

Department of Legislative Services
 Maryland General Assembly
 2016 Session

FISCAL AND POLICY NOTE
 Enrolled - Revised

Senate Bill 520

(Washington County Senators)

Budget and Taxation

Ways and Means

County Boards of Education - School Buses - Motor Fuel Tax Exemption and Refund

This bill exempts, from the motor fuel tax, motor fuel that is purchased for use in a school bus (1) owned by a county board of education or (2) used to transport students by a school bus operator under contract with a county board of education.

The bill takes effect July 1, 2016.

Fiscal Summary

State Effect: Transportation Trust Fund (TTF) revenues decrease by \$5.6 million in FY 2017, of which the State’s share is \$5.2 million. Future year estimates reflect projected fuel consumption and motor fuel tax rates. Expenditures are not affected.

(\$ in millions)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
SF Revenue	(\$5.6)	(\$5.8)	(\$6.2)	(\$6.4)	(\$6.7)
Expenditure	0	0	0	0	0
Net Effect	(\$5.6)	(\$5.8)	(\$6.2)	(\$6.4)	(\$6.7)

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

Local Effect: Counties and Baltimore City will realize a total net savings of \$5.2 million in FY 2017. This represents a \$5.6 million decrease in motor fuel tax payments and a \$331,400 decrease in local highway user revenues. Local highway user revenues distributed to municipalities will decrease by \$22,200 in FY 2017.

Small Business Effect: None.

Analysis

Current Law/Background: Motor fuel purchased to operate a vehicle owned by a local government entity or contractor is subject to the State motor fuel tax. As of January 1, 2016, the per gallon motor fuel tax rate is equal to 32.6 cents (gasoline and clean-burning fuel), 33.35 cents (special fuel/diesel), and 7 cents (aviation and turbine fuel). Except for aviation and turbine fuel, motor fuel taxes are adjusted based on the specified change in the Consumer Price Index (CPI) and a sales and use tax equivalent rate. Current law provides several exemptions from the motor fuel tax based on the entity that consumes the fuel or fuel usage. Claims for refunds from the motor fuel tax may be filed by certain entities if the motor fuel is used for specified purposes.

The revenue generated by the CPI tax and sales and use tax equivalent rate is retained by the Maryland Department of Transportation (MDOT). After making specified deductions, the remaining motor fuel tax revenue is distributed 90.4% to MDOT and 9.6% to local governments (7.7% to Baltimore City, 1.5% to county governments, and 0.4% to municipal governments). The funds retained by TTF support MDOT’s capital program, debt service, and operating costs. Local governments use highway user revenues to help fund local transportation projects.

State/Local Fiscal Effect: The bill exempts from the motor fuel tax motor fuel that is purchased for use by a school bus that is owned by a county board of education or used to transport students by a school bus operator under contract with a county board of education. As a result, TTF revenues will decrease by an estimated \$5.6 million in fiscal 2017, of which the State’s share is \$5.2 million. **Exhibit 1** shows the impact of the bill on the State, counties, and municipalities.

Exhibit 1 State and Local Government Net Impact Fiscal 2017-2021

	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>
Motor Fuel Taxes	(\$5,550,900)	(\$5,832,300)	(\$6,170,200)	(\$6,438,600)	(\$6,731,800)
State					
MDOT	(\$5,197,300)	(\$5,471,700)	(\$5,802,400)	(\$6,063,400)	(\$6,349,100)
Counties					
Motor Fuel Taxes	5,550,900	5,832,300	6,170,200	6,438,600	6,731,800
LHUR	(331,400)	(337,300)	(343,100)	(349,400)	(355,800)
Net Effect	\$5,219,500	\$5,495,000	\$5,827,100	\$6,089,200	\$6,376,000
Municipalities					
LHUR	(\$22,200)	(\$23,300)	(\$24,700)	(\$25,800)	(\$26,900)

This estimate is based on the total amount of miles traveled by school buses (county-owned and contractor) in the 2013-2014 school year as reported by the Maryland State Department of Education. It is assumed that exempting motor fuel purchases, made by eligible contractors, results in reduced county vendor payments. To the extent these savings are not passed along to counties, motor fuel tax savings will be less than estimated in Exhibit 1.

Additional Information

Prior Introductions: None.

Cross File: HB 756 (Washington County Delegation - Ways and Means) is listed as a cross file, but the bills are not identical.

Information Source(s): Comptroller's Office, Maryland State Department of Education, Department of Legislative Services

Fiscal Note History: First Reader - February 22, 2016
min/jrb Revised - Senate Third Reader - March 21, 2016
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