Maryland Counties

State Summary of Transportation Funding and Finance

## **Transportation and Financial Authority:**

• All counties can impose taxes on both real and personal property.

• Charter counties are authorized to impose property taxes and to create special districts; the power to impose additional taxes must be granted by General Assembly.

• Code home rule counties cannot impose any new taxes.

• In commission counties the General Assembly has complete discretion to determine taxing powers; counties have power to impose property tax and various other taxes under public general laws and public local laws.

• Even those counties that are granted broad taxing authority are prohibited from imposing certain local taxes like motor fuel taxes.

• A county must obtain explicit authority from the General Assembly before imposing an impact fee or excise tax; code home rule counties have already received this authority from the general assembly to impose such charges.

○ Sixteen counties currently impose either an impact fee or development excise tax – Anne Arundel, Calvert, Caroline, Carroll, Charles, Dorchester, Frederick, Harford, Howard, Montgomery, Prince George’s, Queen Anne’s, St. Mary’s, Talbot, Washington and Wicomico – the primary services funded by these charges include transportation among other services.

• Before the state can construct a toll facility, the county must approve.

Mandated/Authorized Transportation Services:

• Counties construct and maintain secondary roads, own and operate small regional airports, and provide transit services.

• Montgomery and Prince George’s counties augment Washington area mass transit system.

• Baltimore City constructs and maintains all roads within the city, except Interstate 95.

## **Funding Sources for County Transportation Projects:**

• The majority of aid that directly benefits county operations through state aid to local governments is from highway user revenues (HURs) – most motor fuel, titling taxes and vehicle registration fees.

○ In FY2014 counties will receive only 1.5% of total HURs, distributed proportional to vehicle registrations and road mileage; Baltimore City will receive 7.7% of total HURs from the state because it is responsible for all roads, except for Interstate 95, within the city limits.

• To compensate for lost revenues from the state, counties are relying more heavily on property tax revenues to fund their necessary transportation projects.

## **Challenges in Funding and Financing Transportation Projects:**

• State collected highway user revenues used to be split 30 percent to local governments and 70 percent to state transportation projects; in fiscal 2010, the state diverted HUR revenues to supplement its general fund, reducing the share going to local governments.

• Local transportation projects funded through highway user revenues experienced the largest budget reductions with overall funding reduced by $362.2 million since fiscal 2008; in fiscal 2008, local highway user revenues totaled $529.7 million compared with $167.5 million in fiscal 2014.

• State cuts could not be absorbed by deferring projects, counties had to offset losses by taking property tax revenues away from education and public safety services; Counties across the state eliminated employee COLAs and increments, instituted furloughs, laid off employees, enacted across the board cuts, and dipped into rainy day and reserve funds — all required to offset the state funding reductions as well as their own revenue declines related to the economy.

• To compensate for lost HUR funds, all counties are dependent on dropping property tax revenues, many smaller counties have cut their transportation projects and expenditures all together.

• Maryland's traditional revenue sources for transportation -- among them titling taxes, registration fees and the 23.5-cents-a-gallon gas tax -- are no longer producing enough money to build new highway or transit projects needed to relieve congestion. By 2018 entire MDDOT capital spending program will be used for system preservation with no funding for designing and building new projects.

## **Innovative Solutions to Funding and Financing Challenges**

• State will be phasing in up to a 5% sales tax on the wholesale price of gasoline and the motor fuel tax will now be adjusted to reflect Consumer Price Indexes, with the first increase of 3.8 cents per gallon in July 2013, raising the tax to 27.3 cents per gallon. By mid-2016 the gas tax will have increased by a total of 8 cents from its current rate.

• Should Congress authorize internet sales taxes, revenue will be used to supplement transportation funding and the sales tax on the wholesale price of gasoline will be phased in to 3%, instead of 5%

• State also passed a "lockbox" bill that would make it harder for future assemblies to divert transportation funds to other programs. The “lockbox” provision only applies to State transportation funding not portion local governments receive through HUR. Counties will not share in any of the new revenues raised through the imposition of a sales tax on the wholesale price of gasoline or the indexing of the motor fuel tax.