

Department of Legislative Services
 Maryland General Assembly
 2000 Session

FISCAL NOTE
 Revised

House Bill 1 (Delegate Tavlör. *et al.*)

Ways and Means

Transportation Funding - Mass Transit - Sales and Use Tax

This bill requires the Comptroller to distribute 20% of sales and use tax revenue to a newly-created Mass Transit Account of the Transportation Trust Fund (TTF). The revenue dedication is phased in, so that in fiscal 2001, 2% of the sales and use tax revenue is dedicated to the Mass Transit Account, increasing 2% per year until fully phased-in in fiscal 2010. The Mass Transit Account is to be used only to fund the capital and operating expenses of the Mass Transit Administration, the capital and operating expenses of the Washington Metropolitan Area Transit Authority (WMATA), and local grants to local jurisdictions for mass transit capital and operating expenses. The Mass Transit Account funds would be in addition to projected TTF funding for mass transit as identified in the approved Consolidated Transportation Program (CTP) for fiscal 2000 through 2005.

The bill takes effect July 1, 2000.

Fiscal Summary

State Effect: General fund revenues decrease by \$51.8 million in FY 2001 and revenues to the TTF increase by a corresponding amount, due to the dedication of 2% of sales tax revenue to the Mass Transit Account of the TTF. The shift in revenues increases in the out-years as the amount of the dedication increases by 2% per year. The FY 2001 budget provides that general fund revenues to the Dedicated Purpose Fund shall be reduced by an amount equivalent to the amount by which this bill, if enacted, would reduce general fund revenues for FY 2001 below the amount estimated by the Board of Revenue Estimates.

(in millions)	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
GF Revenues	(\$51.8)	(\$109.4)	(\$171.2)	(\$240.3)	(\$315.4)
SF Revenues	51.8	109.4	171.2	240.3	315.4

Expenditures	0.0	0.0	0.0	0.0	0.0
Net Effect	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0

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

Local Effect: The Gasoline and Motor Vehicle Revenue Account (GMVRA), which provides a portion of its revenues to local jurisdictions, is not directly affected.

Small Business Effect: None.

Analysis

Current Law: Under current law, all sales and use tax collections are paid to the general fund. The only exceptions are: (1) an amount necessary to pay refunds, withheld by the Comptroller; (2) an amount necessary for the Comptroller to administer the sales and use tax; and (3) 45% of the sales and use tax collected on short-term vehicle rentals, which is dedicated to the TTF. The latter is projected to distribute approximately \$17 million of the sales and use tax revenue to the TTF in fiscal 2001.

Background: The TTF is the State’s principal transportation funding mechanism. It was created in 1971 to establish a dedicated fund to support the Maryland Department of Transportation (MDOT). All activities of the department are supported by the trust fund, including agency operations and administration, capital construction and maintenance projects, and debt service. A portion of the revenues credited to the trust fund are also shared with local governments and other State agencies. Unexpended funds remaining in the trust fund at the close of each fiscal year are carried over, not reverted to the general fund.

All or part of the following revenues are used to fund the TTF, as illustrated in **Exhibit 1**:

- motor fuel tax revenues, including a 23.5 cents per gallon gasoline tax;
 - motor vehicle excise (titling) tax revenues;
 - motor vehicle registration, license, and other fees;
 - approximately 23% of corporate income tax revenues;
 - bus and rail fares;
 - fees from the Maryland Port Administration and the Maryland Aviation Administration;
 - federal funds;
 - bond proceeds; and
 - other miscellaneous sources.
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Exhibit 1
Sources of TTF Revenues
FY 2001 Forecast
(\$ Millions)

<u>Revenue Source</u>	<u>Revenues (Est.)</u>	<u>Percentage of Total</u>
Motor Fuel	655	23.5%
Titling/Rental Car Tax	565	20.3%
MVA/Registration	302	10.8%
Operating	291	10.4%
Federal Operating/Other	49	1.8%
Federal Capital	643	23.1%
Bonds	175	6.3%
Corporate Income Tax	105	3.8%
Total	\$2780	100.0%

Source: Maryland Department of Transportation, Transportation Trust Fund Forecast, January 2000

By law, a portion of TTF revenues are allocated between the department and the local jurisdictions of the State by way of the GMVRA. The GMVRA consists of portions of the gas, titling, and corporate income taxes and registration fees. The funds in this account are distributed 70% to the TTF for use by MDOT and 30% to assist in the development and maintenance of local transportation projects.

State Revenues: Fiscal 2001 sales and use tax general fund revenues are estimated to be approximately \$2.6 billion (after the deductions discussed above). Sales and use tax revenues are forecasted to grow through fiscal 2005 at an annual rate that ranges between 4.2% and 5.2%. For fiscal 2006 through 2010, it is assumed that sales and use tax revenue will grow at a rate of 5.0%.

Dedicating 2% of those revenues to the Mass Transit Account of the TTF would increase TTF revenues by approximately \$52 million in fiscal 2001, with a corresponding decrease in general fund revenues. Under the bill, the amount dedicated increases by 2% per year, until the bill is fully phased-in in fiscal 2010, when 20% of sales and use tax revenue is dedicated to the TTF. At that time, approximately \$805 million of the projected \$4.0 billion in sales and use tax revenue would be dedicated to the TTF, as illustrated in **Exhibit 2**.

Exhibit 2
Maryland Sales and Use Tax Estimated Revenues
FYs 2001 - 2010
\$ in Thousands

	<u>Sales and Use Tax Revenue</u>	<u>Percentage Dedicated to Mass Transit Account</u>	<u>Amount Dedicated to Mass Transit Account</u>
FY 2001	\$2,592,375	2%	\$51,848
FY 2002	2,735,401	4%	109,416
FY 2003	2,854,121	6%	171,247
FY 2004	3,004,189	8%	240,335
FY 2005	3,154,257	10%	315,426
FY 2006	3,311,821	12%	397,419
FY 2007	3,477,256	14%	486,816
FY 2008	3,650,956	16%	584,153
FY 2009	3,833,331	18%	690,000
FY 2010	4,024,818	20%	804,964

State Expenditures: The fiscal 2001 legislative appropriation for State transportation spending (both operating and capital and excluding federal funds) is \$2.1 billion, as illustrated in **Exhibit 3**:

Exhibit 3
Transportation Expenditures by Purpose
FY 2001 Legislative Appropriation
TTF Capital and Operating Funds - (State Only)
\$ in Millions

<u>Mode</u>	<u>Operating</u>	<u>Capital</u>	<u>Total</u>
Mass Transit	\$308	\$149	\$457
Highway	168	272	440
Motor Vehicle	117	29	146
Aviation	72	93	165
Port	76	95	171
Secretary	51	13	64
Total	\$792	\$651	\$1.443
Local Hwy			\$404.9

Numbers may not total due to rounding. Mass transit includes WMATA and is net of operating revenue.

The Commission on Transportation Investment (CTI), in its recently-completed report, identified at least \$27 billion in unmet transportation needs (both capital and operating) over the next 20 years, of which \$6.1 billion are mass transit projects.

The bill prohibits any reduction in existing TTF funding for mass transit over the course of MDOT's current CTP for fiscal 2000 through 2005.

Exhibit 4 illustrates the impact of the bill on mass transit funding over the course of the current CTP.

Exhibit 4					
Current and Proposed Mass Transit Revenues and Expenditures					
MDOT Consolidated Transportation Program 2000 - 2005					
State Funds Only					
\$ in millions					
	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Currently Projected Mass Transit Expenditures	\$457.0	\$485.0	\$493.0	\$491.0	\$466.0
Additional Mass Transit Acct. Funds	51.8	109.4	171.2	240.3	315.4
HB 1 - Total Mass Transit Funding	\$508.8	\$594.4	\$664.2	\$731.3	\$781.4

Notes: Excludes federal funds. Includes MTA and WMATA projected operating and capital expenditures, less MTA operating revenues. All expenditures are TTF funds, except \$42 million in general funds to WMATA for Addison road extension.

After fiscal 2005, there is no further requirement that the funds generated under the bill be in addition to currently proposed mass transit funding.

Additional Information

Prior Introductions: None.

Cross File: SB 286 (Senator Hafer, *et al.*) - Budget and Taxation.

Information Source(s): Comptroller's Office (Bureau of Revenue Estimates), Department of Legislative Services

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