SB 5

Department of Legislative Services

Maryland General Assembly
2007 Special Session

FISCAL AND POLICY NOTE

Senate Bill 5 (The President)(By Request – Administration)
Budget and Taxation

Transportation Investment Act

This Administration bill increases motor fuel and vehicle excise tax rates beginning January 1, 2008, and indexes the motor fuel tax (MFT) rates to increase in future years in accordance with the Construction Cost Index (CCI). The bill increases the maximum allowable aggregate amount of outstanding consolidated transportation bonds (CTBs). It alters the distribution of revenue collected from corporate income taxes, sales and use taxes on short-term vehicle rentals, special license tag fees, and security interest filing fees, and eliminates other deductions to the benefit of the Transportation Trust Fund (TTF). The bill also replaces certain eliminated allocations with mandated general fund appropriations.

The provisions of the bill altering the distribution of revenues and funds and requiring certain mandated appropriations take effect July 1, 2008. All other provisions take effect January 1, 2008.

Fiscal Summary

State Effect: TTF revenues increase $82.5 million in FY 2008 due to motor fuel and vehicle excise tax rate increases. Beginning in FY 2009, the TTF revenue increase reflects both annualization of the tax rate increases as well as redistributions of existing revenues to benefit the TTF; as a result, TTF revenues increase $381.2 million by FY 2012. General fund revenues decrease $61.0 million in FY 2009 due to the funding redistributions. In FY 2009, general fund expenditures increase $37.9 million due to both mandated general fund appropriations and assumed replacement of general funds for existing special fund expenditures. Transportation bond revenues (and related expenditures) could increase beginning in FY 2008 due to an increase in the statutory cap for bonding authority and pledged revenues.

($ in millions)	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
GF Revenue	$0	($61.0)	($63.3)	($65.5)	($67.7)
TTF Revenue	82.5	271.2	306.6	343.6	381.2
Bond Rev.	--	--	--	--	--
GF Expenditure	0	37.9	38.7	39.7	40.8
Net Effect	$82.5	$172.3	$204.6	$238.4	$272.8

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

Local Effect: Total local highway user revenues would increase by $20.3 million in FY 2008, escalating to $98.1 million in FY 2012. Expenditures would not be directly affected.

Small Business Effect: A small business impact statement was not provided by the Administration in time for inclusion in this fiscal note. A revised fiscal note will be issued when the Administration's assessment becomes available.

Analysis

Transportation Funding Overview:

The TTF is a nonlapsing special fund that provides funding for the Maryland Department of Transportation (MDOT). It consists of tax and fee revenues – specifically motor fuel taxes, sales and use taxes on short-term vehicle rentals, vehicle titling taxes, vehicle registration fees, a portion of the corporate income tax, and other miscellaneous motor vehicle fees – as well as operating revenues and fund transfers. MDOT issues bonds backed by TTF revenues and invests the TTF fund balance to generate investment income. Four modal administrations generate operating revenues that cover a portion of their operating expenditures. Capital expenditures and remaining operating expenditures are supported by bond proceeds and other TTF revenues.

The Gasoline and Motor Vehicle Revenue Account (GMVRA) is an account within the TTF. Under current law, all revenues collected from the following taxes and fees (after statutory deductions) are credited to the GMVRA:

- all the motor fuel tax;
- except as otherwise provided, 80% of the vehicle titling tax distributed to the TTF;
- vehicle registration fees (except for revenues collected from classified vehicles and interchangeable registrations);

- MDOT's share of corporate income tax revenue (24% of the net revenue, minus specified deductions); and
- 80% of the funds distributed to the TTF from sales and use taxes on short-term vehicle rentals.

The above revenues are credited to the GMVRA only *after* enough is retained to pay for the salaries and other expenses of the State Highway Administration (SHA), certain enforcement divisions within the Department of State Police, and other salaries and expenses as approved by MDOT for enforcing certain provisions of the State's transportation and fraud laws.

After these deductions, 30% of the funds in the GMVRA are distributed to local jurisdictions as highway user revenues; the rest is retained at the State level.

Tax Rate Increases:

Motor Fuel Taxes

Bill Summary: The bill increases the motor fuel tax rates on gasoline, clean burning fuel, and special fuel beginning January 1, 2008. For calendar 2008, the motor fuel tax rates on gasoline and clean burning fuel are increased from $0.235 to $0.240 per gallon, and the rate on special fuel is increased from $0.2425 to $0.2475 per gallon. The motor fuel tax rates on aviation gasoline and turbine fuel are not affected by the bill.

The bill establishes a process by which these motor fuel tax rates are increased annually thereafter, so that beginning January 1, 2009, motor fuel tax rates would increase based on the annual CCI increase. CCI is defined as a weighted aggregate index of the prices of constant quantities of structural steel, Portland cement, lumber, and common labor as published by the *Engineering News-Record*. The motor fuel tax rate may not increase more than $0.01 per gallon for any calendar year. If there is no annual increase in the CCI, the motor fuel tax rates will not change for that year. **Exhibit 1** summarizes the current motor fuel tax rates and the changes under the bill. Assuming the current projections for the CCI are realized, the tax rates for gasoline and clean burning fuel could increase to $0.2694 per gallon by 2012, while the tax rate for special fuel could increase to $0.2779 per gallon.

Although not specifically included in the bill, the amount of money collected from the motor carrier tax would also increase, since that tax rate is tied to motor fuel tax rates. The motor carrier tax is based on the gallons of fuel used in the operation of a commercial motor vehicle on a highway in the State. In accordance with the International Fuel Tax Agreement, interstate motor carriers pay taxes based on taxable miles traveled in each state. The motor carrier tax rate is the motor fuel tax rate for the type of motor fuel used. For purposes of this analysis, it is assumed that the type of motor fuel used for the motor carrier tax would be special fuel (diesel fuel).

Current Law/Background: Maryland has the eighteenth highest motor fuel tax rate on gasoline in the nation; when other State motor fuel-related taxes are included (such as the sales tax), Maryland has the twenty-sixth highest rate. **Appendices A** and **B** compare Maryland's motor fuel tax rate on gasoline to other states. Maryland's motor fuel tax rate on gasoline was last increased in 1992, when it went from $0.185 to $0.235 per gallon. **Appendix C** summarizes the history of the motor fuel tax on gasoline.

Exhibit 1
Increases in Motor Fuel Tax Rates
Calendar Year 2007-2012

		Tax Rates	
Calendar Year	**Applicable % Increase Due to CCI**	**Gasoline & Clean Burning Fuel**	**Special Fuel**
2007	N/A	$0.2350	$0.2425
2008	**N/A**	**0.2400**	**0.2475**
2009	2.9%	0.2469	0.2546
2010	2.9%	0.2540	0.2619
2011	3.0%	0.2615	0.2697
2012	3.0%	0.2694	0.2779

Notes: The rates reflected for 2007 are those under current law; the rates for 2008 are those set under the bill. Beginning in 2009, the rates reflect annual increases due to CCI increases.

Vehicle Excise Tax (Titling Tax)

Bill Summary: The bill increases the vehicle excise tax rate from 5.0% to 6.0% beginning January 1, 2008.

Current Law/Background: The vehicle excise tax is applied to the purchase price or fair market value of all new and used motor vehicles at the time of sale. It was last increased from 4% to 5% in 1978, and the Motor Vehicle Administration (MVA) is responsible for its administration and collection.

The vehicle excise tax assessed by Maryland ranks in the middle of the surrounding states in terms of the rate assessed at the time of purchase. There are two notable differences between Maryland and some of the surrounding states. First, Virginia, North Carolina, and West Virginia each include vehicles in the calculation for the annual assessment of property tax, meaning that individuals pay a tax on vehicles annually rather than on a one-time basis as in Maryland. Second, in most of the examined states (except Virginia, the District of Columbia, and Maryland), individuals are able to reduce the purchase price of a vehicle by the amount of a trade-in vehicle. **Appendix D** provides additional detail on the vehicle excise tax rates imposed by neighboring states.

<u>Fiscal Effect of Tax Rate Increases</u>

As shown in **Exhibit 2**, the additional revenues generated by the tax rate increases would total $82.5 million in fiscal 2008, escalating to $272.3 million in fiscal 2012. From this total, $20.3 million would be distributed to local governments as highway user revenues in fiscal 2008, reaching $71.7 million by fiscal 2012. MDOT would retain, at the State level, $62.2 million in fiscal 2008 and $200.7 million in fiscal 2012.

Motor Fuel Tax

Total motor fuel tax revenues would increase $8.1 million in fiscal 2008 and $104.9 million by fiscal 2012. The fiscal 2008 estimate reflects the six-month period between January 1 and June 30, 2008. The estimate assumes that gasoline consumption would increase between 1.3% and 1.5% annually despite the increased tax rates. It is assumed that in fiscal 2008 motor fuel tax will be collected on approximately 3.2 billion gallons of fuel affected by the bill. The fiscal 2008 revenue estimate is based on one-half of this amount. The estimate also accounts for increased revenues from the motor carrier tax.

Of the revenue generated by the new motor fuel tax rates, 70% would be retained by the GMVRA at the State level and 30% would go to local governments (as highway user revenues).

Vehicle Excise Tax (Titling Tax)

Vehicle excise tax revenues would increase $74.4 million in fiscal 2008 and $167.5 million by fiscal 2012. Based on historical trends, 53.1% of yearly vehicle purchases occur in the second half of each fiscal year. This estimate applies this factor when determining the fiscal 2008 impact. The estimate also accounts for inflation in vehicle prices and vehicle purchase growth and assumes that consumer spending habits would not change as a result of the tax increase.

Of the revenues generated by the higher vehicle excise tax rate, 20% would be deposited into the TTF and 80% would be deposited into the GMVRA. From this 80% distribution, 70% would be retained by the GMVRA at the State level and 30% would go to local governments (as highway user revenues). Thus, the amount retained by MDOT equates to 76% and the local share equates to 24% of the increase.

Exhibit 2
Fiscal Impact of Tax Rate Changes
Fiscal 2008-2012
($ in Millions)

			Fiscal Year		
Tax Increase	**2008**	**2009**	**2010**	**2011**	**2012**
Total Motor Fuel Tax Rate Increases*	$8.1	$27.9	$51.6	$77.2	$104.9
State Share (70%)	*5.7*	*19.5*	*36.1*	*54.0*	*73.4*
Local Share (30%)	*2.4*	*8.4*	*15.5*	*23.1*	*31.5*
Total Vehicle Excise Tax Rate Increase**	$74.4	$144.5	$152.8	$160.9	$167.5
State Share (76% net distribution)	*56.5*	*109.9*	*116.1*	*122.3*	*127.3*
Local Share (24% net distribution)	*17.8*	*34.7*	*36.7*	*38.6*	*40.2*
Total Revenue Generated (for TTF/GMVRA)	**$82.5**	**$172.4**	**$204.4**	**$238.0**	**$272.3**
Retained at State Level by MDOT	**62.2**	**129.3**	**152.3**	**176.3**	**200.7**
Distributed to Local Governments	**20.3**	**43.0**	**52.2**	**61.8**	**71.7**

*These revenues would be distributed as follows: 70% of the total funds would stay within the GMVRA and 30% would go to local governments (as highway user revenues).

**These revenues would be distributed as follows: 20% would be credited only to the TTF and the other 80% would be deposited into the GMVRA, from which 70% would be retained by the GMVRA and 30% would go to local governments (as highway user revenues). The cumulative effect would be that 76% of the funds would be retained by MDOT at the State level and 24% would go to local governments.

Note: Numbers may not sum to total due to rounding.

Increased Bonding Authority:

Bill Summary: The bill increases the maximum aggregate outstanding amount of consolidated transportation bonds from $2.0 billion to $3.0 billion effective January 1, 2008.

Current Law/Background: To recognize the additional bonding capacity associated with increased revenues, the bill increases the statutory cap on CTB debt outstanding. Although the cap is increased, the debt is subject to other limitations, such as:

- General Assembly approval through the annual budget process with language capping the amount of debt outstanding.
- Two coverage tests manage debt outstanding: net revenues and pledged taxes must be at least 2.0 times the maximum annual debt service. MDOT sets an administrative minimum of 2.5 times the maximum annual debt service for each test.
- The Capital Debt Affordability Committee (CDAC) includes transportation debt and Grant Anticipation Revenue Vehicle (GARVEE) bonds (backed by anticipated federal aid) when it establishes annual limits on State tax-supported debt.
- Future MDOT debt issuances may be constrained by the State's debt limit of debt outstanding not exceeding 3.2% of personal income.

Fiscal Effect: To the extent that MDOT is able to issue debt above its current limit of $2.0 billion, debt service expenditures would increase. Any such increase depends on the amount of debt issued and the interest rate, neither of which can be reliably estimated at this time. Based upon Legislative Services' estimates, bond sales could increase $980 million from fiscal 2008 through 2012 due to the additional revenues generated under the bill. Assuming all additional revenues generated under the bill and any related bond sales would be dedicated to the capital program, Legislative Services estimates the bill could provide an additional $1.9 billion for the capital program from fiscal 2008 through 2012.

While the higher ceiling may allow for additional bonding capacity under MDOT debt affordability tests because of the additional revenue generated under this bill, any such additional bonding capacity could be constrained by other debt limitation measures. As stated previously, CTB debt is also constrained by the debt affordability policies adopted by CDAC. Specifically, State-supported debt outstanding cannot exceed 3.2% of personal income. Based on the October 2007 CDAC report, there will be limited remaining debt capacity in future years – remaining debt capacity is estimated to be about $160 million.

Thus, based upon the broader State debt limitation, there could be significantly less than the $1.0 billion in additional bonding authority proposed in the bill.

Revenue Reallocations:

The bill makes several changes to the statutory allocation of revenues to benefit the TTF/GMVRA rather than the general fund or other special funds beginning in fiscal 2009. The revenue reallocations are described below according to revenue source. At the end of this section, **Exhibit 4** shows the net impact of the reallocations on the general fund and the TTF/GMVRA. **Appendices E** and **F** provide additional detail on the reallocations and their fiscal impact.

Corporate Income Tax Revenues

Current Law/Background: Currently, 24% of revenues generated from the 7% corporate income tax rate (after enough money to cover refunds is withheld) are deposited into a special fund. From this special fund, 24% of the cost of administering the corporate income tax is paid to an administrative cost account in the Comptroller's Office, and the rest is distributed to the GMVRA.

Bill: The bill repeals the provision reducing the GMVRA's share of corporate income tax revenues for the cost of administering the corporate income tax. Thus, the full 24% of net corporate income tax revenues (after refunds) would be deposited into the GMVRA. From this amount, 70% would be retained at the State level and 30% would go to local governments (as highway user revenues).

Motor Fuel Tax Revenues

Current Law/Background: Motor fuel tax revenues are currently distributed as follows:

- reserves are set aside for refunds relating to the motor fuel and motor carrier taxes;
- a proportionate share of the cost to administer the Motor Fuel Tax Bureau within the Comptroller's Office is distributed to an administrative cost account;
- the net proceeds of the aviation fuel tax (receipts less refunds) are credited to the TTF;
- fuel tax revenues that are attributable to the portion of the rate that exceeds 18.5 cents per gallon are distributed to the GMVRA; and
- the remainder each month is distributed to the following:
    - 0.3% to the Waterway Improvement Fund;
    - 0.3% to the Fisheries Research and Development Fund;
    - 2.3% to the general fund for Chesapeake Bay-related programs; and

- the balance to the GMVRA.

Bill: MFT revenues would be distributed as follows:

- reserves would be set aside for refunds relating to the motor fuel and motor carrier taxes;
- the net proceeds of the aviation fuel tax (receipts less refunds) would be credited to the TTF; and
- the net proceeds of *all* remaining MFT revenue (receipts less refunds) would be distributed to the GMVRA.

No funds would be withheld from MFT revenues to cover costs associated with administering the Motor Fuel Tax Bureau. For purposes of this analysis, it is assumed that general funds would replace MFT revenues in funding the Motor Fuel Tax Bureau.

The bill replaces the distributions to the Waterway Improvement Fund, Fisheries Research and Development Fund, and the general fund for Chesapeake Bay-related programs with mandated minimum general fund appropriations beginning in fiscal 2009.

Sales and Use Tax on Short-term Vehicle Rentals Revenues

Current Law/Background: The Comptroller must currently distribute 45% of the net sales and use tax collected on short-term vehicle rentals (8% for trucks and 11.5% for passenger vehicles) to the TTF each month; the remaining 55% goes to the general fund. As noted previously, 80% of the TTF distribution is credited to the GMVRA.

Bill: All (100%) net sales and use tax revenues collected on short-term vehicle rentals would be distributed to the TTF each month, 80% of which would continue to be credited to the GMVRA. From this 80% distribution, 70% would be retained by the GMVRA at the State level and 30% would go to local governments (as highway user revenues).

Security Interest Filing Fee Revenues

Current Law/Background: A security interest filing fee of $20 is required for securing the title of a motor vehicle not wholly owned by the purchaser. Revenues are allocated among the general fund, the MVA, and the TTF. The general fund receives $14, of which $5 is then distributed to Baltimore City. The remaining $6 goes to the MVA Assurance Fund, which is used to compensate parties who have suffered a loss as a result of an error made by an MVA employee relating to security interest filings. Any revenues in excess of a $25,000 balance in that fund are transferred to the TTF.

Bill: All security interest filing fee revenues are distributed to the MVA Assurance Fund; however, any revenues in excess of a $25,000 balance would still be remitted to the TTF. For purposes of this analysis, it is assumed that any revenue transfer resulting from this provision would go to the TTF.

Special Personalized Tag Fee Revenues

Current Law/Background: In addition to the annual vehicle registration fee otherwise required, an owner desiring a personalized (vanity) tag must pay an additional $25 annual fee. Revenues from personalized tags are currently distributed as follows:

- $12.50 of the initial annual fee (not renewals) is retained by MDOT and deposited into the TTF for cost recovery of MVA operations;
- of the remainder:
    - the first $180,000 is credited to a fund administered by the Maryland Higher Education Commission for use in medical, dental, legal, nursing, and pharmaceutical scholarship programs (Graduate and Professional Scholarship Program);
    - the next $200,000 is used solely to fund scholarships within the Distinguished Scholar Program; and
    - the remainder is distributed to the general fund.

Bill: The bill repeals the provisions allowing the MVA to retain a portion of the original fee for cost recovery and prohibiting revenues received from vanity tag fees from being credited to the GMVRA. Instead, it directs all of the revenues to the TTF. Thus, for purposes of this analysis, it is assumed that revenue from this special registration fee would be credited only to the TTF and that sufficient funds would remain available for cost recovery at the MVA. However, no funds would be distributed to the Graduate and Professional Scholarship Program, the Distinguished Scholar Program, or the general fund. For purposes of this analysis, it is assumed that general funds would replace the vanity tag fee distributions to the two scholarship programs and that funding levels for those programs would remain constant in future years.

Maryland Vehicle Law Revenue Redistributions to the GMVRA

Current Law/Background: Before the revenues that are normally credited to the GMVRA are deposited, enough funds must be withheld to pay the salaries and other expenses of certain agencies that help enforce the State transportation and fraud laws. These agencies are the State Highway Administration, the Department of State Police (Commercial Vehicle Enforcement Division and the Automotive Safety Enforcement

Division), and other State agencies whose salaries and expenses are approved by MDOT – currently the Maryland Department of the Environment's (MDE) Motor Carrier Safety (or HazMat) program.

Bill: Only SHA expenses would still be paid from this source; the other monies that would otherwise be deducted are credited to the GMVRA. Thus, the Department of State Police enforcement divisions and the HazMat program at MDE would have to be funded from another source. For purposes of this analysis, it is assumed that general funds would replace eliminated funding for the State Police divisions and other State agencies affected by the funding shift.

By increasing the amount of funds deposited into the GMVRA from eliminating these deductions, more revenue is passed along to local governments as highway user revenues.

Mandated General Fund Appropriations

The bill replaces certain funding allocations repealed by other parts of the bill with mandated general fund appropriations as listed in **Exhibit 3**, beginning in fiscal 2009. For purposes of this analysis, it is assumed that the mandated appropriations to the Chesapeake Bay-related programs, the Fisheries Research and Development Fund, and the Waterway Improvement Fund (which are all specified in the bill as minimum funding levels) would *not* be funded at the minimum required levels for all years. Instead, since the bill establishes a funding floor, it is assumed that growth would be factored into the appropriation each year so that the programs would continue to receive the same amount as they would under current law. Actual funding by the Governor could be lower, however, as long as the minimum required funding levels are maintained. The Chesapeake Bay-related programs have been funded through the general fund with MFT monies based on a percentage share. Under the bill, these Chesapeake Bay-related programs would continue to be funded by the general fund, but a dedicated funding source would no longer be available and the amount of funding would be at least $13,755,000.

Exhibit 3
Mandated General Fund Appropriations
Beginning Fiscal 2009

Appropriation	Amount
Baltimore City	$3,075,000
Chesapeake Bay-related programs	≥ $13,755,000
Fisheries Research and Development Fund	≥ $1,794,000
Waterway Improvement Fund	≥ $1,794,000
Total	**≥ $20,418,000**

≥ = at least

Fiscal Effect

The impact of the funding reallocations would begin on July 1, 2008 (fiscal 2009). In that year, foregone general fund revenues would total $61.0 million, while general fund expenditures would increase $37.9 million – for a total general fund impact of $98.9 million. The TTF, on the other hand, would experience a positive net impact from the bill. In fiscal 2009, total TTF revenues would increase by $98.8 million. Of this total, $24.1 million would be distributed to local governments as highway user revenues, and $74.7 million would be retained at the State level.

These numbers do not account for fund transfers eliminated between TTF revenue sources and other special funds. For example, transfers to the two special funds within the Department of Natural Resources would have totaled $3.6 million in fiscal 2009 and $3.7 million by fiscal 2012. This funding source was eliminated by the bill and replaced by a mandated general fund appropriation. This estimate assumes that funding levels for these programs would continue to grow as under current law since the mandate establishes a funding floor.

Exhibit 4 summarizes the effect of the revenue reallocations on the general fund, the TTF/GMVRA, and local governments (as highway user revenues). The detailed effect on the general fund is shown in **Appendix E**, while the detailed effect on the TTF/GMVRA is shown in **Appendix F**.

Exhibit 4
Impact of Redistributions on the General Fund and the Transportation Trust Fund
Fiscal 2008-2012
($ in Millions)

	Fiscal Year				
	2008	**2009**	**2010**	**2011**	**2012**
General Fund					
Revenue Change	$0.0	-$61.0	-$63.3	-$65.5	-$67.7
Expenditure Change	0.0	37.9	38.7	39.7	40.8
Net Impact on General Fund	**$0.0**	**-$98.9**	**-$102.0**	**-$105.2**	**-$108.4**
Transportation Trust Fund					
Revenues Retained at State Level	$0.0	$74.7	$77.3	$79.9	$82.5
Local Share (Highway User Revenues)	0.0	24.1	24.9	25.6	26.4
Total Revenue Change	**$0.0**	**$98.8**	**$102.2**	**$105.5**	**$108.9**

Note: Numbers may not sum to total due to rounding.

Net Fiscal Impact of the Bill:

The net impact of the bill on the general fund, TTF, and local governments (as highway user revenues) is shown in **Exhibit 5**. The impact on the general fund is attributable to the reallocation of existing revenue sources to benefit the TTF – as discussed in the previous section. The result would be foregone revenues to the general fund as well as additional general fund spending.

The TTF/GMVRA and local highway user revenues would be enhanced due to funding reallocations *and* tax rate increases. In fiscal 2008, total TTF revenues would increase $82.5 million: $20.3 million would be distributed to local governments as highway user revenues, and $62.2 million would be retained by MDOT at the State level. This total would escalate to $381.2 million in fiscal 2012 ($98.1 million as local highway user revenues and $283.1 million to be retained by MDOT at the State level).

Over the five-year period, almost $1.4 billion would be generated for the TTF/GMVRA, with MDOT retaining more than $1.0 billion of that amount and about $350 million distributed to local governments as highway user revenues. It is estimated that the additional $1.0 billion in revenue generated by the bill for MDOT could allow it to issue $980 million worth of bonds; however, given other State debt limitations, any such debt issuance could actually be significantly less. **Appendices G** and **H** show a more detailed distribution of the increase in local highway user revenues for fiscal 2008 and 2009, respectively.

Exhibit 5
Total Impact of the Bill on the General Fund and the Transportation Trust Fund
Fiscal 2008-2012
($ in Millions)

	Fiscal Year				
	2008	2009	2010	2011	2012
General Fund					
Revenue Change	$0.0	-$61.0	-$63.3	-$65.5	-$67.7
Expenditure Change	0.0	37.9	38.7	39.7	40.8
Net Impact on General Fund	**$0.0**	**-$98.9**	**-$102.0**	**-$105.2**	**-$108.4**
Transportation Trust Fund					
Revenues Retained at State Level	$62.2	$204.0	$229.6	$256.2	$283.1
Local Share (Highway User Revenues)	20.3	67.2	77.0	87.4	98.1
Total Revenue Change	**$82.5**	**$271.2**	**$306.6**	**$343.6**	**$381.2**

Note: Numbers may not sum to total due to rounding.

Additional Information

Prior Introductions: None.

Cross File: HB 5 (The Speaker)(By Request – Administration) – Ways and Means and Appropriations.

Information Source(s): Comptroller's Office, Maryland Department of Transportation, Capital Debt Affordability Committee, Federal Highway Administration, American Petroleum Institute, Economy.com, *Engineering News-Record*, Department of Legislative Services

Fiscal Note History: First Reader - October 30, 2007
mll/ljm

Analysis by: Joshua A. Watters

Direct Inquiries to:
(410) 946-5510
(301) 970-5510

Appendix A
Motor Fuel Taxes on Gasoline (per gallon)

State	Rate	Rank	State	Rate	Rank
Washington	$0.340	1	Louisiana	$0.200	26
West Virginia	0.315	2	Minnesota	0.200	26
Wisconsin	0.309	3	Tennessee	0.200	26
North Carolina	0.302	4	Texas	0.200	26
Pennsylvania	0.300	5	Vermont	0.200	26
Rhode Island	0.300	5	Kentucky	0.197	32
Ohio	0.280	7	Illinois	0.190	33
Montana	0.278	8	Michigan	0.190	33
Nebraska	0.271	9	New Mexico	0.189	35
Maine	0.268	10	Mississippi	0.184	36
Connecticut	0.250	11	Alabama	0.180	37
Idaho	0.250	11	Arizona	0.180	37
New York	0.247	13	California	0.180	37
Utah	0.245	14	Indiana	0.180	37
Kansas	0.240	15	New Hampshire	0.180	37
Nevada	0.240	15	Virginia	0.175	42
Oregon	0.240	15	Missouri	0.170	43
Maryland	**0.235**	**18**	Hawaii	0.160	44
Delaware	0.230	19	Oklahoma	0.160	44
North Dakota	0.230	19	South Carolina	0.160	44
Colorado	0.220	21	Florida	0.153	47
South Dakota	0.220	21	Wyoming	0.140	48
Arkansas	0.215	23	New Jersey	0.105	49
Iowa	0.210	24	Alaska	0.080	50
Massachusetts	0.210	24	Georgia	0.075	51
District of Columbia	0.200	26			

Source: Federal Highway Administration

Appendix B
Total Motor Fuel Taxes on Gasoline (per gallon)
Includes All Other State Motor Fuel-related Taxes

State	Rate	Rank	State	Rate	Rank
California	$0.444	1	Massachusetts	$0.235	26
Connecticut	0.439	2	Delaware	0.230	28
New York	0.409	3	North Dakota	0.230	28
Illinois	0.406	4	Colorado	0.220	30
Michigan	0.362	5	Arkansas	0.218	31
Washington	0.360	6	Iowa	0.217	32
Wisconsin	0.329	7	Tennessee	0.214	33
Florida	0.326	8	Alabama	0.202	34
Hawaii	0.326	8	District of Columbia	0.200	35
Nevada	0.325	10	Louisiana	0.200	35
Pennsylvania	0.323	11	Minnesota	0.200	35
Indiana	0.316	12	Texas	0.200	35
West Virginia	0.315	13	Vermont	0.200	35
Rhode Island	0.310	14	New Hampshire	0.196	40
North Carolina	0.300	15	Virginia	0.196	40
Maine	0.291	16	Arizona	0.190	42
Ohio	0.280	17	Mississippi	0.188	43
Nebraska	0.279	18	Kentucky	0.185	44
Montana	0.278	19	New Mexico	0.180	45
Georgia	0.265	20	Missouri	0.176	46
Idaho	0.250	21	Oklahoma	0.170	47
Kansas	0.250	21	South Carolina	0.168	48
Oregon	0.250	21	New Jersey	0.145	49
Utah	0.245	24	Wyoming	0.140	50
South Dakota	0.240	25	Alaska	0.080	51
Maryland	**0.235**	**26**			

Source: American Petroleum Institute

Appendix C
History of the Motor Fuel Tax on Gasoline

Year	Action
1922	Set at $0.01 per gallon
1924	Increased to $0.02 per gallon
1927	Increased to $0.04 per gallon
1947	Increased to $0.05 per gallon
1953	Increased to $0.06 per gallon
1964	Increased to $0.07 per gallon
1972	Increased to $0.09 per gallon
1982	Increased to $0.11 per gallon
1983	Increased to $0.135 per gallon
1987	Increased to $0.185 per gallon
1992	Increased to $0.235 per gallon

Source: Department of Legislative Services

Appendix D
Taxes on Vehicle Purchases in Neighboring States

State	Tax	Rate	Trade-in Deduction?
Maryland	Titling Tax	5% of vehicle purchase price	No
Delaware	Vehicle Document Fee	3.25% of vehicle purchase price	Yes
Pennsylvania	Sales Tax	6% of purchase price (7% in Allegheny County and Philadelphia)	Yes
New Jersey	Sales Tax	7% of purchase price	Yes
North Carolina	Highway Use Tax	3% of purchase price paid annually, plus local property tax rate assessed by county annually	Yes
West Virginia	Titling Tax	5% of fair market value of vehicle plus a 2% personal property tax	Yes
Virginia	Sales Tax	3% sales and use tax based on the vehicle's gross sales price or $35, whichever is greater, plus annual personal property tax	No
District of Columbia	Titling Tax	6 to 8% depending on the weight of the vehicle	No

Source: Department of Legislative Services

Appendix E
Impact of Redistributions on the General Fund
Fiscal 2008-2012
($ in Millions)

	Fiscal Year				
	2008	**2009**	**2010**	**2011**	**2012**
Foregone General Fund Revenues Due to Elimination of Transfers From:					
MFT for Chesapeake Bay-related programs	$0.0	-$13.7	-$13.9	-$14.1	-$14.3
Security interest filing fees ($14 of every $20 fee collected)	0.0	-8.6	-9.2	-9.6	-9.9
Vanity tag fees (general fund share only)	0.0	-2.0	-2.1	-2.2	-2.3
Sales and use tax on rental vehicles (55% of total)	0.0	-36.6	-38.1	-39.6	-41.2
Total General Fund Revenue Change	**$0.0**	**-$61.0**	**-$63.3**	**-$65.5**	**-$67.7**
Mandated General Fund Appropriations For:					
Chesapeake Bay-related programs (net impact – replacing MFT funding)[1]	0.0	0.0	0.0	0.0	0.0
DNR programs (replacing MFT funding to other special funds)[2]	0.0	3.6	3.6	3.7	3.7
Baltimore City (replacing city's $5 share of security interest filing fee)[3]	0.0	0.0	-0.2	-0.4	-0.5
Subtotal General Fund Expenditure Change	***$0.0***	***$3.6***	***$3.4***	***$3.3***	***$3.3***
Assumed Replacement of Special Fund Expenditures with General Funds For:					
Comptroller's administration of the corporate income tax	0.0	0.6	0.6	0.6	0.7
Comptroller's Motor Fuel Tax Bureau (replacing MFT funding)	0.0	7.6	7.7	7.8	7.9
State Police enforcement divisions (replacing GMVRA funding)[4]	0.0	25.2	26.1	27.0	28.0
MDE HazMat programs (replacing GMVRA funding)	0.0	0.5	0.5	0.5	0.5
MHEC scholarship programs (replacing vanity tag fee funding)[5]	0.0	0.4	0.4	0.4	0.4
Subtotal General Fund Expenditure Change	***$0.0***	***$34.3***	***$35.3***	***$36.4***	***$37.5***
Total General Fund Expenditure Change	**$0.0**	**$37.9**	**$38.7**	**$39.7**	**$40.8**
Net Impact on General Fund	**$0.0**	**-$98.9**	**-$102.0**	**-$105.2**	**-$108.4**

Notes: These provisions take effect in fiscal 2009. Numbers may not sum to total due to rounding.

Key: MFT = motor fuel tax; MDE = Maryland Department of the Environment; DNR = Department of Natural Resources; MHEC = Maryland Higher Education Commission; GMVRA = Gasoline and Motor Vehicle Revenue Account

[1] Although the bill mandates a general fund appropriation for Chesapeake Bay-related programs, the impact of the bill is primarily due to foregone revenues to the general fund rather than any change in expenditures. Under current law, the MFT revenue deduction to the general fund has to be used for this purpose. In fiscal 2009, the appropriation would be slightly higher (at $13,755,000) than revenues received under current law (estimated at $13,707,000).

[2] Includes the Waterway Improvement Fund and Fisheries and Research Development Fund. The amount of the mandated appropriation is the same as the anticipated distribution under current law for fiscal 2009, and out-year funding is assumed to follow the same pattern.

[3] Reflects the difference between the mandated appropriation amount of $3,075,000 each year and the amount that would have been distributed to Baltimore City under current law – $5 out of every $14 distributed to the general fund from security interest filing fees. In fiscal 2009, the mandated appropriation is the same as the anticipated distribution from the current funding source. Security interest filing fee revenues are expected to increase in future years; however, the mandated appropriation does not account for any such increases.

[4] Includes the Commercial Vehicle Enforcement Division and the Automotive Safety Enforcement Division.

[5] Includes the Graduate and Professional Scholarship and the Distinguished Scholar Scholarship. The Distinguished Scholar Scholarship funding level is set by another statutory provision, while funding of the Graduate and Professional Scholarship program is assumed to continue at current levels.

Source: Maryland Department of Transportation, Department of Legislative Services

Appendix F
Impact of Redistributions on the Transportation Trust Fund
Fiscal 2008-2012
($ in Millions)

	Fiscal Year				
Revenue Enhancements Due to:	**2008**	**2009**	**2010**	**2011**	**2012**
Eliminating deduction for Comptroller's administration of the corporate income tax*	0.0	0.6	0.6	0.6	0.7
Eliminating MFT as funding source for the Comptroller's Motor Fuel Tax Bureau*	0.0	7.6	7.7	7.8	7.9
Eliminating MFT as funding source (via the general fund) for Chesapeake Bay-related programs*	0.0	13.7	13.9	14.1	14.3
Eliminating MFT as funding source for DNR programs[1]*	0.0	3.6	3.6	3.7	3.7
Eliminating GMVRA revenue as funding source for State Police divisions[2]*	0.0	25.2	26.1	27.0	28.0
Eliminating GMVRA revenue as funding source for MDE's HazMat program*	0.0	0.5	0.5	0.5	0.5
Eliminating security interest filing fee transfer to the general fund**	0.0	8.6	9.2	9.6	9.9
Eliminating vanity tag fee funding for MHEC scholarship programs**	0.0	0.4	0.4	0.4	0.4
Eliminating vanity tag fee transfer to the general fund**	0.0	2.0	2.1	2.2	2.3
Eliminating sales and use tax on short-term rental vehicles transfer to the general fund***	0.0	36.6	38.1	39.6	41.2
Total Transportation Trust Fund Revenue Change	**$0.0**	**$98.8**	**$102.2**	**$105.5**	**$108.9**
Revenues Retained at State Level	**0.0**	**74.7**	**77.3**	**79.9**	**82.5**
Local Share (Highway User Revenues)	**0.0**	**24.1**	**24.9**	**25.6**	**26.4**

Notes: These provisions take effect in fiscal 2009. Numbers may not sum to total due to rounding.

*All funds credited to the GMVRA and subject to local distribution.

**All funds credited to the TTF only.

***80% of funds credited to the GMVRA and subject to local distribution; balance to TTF only.

[1] Includes the Waterway Improvement Fund and Fisheries and Research Development Fund.

[2] Includes the Commercial Vehicle Enforcement Division and the Automotive Safety Enforcement Division.

Source: Maryland Department of Transportation, Department of Legislative Services

Appendix G
Highway User Revenues Allocation – Fiscal 2008
Administration Proposal – 2007 Special Session

County	FY 2008 Admin. Proposal	FY 2008 Current Law	Difference	Percent Difference
Allegany	$7,765,124	$7,515,820	$249,304	3.3%
Anne Arundel	33,408,555	32,335,956	1,072,599	3.3%
Baltimore City	242,211,764	232,998,000	9,213,764	4.0%
Baltimore	45,421,897	43,963,604	1,458,293	3.3%
Calvert	6,851,515	6,631,544	219,971	3.3%
Caroline	5,367,867	5,195,529	172,338	3.3%
Carroll	15,188,868	14,701,222	487,646	3.3%
Cecil	8,395,472	8,125,931	269,541	3.3%
Charles	10,775,566	10,429,611	345,955	3.3%
Dorchester	5,950,747	5,759,695	191,052	3.3%
Frederick	19,941,529	19,301,296	640,233	3.3%
Garrett	6,722,705	6,506,869	215,836	3.3%
Harford	17,588,628	17,023,936	564,692	3.3%
Howard	16,796,063	16,256,817	539,246	3.3%
Kent	3,016,538	2,919,690	96,848	3.3%
Montgomery	47,389,581	45,868,115	1,521,466	3.3%
Prince George’s	41,326,393	39,999,588	1,326,805	3.3%
Queen Anne’s	6,197,027	5,998,068	198,959	3.3%
St. Mary’s	8,267,858	8,002,414	265,444	3.3%
Somerset	3,575,479	3,460,686	114,793	3.3%
Talbot	4,905,066	4,747,586	157,480	3.3%
Washington	12,837,549	12,425,393	412,156	3.3%
Wicomico	9,803,807	9,489,051	314,756	3.3%
Worcester	7,362,186	7,125,819	236,367	3.3%
Total	**$587,067,784**	**$566,782,241**	**$20,285,544**	**3.6%**

Appendix H
Highway User Revenues Allocation – Fiscal 2009
Administration Proposal – 2007 Special Session

County	FY 2009 Admin. Proposal	FY 2009 Current Law	Difference	Percent Difference
Allegany	$8,565,365	$7,739,713	$825,652	10.7%
Anne Arundel	36,851,501	33,299,230	3,552,271	10.7%
Baltimore City	271,792,674	241,272,474	30,520,200	12.6%
Baltimore	50,102,888	45,273,261	4,829,627	10.7%
Calvert	7,557,604	6,829,095	728,509	10.7%
Caroline	5,921,057	5,350,302	570,755	10.7%
Carroll	16,754,169	15,139,165	1,615,004	10.7%
Cecil	9,260,674	8,367,999	892,675	10.7%
Charles	11,886,051	10,740,305	1,145,746	10.7%
Dorchester	6,564,006	5,931,274	632,732	10.7%
Frederick	21,996,620	19,876,273	2,120,347	10.7%
Garrett	7,415,519	6,700,706	714,813	10.7%
Harford	19,401,238	17,531,072	1,870,166	10.7%
Howard	18,526,995	16,741,101	1,785,894	10.7%
Kent	3,327,410	3,006,667	320,743	10.7%
Montgomery	52,273,353	47,234,504	5,038,849	10.7%
Prince George’s	45,585,318	41,191,158	4,394,160	10.7%
Queen Anne’s	6,835,667	6,176,748	658,919	10.7%
St. Mary’s	9,119,908	8,240,802	879,106	10.7%
Somerset	3,943,952	3,563,778	380,174	10.7%
Talbot	5,410,561	4,889,014	521,547	10.7%
Washington	14,160,534	12,795,540	1,364,994	10.7%
Wicomico	10,814,146	9,771,725	1,042,421	10.7%
Worcester	8,120,902	7,338,094	782,808	10.7%
Total	**$652,188,112**	**$585,000,000**	**$67,188,112**	**11.5%**