

Department of Legislative Services
 Maryland General Assembly
 2002 Session

FISCAL NOTE

House Bill 848 (Delegate Carlson, *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 2005, 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 2014. 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 2002 through 2007.

The bill takes effect July 1, 2004.

Fiscal Summary

State Effect: General fund revenues decrease by \$61.1 million in FY 2005 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 2005	FY 2006	FY 2007	FY 2008	FY 2009
GF Revenue	(\$61.1)	(\$129.4)	(\$203.8)	(\$285.4)	(\$374.5)
SF Revenue	61.1	129.4	203.8	285.4	374.5
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.

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 is 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 2005 sales and use tax general fund revenues are estimated to be approximately \$3.1 billion (after the deductions discussed above). Growth in sales and use tax revenues through fiscal 2006 is based on the Bureau of Revenue Estimates' December 2000 forecast. For fiscal 2007 through 2014, 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 \$61.1 million in fiscal 2005, 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 2014, when 20% of sales and use tax revenue is dedicated to the TTF. At that time, approximately \$956.1 million of the projected \$4.8 billion in sales and use tax revenue would be dedicated to the TTF.

State Expenditures: The bill prohibits any reduction in existing TTF funding for mass transit over the course of MDOT's current CTP for fiscal 2002 through 2007.

Mass transit spending would therefore increase by \$61.1 million in fiscal 2005, by \$129.4 million in fiscal 2006, and by \$203.8 million in fiscal 2007. After fiscal 2007 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. HB 994 of 2001, an identical bill, was not reported from the House Ways and Means Committee.

Cross File: None.

Information Source(s): Comptroller's Office (Compliance Division), Department of Transportation, Department of Legislative Services

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