
By: Senator McFadden

Introduced and read first time: January 31, 1997

Assigned to: Budget and Taxation

A BILL ENTITLED

1 AN ACT concerning

2 **Sales and Use Tax - Additional State Funding for Education**

3 FOR the purpose of altering the sales and use tax rate; requiring the Comptroller to
4 distribute certain sales and use tax revenues to a special fund to be used to provide
5 certain additional State funding for primary and secondary education in the State;
6 requiring the State to distribute for each fiscal year certain supplemental aid for
7 education to each county school board and the Mayor and City Council of Baltimore
8 City; requiring the State to distribute for each fiscal year certain targeted aid for
9 education to certain eligible jurisdictions; requiring the State Board of Education to
10 establish guidelines and requirements for the use by counties of certain
11 supplemental and targeted aid to education provided by the State; requiring a
12 county or Baltimore City, before receiving certain supplemental and targeted aid to
13 education, to submit to the State Board for approval a plan for the use of the funds;
14 prohibiting a county or Baltimore City from receiving certain supplemental or
15 targeted aid to education funds under certain circumstances if the State Board
16 makes a certain determination; and generally relating to certain supplemental and
17 targeted State aid to the counties and Baltimore City for the funding of primary and
18 secondary education in the State.

19 BY repealing and reenacting, with amendments,
20 Article - Tax - General
21 Section 2-1303 and 11-104(a) and (b)
22 Annotated Code of Maryland
23 (1988 Volume and 1996 Supplement)

24 BY adding to
25 Article - Education
26 Section 5-202(c), (c-1), and (c-2)
27 Annotated Code of Maryland
28 (1997 Replacement Volume)

29 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
30 MARYLAND, That the Laws of Maryland read as follows:

2

1 **Article - Tax - General**

2 2-1303.

3 After making the distributions required under §§ 2-1301 and 2-1302 of this subtitle,
4 the Comptroller shall pay:

5 (1) ONE-ELEVENTH OF THE REMAINING SALES AND USE TAX REVENUE
6 TO A SPECIAL FUND TO BE USED ONLY TO PROVIDE THE SUPPLEMENTAL AND
7 TARGETED AID FOR EDUCATION REQUIRED UNDER § 5-202(C) AND (C-1) OF THE
8 EDUCATION ARTICLE; AND

9 (2) TEN-ELEVENTHS OF the remaining sales and use tax revenue into the
10 General Fund of the State.

11 11-104.

12 (a) Except as otherwise provided in this section, the sales and use tax rate is:

13 (1) for a taxable price of less than [\$1] \$2:

14 (i) 1 cent if the taxable price is [20] 18 cents; [and]

15 (ii) [1 cent for each additional 20 cents or part of 20 cents; and] 2
16 CENTS IF THE TAXABLE PRICE IS MORE THAN 18 CENTS BUT LESS THAN 37 CENTS;

17 (III) 3 CENTS IF THE TAXABLE PRICE IS AT LEAST 37 CENTS BUT LESS
18 THAN 55 CENTS;

19 (IV) 4 CENTS IF THE TAXABLE PRICE IS AT LEAST 55 CENTS BUT LESS
20 THAN 73 CENTS;

21 (V) 5 CENTS IF THE TAXABLE PRICE IS AT LEAST 73 CENTS BUT LESS
22 THAN 91 CENTS;

23 (VI) 6 CENTS IF THE TAXABLE PRICE IS AT LEAST 91 CENTS BUT LESS
24 THAN \$1.10;

25 (VII) 7 CENTS IF THE TAXABLE PRICE IS AT LEAST \$1.10 BUT LESS
26 THAN \$1.28;

27 (VIII) 8 CENTS IF THE TAXABLE PRICE IS AT LEAST \$1.28 BUT LESS
28 THAN \$1.46;

29 (IX) 9 CENTS IF THE TAXABLE PRICE IS AT LEAST \$1.46 BUT LESS
30 THAN \$1.64;

31 (X) 10 CENTS IF THE TAXABLE PRICE IS AT LEAST \$1.64 BUT LESS
32 THAN \$1.82; AND

33 (XI) 11 CENTS IF THE TAXABLE PRICE IS AT LEAST \$1.82 BUT LESS
34 THAN \$2.00; AND

35 (2) for a taxable price of [\$1] \$2 or more:

36 (i) [5] 11 cents for each exact [dollar] MULTIPLE OF \$2; and

3

1 (ii) [1 cent for each 20 cents or part of 20 cents in excess of an exact
2 dollar] FOR EACH PART OF \$2 IN EXCESS OF AN EXACT MULTIPLE OF \$2:

3 1. 1 CENT IF THE EXCESS OVER AN EXACT MULTIPLE OF \$2 IS
4 LESS THAN 19 CENTS;

5 2. 2 CENTS IF THE EXCESS OVER AN EXACT MULTIPLE OF \$2
6 IS AT LEAST 19 CENTS BUT LESS THAN 37 CENTS;

7 3. 3 CENTS IF THE EXCESS OVER AN EXACT MULTIPLE OF \$2
8 IS AT LEAST 37 CENTS BUT LESS THAN 55 CENTS;

9 4. 4 CENTS IF THE EXCESS OVER AN EXACT MULTIPLE OF \$2
10 IS AT LEAST 55 CENTS BUT LESS THAN 73 CENTS;

11 5. 5 CENTS IF THE EXCESS OVER AN EXACT MULTIPLE OF \$2
12 IS AT LEAST 73 CENTS BUT LESS THAN 91 CENTS;

13 6. 6 CENTS IF THE EXCESS OVER AN EXACT MULTIPLE OF \$2
14 IS AT LEAST 91 CENTS BUT LESS THAN \$1.10;

15 7. 7 CENTS IF THE EXCESS OVER AN EXACT MULTIPLE OF \$2
16 IS AT LEAST \$1.10 BUT LESS THAN \$1.28;

17 8. 8 CENTS IF THE EXCESS OVER AN EXACT MULTIPLE OF \$2
18 IS AT LEAST \$1.28 BUT LESS THAN \$1.46;

19 9. 9 CENTS IF THE EXCESS OVER AN EXACT MULTIPLE OF \$2
20 IS AT LEAST \$1.46 BUT LESS THAN \$1.64;

21 10. 10 CENTS IF THE EXCESS OVER AN EXACT MULTIPLE OF \$2
22 IS AT LEAST \$1.64 BUT LESS THAN \$1.82; AND

23 11. 11 CENTS IF THE EXCESS OVER AN EXACT MULTIPLE OF \$2
24 IS AT LEAST \$1.82 BUT LESS THAN \$2.00.

25 (b) If a retail sale of tangible personal property or a taxable service is made
26 through a vending or other self-service machine, the sales and use tax rate is [5%] 5.5%,
27 applied to 95.25% of the gross receipts from the vending machine sales.

28 **Article - Education**

29 5-202.

30 (C) (1) EXCEPT AS PROVIDED IN PARAGRAPH (2) OF THIS SUBSECTION AND
31 SUBSECTION (C-2) OF THIS SECTION, IN ADDITION TO ANY OTHER STATE AID FOR
32 EDUCATION PROVIDED FOR IN THIS ARTICLE, FOR EACH FISCAL YEAR THE STATE
33 SHALL PAY TO EACH QUALIFYING COUNTY BOARD AND THE MAYOR AND CITY
34 COUNCIL OF BALTIMORE CITY, IF QUALIFIED, A PORTION OF THE SUPPLEMENTAL
35 AID PROVIDED UNDER THIS SUBSECTION DETERMINED BY MULTIPLYING THE
36 TOTAL AVAILABLE SUPPLEMENTAL AID BY A FRACTION:

37 (I) THE NUMERATOR OF WHICH IS THE SUM OF THE STATE SHARE
38 OF BASIC CURRENT EXPENSES PAID TO THE COUNTY UNDER SUBSECTION (B) OF

4

1 THIS SECTION AND COMPENSATORY EDUCATION FUNDS PAID TO THE COUNTY
2 UNDER SUBSECTION (E) OF THIS SECTION; AND

3 (II) THE DENOMINATOR OF WHICH IS THE SUM OF THE TOTAL
4 STATE SHARE OF BASIC EXPENSES PAID TO ALL QUALIFIED COUNTIES AND THE
5 TOTAL COMPENSATORY AID PAID TO ALL QUALIFIED COUNTIES.

6 (2) THE AMOUNT DISTRIBUTED TO A COUNTY OR BALTIMORE CITY
7 UNDER THIS SUBSECTION SHALL BE REDUCED, BUT NOT BELOW ZERO, BY THE
8 AMOUNT BY WHICH THE STATE'S PAYMENTS FOR THE FISCAL YEAR FOR
9 RETIREMENT CONTRIBUTIONS FOR EMPLOYEES OF THE COUNTY'S SCHOOL SYSTEM
10 EXCEED THE STATE'S PAYMENTS FOR THE FISCAL YEAR ENDING JUNE 30, 1997 FOR
11 RETIREMENT CONTRIBUTION FOR EMPLOYEES OF THAT COUNTY'S SCHOOL
12 SYSTEM.

13 (3) FOR EACH FISCAL YEAR, THE TOTAL AVAILABLE SUPPLEMENTAL
14 AID UNDER THIS SUBSECTION IS ONE-HALF OF THE SALES AND USE TAX REVENUES
15 DISTRIBUTED FOR THE FISCAL YEAR TO THE SPECIAL FUND FOR AID TO
16 EDUCATION UNDER § 2-1303 OF THE TAX - GENERAL ARTICLE.

17 (4) THE SUPPLEMENTAL AID DISTRIBUTED UNDER THIS SUBSECTION
18 SHALL BE EXCLUDED FROM THE CALCULATION OF BASIC CURRENT EXPENSES
19 UNDER SUBSECTION (A)(3) OF THIS SECTION.

20 (C-1) (1) EXCEPT AS PROVIDED IN SUBSECTION (C-2) OF THIS SECTION, IN
21 ADDITION TO ANY OTHER STATE AID FOR EDUCATION PROVIDED FOR IN THIS
22 ARTICLE, FOR EACH FISCAL YEAR THE STATE SHALL PAY TO EACH QUALIFIED
23 COUNTY BOARD AND THE MAYOR AND CITY COUNCIL OF BALTIMORE CITY, IF
24 QUALIFIED, IF ELIGIBLE UNDER PARAGRAPH (2) OF THIS SUBSECTION, A PORTION
25 OF THE TARGETED AID PROVIDED UNDER THIS SUBSECTION DETERMINED BY
26 MULTIPLYING THE TOTAL AVAILABLE TARGETED AID BY A FRACTION
27 DETERMINED UNDER PARAGRAPH (3) OF THIS SUBSECTION.

28 (2) A QUALIFIED COUNTY OR BALTIMORE CITY IS ELIGIBLE FOR
29 ASSISTANCE UNDER THIS SUBSECTION IF THE COUNTY WEALTH PER COUNTY
30 FULL-TIME EQUIVALENT ENROLLMENT IS LESS THAN THE STATE WEALTH PER
31 STATEWIDE FULL-TIME EQUIVALENT ENROLLMENT.

32 (3) FOR EACH ELIGIBLE COUNTY, THE PORTION OF THE TOTAL
33 AVAILABLE TARGETED AID TO BE PAID TO THE COUNTY IS DETERMINED AS
34 FOLLOWS:

35 (I) THE DIFFERENCE BETWEEN THE COUNTY WEALTH PER
36 COUNTY FULL-TIME EQUIVALENT ENROLLMENT AND THE STATEWIDE WEALTH PER
37 STATEWIDE FULL-TIME EQUIVALENT ENROLLMENT SHALL BE MULTIPLIED BY THE
38 COUNTY FULL-TIME EQUIVALENT ENROLLMENT;

39 (II) THE PRODUCT DETERMINED IN ITEM (I) OF THIS PARAGRAPH
40 SHALL BE DIVIDED BY THE SUM OF THE PRODUCTS SO DETERMINED FOR ALL
41 ELIGIBLE COUNTIES; AND

1 (III) THE COUNTY'S PORTION OF THE TARGETED AID IS
2 DETERMINED BY MULTIPLYING THE TOTAL AVAILABLE TARGETED AID BY THE
3 FRACTION DETERMINED UNDER ITEM (II) OF THIS PARAGRAPH.

4 (4) FOR EACH FISCAL YEAR, THE TOTAL AVAILABLE TARGETED AID
5 UNDER THIS SUBSECTION IS ONE-HALF OF THE SALES AND USE TAX REVENUES
6 DISTRIBUTED FOR THE FISCAL YEAR TO THE SPECIAL FUND FOR AID TO
7 EDUCATION UNDER § 2-1303 OF THE TAX - GENERAL ARTICLE.

8 (5) THE TARGETED AID DISTRIBUTED UNDER THIS SUBSECTION SHALL
9 BE EXCLUDED FROM THE CALCULATION OF BASIC CURRENT EXPENSES UNDER
10 SUBSECTION (A)(3) OF THIS SECTION.

11 (C-2) (1) THE STATE BOARD OF EDUCATION SHALL ADOPT REGULATIONS TO
12 QUALIFY THE COUNTY BOARDS AND THE MAYOR AND CITY COUNCIL OF
13 BALTIMORE CITY FOR SUPPLEMENTAL AID FUNDS AND TARGETED AID FUNDS
14 PROVIDED UNDER SUBSECTIONS (C) AND (C-1) OF THIS SECTION.

15 (2) THE REGULATIONS ADOPTED UNDER THIS SUBSECTION SHALL
16 ESTABLISH GUIDELINES FOR:

17 (I) EVALUATING THE PLANS PREPARED IN ACCORDANCE WITH
18 PARAGRAPH (3) OF THIS SUBSECTION;

19 (II) EVALUATING PERFORMANCE IN ACHIEVING THE GOALS SET
20 FORTH IN SUCH PLANS; AND

21 (III) APPLYING SANCTIONS FOR FAILING TO CARRY OUT THE
22 PROGRAM SET FORTH IN THE PLAN OR TO ACHIEVE THE GOALS ESTABLISHED IN
23 THE PLAN, WHICH SANCTIONS SHALL INCLUDE THE TERMINATION OF ALL OR ANY
24 PART OF THE FUNDING UNDER SUBSECTIONS (C) AND (C-1) OF THIS SECTION.

25 (3) THE REGULATIONS OF THE BOARD SHALL BE REVIEWED BY THE
26 JOINT COMMITTEE ON ADMINISTRATIVE, EXECUTIVE, AND LEGISLATIVE REVIEW
27 PURSUANT TO TITLE 10, SUBTITLE 1, PART III OF THE STATE GOVERNMENT ARTICLE.

28 (4) TO QUALIFY FOR SUPPLEMENTAL AID FUNDS AND TARGETED AID
29 FUNDS UNDER SUBSECTIONS (C) AND (C-1) OF THIS SECTION, EACH COUNTY BOARD
30 AND THE MAYOR AND CITY COUNCIL OF BALTIMORE CITY SHALL SUBMIT TO THE
31 STATE BOARD FOR APPROVAL A PLAN FOR THE USE OF THOSE FUNDS THAT
32 SATISFIES THE REGULATIONS ESTABLISHED BY THE BOARD.

33 (5) IF THE STATE BOARD DETERMINES THAT A COUNTY BOARD OR THE
34 MAYOR AND CITY COUNCIL OF BALTIMORE CITY HAS FAILED TO COMPLY WITH
35 THEIR PLANS AS APPROVED BY THE BOARD, THE STATE BOARD MAY TERMINATE
36 ALL OR ANY PART OF ANY FURTHER SUPPLEMENTAL AID OR TARGETED AID
37 UNDER SUBSECTIONS (C) AND (C-1) OF THIS SECTION IN ACCORDANCE WITH THE
38 REGULATIONS.

39 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
40 July 1, 1997.