SB 971

Department of Legislative Services

Maryland General Assembly
2012 Session

FISCAL AND POLICY NOTE

Senate Bill 971 (The President)(By Request - Administration)
Budget and Taxation

Maryland Transportation Financing and Infrastructure Investment Act of 2012

This Administration bill (1) imposes an additional motor fuel tax on all fuels except aviation gasoline and turbine fuel based on the retail price of gasoline; (2) creates a Local Transportation Infrastructure Aid Account within the Transportation Trust Fund (TTF); (3) places restrictions on transfers from TTF and use of TTF monies; and (4) increases the vehicle registration fee surcharge.

The bill takes effect June 1, 2012.

Fiscal Summary

State Effect: Special fund revenues for the Maryland Emergency Medical System Operations Fund (MEMSOF) increase by $0.8 million in FY 2012 and by $9.5 million annually thereafter due to the increase in vehicle registration fee surcharges. Future years reflect annualization and forecasted number of impacted registrations. TTF revenues increase by $202.4 million in FY 2013, with the State share totaling $182.2 million. Future year revenues reflect phase in of the tax increase and forecasts of fuel consumption and prices. No effect on expenditures.

($ in millions)	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
SF Revenue	$0.8	$211.9	$422.0	$658.2	$663.9
Expenditure	0	0	0	0	0
Net Effect	$0.8	$211.9	$422.0	$658.2	$663.9

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

Local Effect: Local revenues increase by $20.2 million in FY 2013 and by $134.2 million in FY 2017. Local expenditures are not affected.

Small Business Effect: The Administration has determined that this bill has a meaningful impact on small business (attached). Legislative Services concurs with this assessment as discussed below.

Analysis

Bill Summary:

Motor Fuel Tax

The bill imposes an additional tax (sales and use tax equivalent rate) on motor fuel based on the retail price of regular, unleaded gasoline, excluding federal and State taxes, as determined by the Comptroller's Office and specified by the bill. The tax rate is determined by multiplying the applicable semiannual average retail price determined by the Comptroller's Office, less State and federal taxes, by the percentage tax rate to the nearest tenth of a cent. A 2% rate is imposed in fiscal 2013 and may increase by 2% annually beginning in fiscal 2014, subject to a maximum rate of 6%. The rate increase is imposed only if the Comptroller's Office determines that the average retail price of regular, unleaded gasoline including federal and State taxes in the past 12 months has increased by an annual rate of 15% or less. If the Comptroller's Office determines that the annual price of gasoline increased by more than 15% annually, the rate must remain unchanged.

The additional motor fuel tax rate is imposed for a six-month period. By June 15 and December 15 of each year, the Comptroller's Office is required to calculate the average retail price of regular gasoline excluding federal and State taxes in the previous six months; and, based on this price determination and the tax rate imposed in the fiscal year, the additional motor fuel tax imposed in the next six months. Unless the tax rate is 6% in the current fiscal year, the Comptroller's Office is also required by June 15 to determine if the price of gasoline increased by 15% or less as described above and then announce the tax rate to be imposed.

Local Aid

The bill creates a Local Transportation Infrastructure Aid Account within the TTF. The revenue from the sales and use tax equivalent rate is distributed as follows, depending on the tax rate imposed during the fiscal year:

- *Any fiscal year in which a 2% tax rate is imposed:* 90% is distributed to the Maryland Department of Transportation (MDOT) and 10% to local jurisdictions;

- *Any fiscal year in which a 4% tax rate is imposed*: 85% is distributed to MDOT and 15% to local jurisdictions; and

- *Any fiscal year in which a 6% tax rate is imposed*: 80% is distributed to MDOT and 20% to local jurisdictions.

In each fiscal year, the amount of funding provided to local jurisdictions is distributed 70% to counties, 20% to municipalities, and 10% to Baltimore City. The county and municipal share is distributed using the same formula as for highway user revenues (HUR).

Transportation Trust Fund Protections

The bill pledges the revenue from the sales and use tax equivalent rate and registration fees to pay the principal and interest on Consolidated Transportation Bonds. TTF revenues, if not used for transportation purposes, may only be used for defense or relief purposes if the State is invaded or a catastrophe has occurred and the Governor has declared a state of emergency.

A three-fifths majority of the full standing committees assigned the legislation in the General Assembly must pass the legislation and then be enacted into law.

Prior to enactment of legislation to transfer TTF funds, the Treasurer must advise the General Assembly and Governor on the impact of the transfer on the credit rating of the department's bonds. Furthermore, a determination is to be made on the additional bonds test that has been agreed upon with bondholders of MDOT debt. If the department fails the additional bond test due to the diversion of revenues or the debt would be downgraded, no transfer can occur.

Any transfer of funds is to be repaid based upon a specific schedule and diversions or transfers of local aid are not subject to the provisions described above.

Current law provides that transfers from the State share of the TTF are to be repaid within five years. The bill further clarifies how much would need to be repaid in a specific fiscal year if a revenue transfer occurs. Specifically:

- at least 10% in the first fiscal year after the transfer;
- a cumulative total of 30% within two fiscal years;
- a cumulative total of 55% within three fiscal years;
- a cumulative total of 80% within four fiscal years; and
- a cumulative total of 100% within five fiscal years.

MEMSOF

The bill increases the vehicle registration fee surcharge from $13.50 to $15.50. The additional fees are credited to MEMSOF. This fee is collected under current law on a biennial basis.

Regional Transit Authority

A workgroup appointed by the Governor, in consultation with the President of the Senate and the Speaker of the House, is required to study and make recommendations on the advisability of establishing regional transit authorities to raise funds to support major transit projects. The workgroup must submit its preliminary findings and recommendations to the Governor and the General Assembly by December 15, 2012.

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. Motor fuel taxes are projected to total $752.6 million in fiscal 2013.

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. Beginning July 1, 2012, TTF funds may not be transferred or diverted to the general fund unless legislation is enacted prior to the diversion that repays the TTF funds within five years. Also, 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.

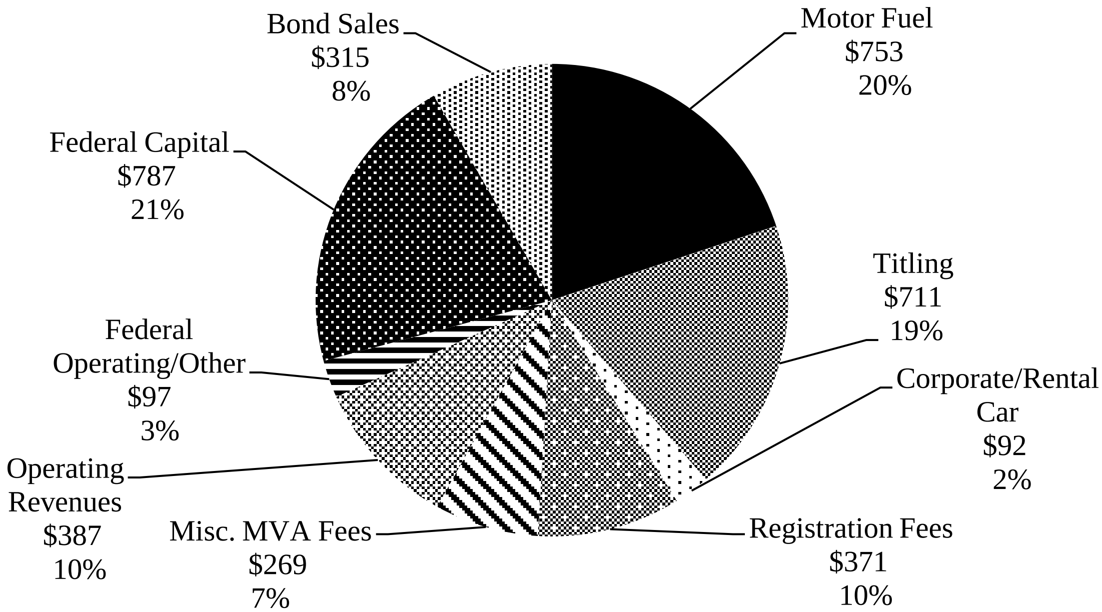
TTF's Gasoline and Motor Vehicle Revenue Account revenue (commonly known as highway user revenue) must be distributed to the general fund, MDOT, and local jurisdictions as follows:

- 23% in fiscal 2011 and 11.3% in fiscal 2012 to the general fund;
- 68.5% in fiscal 2011, 79.8% in fiscal 2012, 90% in fiscal 2013, and 90.4% in fiscal 2014 and future years to MDOT; and
- the balance to counties, municipalities, and Baltimore City.

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, Motor Vehicle Administration, 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, titling taxes, vehicle registration fees, a portion of the rental car sales and corporate income taxes, and other miscellaneous motor vehicle fees. Exhibit 1 shows that TTF's largest revenue sources in fiscal 2013 are the motor fuel and titling taxes and federal aid for the capital program, which represent $2.3 billion (60%) of all fund sources. MDOT is projecting that $315 million in bonds will be sold to supplement the transportation capital program in fiscal 2013.

Exhibit 1
Transportation Trust Fund
State-sourced Revenues and Federal Funds
Fiscal 2013
($ in Millions)



Total: $3,782 Million

MVA: Motor Vehicle Administration
Source: Governor's Budget Books, Fiscal 2013, Volume I

Transportation Trust Fund Transfers

Transportation revenues have been diverted to the State's general fund to help balance the State's budget. The transfers have occurred either from the State share of TTF revenues or from local aid for transportation through the HUR formula. **Appendix 1** shows that while transfers from the State share of transportation funding have occurred, the general fund transfers and funding of the InterCounty Connector offset those transfers.

Chapter 397 of 2011 (Budget Reconciliation and Financing Act) required that any transfer from the State share of the TTF was to be repaid within five years.

Previously, the statutory distribution formula allocated 70.0% of HUR 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 HUR for fiscal 2010 and 2011 and transferred the revenues to the general fund. That legislation also adjusted the State-local distribution of HUR, beginning in fiscal 2012, to 71.5% to TTF and 28.5% to local jurisdictions. The distribution of HUR was adjusted further in fiscal 2010 and 2011. Most recently, in accordance with the BRFA of 2011 (Chapter 397), the $1.65 billion in estimated fiscal 2012 HUR was distributed as follows: $1.3 billion (79.8%) to MDOT; $186.5 million (11.3%) to the general fund; $123.8 million (7.5%) to Baltimore City; $13.2 million (0.8%) to counties; and $9.9 million (0.6%) to municipalities.

Exhibit 2 details recent and planned transfers of HUR to the general fund under current law.

Exhibit 2
Highway User Revenue Distributed to the General Fund Under Current Law
Fiscal 2003-2013
($ in Millions)

Fiscal Year	Amount
2003	$18
2004	102
2005	102
2006	23
2007	0
2008	0
2009	0
2010	304
2011	377
2012	186
2013 (est.)	0

Source: Department of Legislative Services

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. During the September 2010 to October 2011 period, the 28-member commission held 14 meetings and received feedback from numerous experts and affected parties.

The commission's November 1, 2011 final report recommends, among other things, protecting and increasing transportation funding and facilitating funding partnerships. **Exhibit 3** summarizes key recommendations included in the final report. The bill implements some of the commission's recommendations.

Exhibit 3
Summary of the Final Recommendations of the
Blue Ribbon Commission on Transportation Funding

Protect and Increase Transportation Funding

- Amend the Maryland Constitution to prohibit transfers from TTF to nontransportation purposes, except in fiscal emergencies.
- Raise $870 million in new annual revenues for transportation by, for example, increasing (1) the motor fuel tax over three years by five cents per gallon per year and then indexing it to inflation; (2) vehicle registration fees by 50%; and (3) other transportation revenues.
- Restore the allocation of annual highway user revenues to local governments.
- Increase transportation bonding capacity commensurate with revenue adjustments.
- Remove the cost-recovery cap for Motor Vehicle Administration fees.
- Consider establishing tolls on new or expanded transportation facilities in conjunction with variable pricing techniques.

Support Transit

- Reach the transit cost-recovery ratio goal of 35%.
- Regularly adjust transit fares and eliminate nonpaying ridership.

Support State Growth Policies

- Collaborate with local governments to ensure that local plans reflect State growth policies.

Capture Value Created by Transportation Investments

- Integrate value capture analysis into transportation decisionmaking.
- Seek authority to apply tax increment financing support to highway project development.

Facilitate Transportation Financing Partnerships

- Establish centralized enabling legislation for public-private partnerships (P3) outlining efficient and timely legislative review.
- Revise the current transportation P3 process.
- Assess the feasibility of loaning State funds to local governments and private sponsors to facilitate transportation investments.

Source: Blue Ribbon Commission on Transportation Funding Final Report, November 2011

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 or equivalent 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, 12 states (California, Connecticut, Florida, Georgia, Iowa, Kentucky, Nebraska, New York, North Carolina, Pennsylvania, Vermont, and West Virginia) have adopted variable motor fuel tax rates that do incorporate inflationary adjustments. Six states have imposed the sales tax on the retail purchase of motor fuel (California, Illinois, Indiana, Michigan, New York, and Virginia). **Appendix 2** shows the motor fuel tax rate in each state.

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

	Sales Tax	Variable Rate	Gasoline	Diesel
Delaware		-	23.0¢	22.0¢
District of Columbia		-	23.5	23.5
North Carolina		Yes	39.2	39.2
Pennsylvania		Yes	32.3	39.2
Virginia	Yes*	-	19.8	20.1
West Virginia		Yes	33.4	32.1
Maryland		-	**23.5¢**	**24.25¢**
National Average		-	30.4¢	29.6¢

Note: The tax rates for other states may include other state taxes and fees.

*Virginia imposes a 2.1% sales tax in Northern Virginia for transportation that is collected at the distributor and not retail level.

Source: American Petroleum Institute

MEMSOF

MEMSOF is used to fund several components of Maryland's emergency medical services system, including (1) Maryland State Police Aviation Command; (2) the Maryland Institute for Emergency Medical Services Systems; (3) the R Adams Cowley Shock Trauma Center; (4) the Maryland Fire and Rescue Institute; (5) local grants under the Senator William H. Amoss Fire, Rescue, and Ambulance Fund; and (6) the Volunteer Company Assistance Fund. Of these components of the EMS system, Aviation Command (41%), MIEMSS (22%), Amoss Fund (18%), and MFRI (14%) make up the largest portions of MEMSOF expenditures.

MEMSOF expenditures typically exceed revenues on an annual basis. From fiscal 1993 to 2011, registration revenues grew by about 1.1%, while expenditures grew by about 3.5%. This imbalance is generally attributable to the effect of inflation on ongoing expenditures without a corresponding inflation adjustment for the surcharge that supports MEMSOF. To address this funding imbalance, Chapter 33 of 2001 increased the annual vehicle registration surcharge, which is the principal source of revenue for MEMSOF, from $8 to the current level of $11; as vehicles are registered biennially, the actual surcharges collected increased from $16 to $22. However, under current fiscal trends, MEMSOF is projected to end fiscal 2014 with a negative balance.

State Revenues: Each of the bill's revenue provisions is discussed below.

Motor Fuel Tax

TTF revenues increase by $202.4 million in fiscal 2013 as a result of imposing the additional motor fuel tax rate specified by the bill. **Exhibit 5** illustrates the fiscal effect and the cumulative increase in motor fuel tax rates under the bill.

Exhibit 5
Cumulative Tax Rate Increase and Estimated Revenue Impact
($ in Millions)

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Average Retail Price	$3.18	$3.21	$3.32	$3.31	$3.36
Tax Rate	2.0%	4.0%	6.0%	6.0%	6.0%
Tax Rate Increase	6.4 ¢	12.8 ¢	19.9 ¢	19.9 ¢	20.2 ¢
Total Revenue	**$202.4**	**$412.4**	**$648.5**	**$654.1**	**$670.9**
MDOT	182.2	350.5	518.8	523.3	536.7
Locals	20.2	61.9	129.7	130.8	134.2

Source: Department of Legislative Services

The Department of Legislative Services (DLS) advises that the retail price of gasoline is volatile and difficult to predict. These estimates do not account for unforeseen supply shocks or disruptions that may increase the price of motor fuel. Therefore, while current price estimates show that the retail price of motor fuel will not exceed the 15% threshold as specified in the bill, DLS advises that this could occur and as a result reduce the amount of revenue generated from the tax.

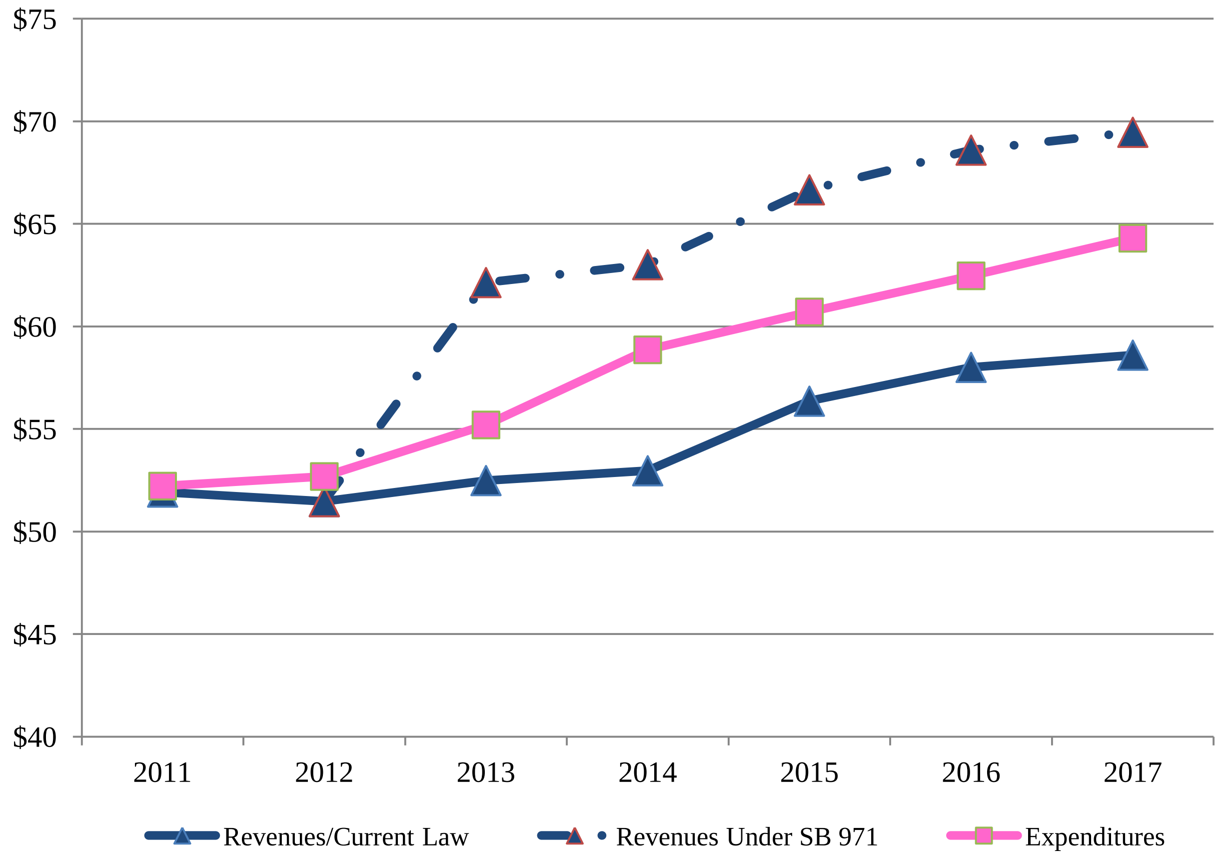
DLS also advises that the out-year revenue estimates may be significantly different depending on the actual change in fuel prices. The difficulty of accurately estimating fuel prices could make programming for the capital program more difficult because the program relies on cash flow estimates of spending.

It is estimated that the bill will increase the average annual fuel taxes paid per Maryland household by $55 in fiscal 2013, $110 in fiscal 2014, and by $171 in fiscal 2015 when the tax is fully phased in. This estimate is based on the average amount of vehicle miles traveled per household in the United States in 2009 and the average fuel economy for a light-duty vehicle.

MEMSOF

Special fund revenues distributed to MEMSOF increase by $793,800 in fiscal 2012, and by more than $9.5 million annually beginning in fiscal 2013, reflecting the $2 increase in the annual vehicle registration surcharge and the bill's June 1, 2012 effective date. **Exhibit 6** shows the fluctuation between long-term revenue and expenditures, under the current law and due to the proposed registration fee increase. The higher registration surcharge results in revenues well above MEMSOF expenditures over the next five years and is projected to ensure the viability of MEMSOF through at least fiscal 2017. Future year revenues reflect the historical trend in registration surcharge increases for MEMSOF.

Exhibit 6
MEMSOF Forecast – Current Law vs. Increased Registration Fee Surcharge
Fiscal 2011-2017
($ in Millions)



MEMSOF: Maryland Emergency Medical System Operations Fund

Source: Department of Legislative Services

State Expenditures:

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 pledged taxes test, with the net income test the limiting factor. MDOT has agreed to maintain a 2.0 coverage ratio with bond holders whereby the pledged taxes or net income has to be 2.0 times greater than the maximum debt service. Currently MDOT uses a 2.5 coverage ratio to be conservative. 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. DLS estimates that capital program spending could increase by $2.3 billion over the six-year period assuming the debt outstanding limit remains at $2.6 billion. If the debt outstanding limit is increased, DLS advises the capital program could increase even more.

Local Fiscal Effect: The bill creates a new local aid transportation program in addition to the existing HUR called the Local Transportation Infrastructure Aid Account (LTIAA). Once the sales and use tax rate equivalent rate reaches 6%, the LTIAA receives 20% of the revenues. At a 2% tax rate, LTIAA receives 10%; at a 4% rate, LTIAA receives 15% of the additional revenues.

Of the revenue distributed to local jurisdictions, 70% is distributed to counties, 20% to municipalities, and 10% to Baltimore City. Local aid in the LTIAA is distributed in the same manner as HUR and all existing statutory requirements for HUR will also be apply to LTIAA. **Exhibit 7** provides a summary of how the revenue would be distributed. **Appendix 3** provides a breakdown by local jurisdiction.

Exhibit 7
Distributions from the Local Transportation Infrastructure Aid Account
($ in Millions)

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Total	**$20.2**	**$61.9**	**$129.7**	**$130.8**	**$134.2**
Counties (70%)	14.2	43.3	90.8	91.6	93.9
Municipalities (20%)	4.0	12.4	25.9	26.2	26.8
Baltimore City (10%)	2.0	6.2	13.0	13.1	13.4

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 minimal. The incidence of the tax will be shared by customers (including other businesses) through higher product prices and owners of the small businesses. Small businesses may potentially benefit to the extent that additional funding improves the State's transportation infrastructure.

Additional Information

Prior Introductions: None.

Cross File: HB 1302 (The Speaker)(By Request - Administration) - Ways and Means and Environmental Matters.

Information Source(s): Maryland Department of Transportation, Department of Legislative Services

Fiscal Note History: First Reader - March 13, 2012
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Appendix 1
State Transportation Trust Fund and General Fund/General Obligation Transfers
Fiscal 1984-2016
($ in Millions)

Fiscal Year	Transfers from the Trust Fund to the General Fund	Transfers from the General Fund to the Trust Fund
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	
2014		$26.0 million
2015		$25.0 million
2016		$21.0 million
Total Paid	**$574.1 million**	**$351.4 million**
ICC Repayment		$264.9 million[12]
Total with ICC	**$574.1 million**	**$616.3 million**

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

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

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

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

[5]Payment 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.

[6]Budget 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.

[7]Chapter 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.

[8]Chapter 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.

[9]Chapter 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.

[10]Chapter 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.

[11]Chapter 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.

[12]This 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

Appendix 2
Total State Motor Fuel Tax Rates
(Cents per Gallon)

	Rank	State	Regular Gasoline Excise	Regular Gasoline Other Tax/Fee	Regular Gasoline Total	Diesel Excise	Diesel Other Tax/Fee	Diesel Total	Sales Tax	Variable Rate	Local Tax	Notes
*	1	New York	8.1	40.9	49.0	8.0	41.5	49.5	x	x	x	State – Sales tax adjusted based upon population. Local – County sales tax.
*	2	Connecticut	25.0	23.6	48.6	46.2	0.0	46.2		x		State – 7.0% gross receipts earnings tax, collected at the wholesale level and adjusted annually.
	2	California	35.7	12.9	48.6	13.0	38.5	51.5	x	x	x	State – 2.25% sales tax for gas and 2.0 cpg UST fee. Local – At least a 1.25% sales tax on diesel.
	4	Hawaii	17.0	30.1	47.1	17.0	32.8	49.8			x	State – 4.0% sales tax, and 0.1 cpg environmental tax. Local – County taxes.
	5	Michigan	19.0	20.4	39.4	15.0	22.9	37.9	x			State – 6.0% sales tax and 0.875 cpg environmental fee.
*	6	North Carolina	38.9	0.3	39.2	38.9	0.3	39.2		x		State – Flat excise tax plus a variable rate of 7.0% of average wholesale price during preceding six months.
	7	Illinois	19.0	19.9	38.9	21.5	22.2	43.7	x		x	State – 6.25% sales tax calculated off retail price less federal and state excise taxes and 0.3 cpg tax for UST.
	7	Indiana	18.0	20.9	38.9	16.0	33.0	49.0	x			State – 7.0% sales tax; 1.0 cpg inspection fee and 11.0 cpg surcharge for diesel paid quarterly.
	9	Washington	37.5	0.0	37.5	37.5	0.0	37.5			x	
	10	Florida	4.0	31.0	35.0	4.0	26.5	30.5		x	x	State – 12.0 cents sales tax indexed to CPI and other State taxes (*e.g.*, 2 cpg environmental taxes). Local – Reflects average local option tax rate.

			Regular Gasoline			Diesel						
	Rank	**State**	**Excise**	**Other Tax/Fee**	**Total**	**Excise**	**Other Tax/Fee**	**Total**	**Sales Tax**	**Variable Rate**	**Local Tax**	**Notes**
*	11	West Virginia	20.5	12.9	33.4	20.4	11.7	32.1		x		State – Average wholesale tax floor of $2.34, rate may not change more than 10.0% annually.
	12	Nevada	23.0	10.1	33.1	27.0	1.6	28.6			x	State – 0.75 cpg environmental and 0.055 cpg inspection fees. Local – Option taxes.
	13	Rhode Island	32.0	1.0	33.0	32.0	1.0	33.0				State – 1.0 cpg environmental fee.
	14	Wisconsin	30.9	2.0	32.9	30.9	2.0	32.9				State – 2.0 cpg UST fee.
*	15	Pennsylvania	12.0	20.3	32.3	12.0	27.2	39.2		x		State – Franchise tax based on average wholesale price during a one-year period and 1.1 cpg UST fee paid by retailers.
	16	Maine	30.0	1.5	31.5	31.2	1.5	32.7				State – Includes 0.07 cpg fee for a coastal and inland water fund and other fees.
	17	Oregon	30.0	1.0	31.0	30.0	0.3	30.3			x	Local – Option taxes.
	18	Georgia	7.5	21.9	29.4	7.5	24.4	31.9		x	x	State – Sales tax of 4.0% applied to stated average prices every six months. Local – Sales tax weighted by population.
	19	Minnesota	28.1	0.1	28.2	27.5	0.1	27.6				State – Includes an inspection fee and some years a cleanup fee.
	20	Ohio	28.0	0.0	28.0	28.0	0.0	28.0				
	21	Kentucky	26.4	1.4	27.8	18.1	1.4	19.5		x		State – 10.0 cents of the excise tax indexed to the average wholesale price not to exceed 10.0 cents; 1.4 cpg UST fee; and special fuel taxes.
	21	Montana	27.0	0.8	27.8	27.8	0.8	28.6			x	State – 0.75 cpg fee for environmental cleanup.
	23	Nebraska	26.7	0.9	27.6	26.7	0.3	27.0		x		State – Release prevention fees of 0.9 cpg for gas and 0.3 cpg for diesel.

			Regular Gasoline			Diesel						
	Rank	**State**	**Excise**	**Other Tax/Fee**	**Total**	**Excise**	**Other Tax/Fee**	**Total**	**Sales Tax**	**Variable Rate**	**Local Tax**	**Notes**
	24	Vermont	19.0	7.1	26.1	25.0	4.0	29.0		x		State – Includes an infrastructure fee valued at 2.0% of the average ppg of gas less taxes in the prior quarter and a 1.0 cpg license fee for UST.
	25	Idaho	25.0	0.0	25.0	25.0	0.0	25.0				
	26	Kansas	24.0	1.0	25.0	26.0	1.0	27.0				State – 1.0 cpg environmental fee.
	27	Utah	24.5	0.0	24.5	24.5	0.0	24.5				
	28	South Dakota	22.0	2.0	24.0	22.0	2.0	24.0				State – 2.0 cpg tank inspection fee.
*	**29**	**Maryland**	**23.5**	**0.0**	**23.5**	**24.3**	**0.0**	**24.3**				
	29	Massachusetts	21.0	2.5	23.5	21.0	2.5	23.5				State – 2.5 cpg UST fund tax.
*	29	District of Columbia	23.5	0.0	23.5	23.5	0.0	23.5				
*	32	Delaware	23.0	0.0	23.0	22.0	0.0	22.0				State – 0.9% gross receipts tax assessed for hazardous substance cleanup fund.
	32	North Dakota	23.0	0.0	23.0	23.0	0.0	23.0				
	34	Colorado	22.0	0.0	22.0	20.5	0.0	20.5				
	34	Iowa	21.0	1.0	22.0	22.5	1.0	23.5		x		State – Based upon percentage of ethanol sales compared to total motor fuel tax sold. 1.0 cpg UST fee.
	36	Arkansas	21.5	0.3	21.8	22.5	0.3	22.8				State – 0.3 cpg fee at the wholesale level for UST fund.
	37	Tennessee	20.0	1.4	21.4	18.0	0.4	18.4			x	State – 1.0 cent special petroleum tax for gas and 0.4 cpg environmental fee.
	38	Alabama	16.0	4.9	20.9	19.0	2.9	21.9			x	State – 1.0 cpg fee at the wholesale level for UST. Local – Other taxes averaging 2.0 cpg.
	39	Louisiana	20.0	0.0	20.0	20.0	0.0	20.0				
	39	Texas	20.0	0.0	20.0	20.0	0.0	20.0				

	Rank	State	Regular Gasoline Excise	Regular Gasoline Other Tax/Fee	Regular Gasoline Total	Diesel Excise	Diesel Other Tax/Fee	Diesel Total	Sales Tax	Variable Rate	Local Tax	Notes
*	41	Virginia	17.5	2.3	19.8	17.5	2.6	20.1	x		x	State – 0.6 cpg storage tank fee. Local – 2.1% sales tax on motor fuels in Northern Virginia.
	42	New Hampshire	18.0	1.6	19.6	18.0	1.6	19.6				State – Includes 0.125 cpg fee for oil pollution control fund and 1.5 cpg fee for UST cleanup fund.
	43	Arizona	18.0	1.0	19.0	18.0	1.0	19.0				State – 1.0 cpg UST tax.
	44	New Mexico	17.0	1.9	18.9	21.0	1.8	22.8			x	State – 1.0 cpg loading fee.
	45	Mississippi	18.0	0.8	18.8	18.0	0.8	18.8			x	State – 0.4 cpg environmental fee. Local – Three counties have a 3.0 cpg seawall tax.
	46	Missouri	17.0	0.3	17.3	17.0	0.3	17.3				State – Includes agricultural inspection and transport load fees.
	47	Oklahoma	16.0	1.0	17.0	13.0	1.0	14.0				State – 1.0 cpg UST fee.
	48	South Carolina	16.0	0.8	16.8	16.0	0.8	16.8				State – 0.25 cpg inspection fee and 0.50 cpg UST fee.
*	49	New Jersey	10.5	4.0	14.5	13.5	4.0	17.5				State – 4.0 cpg petroleum products gross receipts tax.
	50	Wyoming	13.0	1.0	14.0	13.0	1.0	14.0				State – 1.0 cpg UST fee.
	51	Alaska	8.0	0.0	8.0	8.0	0.0	8.0				
		US Average	**20.9**	**9.5**	**30.4**	**19.0**	**10.6**	**29.6**				

*MidAtlantic Region
cpg: cents per gallon
UST: Underground Storage Tank
Source: American Petroleum Institute; Department of Legislative Services

Appendix 3
Local Transportation Infrastructure Aid Account Distributions
Fiscal 2015

County	County Share	Municipal Share	Total
Allegany	$1,574,640	$1,380,468	$2,955,108
Anne Arundel	9,521,334	1,107,391	10,628,725
Baltimore City	12,960,000	-	12,960,000
Baltimore	13,710,413	-	13,710,413
Calvert	2,096,431	317,477	2,413,908
Caroline	1,339,706	471,237	1,810,943
Carroll	3,754,907	1,497,547	5,252,454
Cecil	2,165,155	712,619	2,877,774
Charles	3,118,212	438,183	3,556,395
Dorchester	1,483,802	538,100	2,021,902
Frederick	4,487,856	2,849,476	7,337,332
Garrett	1,769,922	431,701	2,201,623
Harford	4,656,462	1,239,569	5,896,031
Howard	5,195,020	-	5,195,020
Kent	763,324	269,687	1,033,011
Montgomery	12,334,260	4,191,057	16,525,317
Prince George’s	9,455,705	5,429,549	14,885,254
Queen Anne’s	1,764,547	178,962	1,943,509
St. Mary’s	2,557,470	88,079	2,645,549
Somerset	950,509	205,910	1,156,419
Talbot	1,098,318	695,212	1,793,530
Washington	2,935,263	1,722,554	4,657,817
Wicomico	2,283,797	1,246,780	3,530,577
Worcester	1,702,946	908,443	2,611,389
Total	**$103,679,998**	**$25,920,002**	**$129,600,000**

ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Maryland Transportation Financing and Infrastructure Investment Act of 2012

BILL NUMBER: **SB 971/ HB 1302**

PREPARED BY: (Dept./Agency) Maryland Department of Transportation

PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

___ WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND SMALL BUSINESS

OR

__√__ WILL HAVE MEANINGFUL ECONOMIC IMPACT ON MARYLAND SMALL BUSINESSES

PART B. ECONOMIC IMPACT ANALYSIS

To the extent small businesses utilize motor vehicles or trucks as part of their operations, they will pay additional costs to operate their vehicles. AAA reports that the fuel tax is less than 5 percent of the annual operating cost of motor vehicles.

There are also numerous benefits to the increase in transportation infrastructure investment that will result from this legislation.

- Studies have shown that a lack of investment in highway system preservation causes more wear and tear on vehicles.
- Economic studies conducted nationally and by MDOT, show that transportation investments save and create jobs that help sustain the economy. USDOT reports that 13 direct, indirect and induced jobs are created for each $1 million in transportation infrastructure spending. Small businesses would participate in this benefit to the extent the are part of any of the direct, indirect or induced job creation
- Studies regarding the cost of congestion show that certain highway and transit improvements reduce the amount of time people spend in their cars and therefore provide a positive economic benefit.