

**Department of Legislative Services**  
 Maryland General Assembly  
 2004 Session

**FISCAL AND POLICY NOTE**

Senate Bill 679 (Senator Colburn, *et al.*)  
 Budget and Taxation

**Transportation Funding - Mass Transit - Sales and Use Tax**

This bill distributes 20% (one cent) 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 Maryland Transit Administration (MTA), 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 2004 through 2009.

The bill takes effect July 1, 2004.

**Fiscal Summary**

**State Effect:** General fund revenues would decrease by \$58.9 million in FY 2005 and revenues to the TTF increase by a corresponding amount. 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	(\$58.9)	(\$122.1)	(\$190.4)	(\$262.5)	(\$338.0)
SF Revenue	58.9	122.1	190.4	262.5	338.0
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.

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## **Analysis**

**Current Law:** Under current law, general 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 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;
- 24% 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 local jurisdictions 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 \$2.9 billion (after the deductions discussed above). The impact of the bill is estimated as follows, with the out-year impact reflecting the ramping up of the dedication to the Mass Transit Account as well as the underlying growth in sales tax revenues.

**SB 679 Fiscal Impact  
(\$ in millions)**

<u>Fiscal Year</u>	<u>Sales and Use Tax Revenues (\$ in billions)</u>	<u>Share of Sales Tax to Mass Transit Account</u>	<u>Mass Transit Account Increase/General Fund Decrease (\$ in millions)</u>
2005	\$2,943.7	2%	\$58.9
2006	3,053.1	4%	122.1
2007	3,172.8	6%	190.4
2008	3,281.4	8%	262.5
2009	3,379.9	10%	338.0
2010	3,481.3	12%	417.8
2011	3,585.7	14%	502.0
2012	3,693.3	16%	590.9
2013	3,804.1	18%	684.7
2014	3,918.2	20%	783.6

**State Expenditures:** The bill prohibits any reduction in existing TTF funding for mass transit over the course of MDOT’s current CTP for fiscal 2004 through 2009. After fiscal 2009, there is no further requirement that the funds generated under the bill be in addition to currently proposed mass transit funding. Current projected expenditures for mass transit for fiscal 2005 are \$1.0 billion, including capital and operating expenditures for MTA, WMATA, and local area transit systems.

**Additional Information**

**Prior Introductions:** HB 1 of 2000 passed the House but was not reported from the Senate Budget and Taxation Committee.

**Cross File:** None.

**Information Source(s):** Comptroller’s Office, Maryland Department of Transportation, Department of Legislative Services

**Fiscal Note History:** First Reader - March 17, 2004  
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