2**.) In recent years, however, a significant portion of the local share of highway user revenue has been diverted to the general fund to help balance the State's budget. Previously, the statutory distribution formula allocated 70.0% of highway user revenue to MDOT and 30.0% to local jurisdictions. However, the Budget Reconciliation and Financing Act (BRFA) of 2009 (Chapter 487) reduced the local share of highway user revenue for fiscal 2010 and 2011 and transferred those revenues to the general fund. That legislation also adjusted the State-local distribution of highway user revenue, beginning in fiscal 2012, to 71.5% to TTF and 28.5% to local jurisdictions. A year later, BRFA of 2010 (Chapter 484) again altered the distribution of highway user revenue, further reducing the share of 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 estimated highway user revenue was distributed as follows: \$1.1 billion (68.5%) to MDOT; \$370.0 million (23.0%) to the general fund; \$127.1 million (7.9%) to

Baltimore City; \$8.0 million (0.5%) to counties; and \$1.6 million (0.1%) to municipalities.

Exhibit 2 summarizes the distribution of highway user revenue in fiscal 2010 through 2013, and **Exhibit 3** details recent and planned transfers of highway user revenue to the general fund under current law. The exhibits do not reflect proposed actions in BRFA of 2011 (HB 72/SB 87) that alter the allocation of highway user revenue.

Exhibit 2
Highway User Revenue Distribution under Current Law
Fiscal 2010-2013
(\$ in Millions)

	Fiscal 2010		Fiscal 2011		Fiscal 2012		Fiscal 2013	
	<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	70.0%	\$1,088	68.5%	\$1,102	71.5%	\$1,185	71.5%	\$1,251
General Fund	19.5%	304	23.0%	370	20.4%	338	19.3%	338
Baltimore City	8.6%	134	7.9%	127	7.5%	124	7.5%	131
Counties	1.5%	23	0.5%	8	0.5%	8	1.4%	24
Municipalities	0.4%	6	0.1%	2	0.1%	2	0.3%	5
Total	100.0%	\$1,555	100.0%	\$1,609	100.0%	\$1,658	100.0%	\$1,749

Note: The exhibit does not include an \$18 million underpayment in fiscal 2010 which will be made up in fiscal 2011. Numbers may not sum to total due to rounding.

MDOT: Maryland Department of Transportation

Source: Department of Legislative Services

Exhibit 3
Highway User Revenue Distributed to the General Fund under Current Law
Fiscal 2003-2016
(\$ in Millions)

<u>Fiscal Year</u>	<u>Amount</u>
2003	\$18
2004	102
2005	102
2006	23
2007	0
2008	0
2009	0
2010	304
2011	370
2012 (est.)	338
2013 (est.)	338
2014 (est.)	353
2015 (est.)	365
2016 (est.)	373

Source: Department of Legislative Services

In accordance with a provision in BRFA of 2010, all interest income earned from TTF must be credited to the general fund in fiscal 2010 and 2011. MDOT advises that \$5.4 million in interest income was transferred to the general fund in fiscal 2010 and an estimated \$5 million to \$6 million in interest income will be transferred from TTF in fiscal 2011.

2011 Budget Reconciliation Legislation

Two provisions in the proposed BRFA of 2011 (HB 72/SB 87) have a financial impact on TTF that is relevant to this bill. One provision proposes to transfer approximately \$100 million from MDOT's share of highway user revenue in fiscal 2012 with \$60 million going to the general fund and approximately \$40 million to the Rainy Day Fund to maintain a 5% balance. The Administration does not propose a repayment to TTF of those funds. The second provision seeks to permanently transfer the interest income earned from TTF to the general fund. Currently, MDOT's financial forecast assumes the revenue from interest income as part of its spending plan, totaling \$20 million over the fiscal 2012 through 2016 period. If this provision is adopted, MDOT would be required to identify additional revenues or spending reductions.

Blue Ribbon Commission on Transportation Funding

Chapters 525 and 526 of 2010 established the Blue Ribbon Commission on Transportation Funding. The commission was tasked with reviewing, evaluating, and making recommendations on a variety of issues, including (1) the current State funding sources and structure of TTF; (2) short- and long-term transit and highway construction and maintenance funding needs; (3) options for public-private partnerships to meet transportation funding needs; (4) the structure of regional transportation authorities and their ability to meet transportation needs; and (5) options for sustainable, long-term revenue sources for transportation. The commission must submit an interim report by January 1, 2011, and a final report by November 1, 2011, providing findings and recommendations to the Governor and the General Assembly.

In February 2011, the commission released an interim report that recommends (1) adopting an amendment to the Maryland Constitution prohibiting transfers from TTF to nontransportation purposes, except in specified fiscal emergencies; (2) retaining the existing portion of sales and corporate tax revenue dedicated to TTF; (3) restoring highway user revenue to local governments; (4) raising \$800 million in net new annual funding for transportation through a combination of net new revenues and bonding; (5) increasing leveraging and bonding; and (6) removing the cost-recovery cap for Motor Vehicle Administration fees. The bill implements some of the commission's recommendations.

Motor Fuel Tax

Some states, including Maryland, impose only a motor fuel excise tax, while other states impose both an excise tax and a sales tax. The total state motor fuel tax rates for gasoline in neighboring jurisdictions are shown in **Exhibit 4**. These rates are in addition to a federal motor fuel tax of 18.4 cents per gallon of gasoline and 24.4 cents per gallon of diesel fuel. Maryland's gasoline tax rate of 23.5 cents per gallon is about one-fifth less than the average rate imposed by all states. In addition, Maryland's motor fuel tax rate is not adjusted periodically for inflation. However, nine states (Florida, Iowa, Kentucky, Maine, New York, North Carolina, Pennsylvania, Vermont, and West Virginia) have adopted variable motor fuel tax rates that do incorporate inflationary adjustments.

Exhibit 4
Total State Motor Fuel Tax Rates in Neighboring Jurisdictions
(Cents per Gallon)

	<u>Variable Rate</u>	<u>Gasoline</u>	<u>Diesel</u>
Delaware	-	23.0¢	22.0¢
District of Columbia	-	23.5	23.5
North Carolina	Yes	32.8	32.8
Pennsylvania	Yes	32.3	39.2
Virginia	-	19.7	19.8
West Virginia	Yes	32.2	32.1
Maryland	-	23.5¢	24.25¢
National Average	-	29.7¢	28.7¢

Note: The tax rates for other states may include other state taxes and fees.
Source: American Petroleum Institute

Vehicle Registration Fees

MVA's vehicle registration fees were last increased in 2004, in accordance with Chapter 9 of 2004. Some of the current vehicle registration rates in neighboring jurisdictions are presented in **Exhibit 5**.

Exhibit 5
Select Vehicle Registration Fees in Neighboring Jurisdictions

	<u>Motor Vehicles</u>	<u>Commercial Vehicles</u>
Delaware	\$40.00	\$15.00 to \$40.00 for up to 5,000 lbs. and \$18.00 per each 1,000 lbs. over 5,000 lbs.
District of Columbia	\$72.00 (3,499 lbs. or less) \$115.00 (3,500 - 4,999 lbs.) \$155.00 (5,000 lbs. or more)	\$125.00 to \$575.00 per weight
Maryland	\$50.50 for 3,700 lbs. or under \$76.50 for over 3,700 lbs.	\$63.75 per truck (7,000 lbs.) \$9.00 to \$16.00 per truck (10,000 to 80,000 lbs.)
North Carolina	\$28.00 plate fee	\$28.00 to \$51.60 per truck (4,000 to 6,000 lbs.) \$19.00 per trailer
Pennsylvania	\$36.00	\$27.00
Virginia	\$40.75 for 4,000 lbs. or under \$45.75 for over 4,000 lbs.	\$51.75 per truck (6,501-7,500 lbs.)
West Virginia	\$30 (under 8,000 lbs.)	\$28.00 per vehicle (8,001 to 16,000 lbs.) plus \$5.00 per each 1,000 lbs. over 8,000 lbs.

Source: Department of Legislative Services; National Conference of State Legislatures

State Revenues:

TTF Revenue

TTF revenues increase by \$164.9 million in fiscal 2012, \$168.1 million in fiscal 2013, \$169.6 million in fiscal 2014, \$171.1 million in fiscal 2015, and \$172.8 million in fiscal 2016 due to increased vehicle registration fees. This estimate is based on the total estimated number of vehicles in the State (known as the fleet) as of fiscal 2010. The estimate assumes the fleet will increase by 1.9% in fiscal 2012, to reflect moderate economic recovery, and by 0.9% annually thereafter. Because there is a variable mix of biennial and annual registrations from year to year, using the estimated number of registration transactions, as opposed to the total number of vehicles, would overestimate revenues. **Appendix 1** illustrates vehicle registration fees under current law and as proposed in the bill. The estimated annual registration revenue increases due to the bill represent the difference between (1) registration revenues projected in MDOT's current financial forecast; and (2) registration revenues based on estimated fleet growth, a

50% increase to each registration fee, and variable (annual and biennial) registration time periods.

TTF revenues also increase by \$306.3 million in fiscal 2012 and \$310.7 million in fiscal 2013 as a result of increasing motor fuel tax rates by 10 cents per gallon. Future fiscal years reflect a 10 cent per gallon increase and the estimated annual increase in motor fuel taxes based on changes in the construction cost index, which is estimated to increase by approximately 2.4% annually. **Exhibit 6** illustrates the fiscal effect and the cumulative increase in motor fuel tax rates under the bill. The estimate is based on current forecasts for motor fuel consumption, changes in the construction cost index, and estimated gasoline price elasticities.

Exhibit 6
Impact of Motor Fuel Tax Rate Increase
Fiscal 2012-2016
(\$ in Millions)

	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>
Cumulative Motor Fuel Tax Rate Increase	10¢	10¢	10.8¢	11.6¢	12.4¢
Total Additional Revenue	\$306.3	\$310.7	\$338.7	\$367.4	\$395.7
10 Cents Per Gallon Increase	306.3	310.7	313.5	316.4	318.5
Annual Adjustment	0	0	25.3	51.1	77.2

Source: Department of Legislative Services

By increasing vehicle registration fees and the motor fuel tax rate, the bill increases total TTF revenues by \$471.2 million in fiscal 2012, \$478.8 million in fiscal 2013, \$508.3 million in fiscal 2014, \$538.5 million in fiscal 2015, and \$568.5 million in fiscal 2016. The revenue increase by source is illustrated in **Exhibit 7**.

Exhibit 7
Total TTF Revenue Increase under Bill
Fiscal 2012-2016
(\$ in Millions)

	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>
Vehicle Registrations	\$164.9	\$168.1	\$169.6	\$171.1	\$172.8
Motor Fuel Tax	306.3	310.7	338.7	367.4	395.7
Total	\$471.2	\$478.8	\$508.3	\$538.5	\$568.5

Source: Department of Legislative Services

Exhibit 8 illustrates how the additional TTF revenue is allocated to MDOT, the general fund, and local governments through the highway user revenue distribution formula established under current law.

Exhibit 8
Distribution of TTF Revenue Increase under Bill
Fiscal 2012-2016
(\$ in Millions)

	<u>Fiscal 2012</u>		<u>Fiscal 2013</u>		<u>Fiscal 2014</u>		<u>Fiscal 2015</u>		<u>Fiscal 2016</u>	
	<u>Percent</u>	<u>Dollars</u>	<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	71.5%	\$336.9	71.5%	\$342.3	71.5%	\$363.4	71.5%	\$385.0	71.5%	\$406.5
General Fund	20.4%	96.1	19.3%	92.4	19.3%	98.1	19.3%	104.0	19.3%	109.7
Local Govt.	8.1%	38.2	9.2%	44.1	9.2%	46.8	9.2%	49.5	9.2%	52.3
Total	100.0%	\$471.2	100.0%	\$478.8	100.0%	\$508.3	100.0%	\$538.5	100.0%	\$568.5

Note: Numbers may not sum to total due to rounding.

MDOT: Maryland Department of Transportation

Source: Department of Legislative Services

General Fund Impact

As illustrated above in Exhibit 8, nearly 20% of the additional TTF revenue generated by the bill must be allocated to the general fund in accordance with current law. Specifically, the general fund receives \$96.1 million in fiscal 2012, \$92.4 million in fiscal 2013, \$98.1 million in fiscal 2014, \$104.0 million in fiscal 2015, and \$109.7 million in fiscal 2016.

State Expenditures:

Comptroller – Implementation of Fuel Tax Changes

The bill requires persons who hold tax-paid motor fuel on the date of an increase in the motor fuel tax to remit any additional tax due on that fuel. The Comptroller's special fund expenditures increase minimally in fiscal 2012 to administer and send notifications about the tax change.

MDOT – Implementation of Registration Fee Changes

MDOT advises the bill's costs can be absorbed within existing budgeted resources. However, Legislative Services advises TTF expenditures may increase in fiscal 2012 to (1) reprogram vehicle registration software; (2) retain short-term contractual assistance to respond to customer queries about the new fee increases and handle related administrative duties; and (3) design and print new vehicle registration materials.

MDOT – Capital Program

MDOT is authorized to issue revenue bonds, called Consolidated Transportation Bonds (CTBs), for its capital program. These bonds are not backed by the full faith and credit of the State. There are specific limits on the amount of CTBs that can be issued. Currently there is a statutory limit of \$2.6 billion for CTBs. Further, MDOT uses two different debt service coverage ratios, the net income test and the pledge taxes test, with the net income test the limiting factor. MDOT has agreed to maintain a 2.0 coverage ratio with bond holders and has an administrative level of 2.5 times. MDOT's debt also counts toward State debt measures. Currently, the State's ability to issue debt is constrained by the debt service as a percentage of revenues measure. In fiscal 2017 and 2018, the State is approaching the 8.0% limit.

Typically, when MDOT is provided additional revenue, the debt outstanding cap is increased in recognition of MDOT's ability to issue more debt; however, the bill does not provide such an increase. Even so, *for illustrative purposes*, Legislative Services has estimated how much additional debt MDOT could issue for the capital program due to the additional revenue generated under this bill. It is estimated that total bond sales would increase approximately \$385 million in the fiscal 2011 to 2016 time period, with debt outstanding totaling \$2.9 billion in fiscal 2016, and the net income test at 3.6 times. MDOT's ability to issue more debt is constrained by the State measure of debt service as a percentage of revenues.

Constitutional Amendment Impact

Assuming approval of the amendment in the November 2012 general election, this bill makes less likely any future transfers from TTF. Likewise, the bill establishes TTF revenue sources as part of the constitution rather than in statute, which makes any alteration in the distribution of TTF revenues subject to the constitutional amendment process and restricts the State's flexibility to modify those revenue distributions. Absent one of the specified emergencies, any proposed transfers or changes in distribution to the general fund or another special fund would require an additional constitutional amendment. Legislative Services advises that, in the absence of the availability of additional future transfers from TTF, future shortfalls in the general fund may require additional and possibly significant expenditure reductions or revenue increases.

Local Fiscal Effect: Local governments receive a portion of TTF revenues for constructing and maintaining roads. As previously illustrated in Exhibit 8, local governments receive the following additional highway user revenue as a result of the bill: \$38.2 million in fiscal 2012, \$44.1 million in fiscal 2013, \$46.8 million in fiscal 2014, \$49.5 million in fiscal 2015, and \$52.3 million in fiscal 2016.

Small Business Effect: A potentially significant number of small businesses are affected by the fee changes proposed in the bill. To the extent small businesses throughout the State have vehicles, they must pay a higher motor fuel tax rate and comply with more expensive vehicle registration fees.

In addition, some of the approximately 2,000 gas stations in the State may be small businesses. Small gas stations are impacted to the extent they must remit new tax and payment materials to the Comptroller every year to account for any additional tax due from holding tax-paid motor fuel on the date of an increase in the motor fuel rate tax.

Additional Comments: The bill creates a constitutional requirement to dedicate not less than the portion of certain revenues to TTF that were dedicated as of October 1, 2010. This requirement could be interpreted to mean the same dollar amount, effectively establishing a mandatory funding requirement.

Finally, the bill could affect the way MDOT administers its funds in the future due to its more narrow definition of the authorized use of funds from "any lawful purpose" under current law to "any lawful purpose related to the construction and maintenance of an adequate highway system or any other transportation-related purpose."

Additional Information

Prior Introductions: None.

Cross File: HB 1001 (Delegate Frick, *et al.*) - Ways and Means.

Information Source(s): Maryland Department of Transportation, Governor's Office, Comptroller's Office, Maryland Association of Counties, American Petroleum Institute, National Conference of State Legislatures, Department of Legislative Services

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mc/lgc

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Appendix 1
MDOT Vehicle Registration Fees
Fiscal 2012

Class (1)	Description	Weight	No. Regs.	Current Law		Proposed in Bill		Difference	
				Annual Fee	Revenues	Annual Fee	Revenues	Annual Fee	Revenues
Class A	Passenger	< 3,700 lbs	2,067,503	50.50	104,408,902	75.75	156,613,352	25.25	52,204,451
		> 3,700 lbs	143,300	76.50	10,962,450	114.75	16,443,675	38.25	5,481,225
Class A	Passenger-Rental	< 3,700 lbs	37,015	27.00	999,405	40.50	1,499,108	13.50	499,703
		> 3,700 lbs	2,565	40.50	103,883	60.75	155,824	20.25	51,941
			2,250,383		116,474,639		174,711,959		58,237,320
Class B	For Hire		5,951	150.00	892,650	225.00	1,338,975	75.00	446,325
Class C	Funeral/Ambulance		1,284	100.00	128,400	150.00	192,600	50.00	64,200
Class D	Motorcycle		118,678	35.00	4,153,730	52.50	6,230,595	17.50	2,076,865
Class E	Truck	10,000 - 18,000	99,688	9.00	10,120,846	13.50	15,181,270	4.50	5,060,423
		18,001 - 26,000	19,953	11.75	5,711,139	17.63	8,566,709	5.88	2,855,570
		26,001 - 40,000	10,313	12.75	4,385,771	19.13	6,578,656	6.38	2,192,885
		40,001 - 60,000	3,637	14.75	2,779,785	22.13	4,169,677	7.38	1,389,892
		60,001 - 80,000	1,238	16.00	1,367,677	24.00	2,051,515	8.00	683,838
Class E	Truck-Rental	10,000 - 18,000	519	4.75	27,811	7.13	41,717	2.38	13,906
		18,001 - 26,000	104	7.50	18,980	11.25	28,470	3.75	9,490
		26,001 - 40,000	54	8.50	15,223	12.75	22,835	4.25	7,612
		40,001 - 60,000	19	10.50	10,303	15.75	15,454	5.25	5,151
		60,001 - 80,000	6	11.75	5,229	17.63	7,844	5.88	2,615
			135,531		24,442,766		36,664,148		12,221,383
Class E	Truck	7,000 lbs	627,949	63.75	40,031,749	95.63	60,050,763	31.88	20,019,014
	Truck-Rental	7,000 lbs	3,197	33.75	107,899	50.63	161,864	16.88	53,965
			631,146		40,139,648		60,212,627		20,072,979
Class E	Dump Truck	Minimum	-	1,050.00		1,575.00			
		Per 1,000 lbs	4,915	26.25	2,677,556	39.38	4,016,334	13.13	1,338,778
Class E	Tow Truck	to 26,000 lbs	566	185.00	104,710	277.50	157,065	92.50	52,355
		> 26,000	2,888	550.00	1,588,400	825.00	2,382,600	275.00	794,200
			3,454		1,693,110		2,539,665		846,555
Class E	Farm Trucks	10,000 - 40,000	6,608	5.00	622,020	7.50	933,030	2.50	311,010
		40,001 - 65,000	419	5.25	114,652	7.88	171,979	2.63	57,326
			7,027		736,673		1,105,009		368,336
Class F	Tractor	40,001 - 60,000	442	21.00	454,541	31.50	681,812	10.50	227,271
		60,001 - 80,000	712	22.50	1,241,792	33.75	1,862,688	11.25	620,896
Class F	Tractor-Rental	40,001 - 60,000	-	14.50	-	21.75	-	7.25	-
		60,001 - 80,000	-	16.00	-	24.00	-	8.00	-
			1,154		1,696,333		2,544,499		848,166
Class F	Farm Tractor	40,000 - 80,000	686	5.25	276,218	7.88	414,327	2.63	138,109
Class G	Trailers – Nonfreight	<= 3,000 lbs	272,574	25.50	6,955,253	38.25	10,432,879	12.75	3,477,626
		3,001 - 5,000	-	51.00	-	76.50	-	25.50	-
		5,001 - 10,000	337	80.00	26,960	120.00	40,440	40.00	13,480
		10,001 - 20,000	13,561	124.00	1,682,680	186.00	2,524,020	62.00	841,340
Class G	Trailers— Nonfreight Rental	<= 3,000 lbs	181	13.50	2,444	20.25	3,665	6.75	1,222
		3,001 - 5,000	-	27.00	-	40.50	-	13.50	-
		5,001 - 10,000	-	47.25	-	70.88	-	23.63	-
		10,001 - 20,000	9	81.00	729	121.50	1,094	40.50	365
			286,662		8,668,065		13,002,098		4,334,033
Class G	Trailers – Freight		12,318	38.25	471,164	57.38	706,807	19.13	235,643
Class G	Trailers – Freight-Rental		2	20.25	41	30.38	61	10.13	20
			12,320		471,204		706,868		235,664

Class (1)	Description	Weight	No. Regs.	Current Law		Proposed in Bill		Difference	
				Annual Fee	Revenues	Annual Fee	Revenues	Annual Fee	Revenues
Class G	Trailers – Farm	3,000 lbs	147	12.75	1,874	19.13	2,812	6.38	938
		5,000 lbs	184	25.50	4,692	38.25	7,038	12.75	2,346
		10,000 lbs	723	40.00	28,920	60.00	43,380	20.00	14,460
		20,000 lbs	358	62.00	22,196	93.00	33,294	31.00	11,098
			1,412		57,682		86,524		28,842
Class H	School Vehicle		3,790	51.00	193,290	76.50	289,935	25.50	96,645
Class H	School Bus Charter		930	150.00	139,500	225.00	209,250	75.00	69,750
Class J	Van Pool		173	76.50	13,235	115.75	20,025	39.25	6,790
Class K	Farm Area		6,786	2.50	16,965	3.75	25,448	1.25	8,483
Class L	Historic		85,330	25.50	2,175,915	38.25	3,263,873	12.75	1,087,958
Class M	Multipurpose	< 3,700 lbs	342,139	50.50	17,278,020	75.75	25,917,029	25.25	8,639,010
		> 3,700 lbs	785,303	76.50	60,075,680	114.75	90,113,519	38.25	30,037,840
Class M	Multipurpose-Rental	< 3,700 lbs	2,769	27.00	74,763	40.50	112,145	13.50	37,382
		> 3,700 lbs	6,357	40.50	257,459	60.75	386,188	20.25	128,729
			1,136,568		77,685,921		116,528,881		38,842,960
Class N	Street Rod		7,326	25.00	183,150	37.50	274,725	12.50	91,575
Class P	Passenger Bus	20 or less	623	275.00	171,325	412.50	256,988	137.50	85,663
		21 to 35	385	525.00	202,125	787.50	303,188	262.50	101,063
		36 or more	645	875.00	564,375	1,312.50	846,563	437.50	282,188
			1,653		937,825		1,406,738		468,913
Class Q	Limousine		594	185.00	109,890	227.50	135,135	42.50	25,245
Retained International Registration Plan Fees			25,913		45,855,710		68,783,565		22,927,855
			<u>4,729,666</u>		<u>329,820,073</u>		<u>494,703,801</u>		<u>164,883,728</u>

Note 1: The following fees affected by the bill are not included in this table: motor vehicles manufactured 60 years ago; Class F rental tractors; and Class R low-speed vehicles. MDOT advises that these data are not provided because (1) vehicles are not currently registered under these categories; or (2) information is not available, but any revenue increase is minimal.

Note 2: Maryland participates in the International Registration Plan (IRP), a registration reciprocity agreement among states, the District of Columbia, and provinces of Canada providing for payment of registration fees on the basis of fleet distance operated in various jurisdictions. This table reflects IRP registration fee revenue (1) retained from Maryland-based truckers for registration fees based on mileage traveled in the State; and (2) remitted to the State from other states for non-Maryland truckers' use of State roads. In Maryland, some Class E trucks and dump trucks and a majority of Class F truck tractors participate in this program.

Source: Maryland Department of Transportation

Appendix 2
Transportation Trust Fund
Transfers to/from State General Fund

<u>Fiscal Year</u>	<u>Transfers from the Trust Fund to the General Fund</u>	<u>Transfers from the General Fund to the Trust Fund</u>
1984	\$29 million (Budget Shortfall) ¹	
1986	\$100 million Md. Deposit Insurance ² Fund (Savings & Loan Crisis)	
1987		\$15 million (partial payback of \$129 million)
1988		\$30 million (partial payback of \$129 million)
1989		\$36 million (partial payback of \$129 million)
1990		\$36 million (partial payback of \$129 million)
1991	\$22.2 million (Budget Shortfall) ³	\$12 million (final payback of \$129 million)
1992	\$48 million (Budget Shortfall) ⁴ Equal to biennial registration windfall	
1993		
1994		
1995		
1996		
1997		\$6 million (failure of fuel efficiency legislation) ⁵
1998		\$21 million (failure of fuel efficiency legislation) ⁵
1999		\$15 million (failure of fuel efficiency legislation) ⁵
2000		
2001		\$25.1 million (Wilson Bridge/Addison Road extension) ⁶ \$10.2 million (land adjacent to Greenbelt Metro Station) ⁷
2002		\$23.1 million (share of rental car sales tax paid in fiscal 2002 as part of transit initiative) ⁸
2003	\$160.0 million (Budget Shortfall) ⁹	
2004	\$154.9 million (Budget Shortfall) ⁹	
2005		
2006		\$50.0 million partial payback of \$314.9 million ¹⁰
2007		
2008		
2009	See note 11	
2010	See note 11	
2011	See note 11	
2012	See note 11	
2013	See note 11	
Total Paid	\$514.1 million	\$279.4 million
ICC Repayment		264.9 million ¹²
Total with ICC	\$514.1 million	\$544.3 million

¹Authorized by Chapter 62 of 1983. Preamble specified future GF repayment.

²Authorized by Chapter 1 of 1986. Preamble and body specify repayment of this transfer, and the \$29 million transfer from the 1983 session.

³Authorized by Chapter 470 of 1991. Funds were transferred to reduce GF shortfall. The statute contains no reference to GF repayment.

⁴Authorized by Chapter 62 of 1992. Funds transferred to balance the GF budget. The statute contains no reference to GF repayment.

⁵Payment outlined in Chapter 204 of 1993 to make up for the loss of \$72 million from failure of legislation relating to the fuel efficiency surcharge.

⁶Budget bill appropriations were made in 2001 (\$50 million) and 2002 (\$45 million) to supplement the TTF to be used for the State's share of constructing a new Woodrow Wilson Bridge (WWB) and a Metro extension from Addison Road to the Largo Town Center. Chapter 440 of 2002 (2002 BRFA) removed all funding for WWB and Addison Road except the \$25 million that had already been expended in 2001.

⁷Chapter 102 of 2001 (Fiscal 2002 Budget Bill) authorized a deficiency appropriation for \$10.2 million for the acquisition of land adjacent to the Greenbelt Metro Station. The deficiency was offset by the withdrawal of a \$10 million appropriation from the Economic Development Opportunities Program Fund.

⁸Chapter 440 of 2002 (2002 BRFA) altered provisions of the transit initiative. The TTF share of the rental car sales tax was returned to 45% and \$9.6 million from the uninsured motorist fee.

⁹Chapter 203 of 2003 (2003 BRFA/HB 935) transferred a total of \$314.9 million to the GF and required that the Administration submit a plan by December 1, 2003, on the proposed repayment of funds.

¹⁰Chapter 430 of 2004 (2004 BRFA) included a provision to repay the TTF the \$314.9 million borrowed in 2003 and 2004. It required that a general fund surplus in excess of \$10 million be appropriated to the TTF, not to exceed \$50 million per year and only until such time that \$314.9 million is repaid to the TTF.

¹¹Chapter 10 of 2008 (SB 46) repealed the sales tax on computer services. As part of the package to replace this revenue, the TTF share of the sales tax was reduced from 6.5% to 5.3% through fiscal 2013. After fiscal 2013, the TTF share of the sales tax will revert to 6.5%. The revenue going to the GF instead of the TTF is as follows: \$51.1 million in fiscal 2009, \$53.4 million in fiscal 2010, \$55.8 million in fiscal 2011, \$58.3 million in fiscal 2012, and \$60.9 million in fiscal 2013 (this does not include the TTF share of revenue from the computer services sales tax attributed to the TTF). These numbers total \$279.5 million and are based on projections from the fiscal note for SB 46. Statute does not contain a repayment plan to the TTF for the revenue transfer or diversion.

¹²This total reflects general funds or general obligation bond funds anticipated or received by the Maryland Transportation Authority for the InterCounty Connector (ICC) as part of the repayment of \$314.9 million transferred from TTF in fiscal 2003 and 2004. The remaining \$50 million of the ICC repayment was made in fiscal 2006 and is reflected separately in the table.

Source: Department of Legislative Services