

Department of Legislative Services
Maryland General Assembly
2025 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 637 (Delegate Allen)

Appropriations and Environment and
Transportation

Transportation - Highway User Revenues Capital Grants - Calculation

This bill increases, beginning in fiscal 2026, the amount of funds from the Gasoline and Motor Vehicle Revenue Account (GMVRA) that the Maryland Department of Transportation (MDOT) must annually provide to local governments (in total) through capital transportation grants. Specifically, MDOT must provide 12.1% to Baltimore City, 15.3% to counties, and 2.6% to municipalities. While the amount provided to counties *increases* each year beginning in fiscal 2026, the amount provided to Baltimore City and municipalities *decreases* in fiscal 2026 and 2027 and *increases* beginning in fiscal 2028. **The bill takes effect July 1, 2025.**

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, relative to current law, the bill requires MDOT to redirect an estimated \$222.9 million in FY 2026, \$226.7 million in FY 2027, \$323.7 million in FY 2028, \$326.4 million in FY 2029, and \$330.3 million in FY 2030 to local governments.

Local Effect: Over the five-year period addressed in this fiscal and policy note, relative to current law, local government revenues increase by an estimated \$222.9 million in FY 2026, \$226.7 million in FY 2027, \$323.7 million in FY 2028, \$326.4 million in FY 2029, and \$330.3 million in FY 2030. However, revenues for Baltimore City and municipalities decrease in FY 2026 and 2027, as discussed below. Expenditures are not directly affected.

Small Business Effect: Minimal or none.

Analysis

Current Law: TTF provides local transportation aid through GMVRA, and revenues in the account are commonly referred to as highway user revenues. 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 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.

The amount of the grants that MDOT must annually provide to local governments from GMVRA is based on a statutory formula which was last modified by Chapter 240 of 2022. **Exhibit 1** shows the distribution of revenues required by Chapter 240 for fiscal 2026 through 2030; the distribution in fiscal 2030 continues in future fiscal years as well.

Exhibit 1 Local Share of Highway User Revenues Distribution Fiscal 2026-2030

	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>
MDOT	80.0%	80.0%	84.4%	84.4%	84.4%
Baltimore City	12.2%	12.2%	9.5%	9.5%	9.5%
Counties	4.8%	4.8%	3.7%	3.7%	3.7%
Municipalities	3.0%	3.0%	2.4%	2.4%	2.4%

MDOT: Maryland Department of Transportation

Source: Department of Legislative Services

State Fiscal Effect: Altering the GMVRA distribution formula beginning in fiscal 2026 decreases MDOT's share of highway user revenues and increases the local share of highway user revenues, although, 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 capital transportation grants to local governments. Relative to current law and based on the estimated funds credited to GMVRA, the bill requires MDOT to redirect \$222.9 million in fiscal 2026, \$226.7 million in fiscal 2027, \$323.7 million in fiscal 2028, \$326.4 million in fiscal 2029, and \$330.3 million in fiscal 2030 (totaling approximately \$1.4 billion over the five-year period addressed in this fiscal and policy note) to local governments.

Local Fiscal Effect: Over the five-year period addressed in this fiscal and policy note, relative to current law, local jurisdictions’ highway user revenues (in total) increase by an estimated \$222.9 million in fiscal 2026, \$226.7 million in fiscal 2027, \$323.7 million in fiscal 2028, \$326.4 million in fiscal 2029, and \$330.3 million in fiscal 2030.

The distribution of the increase among Baltimore City, the counties, and municipalities is shown in **Exhibit 2**. Notably, although total highway user revenues provided to local governments *increases* over the five-year period, the bill *reduces* highway user revenues distributed to Baltimore City and municipalities in fiscal 2026 and 2027.

Exhibit 2
Projected Change in Local Distribution of Highway User Revenues
Fiscal 2026-2030
(\$ in Millions)

	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>
Baltimore City	(\$2.2)	(\$2.3)	\$58.4	\$58.9	\$59.6
Counties	234.0	238.0	260.8	263.0	266.1
Municipalities	(8.9)	(9.1)	4.5	4.5	4.6
Total	\$222.9	\$226.7	\$323.7	\$326.4	\$330.3

Note: Totals may not sum due to rounding.

Source: Department of Legislative Services

Exhibit 3 shows the *change in* highway user revenues distributed to localities (relative to current law) and the *total* amount of highway user revenues distributed to localities for fiscal 2026 through 2030 under the bill (by county).

Exhibit 3
Local Government Highway User Revenues – Change and Total by County
Fiscal 2026-2030
(\$ in Millions)

	FY 2026		FY 2027		FY 2028		FY 2029		FY 2030	
	<u>Change</u>	<u>Total</u>	<u>Change</u>	<u>Total</u>	<u>Change</u>	<u>Total</u>	<u>Change</u>	<u>Total</u>	<u>Change</u>	<u>Total</u>
Allegany	\$3.7	\$8.6	\$3.7	\$8.8	\$4.8	\$8.7	\$4.8	\$8.8	\$4.9	\$8.9
Anne Arundel	24.1	39.1	24.5	39.7	27.7	39.4	27.9	39.7	28.2	40.2
Baltimore City	(2.2)	269.7	(2.3)	274.3	58.4	272.0	58.9	274.3	59.6	277.6
Baltimore	34.0	49.5	34.6	50.4	37.9	50.0	38.2	50.4	38.6	51.0
Calvert	5.3	8.6	5.4	8.8	6.1	8.7	6.2	8.8	6.2	8.9
Caroline	3.2	6.0	3.3	6.1	3.8	6.0	3.9	6.1	3.9	6.1
Carroll	8.8	17.1	9.0	17.4	10.7	17.3	10.8	17.4	10.9	17.6
Cecil	5.2	9.7	5.3	9.9	6.3	9.8	6.3	9.9	6.4	10.0
Charles	8.4	13.4	8.5	13.6	9.6	13.5	9.6	13.6	9.8	13.8
Dorchester	3.5	6.7	3.6	6.8	4.2	6.7	4.3	6.8	4.3	6.9
Frederick	11.0	24.4	11.2	24.8	14.0	24.6	14.1	24.8	14.3	25.1
Garrett	4.3	7.3	4.4	7.5	5.0	7.4	5.1	7.5	5.1	7.5
Harford	11.4	19.9	11.6	20.3	13.4	20.1	13.5	20.3	13.7	20.5
Howard	13.9	20.2	14.1	20.6	15.5	20.4	15.6	20.6	15.8	20.8
Kent	1.8	3.4	1.8	3.4	2.2	3.4	2.2	3.4	2.2	3.5
Montgomery	30.2	54.9	30.8	55.9	35.9	55.4	36.2	55.9	36.6	56.5
Prince George's	24.0	49.2	24.5	50.0	29.7	49.6	29.9	50.0	30.3	50.6
Queen Anne's	4.5	7.1	4.5	7.2	5.1	7.2	5.1	7.2	5.2	7.3
Somerset	2.3	3.9	2.3	3.9	2.7	3.9	2.7	3.9	2.7	4.0
St. Mary's	6.7	10.2	6.8	10.4	7.6	10.3	7.7	10.4	7.7	10.5
Talbot	2.5	5.6	2.5	5.7	3.2	5.7	3.2	5.7	3.2	5.8
Washington	7.0	14.5	7.1	14.7	8.6	14.6	8.7	14.7	8.8	14.9
Wicomico	5.1	11.3	5.1	11.5	6.4	11.4	6.5	11.5	6.6	11.6
Worcester	4.2	8.3	4.2	8.5	5.1	8.4	5.1	8.5	5.2	8.6
Total	\$222.9	\$668.7	\$226.7	\$680.1	\$323.7	\$674.4	\$326.4	\$680.1	\$330.3	\$688.2

Notes: Totals may not sum due to rounding. Estimate assumes that highway road miles and vehicle registrations in fiscal 2026 remain constant through fiscal 2030.

Source: Department of Legislative Services

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: None.

Information Source(s): Maryland Department of Transportation; Department of Budget and Management; Harford and Montgomery counties; Maryland Municipal League; Department of Legislative Services

Fiscal Note History: First Reader - February 28, 2025
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