

Department of Legislative Services
Maryland General Assembly
2020 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 1394 (Delegate Anderton, *et al.*)
Environment and Transportation

Highway User Revenues - Revenue and Distribution

This bill increases the share of funds from the Gasoline and Motor Vehicle Revenues Account (GMVRA) that the Maryland Department of Transportation (MDOT) must annually provide to local governments through capital transportation grants by (1) directly increasing the percentages that must be granted to local governments beginning in fiscal 2025 and (2) requiring the revenue attributable to increases in the motor fuel tax rate due to increases in the Consumer Price Index (CPI) to be distributed to GMVRA rather than directly to the Transportation Trust Fund (TTF). **The bill takes effect July 1, 2020.**

Fiscal Summary

State Effect: Because MDOT's capital program is fully subscribed, overall TTF expenditures are not affected. However, the bill requires MDOT to redirect a total of \$203.7 million in funding from other projects between FY 2021 and 2025, as discussed below. Revenues are not affected.

Local Effect: Local government revenues increase by an estimated \$14.0 million in FY 2021, \$16.7 million in FY 2022, \$19.4 million in FY 2023, \$22.6 million in FY 2024, and \$131.1 million in FY 2025. Local expenditures are not directly affected.

Small Business Effect: None.

Analysis

Bill Summary: **Exhibit 1** illustrates the bill's effect on the percentage of GMVRA revenues annually distributed to local governments beginning in fiscal 2025.

Exhibit 1
Local Share of Highway User Revenues
Fiscal 2025 and Future Fiscal Years

	<u>Current Law</u>		<u>Under the Bill</u>
MDOT	90.4%	MDOT	85.4%
Baltimore City	7.7%	Baltimore City	8.8%
Counties	1.5%	Counties	3.2%
Municipalities	0.4%	Municipalities	2.6%

MDOT: Maryland Department of Transportation

Source: Department of Legislative Services

Current Law/Background:

Transportation Trust Fund

TTF is a nonlapsing special fund that provides funding for transportation. 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 (MTA), Motor Vehicle Administration, Maryland Port Administration, and Maryland Aviation Administration generate operating revenues that cover a portion of their operating expenditures. 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. This includes issuing Consolidated Transportation Bonds.

To address concerns that the State lacked adequate funding to build new transportation infrastructure, Chapter 429 of 2013 increased transportation funding by, among other things, increasing motor fuel taxes and requiring MTA to increase base fare prices beginning in fiscal 2015. Beginning July 1, 2013, motor fuel tax rates are indexed for all fuels, except for aviation or turbine fuel, to the annual change in the CPI. Motor fuel tax rates increase annually if the Comptroller’s Office determines that the CPI has increased over a specified 12-month period. The bill requires any revenue derived from this CPI-based increase to accrue to GMVRA instead of accruing directly to TTF.

Highway User Revenues

TTF provides local transportation aid through GMVRA. Currently, the revenues dedicated to the account include all or some portion of the motor vehicle fuel tax, vehicle titling tax, vehicle registration fees, short-term vehicle rental tax, and State corporate income tax.

Chapters 330 and 331 of 2018 altered the manner in which GMVRA revenues (commonly known as highway user revenue) are shared with local governments. Instead of directly sharing the revenue with local governments, the Acts require 100% of the funds in GMVRA to be retained by TTF and distributed to local governments through capital transportation grants beginning in fiscal 2020. This change allows MDOT to issue bonds backed by the GMVRA revenues that are ultimately issued to local governments; MDOT was unable to do so prior to the enactment of Chapters 330 and 331.

Chapters 330 and 331 also increased the local government share of GMVRA revenues from fiscal 2020 through 2024. **Exhibit 2** shows the effect of Chapters 330 and 331 on the local share of GMVRA revenues beginning in fiscal 2020. Beginning in fiscal 2025, the percentage of revenues provided to local governments reverts back to the totals in place before the enactment of Chapters 330 and 331; however, the revenues must continue to be distributed as capital transportation grants.

Exhibit 2 **Distribution of Highway User Revenues** **Effect of Chapters 330 and 331 of 2018**

	<u>Prior to FY 2020</u>	<u>FY 2020-2024</u>	<u>Beginning in FY 2025</u>
MDOT	90.4%	86.5%	90.4%
Baltimore City	7.7%	8.3%	7.7%
Counties	1.5%	3.2%	1.5%
Municipalities	0.4%	2.0%	0.4%

MDOT: Maryland Department of Transportation

Source: Department of Legislative Services

State Fiscal Effect: Under Chapters 330 and 331, MDOT must provide the local share of highway user revenues to local governments through capital transportation grants. Altering the GMVRA distribution formula beginning in fiscal 2025 and requiring the distribution of specified motor fuel tax revenues to GMVRA beginning in fiscal 2021 decreases MDOT’s share of highway user revenues and increases the local jurisdictions’ share of highway user revenues.

Because MDOT’s capital program is fully subscribed, MDOT must redirect capital funding from other projects to provide the additional revenues to local governments. Based on the estimated funds credited to GMVRA, MDOT must redirect an estimated \$14.0 million in fiscal 2021, \$16.7 million in fiscal 2022, \$19.4 million in fiscal 2023, \$22.6 million in fiscal 2024, and \$131.1 million in fiscal 2025, totaling \$203.7 million over that five-year period.

Local Fiscal Effect: Local jurisdictions’ highway user revenues increase by an estimated \$14.0 million in fiscal 2021, \$16.7 million in fiscal 2022, \$19.4 million in fiscal 2023, \$22.6 million in fiscal 2024, and \$131.1 million in fiscal 2025, totaling \$203.7 million over the five-year period. The distribution of the increase among Baltimore City, the counties, and municipalities is shown in **Exhibit 3**.

Exhibit 3
Projected Increase in Local Distribution of Highway User Revenues
Fiscal 2021-2025
(\$ in Millions)

	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
Baltimore City	\$8.6	\$10.2	\$11.9	\$13.9	\$39.5
Counties	3.3	4.0	4.6	5.4	41.2
Municipalities	2.1	2.5	2.9	3.3	50.4
Total	\$14.0	\$16.7	\$19.4	\$22.6	\$131.1

Note: Totals may not sum due to rounding.

Source: Department of Legislative Services

Exhibit 4 shows the increase in highway user revenues distributed to localities and the total amount of highway user revenues distributed to localities from fiscal 2021 through 2025 under the bill (by county).

Exhibit 4
Local Government Increase and Total – Highway User Revenues
Fiscal 2021-2025
(\$ in Millions)

	FY 2021		FY 2022		FY 2023		FY 2024		FY 2025	
	<u>Increase</u>	<u>Total</u>	<u>Increase</u>	<u>Total</u>	<u>Increase</u>	<u>Total</u>	<u>Increase</u>	<u>Total</u>	<u>Increase</u>	<u>Total</u>
Allegany	\$0.2	\$3.0	\$0.2	\$3.1	\$0.2	\$3.2	\$0.2	\$3.3	\$3.0	\$3.9
Anne Arundel	0.4	8.8	0.5	9.1	0.6	9.3	0.7	9.5	6.6	10.2
Baltimore City	8.6	170.9	10.2	175.9	11.9	180.4	13.9	183.2	39.5	198.3
Baltimore	0.5	9.7	0.6	10.0	0.7	10.3	0.8	10.4	6.1	10.6
Calvert	0.1	2.0	0.1	2.1	0.1	2.1	0.2	2.2	1.6	2.4
Caroline	0.1	1.7	0.1	1.7	0.1	1.8	0.1	1.8	1.5	2.1
Carroll	0.3	5.1	0.3	5.2	0.4	5.4	0.4	5.4	4.6	6.3
Cecil	0.1	2.7	0.2	2.8	0.2	2.9	0.2	2.9	2.4	3.4
Charles	0.2	3.0	0.2	3.1	0.2	3.2	0.2	3.2	2.3	3.5
Dorchester	0.1	1.9	0.1	2.0	0.1	2.1	0.2	2.1	1.8	2.4
Frederick	0.4	8.0	0.5	8.2	0.6	8.5	0.7	8.6	7.8	10.3
Garrett	0.1	1.9	0.1	1.9	0.1	2.0	0.2	2.0	1.6	2.3
Harford	0.3	5.2	0.3	5.4	0.4	5.5	0.4	5.6	4.4	6.3
Howard	0.2	3.9	0.2	4.0	0.3	4.1	0.3	4.2	2.4	4.2
Kent	0.0	1.0	0.1	1.0	0.1	1.0	0.1	1.0	0.9	1.2
Montgomery	0.8	15.5	0.9	16.0	1.1	16.4	1.3	16.6	13.7	19.2
Prince George's	0.8	15.8	0.9	16.3	1.1	16.7	1.3	16.9	15.0	20.1
Queen Anne's	0.1	1.6	0.1	1.6	0.1	1.7	0.1	1.7	1.2	1.8
St. Mary's	0.0	1.0	0.1	1.0	0.1	1.0	0.1	1.0	0.8	1.2
Somerset	0.1	2.1	0.1	2.2	0.1	2.2	0.2	2.3	1.4	2.4
Talbot	0.1	1.9	0.1	2.0	0.1	2.1	0.2	2.1	1.9	2.5
Washington	0.2	4.7	0.3	4.8	0.3	4.9	0.4	5.0	4.4	5.9
Wicomico	0.2	3.8	0.2	4.0	0.3	4.1	0.3	4.1	3.8	5.0
Worcester	0.1	2.6	0.2	2.6	0.2	2.7	0.2	2.7	2.4	3.2
Total	\$14.0	\$278.0	\$16.7	\$286.1	\$19.4	\$293.4	\$22.6	\$298.0	\$131.1	\$329.1

Notes: Totals may not sum due to rounding. Estimate assumes that highway road miles and vehicle registrations in fiscal 2021 remain constant through fiscal 2025.

Source: Department of Legislative Services

Additional Information

Prior Introductions: None.

Designated Cross File: SB 982 (Senators Serafini and McCray) - Budget and Taxation.

Information Source(s): Maryland Department of Transportation; cities of Baltimore and Havre de Grace; Charles, Frederick, and Montgomery counties; Maryland Association of Counties; Maryland Municipal League; Comptroller's Office; Department of Legislative Services

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