
Maryland Department of Transportation Fiscal 2005 Budget Overview

**Department of Legislative Services
Office of Policy Analysis
Annapolis, Maryland**

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Analysis of the FY 2005 Maryland Executive Budget, 2004

Analysis in Brief

Issues

Reauthorization of Transportation Spending Delayed: The six-year federal authorization act for federal transportation spending for the period 1998 through 2003, the Transportation Equity Act for the 21st Century (TEA-21), expired September 30, 2003. As Congress was unable to pass a reauthorization act prior to the expiration of TEA-21, legislation was enacted extending TEA-21 through February 29, 2004. **The department should discuss with the committees its current assumptions regarding future federal aid attainment as well as the impact that continued delay in the reauthorization of federal transportation spending could have on ongoing and planned capital projects, including the InterCounty Connector.**

Recommended Actions

1. Add annual language requiring notification of changes to the transportation capital program.
2. Add annual language limiting non-transportation expenditures.
3. Add annual language establishing a position ceiling in the department.

J00
Maryland Department of Transportation Overview
Fiscal 2004 Budget Overview

Operating Budget Analysis

Introduction to the Overview

The overview document is divided into two distinct sections which present detailed analyses of the:

Fiscal 2005 Transportation Allowance: Including analyses of the Transportation Trust Fund (TTF) forecast, the operating budget allowance, and the *Consolidated Transportation Program (CTP)*; and

Transportation Revenues in the State of Maryland: Including an analysis of the Transportation Task Force's recommended increases in the six-year capital program, profiles of each major transportation revenue source in the State, and a brief comparison of the State's transportation financing structure to those in the states surrounding Maryland and in the other states that maintain multi-modal transportation funds.

More detailed information on some of the topics covered in the revenue overview is presented at the end of the analysis in five separate appendices:

- ***Appendix 1:*** Gas Tax Rates, Vehicle Registration Rates, and Titling Tax Rates in the 50 States.
- ***Appendix 2:*** States Ranked by Gas Tax Rates.
- ***Appendix 3:*** Comparison of State-imposed Automobile Taxes and Fees as a Percentage of Median Household Incomes in States Surrounding Maryland and in States with Multi-modal Trust Funds.
- ***Appendix 4:*** States with Variable Gas Tax Rates, States that Impose Sales Taxes on Gas Sales, and States with Constitutional Protections on Transportation Funds.
- ***Appendix 5:*** Transportation Funding Structures in States with Multi-modal Transportation Funds.

These appendices are intended to provide a self-contained source of reference information on key issues pertaining to transportation revenues.

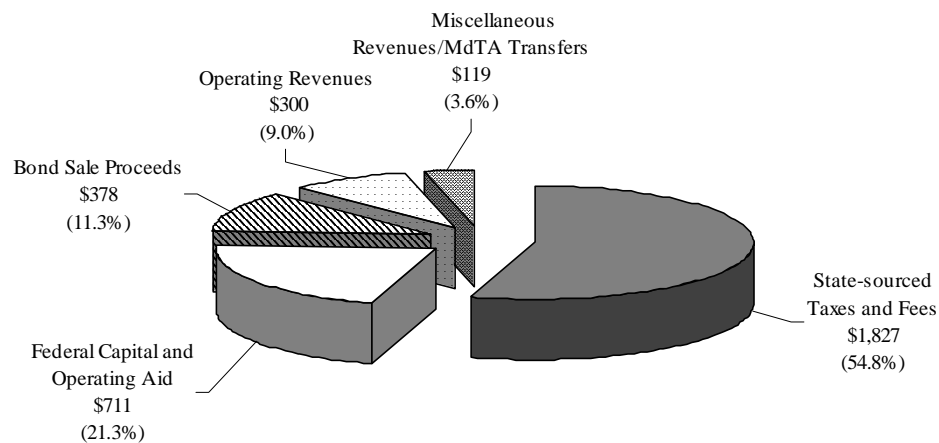
Fiscal 2005 Transportation Allowance

Fiscal 2005 Transportation Allowance

The Maryland Department of Transportation (MDOT) is responsible for statewide transportation planning and the development, operation, and maintenance of key elements of the transportation system. It is involved in all modes of transportation within the State, including the construction and maintenance of State roads, regulation and licensing of drivers and vehicles, and operation of bus and rail transit services. In addition, MDOT owns and operates facilities in the Port of Baltimore and the Baltimore-Washington International (BWI) Airport.

Transportation in Maryland is funded through the TTF, a nonlapsing special fund revenue account whose revenue sources include motor fuel tax receipts, titling tax receipts, vehicle registration fees, a portion of the corporate income tax, revenues generated by the individual modes, proceeds from the sale of bonds, and federal highway and transit aid. In fiscal 2003, the TTF received approximately \$3,335 million in revenue from all sources, including all State sources (which comprised 78.7% of total revenue) and federal highway and transit operating and capital aid (which comprised 21.3% of total revenue). As illustrated in **Exhibit 1**, State-imposed taxes and fees (including motor fuel, titling, corporate income, and rental car taxes and vehicle registration and miscellaneous fees) comprised the largest single source of revenue, followed by federal funds, bond sale proceeds and premiums, operating revenues, and fund transfer revenues and other miscellaneous revenues.

Exhibit 1
Fiscal 2003 TTF Revenue by Source
Total Revenue: \$3,335 Million
(\$ in Millions)



Source: Maryland Department of Transportation

J00 – MDOT – Fiscal 2005 Budget Overview

MDOT’s Fiscal 2004 through 2009 TTF Forecast

Exhibit 2 presents MDOT’s TTF forecast for the fiscal 2004 through 2009 period.

**Exhibit 2
TTF Forecast
Fiscal 2004 – 2009
(\$ in Millions)**

<u>Fund Balance</u>	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>Total FY 04-09</u>
Starting balance	\$173	\$145	\$100	\$100	\$100	\$100	\$100	\$145
Closing balance	145	100	100	100	100	100	100	100
Net Revenues								
Taxes and fees	1,323	1,376	1,421	1,441	1,461	1,476	1,492	8,667
Operating/misc.	452	493	426	424	437	449	463	2,692
GF payments/repayments	-160	-155	0	0	0	0	0	-155
MdTA transfer	43	43	43	43	43	0	0	172
Net Revenues Subtotal	1,658	1,757	1,890	1,908	1,941	1,925	1,955	11,376
Bonds sold	345	370	205	125	0	0	65	765
Bond premiums	33	0	0	0	0	0	0	0
Subtotal	\$2,036	\$2,127	\$2,095	\$2,033	\$1,941	\$1,925	\$2,020	\$12,141
Expenditures								
Debt service	130	136	176	155	132	135	143	876
Operating	1,158	1,169	1,203	1,289	1,341	1,395	1,453	7,850
Total capital	777	867	716	589	468	395	424	3,459
Subtotal	\$2,065	\$2,172	\$2,095	\$2,033	\$1,941	\$1,925	\$2,020	\$12,185
Debt coverage ratio/ net income	4.3	2.6	2.9	4.3	4.0	3.9	3.2	
Debt outstanding	\$961	\$1,237	\$1,327	\$1,360	\$1,291	\$1,217	\$1,198	
Highway User Grants*	\$451	\$366	\$383	\$492	\$498	\$502	\$506	\$2,747
Highway User Funds to General Fund	\$18	\$102	\$102	0	0	0	0	\$205
Capital Summary								
State Capital	\$777	\$867	\$716	\$589	\$468	\$395	\$424	\$3,459
Federal Capital	615	734	634	605	500	418	277	3,168
Total	\$1,392	\$1,601	\$1,350	\$1,194	\$968	\$813	\$701	\$6,627

*Highway User Grant figures for fiscal 2003, 2004, and 2005 are net of deductions taken from these grants and diverted to the general fund. These deductions will total \$17.9 million in fiscal 2003, and \$102.4 million in both fiscal 2004 and 2005.

Source: Maryland Department of Transportation

In developing this forecast, MDOT assumed that \$155 million will be diverted from the TTF to the general fund in fiscal 2004.

As shown in **Exhibit 3**, MDOT assumed moderate to strong rates of revenue growth in the three main State-sourced revenues.

Exhibit 3
Rates of Growth Assumed in MDOT’s TTF Forecast

<u>Revenue Source</u>	<u>Fiscal 2004</u>	<u>Fiscal 2005</u>
Gas Tax	2.6%	2.6%
Titling Tax	5.2%	3.4%
Vehicle Registration Fee	2.2%	2.0%

Source: Maryland Department of Transportation

MDOT assumed that annual \$43 million Maryland Transportation Authority (MdTA) grants for transit will continue through fiscal 2007. MDOT also assumed that a \$100 million fund balance will be maintained and that debt coverage ratios will continue to equal or exceed 2.5. Based on these assumptions, MDOT’s forecast yields the following results:

- **State-sourced Revenue Attainments:** The forecast projects that State-sourced revenues will total approximately \$1.9 billion in fiscal 2004 (an increase of nearly 4% over fiscal 2003) and \$1.963 billion in fiscal 2005 (an increase of 3.3% over fiscal 2004).
- **Federal Capital Aid:** The forecast projects that federal capital aid will total approximately \$734 million in fiscal 2004 (a 19.3% increase over fiscal 2003) and approximately \$634 million in fiscal 2005 (a decrease of approximately 13.6% under the projected fiscal 2004 level).
- **Bond Sales:** The forecast projects bond sales of \$370 million and \$205 million in fiscal 2004 and 2005 respectively. The forecast projects total bond sales of \$765 million during the 2004 through 2009 period.
- **Total Capital Program:** The capital program is expected to reach \$1.6 billion in fiscal 2004 (an increase of 15% over fiscal 2003) and then fall to \$1.35 billion in fiscal 2005 (a decrease of 15.7% under fiscal 2004). During the 2004 through 2009 period, capital expenditures are expected to total \$6.627 billion.

MDOT’s TTF Forecast Underestimates Potential Revenue Attainments

Analysis of MDOT’s 2004 through 2009 TTF forecast reveals that the forecast likely underestimates both the TTF’s potential revenue attainments during the six-year forecast period and,

J00 – MDOT – Fiscal 2005 Budget Overview

concomitantly, the size of the capital program that could be undertaken by the department during that period. These conclusions are based on the following assessments:

- ***Forecast Under-utilizes Debt Capacity:*** The revenue projections made in the forecast provide an additional \$260 million in unused bonding capacity. Thus, while the forecast projects total bond sales of \$765 million during the fiscal 2004 through 2009 period, the revenue projections made in the forecast would allow the department to sell at least \$1.025 billion in debt during the six-year period. Increased debt sales would increase the amount of funding available for MDOT's capital program.
- ***Projections of Revenue from State-imposed Taxes and Fees Are Conservative:*** Through the first five months of fiscal 2004, all three major State-imposed taxes and fees (e.g., gas tax, titling tax, and registration fees) yielded revenues above the levels projected in MDOT's forecast; gas tax revenues were 3% above the projected pace, titling tax revenues were 4.5% above the projected pace, and registration fee revenues were 9.2% above the projected pace. While it is unlikely that these revenues will finish the fiscal year so far above the projected levels, it is likely that total tax/fee revenues for the fiscal year will be above projections. Any such increases would provide additional funding for capital programs in the current year; such increases would also raise the bases on which projections for revenue attainment in subsequent years are made. In addition, increases in revenue attainments would also create some additional bonding capacity above the \$260 million already available in the forecast.
- ***Forecast Holds \$111 Million in Reserve:*** The forecast holds 1% of total anticipated State-sourced revenue in reserve as a hedge against revenue changes. Should revenues continue to meet or exceed projections, the money held in reserve would then also be available to fund capital projects.
- ***Forecast Does Not Assume Repayment of the TTF:*** The forecast does not assume any repayment will be made to the TTF from the general fund at any time during the fiscal 2004 through 2009 period. However, \$25 million in general funds is included in the Dedicated Purpose Account allowance as an initial repayment for the TTF, and the general fund forecast assumes that \$25 million will be repaid to the TTF annually through 2009 (the last year of the forecast period).
- ***Forecast Does Not Assume Additional Revenues from "Delaware Holding Company" Settlements:*** The forecast does not assume any additional revenues that would be due to the TTF from increased corporate income receipts resulting from the settlement of taxes arising from the "Delaware holding company" issue. Thus, while the administration's forecast of the general fund assumes that the State will receive \$83.6 million in fiscal 2005 from these corporate settlements which would yield \$26.4 million in increased revenue to the TTF, MDOT's TTF forecast is not consistent with this assumption. Further, the general fund forecast assumes that an additional \$20 million will accrue to the State in each forecast year from the corporate tax recoveries, which would yield an additional \$6 million per year to the TTF.

J00 – MDOT – Fiscal 2005 Budget Overview

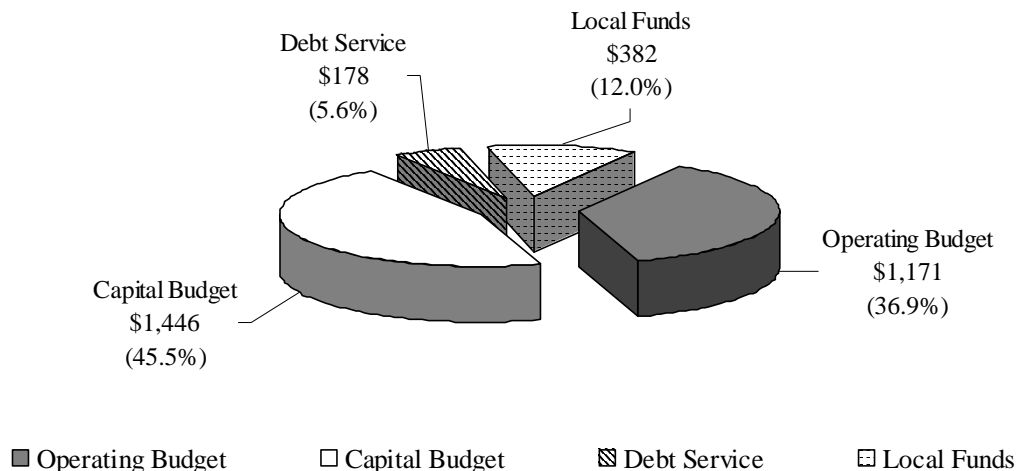
- **Forecast Does Not Assume Increased Federal Fund Attainments Under Federal Transportation Reauthorization:** Given the uncertainty surrounding the effort to reauthorize federal spending, conservative estimates of federal attainment in the fiscal 2004 through 2006 period are warranted. However, any additional federal money received by the State from the reauthorized federal spending act would also increase the amount of money available to fund the capital program.

The Department of Legislative Services (DLS) recommends that MDOT discuss with the committees the assumptions that underpin its fiscal 2004 through 2009 TTF forecast, including discussing why the forecast has not assumed that MDOT will use more of the debt capacity that is made available by the forecasted revenues and why the forecast does not make assumptions regarding revenue attainments that align with those made in the administration’s general fund forecast.

Governor’s Proposed Budget

The fiscal 2005 allowance for the entire department is \$3.2 billion from all revenue sources. As shown in **Exhibit 4** funding for capital programs comprises 45.5% of the entire allowance, while funding for operating programs comprises 36.9% of the allowance; the remaining 17.6% of the allowance is allocated for local highway user revenues and debt service payments.

Exhibit 4
MDOT’s Fiscal 2005 Budget Allowance by Use
Total Budget: \$3.2 Billion
(\$ in Millions)



Source: Maryland State Budget

Operating Budget

Overall, the fiscal 2005 operating budget increases by nearly \$32 million (2.8%) over the fiscal 2004 working appropriation. The largest increase is seen in the budget for the Maryland Transit Administration (MTA), which includes an additional \$20.5 million over the fiscal 2004 working appropriation to cover increased union labor contract costs, increased paratransit costs, commuter bus contract increases, workers' compensation costs, and other miscellaneous adjustments. The Maryland Aviation Administration's (MAA) fiscal 2005 allowance increases by nearly \$12 million over the fiscal 2004 working appropriation; the majority of this increase is due to the anticipated signing of a new contract for parking lot shuttle bus services that will require MAA to budget for maintenance costs directly rather than treat them as deductions from parking revenue.

Smaller increases are seen in the operating budgets for the Secretary's Office (2.4%), the Maryland Port Administration (0.8%), and the grant given by the department to the Washington Metropolitan Area Transit Authority (WMATA) (2.4%); these increases are offset by small decreases in the operating budgets of the State Highway Administration (SHA) (-2.3%) and the Motor Vehicle Administration (-1.7%).

Debt Service

The fiscal 2005 debt service payment of \$178 million increases by \$34 million (24%) over the fiscal 2004 payment. This payment is expected to include approximately \$16.5 million in payments for anticipated bond issuances totaling \$370 million in fiscal 2004. The remainder of the debt service payment is attributable to the timing of amortized payments for previous issues. One large bond series from the early 1990s will be retired in fiscal 2005; in addition, the department will make a large payment (\$83.5 million) for refinancing bonds issued in fiscal 2003 to refinance earlier debt issuances at the lower interest rates available in 2003. At the end of fiscal 2005, total debt outstanding is projected to be \$1.327 billion – below the statutory ceiling of \$1.5 billion.

Local Highway User Revenues

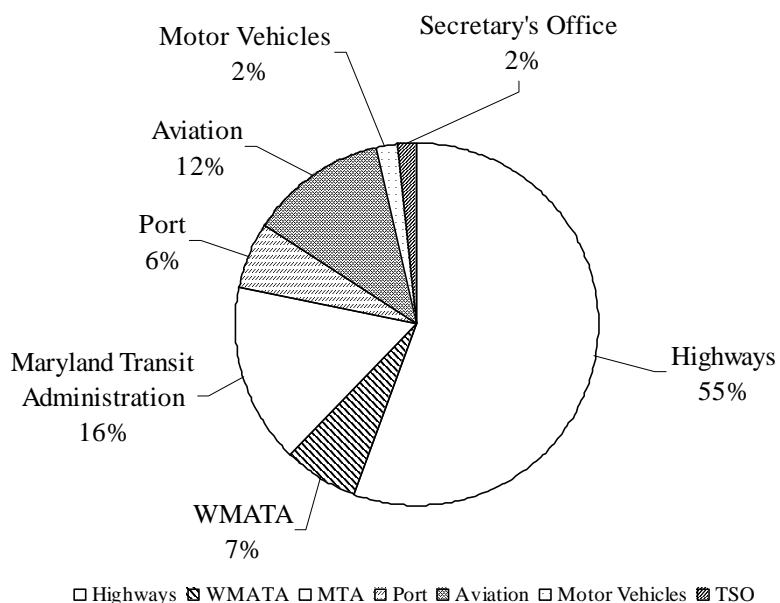
The fiscal 2005 allowance for local highway user aid shows an increase of \$16.2 million (4.4%) over the fiscal 2004 working appropriation. Local highway user revenues are taken from funds that are deposited in the Gasoline and Motor Vehicle Revenue Account (GMVRA) and subsequently distributed between the TTF and Baltimore City, the counties, and eligible municipalities (distributions are made on the basis of total county road mileage and county vehicle registration). The fiscal 2005 estimate for local highway user revenues is based on an assumed transfer of \$102.4 million from the local portion of the GMVRA to the general fund; the proposed transfer amount includes \$51.2 million transferred through the Budget Reconciliation and Financing Act (BRFA) of 2003 and an additional \$51.2 million that the administration has proposed to transfer in fiscal 2005.

Capital Budget

The *State Report on Transportation* is prepared annually and distributed to the General Assembly, local elected officials, and interested citizens. It consists of two documents – the Maryland Transportation Plan (MTP) and the CTP. The MTP contains the department’s long-range vision for transportation in Maryland, while the CTP presents a detailed listing and description of the capital projects that are proposed for development and evaluation or construction during the next six-year period.

For the period 2004 through 2009, the CTP supports a capital program that totals just over \$7 billion in projects supported by State, federal, and “other” funds (such funding includes funds from the Maryland Economic Development Corporation, Certificates of Participation (COP), Passenger Facility Charges, and Customer Facility Charges utilized to support projects implemented by MAA, and a limited amount of private and local funding and COPs used to support projects implemented by MTA). **Exhibit 6** shows total capital funding over the six-year period by mode.

Exhibit 6
MDOT Proposed Capital Funding by Mode
Fiscal 2004 Consolidated Transportation Program
Total Program: \$7 Billion¹



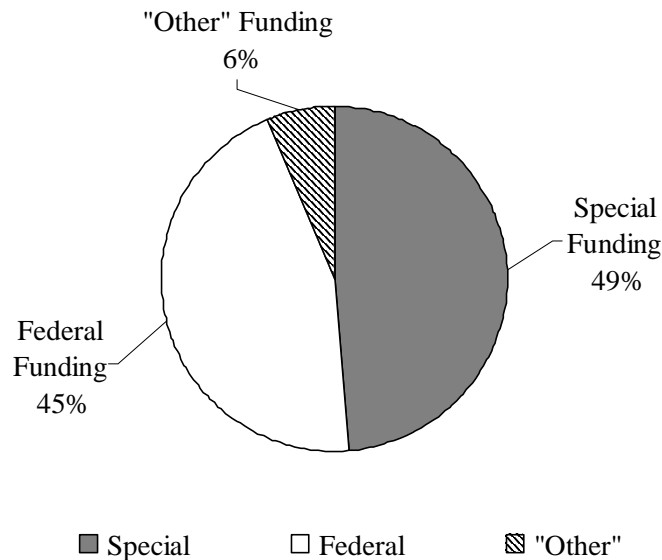
¹This figure includes \$3.427 billion in special funds, \$3.168 billion in federal funds, and \$443.9 million in “other” funds.

Note: This exhibit excludes \$612.6 million in federal funding that is expected to be provided directly to WMATA without passing through the TTF.

Source: Maryland Department of Transportation, 2004 *Consolidated Transportation Program*

Exhibit 7 shows the breakdown of special, federal, and “other” funding in the capital program.

Exhibit 7
MDOT Proposed Funding for 2004 – 2009 Capital Program by Source
Total Program: \$7 Billion

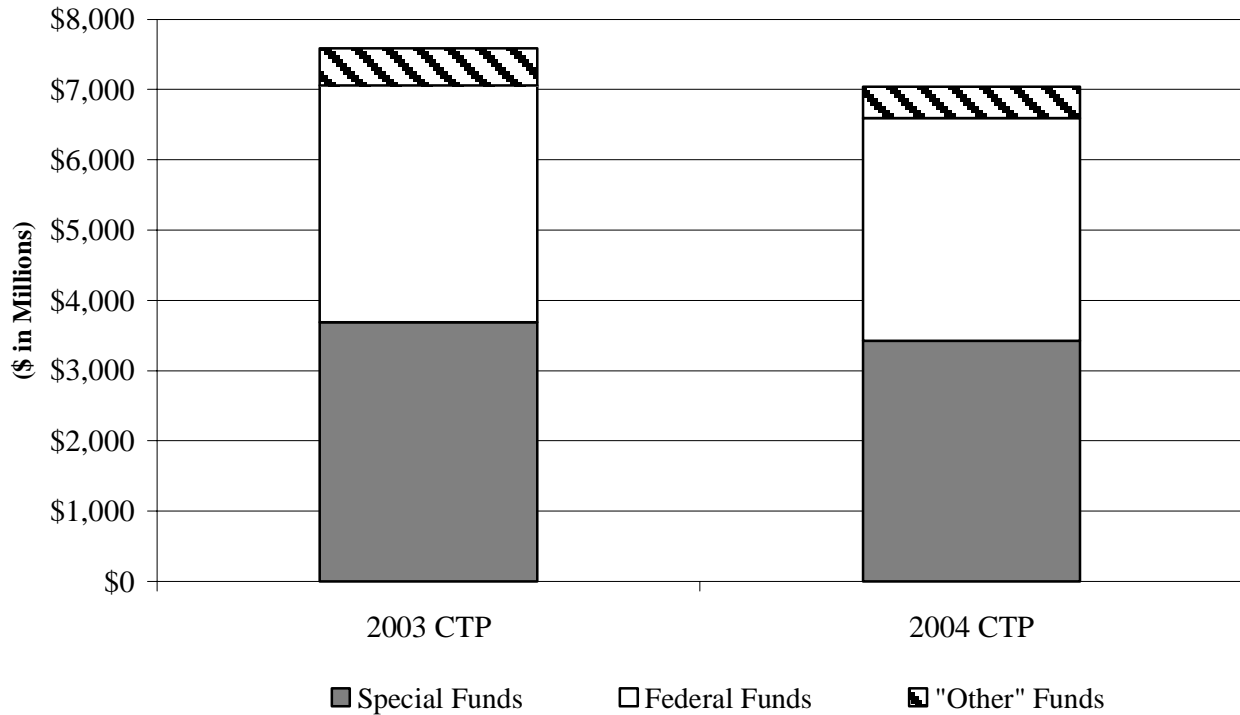


Source: Maryland Department of Transportation, 2004 *Consolidated Transportation Program*

Exhibit 8 compares the six-year capital program funded in the 2004 CTP to the six-year capital program funded in the 2003 CTP. The 2004 CTP shows a decrease of \$548 million (7.2%) in the capital program below the program presented in the 2003 CTP. As in most CTPs, the most precipitous declines in total annual funding size occur in the out-years of the program (fiscal 2007, 2008, and 2009).

In keeping with the conservative nature of the TTF forecast, MDOT has introduced only two new major construction projects to the CTP (reconstruction of the bridges on MD 70/Rowe Boulevard and the purchase of a new bus fleet for the BWI Airport parking shuttle service), and these projects have a combined total cost of only \$42.2 million. The lack of new capital projects with multi-year cash flows and cash flow changes in ongoing projects account for the reduced size of the 2004 capital program relative to that shown in the 2003 CTP.

**Exhibit 8
Comparison of 2003 and 2004 CTP**



Source: Maryland Department of Transportation, 2003 and 2004 *Consolidated Transportation Programs*

Fiscal 2004 Working Appropriation

The fiscal 2004 working appropriations shown in the Governor's Budget Book for the capital programs in the Secretary's Office, MTA, and MAA were not updated to reflect the figures presented in the final 2004 CTP. Thus, the following errors appear in the Governor's Budget Book:

- **The Secretary's Office:** The working special fund appropriation is overstated by \$190,000 and the working federal fund appropriation is understated by \$190,000;
- **MTA:** The working special fund appropriation is understated by \$2,398,000 and the working federal fund appropriation is overstated by \$2,398,000; and
- **MAA:** The working special fund appropriation is understated by \$1,406,000 and the working federal fund appropriation is overstated by \$1,406,000.

J00 – MDOT – Fiscal 2005 Budget Overview

These errors occurred because MDOT and the Department of Budget and Management failed to process a budget amendment to reconcile the capital cash flows for the major information technology development projects in the affected programs to those shown in the final CTP until after the Governor's budget had already been submitted. A column has been included in Exhibit 5 that shows the correct total capital special and federal fund working appropriations for the department. Calculations that compare changes in the total fiscal 2005 allowance to the working fiscal 2004 appropriation have been made using the correct numbers (i.e., the numbers shown in the CTP for fiscal 2004).

To ensure that the working appropriation numbers published in the Governor's Budget Book will be correct in future years, DLS recommends that the General Assembly adopt provisions in the BRFA of 2004 that:

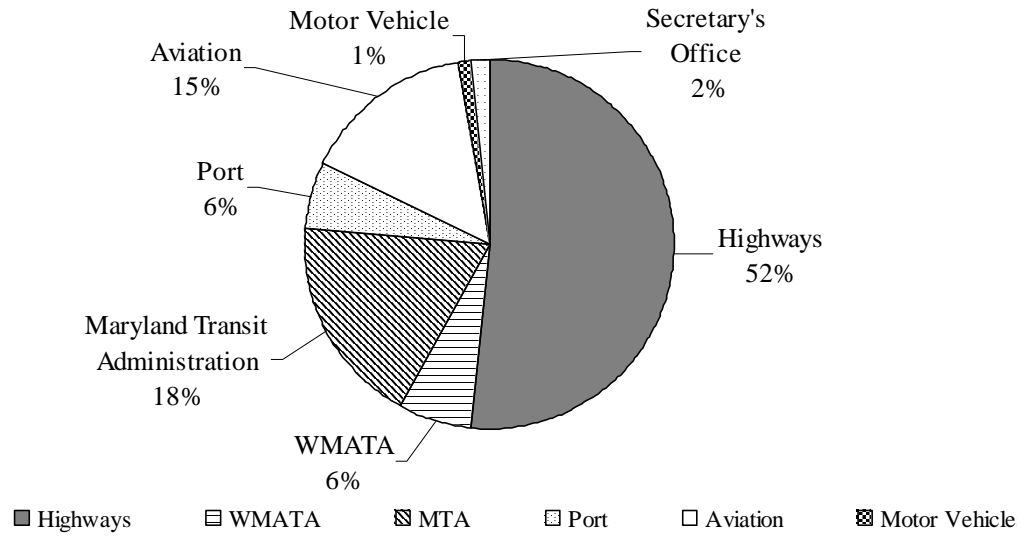
- **require that only funds appropriated by the General Assembly or by budget amendment approved by the Governor shall be included in the current fiscal year working appropriation column in the operating budget detail that is submitted to the General Assembly in conjunction with the allowance; and**
- **require that the working appropriation detail for the capital budget reflects the figures shown for the fiscal year in the final CTP.**

Fiscal 2005 Allowance

The fiscal 2005 allowance includes \$785.4 million in special funds and \$660.8 million in federal funds; it is also expected that \$147.1 million in "other" funding will be expended. **Exhibit 9** presents the fiscal 2005 capital allowance expenditures by mode.

The fiscal 2005 capital budget allowance shows a decrease of \$244.8 million (14.5%) under the fiscal 2004 working appropriation. The largest decrease occurs in the allowance for SHA, which decreases by \$135.4 million (14.1%); this decrease is attributable to cash flow changes in ongoing projects. The capital allowance for WMATA shows a decrease of \$57.4 million (36%) under the fiscal 2004 working appropriation; however, the working appropriation for WMATA increased by \$73 million because it was necessary for MDOT to advance money to WMATA to cover shortfalls in funding for the Addison Road Metro extension project due to the timing of federal aid disbursements. The entire amount of the money advanced by MDOT to WMATA is expected to be repaid in fiscal 2004 and 2005; total State expenditures on the Addison Road project are not expected to increase and the funding amount shown in fiscal 2005 includes the amount for Addison Road anticipated in the 2003 CTP.

Exhibit 9
MDOT Fiscal 2005 Capital Allowance
Total Program: \$1.6 Billion



Source: Governor's Budget Book

Issues

1. Reauthorization of Federal Transportation Spending Delayed¹

The Transportation Equity Act for the 21st Century (TEA-21) – the six-year federal authorization act for federal transportation spending for the period 1998 through 2003 – expired September 30, 2003. As Congress was unable to pass a reauthorization act prior to the expiration of the TEA-21, legislation was enacted extending the TEA-21 through February 29, 2004.

The Bush Administration introduced its reauthorization proposal – called the Safe, Accountable, Flexible, and Efficient Transportation Equity Act (SAFETEA) – on May 14, 2003. SAFETEA is focused on strengthening highway safety and would more than double the funding for safety programs over the levels provided in the TEA-21. Among other new provisions, SAFETEA would also drop the federal funding level for transit new starts to 50%.

Following the introduction of SAFETEA, committees in the House and Senate responsible for authorizing transportation spending subsequently introduced their own reauthorization legislation. A comparison of the funding levels that would be provided to highways and transit in the three pending bills is presented in **Exhibit 10**.

Exhibit 10 Comparison of Pending Federal Transportation Reauthorization Bills

<u>Bill</u>	<u>Total Program Level</u>	<u>Increase Over TEA-21 (\$218 Billion)</u>	<u>Funding for Highways</u>	<u>Funding for Transit</u>
Bush Administration Bill (SAFETEA) (H.R. 2088)	\$247 billion	11.8%	\$195.2 billion	\$45.8 billion
House Bill (H.R. 3550)	\$375 billion	41.9%	\$298.7 billion	\$69.2 billion
Senate Bill (S. 1072)	\$311 billion	30%	\$255 billion	\$56.5 billion

Source: Department of Legislative Services

¹ Figures discussed in this issue were provided by the American Public Transportation Association, the U.S. Census Bureau, the Federal Highway Administration, the Federal Transit Administration, the Maryland Department of Transportation, and the Rudin Center for Transportation and Policy Management at New York University.

J00 – MDOT – Fiscal 2005 Budget Overview

The competing Administration, House, and Senate bills are widely divergent in terms of the total size of the federal program they would provide. Further, while both the House and Senate bills would provide significant increases in total funding over the levels provided in the TEA-21, mechanisms for fully funding these bills have not been identified. Among other proposals being considered are raising the federal gas tax rate and/or indexing the tax rate to the rate of inflation, expanding the use of bonding programs, spending down the fund balance in the Highway Trust Fund (HTF), altering the distribution of revenues from taxes on ethanol, and re-directing interest on the revenues in the HTF back to the HTF from the federal general fund where it is currently deposited. It is likely that the issue of how increases in the federal transportation program should be funded will be one of the most contentious issues surrounding the effort to enact reauthorization legislation.

In the event that Congress and the President are unable to enact new reauthorization legislation by February 29, 2004, it is possible that the TEA-21 could again be extended; it is also possible that short-term (one to two year) stop gap reauthorization legislation could be passed.

Maryland's Federal Highway Attainments

The system of federal highway authorizations began in 1956 with the passage of the Highway Revenue Act, which created the HTF and directed that federal taxes on gasoline and excise taxes on trucks and tires be deposited in the fund. The construction of the National System of Interstate and Defense Highways ("Interstate System") was then funded from the HTF.

As the construction of the interstate highway system was completed in the 1980s, the percentage of the total federal highway program received by Maryland under each successive authorization act began to decrease. Thus, under the Surface Transportation and Uniform Relocation Assistance Act (1987 to 1992), Maryland received an average of 2.25% of the national highway program's expenditures. Under the Intermodal Surface Transportation Efficiency Act (ISTEA) (1992 to 1997), Maryland received 1.72% of the national highway program's expenditures, while under the TEA-21 (1998 to 2003), that percentage was reduced to 1.52%.

However, despite the decline in Maryland's share of the program, because the overall size of the federal transportation program has increased with each successive reauthorization, the actual amount of federal money Maryland has received has increased under each reauthorization. Thus, under ISTEA, Maryland received an annual average of \$355 million in federal highway funds, while under TEA-21, the State has received an annual average of \$430 million (an increase of 21%); these figures do not include earmarked appropriations such as funds for the Woodrow Wilson Bridge.

Under TEA-21, Maryland has been a minimum guarantee State in each year, receiving only the minimum 90.5% allocation of its total contribution to the HTF. Maryland formally became a "minimum guarantee" State during the later years of ISTEA, when the funding priorities shifted from the Interstate program to other major programs (such as the Highway Bridge Replacement and Rehabilitation Program and the Surface Transportation Program) whose funding formulas did not yield to Maryland an amount above the State's minimum guaranteed level.

J00 – MDOT – Fiscal 2005 Budget Overview

In fiscal 2003, 17 states received the minimum guarantee, while 22 states received more than 100% of the tax money they submitted to the HTF. Those states that received more than 100% received this allocation due to the insertion in TEA-21 of a provision known as Section 1104, which is an allocation table that assigned pre-determined minimum allocation percentages to certain states to ensure that the named states received at least a 100% allocation. Maryland was not among the states named in Section 1104, and its allocation was therefore limited to 90.5% of its contribution.

Maryland's return on its contributions to the HTF can also be expressed as a ratio of apportionments and allocations to the State compared to the State's payments into the HTF. This data is available from the Federal Highway Administration on a yearly basis from 1996 through 2002 (2003 data has not yet been made available). The yearly ratio is presented in **Exhibit 11**.

Exhibit 11
Ratio of Maryland's Apportionments from the HTF to
Maryland's Tax Payments to the HTF

<u>Fiscal Year</u>	<u>Ratio</u>
2002	1.08
2001	1.42
2000	0.96
1999	0.86
1998	0.73
1997	0.86
1996	0.73
1995	1.45
1994	1.29
1993	1.08
1992	1.46

Source: Federal Highway Administration

For the TEA-21 period (excluding fiscal 2003, for which figures have not yet been released), the cumulative ratio of Maryland's appropriations from the HTF to its payments to the HTF is 1.01; for the ISTEA period, Maryland's ratio of appropriations to payments was 1.48.

How Much Federal Highway Money Could Maryland Receive Under the Next Federal Reauthorization?

Given the uncertainty surrounding the likely size of the next federal reauthorization act, it is unclear at this time how much of an increase in federal highway funding Maryland could receive. Based on the overall increases in the transportation program contained in the three pending reauthorization bills, Maryland's total annual attainment could increase by as little as \$51 million or as much as \$180 million. However, any number of factors other than the amount of increase contained in the new authorization – such as a change in the minimum guarantee – could have a significant effect on the amount of money that Maryland eventually receives.

Maryland's Federal Transit Attainments

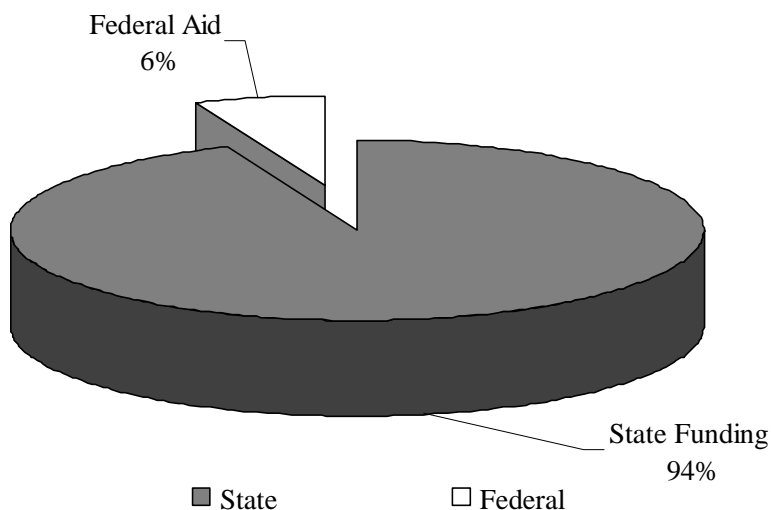
In 1982, the Mass Transit Account was created in the HTF to provide federal funding for transit; additional funding for transit is provided from the federal general fund. Transit funds under the subsequent federal authorization legislation have generally accounted for no more than 20% of the entire funding programs. Among the three current pending reauthorization bills, the Bush Administration Bill and the House Bill each dedicate 18.5% of their total transportation programs to transit, while the Senate Bill dedicates 18.2% of its total program to transit.

Funding for transit systems within a state is not tied in any way to the level of a state's contributions to the HTF. Further, unlike federal highway funds which are apportioned to states, federal funds for transit are typically provided directly to individual transit agencies. In the case of Maryland, where citizens benefit from the use of WMATA but only a portion of the federal aid that flows to that system flows through Maryland, it is difficult to calculate the state's total benefit from federal transit funding.

For the period 1996 through 2000, Maryland ranked twelfth in the nation in per capita federal funding for transit, receiving just slightly more than the national average of \$82. However, transit funding in a state is generally directed to urban areas served by large fixed-route transit systems. In calendar 2001, WMATA ranked as the fourth largest U.S. transit system on the basis of annual passenger miles traveled, while MTA ranked eleventh among U.S. transit systems. In that same year, the MTA ranked tenth in federal funding per passenger mile, receiving approximately 17 cents per passenger mile (for purposes of comparison, WMATA ranked eleventh in federal funding per passenger mile).

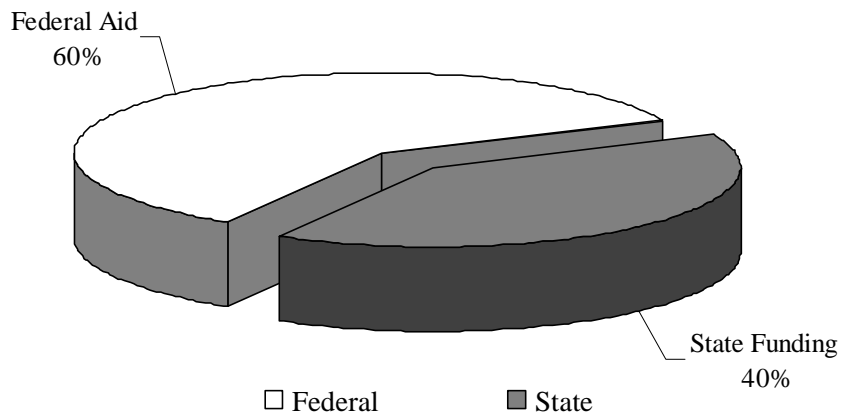
During the six years of TEA-21, federal transit aid has comprised a total of 24.8% of all total spending at MTA, while State funds have comprised 73.3% of total spending. **Exhibits 12 and 13** show the percent of operating and capital spending at MTA comprised by federal funds and special funds during the TEA-21 period.

Exhibit 12
Percentage of MTA's Total Operating Costs Provided by
Federal and State Sources
Fiscal 1998 – 2003 (TEA-21 Period)



Source: Department of Legislative Services

Exhibit 13
Percentage of MTA's Total Capital Costs Provided by Federal and State Sources
Fiscal 1998 – 2003 (TEA-21 Period)



Source: Department of Legislative Services

J00 – MDOT – Fiscal 2005 Budget Overview

MDOT should discuss with the committees its current assumptions for future federal aid attainment as well as the impact that continued delay in the reauthorization of federal transportation spending could have on ongoing and planned capital projects, including the ICC.

Recommended Actions

1. Add the following language:

It is the intent of the General Assembly that projects and funding levels appropriated for capital projects, as well as total estimated project costs within the Consolidated Transportation Program (CTP), shall be expended in accordance with the plan approved during the legislative session. The department shall prepare a report to notify the budget committees of the proposed changes in the event the department modifies the program to:

(1) Add a new project to the construction program or development and evaluation program meeting the definition of a “major project” under Section 2-103.1 of the Transportation Article which was not previously contained within a plan reviewed in a prior year by the General Assembly and will result in the need to expend funds in the current budget year;
or

(2) Change the scope of a project in the construction program or development and evaluation program meeting the definition of a “major project” under Section 2-103.1 of the Transportation Article while will result in an increase of more than 10 percent or \$1,000,000, whichever is greater, in the total project costs as reviewed by the General Assembly during a prior session.

For each change, the report shall identify the project title, justification for adding the new project or modifying the scope of the existing project, current year funding levels, and the total project cost estimate as approved by the General Assembly during the prior session compared with the proposed current year funding and total project cost estimate resulting from the project addition or change in scope.

Notification of changes in scope shall be made to the General Assembly concurrent with the submission of the draft and the final CTP. Notification of new construction project additions, as outlined in paragraph (1) above, shall be made to the General Assembly prior to the expenditure of funds or the submission of any contract for approval to the Board of Public Works.

Explanation: The department will continue to be required to notify the budget committees of proposed changes to the capital program that will add a new project that was not in the 2004 CTP or will increase a total project’s cost by more than 10% or \$1.0 million due to a change in scope. Reports are to be submitted with the draft and final versions of the CTP, with each using the 2004 CTP as the basis for comparison.

Information Request
Capital Budget Changes

Author
MDOT

Due Date
With draft CTP
With final CTP

J00 – MDOT – Fiscal 2005 Budget Overview

2. Add the following language:

It is the intent of the General Assembly that funds dedicated to the Transportation Trust Fund shall be applied to purposes bearing direct relation to the State transportation program, unless directed otherwise by legislation. To implement this intent for the Maryland Department of Transportation in fiscal 2005, no commitment of funds in excess of \$250,000 may be made nor may such an amount be transferred, by budget amendment or otherwise, for any project or purpose not normally arising in connection with the ordinary ongoing operation of the department and not contemplated in the budget approved or the last published *Consolidated Transportation Program* without 45-day review and comment by the budget committees.

Explanation: This annual language prohibits the use of transportation funds for uses other than transportation-related purposes without review and comment by the budget committees.

Information Request	Author	Due Date
Information on non-transportation expenditures exceeding \$250,000	MDOT	As needed

3. Add the following language:

The Maryland Department of Transportation (MDOT) shall not expend funds on any job or position of employment approved in this budget in excess of _____ positions and _____ contractual full-time equivalents paid through special payments payroll (defined as the quotient of the sum of the hours worked by all such employees in the fiscal year divided by 2,080 hours) of the total authorized amount established in the budget for MDOT at any one time during fiscal 2005. The level of _____ contractual full-time equivalents may be exceeded only if MDOT notifies the budget committees of the need and justification for additional contractual personnel due to:

- (1) business growth at the Port of Baltimore and Baltimore-Washington International Airport which demands additional personnel; or
- (2) emergency needs which must be met (such as transit security or highway maintenance).

The Secretary shall use the authority under Section 2-101 and 2-102 of the Transportation Article to implement this provision. However, any authorized job or position to be filled above the permanent position ceiling approved by the Board of Public Works shall count against the Rule of _____ imposed by the General Assembly. The establishment of new jobs or positions of employment not authorized in the fiscal 2005 budget shall be subject to Section 7-236 of the State Finance and Procurement Article, and the Rule of _____.

J00 – MDOT – Fiscal 2005 Budget Overview

Explanation: The General Assembly has established a position ceiling for the Maryland Department of Transportation each year to limit full-time position and contractual full-time equivalent growth.

Information Request	Author	Due Date
Additional contractual and regular positions	MDOT	As needed

Transportation Revenues in the State of Maryland

Transportation Revenues in the State of Maryland

In June 2003, the Governor appointed a 29-member Transportation Task Force headed by former Secretary of MDOT, William K. Hellmann, to study transportation needs in the State and identify options for funding future highway, transit, airport, and port projects. The task force has put forward a number of recommendations regarding the level of investment needed in transportation in Maryland and the revenue levels required to support these investments. This section of the overview will present a brief discussion and analysis of some of the key recommendations put forth by the task force.

Task Force Identified Significant Unfunded Capital Needs

The task force has found that there is likely to be about \$10.5 billion in unfunded transportation needs in the State between fiscal 2005 and 2010. These needs include both system expansion and system preservation projects as detailed in **Exhibit 1**.

Exhibit 1
Transportation System and Expansion Needs Identified by the
Transportation Task Force
Fiscal 2005 – 2010
(\$ in Millions)

<u>Modal Administration</u>	<u>Capital Needs</u>	<u>Amount</u>
State Highway Administration	Portion of the D&E Program, including the InterCounty Connector (ICC) Highway	\$6,200
Maryland Aviation Administration	Land and facility improvements at all facilities	1,200
Maryland Port Administration	Landside and waterside improvements at terminals in the Port of Baltimore	563
Maryland Transit Administration	Studies of transit needs in the Baltimore and Washington metropolitan areas and capacity improvements in the existing MTA system, including parking capacity improvements	385
Washington Metropolitan Area Transit Authority	Capacity expansion, including purchase and rehabilitation of rolling stock	144
Motor Vehicle Administration	Facility improvements at branch offices	77
System preservation needs	System preservation needs throughout all modes	1,900
Total		\$10,500¹

¹While the \$10.5 billion figure includes the ICC, the figure does not include funding for any major new transit starts, such as the Bi-County Transitway and the Red and Green Lines in the Baltimore area.

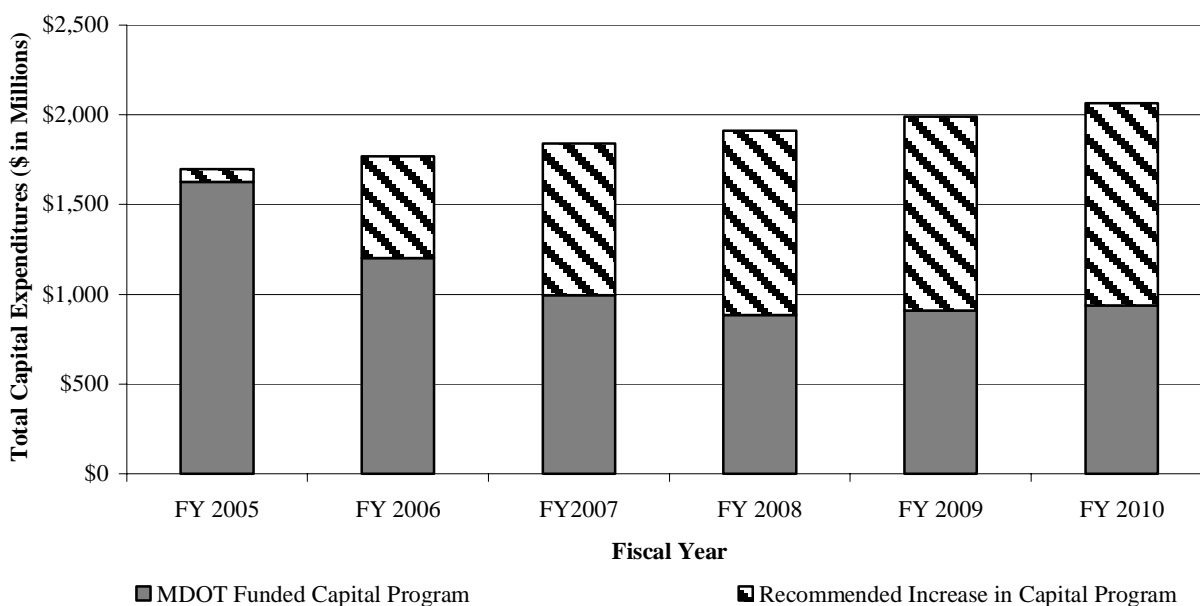
Source: Transportation Task Force

J00 – MDOT – Fiscal 2005 Budget Overview

At the time the task force met, it was estimated that during the 2005 through 2010 time period, MDOT could fund a capital program totaling nearly \$6.6 billion. Thus, when the unmet needs totaling \$10.5 billion were added to the funded capital program, the total capital program needed by MDOT during the six-year period was estimated by the task force to exceed \$17 billion.

The task force considered it unrealistic to expect that MDOT could fund a capital program that totaled \$17 billion; therefore, it has recommended that MDOT undertake a total six-year capital program of approximately \$11.3 billion, which would enable the department to address two-thirds of the capital needs identified by the task force while allowing for a gradual increase in the size of the capital program to \$2.1 billion in fiscal 2010 as illustrated in **Exhibit 2**.

Exhibit 2
Hellman Commission’s Recommended Annual Capital Program Levels
Fiscal 2005 – 2010
Recommended Program Size: \$11.268 Billion



Source: Transportation Task Force

To undertake a capital program totaling \$11.3 billion during the fiscal 2005 through 2010 time period, MDOT would require an additional \$4.7 billion in capital funding above the \$6.6 billion that was assumed to be already available at the time the task force met. As illustrated in **Exhibit 3**, the task force anticipated that approximately \$2.9 billion of the required increase could be obtained through increased funding from federal sources, self-supporting capital projects, and MdTA bonding (which was expected by the task force to be used primarily to support construction of the ICC). The task force recommended that the remaining \$1.8 billion (\$300 million per annum) of funding needed

to increase the capital program to the recommended level be obtained through increases in State-sourced revenues.

Exhibit 3
Anticipated Sources of Funding for Increased Capital Program
(\$ in Millions)

Total Recommended Increase in Capital Program	\$4,700
<u>Funding Sources</u>	
ICC financing plan (MdTA bonds & GARVEE bonds)	1,530
Federal funds	870
MAA/MPA self-supporting projects	400
Sale of assets/tax advantage leasing	100
Subtotal	\$2,900
Increases in State-sourced Revenues	\$1,800
Total Funding	\$4,700

Source: Transportation Task Force

The task force further recommended that the need to generate this additional revenue for transportation in the State be addressed in the 2004 legislative session. The task force declined, however, to recommend which State-controlled revenue sources should be increased to provide the \$300 million annual increase in transportation revenues that it recommended. Instead, the task force presented a matrix showing how increases in extant revenue sources (including the vehicle registration fee, the motor fuel tax, the titling tax, and the sales tax) could be combined to generate an additional \$300 million in revenues.

Task Force Supports Repayment of the TTF

A combined total of \$314.9 million will have been diverted from the TTF to the State's general fund in fiscal 2003 and 2004. Section 17 of Chapter 203, Acts of 2003 (BRFA of 2003), required that "On or before December 1, 2003, the Governor shall submit a plan for replacement of funds transferred under this Act from the Transportation Trust Fund to the General Fund. The plan required under this section shall be provided to the Senate Budget and Taxation Committee, the House Committee on Ways and Means, and the House Appropriations Committee." The administration failed to submit a formal plan for repaying the TTF as required by the BRFA of 2003.

J00 – MDOT – Fiscal 2005 Budget Overview

The fiscal 2005 allowance for the Dedicated Purpose Account includes \$25 million as a repayment for the TTF from the general fund. The administration's out-year forecast suggests annual payments of \$25 million. The task force supported a plan that called for the TTF to be repaid through the imposition of a \$20 surcharge on citations issued to drivers who commit moving traffic violations. No legislation has yet been introduced with the Governor's budget that would apply a surcharge on moving violations.

DLS recommends that MDOT explain to the budget committees why the Administration failed to submit a plan for repaying the TTF as required by the BRFA of 2003. Further, given that funding for a partial repayment has been included in the fiscal 2005 allowance for the Dedicated Purpose Account, MDOT should now discuss a detailed plan for the TTF repayment.

Additional Recommendations

In addition to recommendations on the level of capital investment needed in the State between 2005 and 2010, the task force proffered a number of other recommendations on transportation policies in the State, including the following:

- Safety enhancements, system preservation, improved capacity, and homeland security should remain MDOT's highest funding priorities.
- There should be a fair distribution of increased funding among highways, transit, and other transportation modes as the Secretary and Governor establish transportation priorities for an expanded CTP that would result from the accrual to the TTF of additional revenues. Additional State revenues should also be shared with local governments utilizing current distribution formulas.
- The Secretary of MDOT should report annually to the budget subcommittees on the success of the department's cost containment efforts.
- MDOT should conduct a statewide study of potential new toll facilities and toll managed lane projects.
- MDOT should continue to evaluate and pursue a number of innovative financing methods, including selling under-utilized and unneeded assets, implementing tax advantage leasing, implementing self-supporting projects at the Port of Baltimore and BWI Airport, and utilizing GARVEE bonds.
- The creation of a firewall between the TTF and the general fund which would prohibit fund transfers or complicate their execution would reduce the State's ability to address statewide funding crises and to protect the State's AAA bond rating; however, while the State should retain the flexibility to make funding transfers, any transfer from one fund to another should be replenished as quickly as possible.

- A new task force should be established to study and make recommendations on separate revenue sources for transit and the potential establishment of a firewall within the TTF between transit and other transportation modes.

Assessing the Transportation Task Force’s Recommendations for Transportation in Maryland

It is difficult to assess whether the task force’s recommended increase of \$4.7 billion in capital funding for the period 2005 to 2010 constitutes an appropriate increase in the capital program above the presumed funding level of \$6.6 billion, or whether total spending of \$11.3 billion over the 2005 through 2010 time frame would be appropriate to meet the State’s transportation needs.

Of the \$10.5 billion in unfunded needs initially identified by the task force, approximately \$1.9 billion (18%) was comprised of system preservation projects, approximately \$1.7 billion (16%) was earmarked for the ICC (which is a system expansion project), and the remaining \$6.9 billion (66%) was comprised of additional system expansion projects other than the ICC. However, of the \$4.7 billion increase in spending that constitutes the task force’s final recommendation, fully 32.6% (\$1.5 billion) consists of MdTA funding for the ICC, while 8.5% (\$400 million) is comprised of self-financing projects expected to be undertaken by the MAA and MPA (these projects would presumably include both preservation and expansion projects). Thus, of the recommended increase of \$4.7 billion, only approximately \$2.768 billion (58.9%) would be made available for both system preservation and expansion needs among SHA, MTA, WMATA, MVA, and the Secretary’s Office.

While the conceptual list of items that comprised the \$10.5 billion in unfunded needs was discussed by the task force, the task force did not identify what projects would be funded with the \$2.768 billion of the recommended revenue increase that would be available after the ICC and MAA/MPA projects had been funded. Without such details on the department’s priorities and how new capital projects would be phased into the capital program over the 2005 through 2010 time period, it is difficult to determine whether these projects would enable the State to meet its long-term transportation needs, or how much of a revenue increase would be needed in each of the six years to meet the cash flow needs of the new projects.

DLS therefore recommends that MDOT discuss its capital priorities with the budget committees, including identifying the new capital projects that would be funded if increased revenues were made available to the TTF and providing information on when each priority project would be implemented.

Assessing the Need for Additional Revenues

As was discussed in the previous section of the overview analysis, MDOT’s fiscal 2004 forecast made conservative estimates of likely revenue attainment in the current and next fiscal years from both State and federal sources. Further, the forecast did not utilize the full amount of debt capacity

J00 – MDOT – Fiscal 2005 Budget Overview

made available by its revenue projections and it did not assume that any money would be repaid to the TTF from the general fund.

While the strong revenue performance seen in the first quarter of fiscal 2004 is anomalous, it is likely that revenues during fiscal 2004 will come in above projections, which would raise the base on which projections of revenue in the subsequent years are made. Further, during the out-years of the forecast, at least \$50 million in additional bonds could be sold under current revenue projections.

As a result, it is likely that some portion of the additional \$1.8 billion (\$300 million per annum) in State-sourced revenue that the task force recommended should be invested in capital projects during the 2005 through 2010 period will accrue to the TTF in the form of additional revenue attainments and/or repayments to the TTF from the general fund and/or increased bond sales, etc. It is difficult at the present time to project what portion of the \$300 million will be generated in this way; however, if the General Assembly supported the task force’s recommendation regarding increased capital investment, it is likely that it would not be necessary to raise all of this revenue through increases in State-sourced fees and taxes. Rather, an increase of between \$150 and \$200 million per annum in State-sourced revenues might be sufficient to generate the recommended capital investment of \$300 million per year.

Exhibit 4 shows the level of revenue that could be generated from the specified increase in each of the three main State-imposed vehicle-related taxes and fees.

Exhibit 4
Options for Generating Additional Transportation Revenues
(\$ in Millions)

<u>Revenue Source</u>	<u>Current Rate</u>	<u>Anticipated FY 05 Revenue at Current Rate</u>	<u>Increase</u>	<u>Net FY 2005 Revenue Increase</u>	<u>Revenue to TTF</u>	<u>Revenue to Local Jurisdictions</u>
Gas Tax	23.5¢	\$754	1¢	\$31.3	\$21.9	\$9.4
Titling Tax	5%	\$728	1%	\$145.6	\$110.7	\$34.9
Vehicle Registration Fees	\$54 ¹	\$196	\$10 (\$5/annum)	\$24.3	\$17	\$7.3

¹Figure is the cost only of a biennial registration; figure does not include \$22 surcharge for the Maryland Emergency Medical System Operations Fund or \$5 surcharge for Trauma Physicians Services Fund.

Source: Department of Legislative Services

The Revenue Picture

Exhibits 5, 6, and 7 present detailed profiles of the gas tax, the titling tax, and the vehicle registration fees assessed in the State of Maryland. These profiles provide information on the current rates of each tax and fee and the distribution of revenues among the TTF, local jurisdictions, and statutory deductions. The profiles also provide information on the rates of these taxes and fees charged both in the surrounding states and in a sample of other states that maintain multi-modal transportation funds.

Exhibit 5 Profile of Maryland's Gasoline Tax

Rates (per gallon): <ul style="list-style-type: none"> • Gasoline: 23.5¢ • Diesel: 24.25¢ • Aviation: 7¢ (All revenue from the aviation fuel tax goes directly to the TTF.) 		Expected Revenue in Fiscal 2005: \$754 million	
Method of Collection: Fuel taxes are collected at the wholesale level (first point of sale) and then passed on through subsequent sales until fuel is sold at the retail level.		Distribution: From the first 18.5¢, refunds are issued to wholesalers as needed (e.g., to refund taxes paid in Maryland on fuel subsequently sold to another state), and administrative expenses are paid to the Comptroller. From the remaining amount, the following deductions are taken:	
Date of Last Increase: 1992 (Gasoline), 1993 (Diesel)		<ul style="list-style-type: none"> • .3% to the Waterway Improvement Fund; • .3% to the Fisheries Research and Development Fund; and • 2.3% to the general fund for Chesapeake Bay related activities. 	
		All remaining revenues from the first 18.5¢ per gallon are deposited in the GMVRA (from which 30% of revenues go to local Highway User Grants and 70% to the TTF).	
		All revenue from that amount of the tax rate that exceeds 18.5¢ is deposited in the GMVRA.	
Rates in Surrounding States		Range of Rates in States with Multi-modal Trust Funds	
State	Rate	State	Rate
Pennsylvania	27.3¢ (Variable)	Wisconsin	31.5¢ (Tax is variable; indexed to CPI)
Delaware	23¢	Connecticut	25¢ (Tax is variable; includes 5% gross earnings tax)
Virginia	18.1¢ (2% Sales Tax in No. VA Trans. District)	Tennessee	21.4¢ (Local option taxes may also be assessed)
West Virginia	25.35¢ (includes variable sales tax)	Louisiana	20¢
District of Columbia	20¢	Florida	16.3¢ (Tax is variable; sales tax is assessed at rate of 7.2¢/gallon; local option taxes may be assessed at rates ranging from 1¢ to 17.6¢)

CPI = Consumer Price Index

Source: Department of Legislative Services

**Exhibit 6
Profile of Maryland’s Titling Tax**

<p>Rate: 5%</p> <ul style="list-style-type: none"> The 5% tax is based on the greater of the total purchase price (or, in some cases, blue book value) or \$640. Additions or subtractions may be made based on high or low mileage on the car. <p>Vehicles Less Than Seven Years Old & Previously Titled in Another State:</p> <ul style="list-style-type: none"> Vehicles from states with tax rates higher than or equal to Maryland’s rate pay \$100. Vehicles from states that impose no tax pay the full 5% tax. Vehicles from states with tax rates lower than Maryland’s rate are taxed by the difference between the two rates (e.g., if the car comes from a state with a 3% tax, the car will pay a 2% titling tax in Maryland). <p>Vehicles more than seven years old:</p> <ul style="list-style-type: none"> The tax on vehicles more than seven years old is based on the greater of the purchase price or \$640. 		<p>Method of Collection: Tax is collected by MVA at the time the car is titled in the state of Maryland (taxes collected by car dealers are remitted to MVA).</p> <p>Date of Last Increase: 1977</p> <p>Expected Revenue in Fiscal 2005: \$728 million</p> <p>Distribution: The first 20% of the revenue generated by the titling tax is deposited directly in the TTF. The remaining 80% of the revenue generated by the titling tax is deposited in the GMVRA, from which 30% of collected revenue goes to local Highway User Grants and 70% is deposited in the TTF.</p>	
Rates in Surrounding States		Range of Rates in States with Multi-modal Trust Funds	
State	Rate	State	Rate
<i>Pennsylvania</i>	7% in Philadelphia and Alleghany counties; 6% in all other locales	<i>Wisconsin</i>	5% + Local Sales Taxes that vary from .1% to .6%
<i>Delaware</i>	2.75%	<i>Connecticut</i>	6%
<i>Virginia</i>	3% (Annual Personal Property Taxes are assessed and vary by local jurisdictions)	<i>Tennessee</i>	7% + Local Option Taxes
<i>West Virginia</i>	5%	<i>Louisiana</i>	5% (Personal Property Tax is assessed and varies by county)
<i>District of Columbia</i>	6% on vehicles weighing up to 3,500 lbs.; 7% on vehicles weighing more than 3,500 lbs.	<i>Florida</i>	6% on vehicles valued at more than \$5,000; 7% on vehicles valued under \$5,000

Source: Department of Legislative Services

**Exhibit 7
Profile of Maryland’s Vehicle Registration Fees**

<p>Rates:</p> <ul style="list-style-type: none"> • \$27/year for Class A & M vehicles weighing up to 3,700 lbs. • \$40.50/year for Class A & M vehicles weighing more than 3,700 lbs. • \$33.75/year for Class E trucks weighing up to 7,000 lbs. • \$47.50/year for Class E trucks weighing between 7,001 lbs. and 10,000 lbs. • Rates for other classes vary. <p>Registrations are renewed biennially (twice the amount shown above is paid at each registration).</p> <p>In addition to basic registration rates, an \$11 annual surcharge for the Emergency Medical System Operations Fund and a \$2.50 annual surcharge is assessed for the Trauma Physicians Services Fund.</p> <p>Method of Collection: Registration fees are collected by MVA at the time a registration is made or renewed (fees collected by auto dealers are remitted to the MVA).</p>		<p>Date of Last Increase: 1987</p> <p>Expected Revenue in Fiscal 2005: \$196 million</p> <p>Distribution: From the vehicle registration revenues collected by MVA, the following deductions are taken:</p> <ul style="list-style-type: none"> • Funding for the salaries and expenses of the Maryland Department of the Environment related to the conduct of Motor Carrier Safety Inspections (expected to total \$.5 million in fiscal 2005); • Funding for the salaries and expenses of the Commercial Vehicle Enforcement Division of the Maryland State Police (expected to total \$17.6 million in fiscal 2005); and • Funding for the salaries and expenses of the Automotive Safety Enforcement Division of the Maryland State Police (expected to total \$5.2 million in fiscal 2005). <p>The remaining revenue is deposited in the GMVRA, from which 30% of revenues goes to local Highway User Revenue Grants and 70% of revenues is deposited in the TTF.</p>	
Annual Registration Rates in Surrounding States		Range of Rates in States with Multi-Modal Trust Funds	
State	Rate	State	Rate
<i>Pennsylvania</i>	\$36 for passenger vehicles	<i>Wisconsin</i>	\$55 automobile plate fee
<i>Delaware</i>	\$20/vehicles weighing up to 5,000 lbs. For vehicles over 5,000 lbs., cost is \$20 + \$16.80 for each 1,000 lbs.	<i>Connecticut</i>	\$35 for passenger vehicles
<i>Virginia</i>	\$29.50/vehicles weighing up to 4,000 lbs.	<i>Tennessee</i>	\$24 for passenger vehicles
<i>West Virginia</i>	\$30/vehicles weighing up to 8,000 lbs.	<i>Louisiana</i>	Annual fees based on value of car are assessed according to a sliding fee schedule
<i>District of Columbia</i>	\$72/vehicles weighing up to 3,500 lbs. \$115/vehicles weighing over 3,500 lbs.	<i>Florida</i>	\$27.60/cars up to 2,499 lbs. and trucks up to 1,900 lbs. \$35.60 autos between 2,500 lbs. and 3,499 lbs. and trucks between 2,000 lbs. and 3,000 lbs.

Source: Department of Legislative Services

Transportation Funding Among the 50 States

While there are certain standard procedures and mechanisms that are in place in many states, each state's transportation funding mechanism also includes unique provisions and practices regarding the generation and distribution of revenues which complicate efforts to make meaningful comparisons among the states. A brief overview of transportation funding in all 50 states based on reviews of state constitutions and interviews with state transportation officials is presented below; however, this information is general in nature and is intended to provide a cursory overview of transportation funding practices throughout the United States.

Among the 50 states, there is one state (Alaska) in which the constitution expressly prohibits the maintenance of any dedicated purpose funds. Thirty-seven states maintain transportation funds that are exclusively or predominantly highway/road funds, meaning that revenues accruing to the funds are expended exclusively or predominantly on highway-related expenditures (very small amounts may be used to fund other modes). In some of these states, separate funds are maintained for capital and operating expenditures while in other states capital and operating funds are combined.

Among the 37 states with road funds, at least seven (Colorado, Maine, Nevada, North Carolina, Texas, Washington, and Wyoming) also fund their state highway patrols in part or in whole through these funds; in other states, such as Alabama, a portion of the revenues generated from motor vehicle taxes or fees is directed to the state highway patrol. Further, there are also at least eight states (Hawaii, New Mexico, New York, Oklahoma, Montana, South Carolina, Washington, and Wyoming) that maintain other dedicated transportation funds in addition to their road funds; generally, these funds cover transit costs and/or aviation costs. Among these states, the additional funds are generally very small and receive dedicated revenue sources; New York, however, maintains a large Mass Transit Fund, which provides grants to transit systems throughout New York City and the rest of the state.

There are two states (California and New Jersey) that maintain "hybrid" funds that fund some but not all of the modes that are funded by Maryland's TTF; generally, these "hybrid" funds divide their revenues among some combination of highway and transit modes.

There are nine states (Connecticut, Delaware, Florida, Louisiana, Pennsylvania, Tennessee, Vermont, Virginia, and Wisconsin) other than Maryland that maintain multi-modal transportation funds, which are defined as funds that provide funding for multiple transportation modes, including some or all of the following: highways, various types of mass transit facilities, ports, airports, and state police departments. Among these states, research has not identified any state funds that provide all operating and capital funds needed to support assets as large as the BWI Airport, the public transit systems in Washington, DC, and Baltimore, Maryland, or the public terminals operated by the Maryland Port Administration at the Port of Baltimore. Research has also not identified any multi-modal fund that funds as many large assets as are funded by Maryland's TTF.

Nonetheless, while the size and scope of the transportation modes funded by these states as well as the organization of each state's fund vary (including methods for generating and distributing revenues), these states with multi-modal funds can most aptly be described as Maryland's "peer"

states. Profiles of transportation financing structures in two of these states – Connecticut and Wisconsin – are presented in **Appendix 5**; these profiles provide basic information on the characteristics of each state’s multi-modal fund, the expenses funded by these funds (including operating and capital expenses), and the transfers that have been made from these multi-modal funds to each state’s general fund.

Comparing Maryland’s Tax and Fee Rates to Those Assessed in Other States

The following sections will present brief comparisons of Maryland’s gas tax, titling tax, and vehicle registration fees to those assessed in all states, with a particular emphasis on comparing Maryland’s rates and tax burdens to those in states that also maintain multi-modal transportation funds.

Gas Tax

A complete ranking of all 50 states and the District of Columbia by their gas tax rates is presented in **Appendix 2**. **Exhibit 8** compares Maryland’s gas tax rate to the rates in the other 49 states.

Exhibit 8 Comparison of Maryland Gas Tax Rate to Rates in the Other States

Maryland Gas Tax Rate: 23.5¢

<u>Higher Rates</u>	<u>Same Rate</u>	<u>Lower Rates</u>
18	1	30

Source: Department of Legislative Services

Among the 50 states, there are:

- 10 states with variable gas tax rates (see **Appendix 4**);
- 8 states that impose sales taxes on the sale of gasoline (see **Appendix 4**); and
- 9 states that allow local jurisdictions to impose some type of local tax on the sale of gasoline (see **Appendix 1**).

Among the 9 states other than Maryland that maintain multi-modal trust funds, Connecticut, Pennsylvania, and Wisconsin have gas tax rates higher than Maryland’s rate.

Titling Tax

Exhibit 9 compares Maryland's titling tax rate to the rates assessed in the other 49 states.

Exhibit 9 Comparison of Maryland Titling Tax Rate to Rates in the Other States

Maryland Titling Tax Rate: 5%

Higher Rates

25

Same Rate

8

Lower Rates

14

Note: Two states could not be ranked because they charge titling taxes on a sliding fee scale that can yield a tax rate that may be lower or higher than 5%, while information for one state (Hawaii) was not available.

Source: Department of Legislative Services

There are 10 states that allow local jurisdictions to assess a tax on vehicle purchases at the time the vehicle is titled; these taxes frequently vary within a state by county. Titling tax rates for all 50 states are shown in **Appendix 1**; rates for local taxes assessed at the time a vehicle is titled are also indicated for each state in which they are assessed.

Among the 9 states other than Maryland that maintain multi-modal transportation funds, five states (Connecticut, Florida, Pennsylvania, Tennessee, and Vermont) have higher titling tax rates than those assessed in Maryland. In addition, Louisiana, Tennessee, and Wisconsin allow local jurisdictions to assess local option taxes on vehicle purchases at the time a vehicle is titled.

Vehicle Registration Fees

There are 22 states that assess annual taxes on automobiles or that allow local jurisdictions to assess some type of annual property or ad valorem tax etc. on automobiles; payment of these taxes is generally enforced through the registration renewal. Among the states that allow local jurisdictions to assess property taxes on automobiles:

- 8 have annual registration rates (exclusive of additional annual taxes) that are higher than the \$27 assessed by Maryland (Class A and M vehicles weighing less than 3,700 lbs.);
- 12 have rates that are lower than Maryland's rate (though in 9 of these states, an individual's payment at the time of registration may exceed the payment in Maryland depending on the amount of the annual tax assessed against the vehicle); and

J00 – MDOT – Fiscal 2005 Budget Overview

- 2 states cannot be ranked against Maryland’s rate (because the information on the state’s registration fee is not available or because the state assesses a registration-related fee that varies by car on the basis of some specific characteristic, such as the value of the car, the horsepower of the car, or the age of the car).

Among those 27 states other than Maryland that do not allow local jurisdictions to assess annual taxes on automobiles:

- 13 states (and the District of Columbia) assess higher annual registration rates than the \$27 assessed by Maryland;
- 4 states (Indiana, Delaware, Arkansas, and Oregon) charge less for an annual registration than Maryland does; and
- 10 states cannot be ranked against Maryland’s rate.

Appendix 1 provides information on vehicle registration rates in all states; those states that assess annual vehicle taxes or that allow local jurisdictions to assess such a tax are also identified in that appendix.

Among the 9 states other than Maryland that maintain multi-modal transportation funds, six states (Connecticut, Florida, Pennsylvania, Vermont, Virginia, and Wisconsin) have vehicle registration rates that are higher than Maryland’s rates.

Comparing Total Tax Burdens

While rankings of the states according to their rates for each tax and fee demonstrate how Maryland compares to other states on each particular tax and fee, they do not give a sense of the burdens that these taxes and fees combine to place on vehicle operators in each state. **Exhibit 10** shows the percentage of a state’s median household income in the selected states that is comprised by the gas tax, titling tax, titling fee, and registration fee assessed in that state for a car that is valued at \$20,700 and that uses 535 gallons of fuel per year²; calculations for the figures presented in this exhibit are shown in **Appendix 3**. Figures are calculated for a two-year period. By comparing the percentage of median household income that will be required to pay state-imposed taxes and fees on the car, it is possible to compare the relative economic burdens that state-imposed vehicle-related taxes and fees impose on drivers in each state.

² Figures are based on a 2003 model Honda Accord EX. Car is assumed to weigh 3,144 lbs. Gasoline consumption is based on annual travel of 15,000 miles at an average of 28 miles per gallon. Owner is assumed not to have traded in any other vehicle at the time of purchasing the car (thus, no deductions for trade-ins were taken from any state titling taxes). State imposed taxes and fees include only those fees assessed uniformly throughout the state; other fees may apply as noted. Median household income is based on three-year average for the period 2000-2002 as reported in the U.S. Census Bureau’s “*Consumer Income*” report (issued September 2003), part of the Bureau’s “Income in the United States: 2002” series.

Exhibit 10
State-imposed Vehicle-related Taxes and Fees as a Percentage of Median Household Income in States Surrounding Maryland and in States with Multi-modal Transportation Funds

<u>State</u>	<u>State-imposed Vehicle Taxes and Fees as a % of Median Household Income</u>
Tennessee ¹	2.39% (L)
West Virginia	2.29%
Pennsylvania	2.11%
Florida ²	2.10% ³
District of Columbia	1.97%
Vermont	1.86%
Louisiana	1.65% (L)
Wisconsin	1.60% (L)
Connecticut	1.50%
New Jersey	1.44%
Maryland	1.22%
Virginia	.88% (L) ⁴
Delaware	.87%

¹ The state of Tennessee has a limited individual income tax that applies only to interest and dividends.

² The state of Florida does not assess an individual income tax.

³ Includes statewide sales tax on gas, calculated at 6% of 1,070 gallons sold at \$1.50/gallon.

⁴ If the car was owned in the City of Alexandria, the owner would pay an annual property tax of \$310/year, raising the percentage of state and municipal taxes and fees as a percentage of median income to 1.5%

Key: (L) Local annual property taxes assessed at the time of registration and/or local sales taxes assessed at the time of titling will also apply.

Source: Department of Legislative Services

As shown in **Exhibit 11**, because of Maryland's high median income, even a transportation revenue package that combined a 1% increase in the titling tax, a \$40 increase in the registration fee, and a 5¢ increase in the gas tax would raise the percent of Maryland's median household income comprised by these taxes and fees by no more than 0.27%.

Exhibit 11
Percentage of Median Household Income in Maryland Comprised by Specified
Increases in Vehicle-related Taxes and Fees

<u>Tax/Fee Increase Option</u>	<u>% of Median Household Income Comprised by Revised Vehicle-related Taxes/Fees</u>
Current Maryland Law	1.22%
\$40 increase in vehicle registration fee (\$20/annum)	1.26%
\$40 increase in vehicle registration fee + 5¢ increase in gas tax	1.30%
10¢ increase in gas tax	1.31%
\$40 increase in vehicle registration fee + 10¢ increase in gas tax	1.35%
1% increase in titling tax	1.40%
1% increase in titling tax + \$40 increase in registration fee	1.44%
1% increase in titling tax + \$40 increase in registration fee + 5¢ increase in gas tax	1.49%

Source: Department of Legislative Services

Gas Tax Rates, Vehicle Registration Rates, and Titling Tax Rates in the 50 States

The chart below presents information on gas tax rates, annual vehicle registration rates, and titling tax rates in all 50 states; information on additional vehicle-related taxes assessed by each state is presented where applicable. Information was obtained from the American Petroleum Institute, the Federation of Tax Administrators, the American Road and Transportation Builders Association, Motor Vehicle Divisions and/or Departments of Revenue in all 50 states, and through telephone conversations with state transportation officials. Information is current as of January 1, 2004.

Note: Gas tax rates shown for each state are intended to show the entire gas tax burden in the state. Rates include excise rates and all known additional taxes and fees applied equally in all jurisdictions throughout the state, including fees such as inspection fees, leaking underground storage tank fees, environmental fees, etc.

Key:

(V) = Gas tax rate is variable, or some element of the taxes/fees that comprise the gas tax is variable.

(L) = Local jurisdictions are allowed to apply taxes to the sale of gasoline.

(S) = Sales taxes are assessed on the sale of gasoline.

State	Gas Tax Rate (per gallon)	Vehicle Registration Rate (Amount shown is cost of basic annual registration; no surcharges are included.)	Titling-related Tax Rate	Additional Taxes?
Alabama	18.3¢ (L)	\$23 autos & trucks weighing up to 8,000 lbs.	2% Sales/Use Tax	Ad Valorem Tax assessed annually based on value of vehicle.
Alaska	8¢	\$50 for passenger vehicles, trucks, and vans up to 10,000 lbs.	No Taxes Assessed	Some municipalities also assess a Motor Vehicle Registration Tax.
Arizona	19¢	\$8 for passenger vehicles.	5.6% Sales Tax	Vehicle License Tax assessed annually based on value of vehicle.
Arkansas	21.7¢	\$19.75/vehicles under 3,000 lbs. \$27.75/vehicles btw. 3,000 & 4,500 lbs. \$32.80/vehicles over 4,500 lbs.	5.125% Sales Tax	
California	19.2¢ (L) (S)	\$28 for passenger vehicles.	Sales Tax varies by locale; 8.25% in Los Angeles	Vehicle License Fee assessed annually at 2% of value of vehicle.
Colorado	22¢	Annual fees vary by county.	2.9% State Sales Tax + Variable Local Taxes (3.5% in Denver)	Ownership Tax is assessed annually based on age: 2.1% for first year; 1.5% for second year etc.

Connecticut	25¢ (V) (5% gross earnings tax collected at the wholesale level)	\$35 for passenger vehicles.	6% Sales Tax	
Delaware	23¢	\$20/vehicles weighing up to 5,000 lbs. For vehicles weighing over 5,000 lbs., fee is \$20 + \$16.80 for each 1,000 lbs.	2.75% Document Fee	
District of Columbia	20¢	\$72/vehicles weighing up to 3,500 lbs. \$115/vehicles over 3,500 lbs.	6% Excise Tax on vehicles weighing up to 3,500 lbs.; 7% for vehicles above 3,500 lbs.	
Florida	16.625¢ (V) (L) (S)	\$27.60/autos up to 2,499 lbs. and trucks up to 1,900 lbs. \$35.60/autos btw. 2,500 lbs. and 3,499 lbs. and trucks btw. 2,000 lbs. and 3,000 lbs.	6% Sales Tax on vehicles valued over \$5,000; 7% Sales Tax on vehicles valued under \$5,000	An additional \$100 is charged for the initial registration in the state of Florida for any vehicle not replacing a vehicle in the same category (e.g., car for car).
Georgia	7.5¢ (S)	\$20/passenger vehicles and trucks weighing up to 14,000 lbs.	7% Sales Tax	Ad Valorem Tax is assessed annually by counties based on vehicle's value and the "financial needs of the levying authority".
Hawaii	16.12¢ (L) (S)	Annual fees based on weight and usage.	Information not available.	
Idaho	25¢	\$35 for passenger vehicles.	6% Sales Tax	
Illinois	19.3¢ (L) (S)	\$78 for cars and trucks weighing up to 8,000 lbs.	Vehicle Use Tax assessed on a sliding fee scale.	
Indiana	18.008¢ (S)	\$20.75 for passenger cars. \$29.75/trucks weighing up to 7,000 lbs.	6% Sales Tax	
Iowa	21.3¢ (V)	Annual fees based on weight and list price.	5% Sales Tax	
Kansas	25¢	Annual registration rates vary by county. In Wichita, rate is \$33/autos weighing up to 4,500 lbs.	6.3% Sales Tax	Property Tax is assessed annually.
Kentucky	16.4¢ (V)	\$15 for passenger vehicles.	6% Motor Vehicle Usage Tax	Property Tax is assessed annually; tax rates vary by locale.
Louisiana	20¢	Annual fees based on sliding fee scale per the value of the car.	4% State Sales Tax + Local Sales Taxes ranging from 1% to 5.5%	

Maine	26.05¢ (V)	\$25/cars and trucks weighing up to 6,000 lbs. \$31/trucks weighing btw. 6,001 lbs. and 9,000 lbs.	5% Sales Tax	Excise Tax is assessed annually by each locale.
Maryland	23.5¢	\$27/Class A & M vehicles weighing up to 3,700 lbs. \$40.50/Class A & M vehicles weighing more than 3,700 lbs.	5% Titling Tax	
Massachusetts	23.5¢	\$36/initial registration of vehicle (valid for 2-year period). \$41/renewal of vehicle registration (valid for 2-year period).	5% Sales Tax	Excise Tax is assessed annually; tax is calculated at a rate of \$25 per \$1000 of valuation.
Michigan	19.875¢ (S)	Annual fees are calculated based on manufacturer's suggested retail price.	6% Sales Tax	
Minnesota	20¢	\$4.25 plate fee.	6.5% Sales Tax	Annual Registration Tax is assessed in the following manner: <ul style="list-style-type: none"> • 1st Registration: \$10 + 1.25% of the value; • 1st Renewal: Based on value but not to exceed \$189; and • 2nd and Subsequent Renewals: Not to exceed \$99.
Mississippi	18.4¢ (L in selected counties)	\$10/initial registration of passenger car. \$8.75/renewal.	Sales Tax is Assessed. Ad Valorem Tax is also assessed by counties on all vehicles weighing under 10,000 lbs.	Road and Bridge Privilege Tax assessed annually at a rate of \$15.
Missouri	17¢	\$2.50 processing fee for one-year registration or \$7 processing fee for two-year registration plus a License Fee calculated on the basis of the horsepower of the vehicle.	4.225% Sales Tax + Variable Local Sales Taxes	
Montana	27.75¢	\$13.75/cars weighing up to 2,850 lbs. or \$18.75 for cars weighing more than 2,850 lbs. + variable registration fee based on age of car (\$195 for car 0-4 years old)	No taxes are assessed	Counties may impose a county option tax at the time of registration.
Nebraska	25.7¢ (V)	Annual fees based on the value of the vehicle.	5.5% Sales Tax + Variable Local Taxes	

Nevada	23.805¢ (L)	\$33/vehicles under 6,000 lbs.	6.5% Sales Tax + Variable Local Taxes	Government Services Tax is collected annually. Tax is calculated at a rate of 4 cents on each \$1 of value. Local option taxes may also apply.
New Hampshire	22.6¢	Annual fees are a combination of an annual State Tax and a Town Tax.	No other taxes are assessed	
New Jersey	14.5¢	\$56/vehicle less than two years old and weighing under 3,500 lbs. \$81/vehicles less than two years old and weighing more than 3,500 lbs.	6% Sales Tax	
New Mexico	18¢	Annual fees based on weight and age of car; fees range from \$20 to \$46/year.	3% Sales Tax on vehicles within 30 days of purchase or 4.5% after 30 days	
New York	31.5¢ (V) (S)	Fees vary based on weight. Cost of vehicle weighing up to 1,650 lbs. is \$10.25.	Variable Sales Tax; 8.58% in New York City	Vehicle Use Tax is assessed by some locales (ranges from \$10 to \$20 for a two-year period).
North Carolina	24.55¢ (V)	\$20	3% Highway Use Tax	Property Tax is assessed annually and varies by county.
North Dakota	21¢	Annual fees based on year first registered (not model year) and weight. \$62/car first registered in 1998-2003 and weighing up to 3,200 lbs.	5% Motor Vehicle Excise Tax	
Ohio	24¢	Annual fees are comprised of a Registration Fee and a Permissive Tax which varies by locale (not to exceed \$20).	Sales Taxes vary by county; range from 5.25% to 6.25%. Additional local taxes may apply	
Oklahoma	17¢	Annual fees vary based on year of registration: <ul style="list-style-type: none"> • 1st-4th years: \$93 • 5th-8th years: \$83 	3.25% Sales Tax for a new vehicle	
Oregon	24¢	\$30 for a two-year registration or \$60 for a four-year registration.	No other taxes are assessed	
Pennsylvania	27.3¢ (V)	\$36 for passenger vehicles.	7% Sales Tax in Philadelphia and Alleghany counties; 6% in all other locales	
Rhode Island	31¢	Information unavailable.	7% Sales Tax	
South Carolina	16.75¢	\$12 for passenger vehicles (deductions for citizens over 64 years of age).	5% Sales Tax	Property Tax is assessed annually.

South Dakota	24¢ (L)	Annual fees based on age and weight: <ul style="list-style-type: none"> • \$2.50/month for a vehicle 0-4 years old weighing up to 2,000 lbs. • \$1.75/month for a vehicle 5+ years old weighing up to 2,000 lbs. 	3% Excise Tax	
Tennessee	21.4¢ (L)	\$24 for passenger vehicles.	7% Sales Tax + Local Option Taxes	Wheel Tax is assessed annually and varies by locale from \$0 to \$61.
Texas	20¢	\$58.80/cars in model year 2001 or newer. \$50.80/cars in model years 1998, 1999, or 2000	6.25% Sales Tax	
Utah	24.5¢	\$21 Vehicle Registration Fee assessed annually.	4.75% Sales Tax + a Local Tax that may be either (but not both) a Public Transit Tax or a Highways Tax of ¼ of 1%	Uniform Personal Property Tax assessed annually on a sliding fee scale: <ul style="list-style-type: none"> • \$150/vehicles less than 3 years old • \$110/vehicles 3-6 years old • \$80/vehicles 6-9 years old
Vermont	20¢	\$50 for a one-year registration or \$92 for a two-year registration for gas-powered autos.	6% Sales Tax	
Virginia	18.1¢ (Local Sales Tax of 2% in Northern VA Transportation District)	\$29.50/vehicles weighing up to 4,000 lbs.	3% Sales Tax or \$35 (whichever is higher)	Annual Personal Property tax is assessed and varies by local jurisdiction.
Washington	28¢	\$30 License Fee for passenger vehicles.	Sales/Use Tax varies from 7% to 8.9%	
West Virginia	25.35¢ (Variable Sales Tax)	\$30/vehicles weighing up to 8,000 lbs.	5% Privilege Tax	Personal Property Tax is assessed and varies by county.
Wisconsin	31.5¢ (V)	\$55 Automobile Plate Fee.	5% Sales Tax + Local Sales Taxes varying from .1% to .6% of value	
Wyoming	14¢	Annual registration fees vary by value and model year of automobile.	6% Sales Tax	

**States Ranked by Gas Tax Rates
(January 1, 2004)**

States are ranked according to the total gas tax burden applied equally throughout the state; the gas tax rate shown for each state includes the excise tax rate and all known additional taxes and fees, including inspection fees, leaking underground storage tank fees, environmental fees, etc. where applicable. Information was obtained from the American Petroleum Institute, the Federation of Tax Administrators, and the American Road and Transportation Builders Association.

Except in the case of New York and West Virginia, sales taxes have not been included in the gas tax ranking (though sales tax rates are indicated where applicable). Thus, the total tax burden in states that apply sales taxes to gas sales may be higher than its ranking would indicate. Sales taxes are included in the New York and West Virginia rankings because they are pre-paid sales taxes (paid at first point of sale and then passed on through subsequent sales until the gas is sold at retail outlets) and thus function essentially as another element of the gas tax; these taxes are customarily included in New York's and West Virginia's gas tax burdens when the states are ranked.

Key:

(V) = Gas tax rate is variable, or some element of the taxes/fees that comprise the gas tax is variable.

(L) = Local jurisdictions are allowed to apply taxes to the sale of gasoline.

1. New York		(V + Variable sales tax)	28. Louisiana,		
Wisconsin	31.50¢	(V)	Minnesota, Texas,	20.00¢	
3. Rhode Island	31.00¢		Vermont, District		
4. Washington	28.00¢		of Columbia		
5. Montana	27.75¢		33. Michigan	19.875¢	(6% sales tax)
6. Pennsylvania	27.30¢	(V)	34. Illinois	19.30¢	(6.25% sales tax) (L)
7. Maine	26.05¢	(V)	35. California	19.20¢	(7% sales tax) (L)
8. Nebraska	25.70¢	(V)	36. Arizona	19.00¢	
9. West Virginia	25.35¢	(Variable sales tax)	37. Mississippi	18.40¢	(L in some counties)
10. Connecticut,		(V)	38. Alabama	18.30¢	(L)
Idaho, Kansas	25.00¢		39. Virginia	18.10¢	(2% sales tax on gas sold in No. VA Trans. District)
13. North Carolina	24.55¢	(V)	40. Indiana	18.008¢	(6% sales tax)
14. Utah	24.50¢		41. New Mexico	18.00¢	
15. Oregon, South		(L – South Dakota only)	42. Missouri, Oklahoma	17.00¢	
Dakota, Ohio	24.00¢		44. South Carolina	16.75¢	
18. Nevada	23.805¢	(L)	45. Florida	16.625¢	(6% sales tax) (V) (L)
19. Maryland,	23.50¢		46. Kentucky	16.40¢	(V)
Massachusetts			47. Hawaii	16.12¢	(4% sales tax) (L)
21. Delaware	23.00¢		48. New Jersey	14.50¢	
22. New Hampshire	22.60¢		49. Wyoming	14.00¢	
23. Colorado	22.00¢		50. Alaska	8.00¢	
24. Arkansas	21.70¢		51. Georgia	7.50¢	(4% sales tax)
25. Tennessee	21.40¢	(L)			
26. Iowa	21.30¢	(V)			
27. North Dakota	21.00¢				

Comparison of State-imposed Automobile Taxes and Fees

Assumptions: Chart shows the amount of money paid to the state government for titling and registration of a vehicle and in gas taxes for purchase of 535 gallons of gas per year (car is assumed to be driven 15,000 miles annually and achieve an average of 28 miles per gallon of fuel). Figures are based on purchase of a 2003 Honda Accord EX valued at \$20,700, weighing 3,144lbs.; owner is assumed not to have traded in another vehicle at time of purchase. Figures do NOT include any other fees to be paid to the state, such as additional fees due at time of registration, or VEIP or other inspections fees etc. Figures also do NOT include any local fees or taxes.

STATE	TN ¹	WV ²	PA ³	FL ⁴	DC	VT	LA ⁵	WI ⁶	CT	NJ	MD	VA ⁷	DE
Titling Fees:	\$8	\$10	\$22.50	\$31.25	\$26	\$15	\$18.50	\$25	\$25	\$20	\$23	\$10	\$15
Titling Taxes:	\$1,449	\$1,035	\$1,449	\$1,242	\$1,242	\$1,242	\$828	\$1,035	\$1,242	\$1,242	\$1,035	\$621	\$569.25
Registration Fees:	\$48	\$60	\$72	\$71.20	\$144	\$92	\$42	\$90	\$70	\$112	\$54	\$59	\$40
Gas Tax Payments:	\$228.98	\$271.25	\$292.11	\$274.19	\$214	\$214	\$214	\$337.05	\$267.50	\$155.15	\$251.45	\$193.67	\$246.10
Total:	\$1,734	\$1,376	\$1,836	\$1,619	\$1,626	\$1,563	\$1,103	\$1,487	\$1,605	\$1,529	\$1,363	\$884	\$870
Median Income*	\$36,329	\$30,072	\$43,577	\$38,533	\$41,313	\$41,929	\$33,312	\$46,351	\$53,325	\$53,266	\$55,912	\$49,974	\$50,878
State-imposed costs as percent of two years of state's median income	2.39%	2.29%	2.11%	2.10%	1.97%	1.86%	1.66%	1.60%	1.50%	1.44%	1.22%	0.88%	0.86%

*Three-year average median household income for period 2000 to 2002 as reported in the U.S. Census Bureau's "Consumer Income" report (issued September 2003), part of the Bureau's "Income in the United States: 2002" series.

1 - Owner will also pay an annual Wheel Tax at the time of registration; tax varies by jurisdiction from \$0 to \$61. Local option taxes will also be due at time of titling.

2 - Owner will also pay an annual property tax at the time of registration; tax varies by jurisdiction.

3 - Assumes car purchase was made in Philadelphia.

4 - Includes gas tax plus sales tax on gas (assumes price was \$1.50/gallon). Does not include local option taxes on gas purchases, which vary from county to county.

Owner will also pay a \$100 fee for initial registration of vehicle if it is not a replacement of another vehicle of the same type (e.g., car replacing car).

5 - Owner will also pay a local sales tax at time of titling; tax varies from 1% to 5.5%.

6 - Owner will also pay a local sales tax at the time of titling; tax varies from .1% to .5% of value.

7 - Owner will also pay 2% sales tax on gas purchased in the Northern Virginia Transportation District. In addition, owner will pay annual car tax that is assessed and varies by local jurisdictions. In the City of Alexandria, owner would pay \$310/year, raising the total cost to \$1,503.57.

States with Variable Gas Tax Rates, States that Impose Sales Taxes on Gas Sales, and States with Constitutional Protections on Transportation Funds

The following chart lists states in which the gas tax – or some element of the gas tax – varies by a specific index; states that impose sales taxes on gas sales; and states in which the state constitution specifically segregates monies held in a dedicated purpose transportation fund and restricts their use to transportation purposes (the nature of these restrictions varies by state – some states have established strong fire walls while others have merely defined the transportation-related purposes for which funds may be expended).

<u>States with Variable Gas Tax Rates</u>	<u>States that Impose Sales Taxes on Gas Sales</u>	<u>States with Constitutional Protections on Transportation Funds</u>	
(Index by which variance is calculated is indicated in parentheses.)			
Florida (Consumer Price Index)	California (7¢ per gallon)	Alabama	New Jersey
Iowa (Distribution percentage of ethanol-blended gas sold in the state)	Florida (6%)	Arizona	North Dakota
Kentucky (Average Wholesale Price)	Georgia (4%)	California	Ohio
Maine (Rate of Inflation)	Hawaii (4%)	Georgia	Oregon
Nebraska (Varies by annual debt service requirements and planned annual expenditures)	Illinois (6.25%)	Idaho	Pennsylvania
New York (Rate of Inflation)	Indiana (6%)	Iowa	South Dakota
North Carolina (Average Wholesale Price)	Michigan (6%)	Kentucky	Texas
Pennsylvania (Average Wholesale Price)	New York (Pre-paid sales tax assessed at rate of 6.3¢ upstate and 7.9¢ downstate.)	Louisiana	Washington
West Virginia (Sales taxes applied to gas vary by the average wholesale price)	Virginia (2% on sales in the Northern Virginia Transportation District)	Maine	Wyoming
Wisconsin (Consumer Price Index for Urban Consumers)		Massachusetts	
		Michigan	
		Missouri	
		Montana	
		Nevada	
		New Hampshire	

Transportation Funding in Other States with Multi-modal Transportation Funds

States with Multi-modal Transportation Funds

Research has identified nine states other than Maryland that maintain multi-modal transportation funds, which are funds that provide funding for multiple transportation modes, including some or all of the following: highways, ports, airports, various types of mass transit facilities, and state police departments. These states are:

- Connecticut
- Delaware
- Florida
- Louisiana
- Pennsylvania
- Tennessee
- Vermont
- Virginia
- Wisconsin

Even among these states, however, research has not identified any state funds that provide all operating and capital funds needed to support assets as large as the BWI Airport, the public transit systems in Washington, DC, and Baltimore, Maryland, or the public terminals operated by the Maryland Port Administration at the Port of Baltimore. Research has also not identified any multi-modal fund that funds as many large assets as are funded by Maryland's TTF.

In addition to those that maintain some type of multi-modal fund, there are several states, including New Jersey, North Carolina, and Maine, that maintain "hybrid" funds that fund some of the costs of the transportation modes funded by the Maryland TTF.

Transportation Fees and Taxes in States with Multi-modal Transportation Funds

- **Gas Taxes:** Three states with multi-modal funds (Connecticut, Pennsylvania, and Wisconsin) have higher base gas tax rates than Maryland; these three states also have variable gas taxes. In addition, while Florida's base gas tax rate (which is also variable) is lower than Maryland's rate, the state applies a 6% sales tax on gas sales and allows local jurisdictions to assess local taxes on gas sales that can range between 1¢ to 17.6¢.
- **Vehicle Registration Fees:** Six states with multi-modal funds have higher vehicle registration fees than Maryland's fees. These states are: Connecticut, Florida, Pennsylvania, Vermont, Virginia, and Wisconsin.
- **Titling Taxes:** Five states with multi-modal funds have higher titling taxes than Maryland's 5% tax. These states are: Connecticut, Florida, Pennsylvania, Tennessee, and Vermont. Louisiana allows local jurisdictions to assess local option sales taxes on titling transactions that can range from 1 to 5.5% (raising a driver's total titling tax burden to between 5 and 9.5%). Tennessee and Wisconsin also allow local jurisdictions to assess local option sales taxes on titling transactions.
- **Additional Taxes:** Tennessee and Virginia allow local jurisdictions to assess annual property taxes on automobiles.
- **Total Tax and Fee Burden:** Of the nine states other than Maryland that maintain some type of multi-modal transportation fund, five states (Connecticut, Pennsylvania, Florida, Vermont, and Wisconsin) have higher tax and fee rates in at least two of the three major transportation revenue sources.

Case Studies: Transportation Funding in Other States

Even among states that maintain multi-modal transportation funds, there is an extraordinary variety in methods and procedures for funding transportation. For the purposes of allowing comparisons of Maryland's transportation funding methodologies with those of two states that maintain similar procedures and fund similar types of expenses, case studies on transportation funding in Connecticut and Wisconsin are presented below.

Each of these states was chosen because of specific similarities between its transportation funding structure and Maryland's structure. While Connecticut does not directly operate transit systems like Maryland does, it does directly own two fixed-rail transit systems and eight public bus systems (Hartford, New Haven, Stamford, Waterbury, New Britain, Bristol, Meriden, and Wallingford);

operation of these systems is contracted to private operating firms. Further, Connecticut's multi-modal fund relies on the same revenue sources as Maryland's TTF utilizes, and it provides some operating and capital assistance to all transportation modes supported by Maryland's TTF, including six-state owned airports and a harbor (although none of these assets are as large as those supported by Maryland's TTF). Similarly, Wisconsin's multi-modal fund provides operating and capital assistance to all modes supported by Maryland's TTF (although none of these assets are as large as those supported by Maryland's TTF), and its fund is of roughly the same size as Maryland's TTF. Finally, both states have made significant transfers from their multi-modal transportation funds to their general funds due to ongoing budget deficits.

Transportation Funding in Connecticut

Characteristics of Multi-modal Fund: Connecticut's multi-modal fund, known as the "Special Transportation Fund" (STF) was established on July 1, 1984. This fund is primarily responsible for funding operating expenses associated with transportation in the state of Connecticut (funding for capital expenditures is discussed below). The fund receives revenues from the following sources:

- Motor fuel taxes (this tax reached a high of 39¢/gallon in 1997 but has subsequently been lowered to its present rate of 25¢);
- motor vehicle-related fee receipts;
- licenses, permits, and fees related to transportation;
- federal attainment;
- portion of the oil company tax (\$20 million in fiscal 2003);
- vehicle sales tax;
- revenues from state-owned/operated facilities (including ports, airports, and two ferry services);
and
- revenues from the sale of bonds.

At the time the STF was established, rate increases were scheduled throughout a 10-year future period to ensure that pledged revenues could sustain planned investments and operating costs. This multi-year rate scheduling process has been continued with all subsequent revisions to revenue distribution statutes.

Transportation Expenses Funded by the Multi-modal Fund

- **Operating Expenses:** In fiscal 2003, Connecticut's STF Operating Program was expected to expend just over \$900 million to fund the following:
 - Debt service (46% of total operating expenditures);
 - ConnDOT operations, including personnel costs, the Highway and Bridge Renewal Fund, and ConnDOT's aviation and port operating expenses (19% of total operating expenses);
 - Operation of the New Haven Line rail passenger service (which is jointly overseen with the Metropolitan Transit Authority of New York), the Shore Line East rail service, fifteen urban bus services (including the services of Hartford, New Haven, Stamford, Waterbury, New Britain, Bristol, Meriden, and Wallingford, which are directly owned by ConnDOT), and five rural bus services (17% of total operating expenditures);
 - Highway Patrol Operations (9% of total operating expenditures);
 - Division of Motor Vehicles operations (6% of total operating expenditures); and
 - Town Aid, which provides grants to towns and unconsolidated cities for the maintenance of roads and public transit services (3% of total operating expenditures) (after 2003, this will be moved to the state's general fund).

Within ConnDOT, the Bureau of Aviation and Ports is responsible for six state-owned airports (Bradley International [which is not funded by the STF but is instead funded through the Bradley Enterprise Fund], Hartford-Brainard, Groton-New London, Waterbury-Oxford, Windham, and Danielson), the port of New London, and two ferry services (crossing Connecticut River). As indicated above, the operating budgets of these aviation and water facilities are provided through the STF; revenues generated by these facilities are in turn deposited in the STF.

- **Capital Expenses:** In recent state fiscal years (SFY), Connecticut's total transportation capital program was between \$520 million and \$645 million per year, with approximately \$170 million coming from state bonds; \$9 million coming directly from STF appropriations; and the remainder coming from federal program funds. The cost of the Capital Program for SFY 1985 through SFY 2003 is currently estimated at \$13.7 billion. The State's share of this cost is estimated at \$5.5 billion.

- ***Transfers from the Multi-modal Fund to the General Fund:*** A one-time transfer of \$52 million was taken from Connecticut’s STF and diverted to the general fund in fiscal 2003. In addition, that portion of the oil company revenue taxes (\$20 million) that would otherwise have accrued to the STF was diverted to the general fund in that year.

Transportation Funding in Wisconsin

- ***Characteristics of Multi-modal Fund:*** Wisconsin’s multi-modal fund, called the “Segregated Fund” (SF), derives its revenues from the following sources:
 - motor fuel taxes;
 - vehicle registration fees;
 - drivers’ license fees and miscellaneous motor vehicle fees;
 - federal attainment;
 - bond sales;
 - aeronautical taxes and fees; and
 - nominal railroad taxes (including taxes on rail property).

While Wisconsin assesses a 5% sales tax on vehicle sales, these revenues do not accrue to the SF (all sales taxes accrue to the state’s general fund). Thus, among state revenue sources, motor fuel taxes and vehicle registration fees are the predominate source of income for Wisconsin’s SF.

Wisconsin is a home rule state. As a result, all transit systems, airports, and harbors are managed by local jurisdictions. However, the SF provides grants to the local jurisdictions to support all of these operations; for example, state grants accounted for 40% of operating funding for the transit system in Milwaukee.

- ***Transportation Expenses Funded by the Multi-modal Fund:*** In fiscal 2003, Wisconsin’s transportation fund expended nearly \$2.4 billion. Expenditures funding the following:
 - State Highways (48.5% of total expenditures);
 - Local Transportation Aid, including transit programs, transportation programs for the elderly and disabled, and special aid programs for local roads (22% of total expenditures);

- Local Capital Assistance, including capital assistance for local roads and bridges, aeronautical installations, freight and passenger rail installations, harbor installations, and multi-modal activities (13.1% of total expenditures);
 - State Operations, including operations of the Highway Patrol (9.2% of total expenditures);
 - Debt Service (5.2% of total expenditures); and
 - Service Centers and contributions to other agencies (2% of total expenditures).
- ***Transfers from the Multi-modal Fund to the General Fund:*** Like Maryland, Wisconsin has transferred significant sums of money from its SF to its general fund. In fiscal 2004, transfers totaling \$370 million were taken from the SF and diverted to the general fund. These transfers included \$230 million provided for the local aid fund within the general fund, \$40 million earmarked to provide grants to local jurisdictions to support the purchase of school buses (normally a general fund responsibility), and \$100 million transferred directly to the general fund. In fiscal 2005, the SF will transfer \$305 million to the general fund.