

Department of Legislative Services
Maryland General Assembly
2021 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

Senate Bill 362

(Senator McCray)

Budget and Taxation

Environment and Transportation

Transportation - Highway User Revenues - Distribution

This bill increases the share of funds from the Gasoline and Motor Vehicle Revenue Account (GMVRA) that the Maryland Department of Transportation (MDOT) must annually provide to local governments through capital transportation grants beginning in fiscal 2025. **The bill takes effect July 1, 2021.**

Fiscal Summary

State Effect: Because MDOT's capital program is fully subscribed, overall Transportation Trust Fund (TTF) expenditures are not affected. However, over the five-year period addressed in this fiscal and policy note, the bill requires MDOT to redirect \$79.5 million in FY 2025 and \$80.1 million in FY 2026, as discussed below. Revenues are not affected.

Local Effect: Over the five-year period addressed in this fiscal and policy note, local government revenues increase by an estimated \$79.5 million in FY 2025 and \$80.1 million in FY 2026. 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	86.5%
Baltimore City	7.7%	Baltimore City	8.3%
Counties	1.5%	Counties	3.2%
Municipalities	0.4%	Municipalities	2.0%

MDOT: Maryland Department of Transportation

Source: Department of Legislative Services

Current Law: 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 revenues) are shared with local governments, beginning in fiscal 2020. 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. 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: Altering the GMVRA distribution formula beginning in fiscal 2025 decreases MDOT’s share of highway user revenues and increases the local jurisdictions’ share of highway user revenues. (As noted above, MDOT must provide the local share of highway user revenues to local governments through capital transportation grants.)

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 \$79.5 million in fiscal 2025 and \$80.1 million in fiscal 2026 (totaling \$159.6 million over the five-year period addressed in this fiscal and policy note).

Local Fiscal Effect: Over the five-year period addressed in this fiscal and policy note, local jurisdictions’ highway user revenues increase by an estimated \$79.5 million in fiscal 2025 and \$80.1 million in fiscal 2026. 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 2025 and 2026
(\$ in Millions)

	<u>FY 2025</u>	<u>FY 2026</u>
Baltimore City	\$12.2	\$12.3
Counties	34.6	34.9
Municipalities	32.6	32.9
Total	\$79.5	\$80.1

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 for fiscal 2022 through 2026 under the bill (by county).

Exhibit 4
Local Government Increase and Total – Highway User Revenues
Fiscal 2022-2026
(\$ in Millions)

	FY 2022		FY 2023		FY 2024		FY 2025		FY 2026	
	<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	\$0.0	\$2.8	\$0.0	\$2.9	\$0.0	\$3.0	2.1	3.0	2.1	3.0
Anne Arundel	0.0	8.1	0.0	8.4	0.0	8.6	5.1	8.8	5.2	8.9
Baltimore City	0.0	156.3	0.0	162.0	0.0	165.8	12.2	169.2	12.3	170.4
Baltimore	0.0	8.9	0.0	9.2	0.0	9.4	5.1	9.6	5.1	9.7
Calvert	0.0	1.9	0.0	1.9	0.0	2.0	1.2	2.0	1.2	2.0
Caroline	0.0	1.6	0.0	1.6	0.0	1.6	1.1	1.7	1.1	1.7
Carroll	0.0	4.6	0.0	4.8	0.0	4.9	3.3	5.0	3.3	5.1
Cecil	0.0	2.5	0.0	2.6	0.0	2.7	1.8	2.7	1.8	2.7
Charles	0.0	2.8	0.0	2.9	0.0	2.9	1.8	3.0	1.8	3.0
Dorchester	0.0	1.8	0.0	1.8	0.0	1.9	1.3	1.9	1.3	1.9
Frederick	0.0	7.4	0.0	7.6	0.0	7.8	5.5	8.0	5.5	8.0
Garrett	0.0	1.7	0.0	1.8	0.0	1.8	1.2	1.9	1.2	1.9
Harford	0.0	4.8	0.0	4.9	0.0	5.1	3.2	5.2	3.3	5.2
Howard	0.0	3.6	0.0	3.7	0.0	3.8	2.1	3.9	2.1	3.9
Kent	0.0	0.9	0.0	0.9	0.0	0.9	0.6	1.0	0.6	1.0
Montgomery	0.0	14.1	0.0	14.7	0.0	15.0	9.9	15.3	10.0	15.4
Prince George's	0.0	14.4	0.0	14.9	0.0	15.3	10.5	15.6	10.6	15.7
Queen Anne's	0.0	1.5	0.0	1.5	0.0	1.5	0.9	1.6	0.9	1.6
Somerset	0.0	0.9	0.0	0.9	0.0	0.9	0.6	1.0	0.6	1.0
St. Mary's	0.0	1.9	0.0	2.0	0.0	2.0	1.2	2.1	1.2	2.1
Talbot	0.0	1.8	0.0	1.9	0.0	1.9	1.4	1.9	1.4	2.0
Washington	0.0	4.3	0.0	4.4	0.0	4.6	3.2	4.6	3.2	4.7
Wicomico	0.0	3.5	0.0	3.6	0.0	3.7	2.6	3.8	2.7	3.8
Worcester	0.0	2.3	0.0	2.4	0.0	2.5	1.7	2.5	1.7	2.5
Total	\$0.0	\$254.2	\$0.0	\$263.5	\$0.0	\$269.6	79.5	275.2	80.1	277.2

Notes: Totals may not sum due to rounding. Estimate assumes that highway road miles and vehicle registrations in fiscal 2022 remain constant through fiscal 2026.

Source: Department of Legislative Services

Additional Information

Prior Introductions: None.

Designated Cross File: HB 649 (Delegate Anderton) - Environment and Transportation.

Information Source(s): Maryland Department of Transportation; Harford, Montgomery, and Wicomico counties; Maryland Association of Counties; Maryland Municipal League; Department of Legislative Services

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