
Transportation Trust Fund Overview

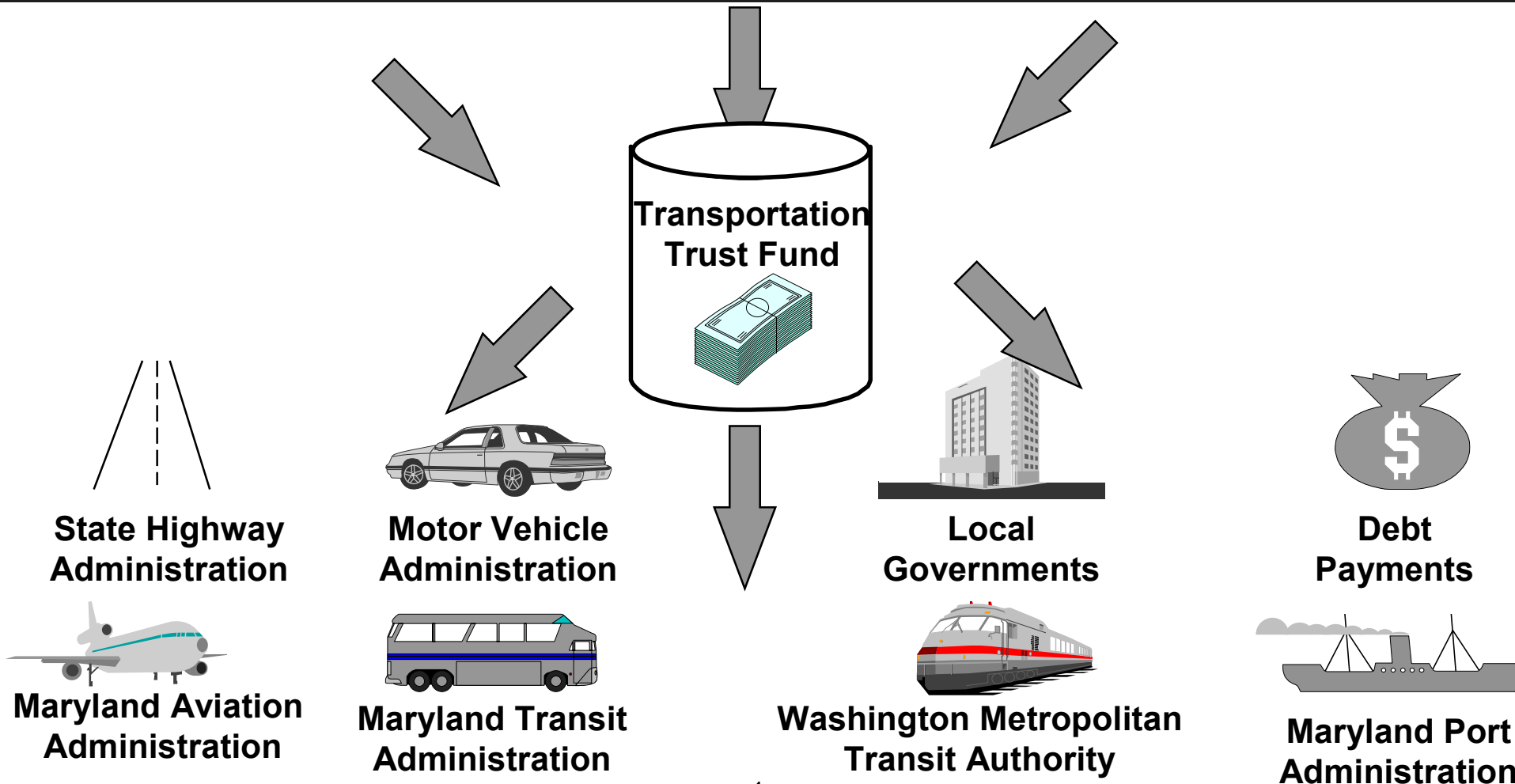
Presentation to the Commission on Maryland's Fiscal Structure

**Department of Legislative Services
Office of Policy Analysis
Annapolis, Maryland**

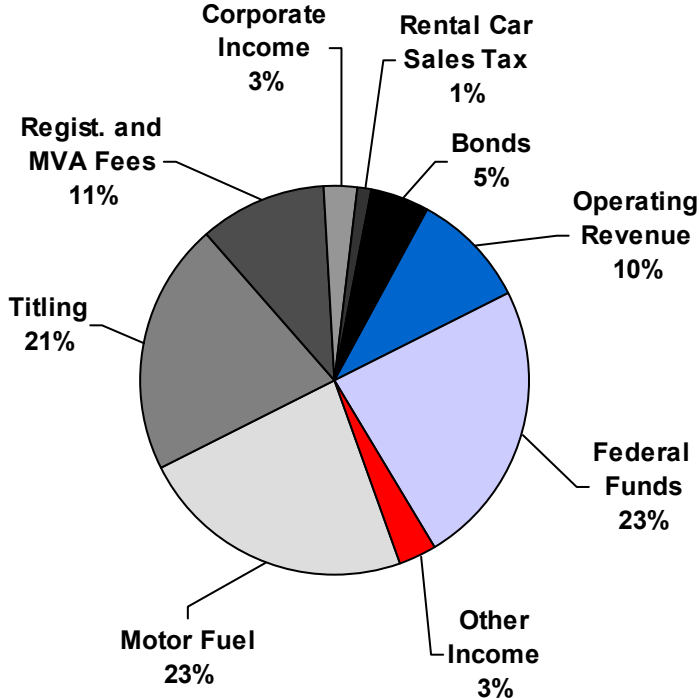
September 12, 2002

How the Trust Fund Works

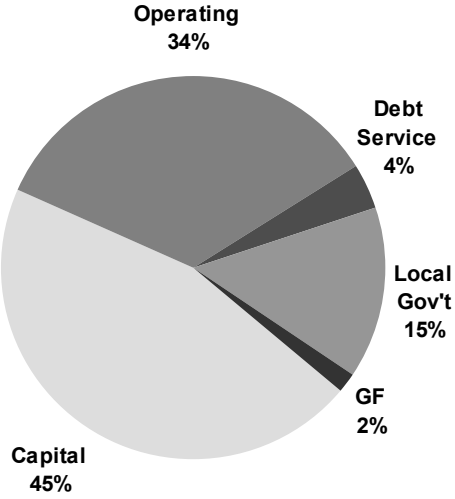
Motor Fuel Tax	Corporate Income Tax	Bonds and Other Aid
Titling Tax	Operating Revenues	MdTA Transfers
	Sales Tax on Rental Cars	Federal Aid
		Motor Vehicle Taxes and Fees



Sources and Uses of TTF Funds Fiscal 2002



Sources



Uses

Total = \$3.1 billion

Transportation Trust Fund

The Transportation Trust Fund (TTF) supports the operating and capital expenditures of the Maryland Department of Transportation (MDOT). The two largest sources of revenue, after federal funds, are motor fuel taxes and titling taxes. Revenues and expenditures total more than \$3.0 billion annually.

- **Motor Fuel Taxes (Maryland has the thirteenth highest gas tax in the country as of March 2002)** -- Fiscal 2002 Actual Attainment: \$704 million
 - Gasoline (23.5 cents per gallon); Special fuel (24.25 cents per gallon); Aviation fuel (7.0 cents per gallon).
- **Titling Tax** -- Fiscal 2002 Actual Attainment: \$650 million
 - 5% of the fair market value of motor vehicles at the time of sale and resale.
- **Motor Vehicle Registration and Miscellaneous Fees** -- Fiscal 2002 Actual Attainment: \$326 million
 - Biennial registration fees are imposed on most motor vehicles.
- **Corporate Income Tax** -- Fiscal 2002 Actual Attainment: \$85 million
 - 24% of the State's tax on corporate income is dedicated to the TTF.
- **Rental Car Sales Tax** -- Fiscal 2002 Actual Attainment: \$35 million
 - 45% of the State's tax on rental cars is dedicated to the TTF.
Note: Fiscal 2002 reflects \$15 million in one-time revenue.

Transportation Trust Fund (Continued)

- **Bond Sales** -- Fiscal 2002 Actual: \$150 million
 - MDOT issues Consolidated Transportation Bonds (CTBs) to finance construction of transportation facilities. Debt outstanding is limited each year by the legislature to a maximum of \$1.5 billion.
- **Operating Revenues** -- Fiscal 2002 Actual Attainment: \$297 million
 - Revenues are received from operations of the Aviation (42% of total), Port (26%), and Transit (32%) administrations. Attainment is driven by the volume of commercial airline passengers, cargo tonnage, and transit ridership.
- **Federal Funds** -- Fiscal 2002 Actual Attainment: \$730 million
 - Operating revenues are received from the U.S. Department of Transportation for various purposes including highway safety programs, transit operating programs, and interstate highway maintenance. Capital funding, the majority of federal support, is provided for highway, transit, port, and aviation capital programs.
- **Other Income** -- Fiscal 2002 Actual Attainment: \$91 million
 - Funds are received from motor carrier hauling fees, income on investments, and third party reimbursements. In addition, MDOT receives revenue for various administrative purposes such as duplicate title and licenses, security interest filing fees, and copies of documents.

Highway User Revenues

- The State shares 30% of revenues collected in the Gasoline and Motor Vehicle Revenue Account (GMVRA) with the counties and municipalities. The specific revenues deposited in the GMVRA are:
 - Motor fuel tax;
 - 80% of the titling tax;
 - 80% of MDOT's portion of the rental car sales tax;
 - 100% of MDOT's portion of the corporate income tax; and
 - A portion of motor vehicle registration fees.
- In fiscal 2002, the highway user revenue distribution totaled \$440 million.

Statutory Deductions
Fiscal 2002
(\$ in Millions)

<u>Deductions</u>	<u>Fiscal 2002</u>
Medevac	\$48.7
Uninsured Motorist Fees	26.0*
MSP Truck Enforcement	15.3
Chesapeake Bay Programs	12.3
Security Interest Filing Fees	8.3
Comptroller Fuel Tax Division	6.7
MSP Highway Safety	4.4
DNR Environmental Programs	3.2
Special Tags	2.0
MDE Motor Carrier Hazmat	0.4
Total Deductions	\$127.3

*Fiscal 2002 actual data unavailable, this number represents the fiscal 2002 projection.

MDOT Debt – Traditional

- MDOT issues 15-year Consolidated Transportation Bonds. MDOT debt has been rated AA and is repaid from the TTF, not the general fund.
- Traditional MDOT debt is subject to numerous limitations:
 - Outstanding debt is capped by statute at \$1.5 billion. The legislature sets annual limits below this amount.
 - Two statutory coverage tests manage debt outstanding: net revenues and pledged taxes must be 2.0 times maximum annual debt service. MDOT management uses a minimum of 2.5 coverage for each test.
 - Fiscal 2002 net revenue coverage was 4.1 times maximum annual debt service and 6.7 times using the pledged taxes test.
 - The total amount of debt issued does not exceed the highway construction budget.
 - The Debt Affordability Committee includes transportation debt when it establishes annual limits on State tax supported debt.

MDOT Debt – Nontraditional

- In recent years MDOT has expanded the types of instruments it uses to issue debt for transportation projects:
 - Certificates of participation (COPs);
 - Revenue bonds backed by passenger facility charges and customer facility charges; and
 - Maryland Economic Development Corporation (MEDCO) bonds.
- Since fiscal 1992, MDOT has issued \$664 million in non-CTB debt and \$465 million in CTB debt.
- There are no statutory limitations on these non-CTB debt instruments. Since fiscal 2002, COPs outstanding are limited by annual budget language.
- Newly enacted legislation permits the use of grant anticipation vehicles, debt backed by future federal revenue.
- As of July 30, 2002, bond debt outstanding stands at \$714 million and non-CTB debt outstanding stands at \$574 million.

TEA-21 Reauthorization

- Federal legislation enacted in 1997, the Transportation Equity Act for the 21st Century (TEA-21), significantly increased federal funding for highway and transit projects.
- TEA-21 expires September 30, 2003. Reauthorization should be completed by the beginning of federal fiscal 2004.
- The “New TEA-21” could change the amount and uses of federal funds for transportation projects in Maryland.

Policy and Funding Issues

- **Immediate Funding Commitments**

- **Woodrow Wilson Bridge** – Maryland's share of construction is expected to total \$234 million and will be funded entirely with TTF resources. General fund support was expected; however, due to fiscal constraints no general fund support for this project is anticipated in the future.
- **Transit Initiative** – Beginning in fiscal 2002, the commitment to expand transit services over a six-year period totals \$750 million. General fund revenues no longer support the initiative; however, the Transportation Authority will contribute \$43 million each year through fiscal 2007.

- **Potential Future Commitments**

- **Purple Line** – Proposed as either a light rail or heavy rail line, MDOT is requesting that the Federal Transit Administration set aside federal funding for the project when TEA-21 is reauthorized. Estimated cost -- \$1.5 billion as of April 2002.
- **ICC** – Proposed as a highway/parkway link between I-270 and US 1, the current administration does not support the project and no funding is expected for fiscal 2003. Estimated cost -- \$1 billion as of October 1999.

Commission on Transportation Investment Recommendations

<u>Recommendations</u>	<u>Implementation Status</u>
System preservation and debt service should be the highest priority	Current administrative priority
MDOT should reduce growth in operating expenditures	FY 2002 operating budget growth of 4.8%; FY 2003 growth of 4.3%
Transit service should be expanded and farebox recovery mandate should be altered	Transit commitment began in 2001; Chapter 211 of 2000 lowered farebox recovery to 40%
Capital investment should increase by \$100 million each year between fiscal 2000 and 2004 and should reach \$1.5 billion by fiscal 2004	Capital program totals \$1.65 billion in fiscal 2003
Capital investment should increase by 4% after fiscal 2004 to account for inflation and other unmet needs	N/A
Other sources of revenue must be identified	Commission on Maryland's Fiscal Structure convened in August 2002
General funds should be used for appropriate capital needs (i.e., Woodrow Wilson Bridge)	General funds for fiscal 2003 were not provided

Commission on Transportation Investment (Continued)

- The Commission on Transportation Investment also recommended that MDOT have \$650 million each year within its capital program to address potential future infrastructure and preservation needs. To achieve the addition of \$650 million within the TTF, the gas tax or titling tax could be doubled.
 - Excluding additional bonding capacity, a penny on the gas tax nets the TTF \$20 million.
 - Excluding additional bonding capacity, a one percent increase in the titling tax nets the TTF \$99 million.

TTF Appears Healthy in Near Term

(\$ in Millions)

	Projected Fiscal 2002	Actual Fiscal 2002	Variance
Gross Tax and Fee Revenue Summary			
Motor Fuel Taxes	\$687	\$704	\$17
Rental Car Sales Tax	31	35	4
Titling Taxes	594	650	56
Corporate Income Tax	76	85	9
Registration and Misc. Motor Vehicle Fees	317	326	9
Subtotal	\$1,705	\$1,800	\$95
Other Receipts and Adjustments			
Operating Revenues	\$298	\$297	(\$1)
MdTA Fund Transfers	10	10	0
Other Income	52	91	39
Change in Revenue Sources	(16)	0	16
Total Gross Revenues and Adjustments	\$2,049	\$2,198	\$149
Bond Sales	\$210	\$150	(\$60)
Total Funds	\$2,259	\$2,348	\$89
Note: Special funds only. —			