HB 994

Department of Legislative Services

Maryland General Assembly
2001 Session

FISCAL NOTE

House Bill 994 (Delegate Rzepkowski, *et al.*)
Ways and Means and Appropriations

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 2002, 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 2011. 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 2001 through 2006.

The bill takes effect July 1, 2001.

Fiscal Summary

State Effect: General fund revenues decrease by $55.5 million in FY 2002 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.

($ in millions)	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
GF Revenue	($55.5)	($117.4)	($185.3)	($260.6)	($342.1)
SF Revenue	55.5	117.4	185.3	260.6	342.1
Expenditure	$0	$0	$0	$0	$0
Net Effect	$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: 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 $19.5 million of the sales and use tax revenue to the TTF in fiscal 2002.

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:

- 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.

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 2002 sales and use tax general fund revenues are estimated to be approximately $2.8 billion (after the deductions discussed above). Growth in sales and use tax revenues through fiscal 2005 is based on the Bureau of Revenue Estimates' December 2000 forecast. For fiscal 2007 through 2011, it is assumed that sales and use tax revenues will grow at a rate of 5%.

Dedicating 2% of those revenues to the Mass Transit Account of the TTF would increase TTF revenues by approximately $55.5 million in fiscal 2002, 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 2011, when 20% of sales and use tax revenue is dedicated to the TTF. At that time, approximately $873.2 million of the projected $4.4 billion in sales and use tax revenue would be dedicated to the TTF, as illustrated in **Exhibit 1**.

Exhibit 1
Maryland Sales and Use Tax Estimated Revenues
2002-2011

	Sales and Use Tax Revenue ($ in billions)	Percentage Dedicated to Mass Transit Account	Amount Dedicated to Mass Transit Account ($ in millions)
FY 2002	$2.8	2%	$55.5
FY 2003	2.9	4%	117.4
FY 2004	3.1	6%	185.3
FY 2005	3.3	8%	260.6
FY 2006	3.4	10%	342.1
FY 2007	3.6	12%	431.0
FY 2008	3.8	14%	528.0
FY 2009	4.0	16%	633.6
FY 2010	4.2	18%	748.4
FY 2011	**$4.4**	**20%**	**$873.2**

State Expenditures: 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 2**

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

Exhibit 2
Current and Proposed Mass Transit Revenues and Expenditures
MDOT Consolidated Transportation Program 2002 - 2006
State Funds Only
($ in millions)

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Currently Projected Mass Transit Expenditures	$509.0	$550.7	$518.7	$463.8	$495.0
Additional Mass Transit Acct. Funds	55.5	117.4	185.3	260.6	342.1
HB 994 – Total Mass Transit Funding	**$564.0**	**$668.1**	**$704.0**	**$724.4**	**$837.1**

Notes: Excludes federal funds. Includes MTA and WMATA projected operating and capital expenditures, less MTA operating revenues. All expenditures are TTF funds, except additional general funds to WMATA for the Addison Road extension.

After fiscal 2006 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: HB 1 of 2000, an identical bill as amended, passed the House of Delegates but was not reported from the Senate Budget and Taxation Committee. SB 286 of 2000, a substantially similar bill, was not reported from the Senate Budget and Taxation Committee.

Cross File: None.

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

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ef/jr

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