

"Federation Corner" column
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How is transit paid For in Maryland?

By Jim Clarke, Action Committee for Transit

Unlike the majority of states, Maryland has a Transportation Trust Fund (TTF) into which all revenue collected by the Maryland Department of Transportation (MDOT) plus a portion of the state's corporate tax flows. Unlike 33 states that limit the revenue raised from automobile fees to only road expenditures, money in Maryland's TTF may be spent on any form of transportation: roads, transit, commuter rail, airports, bike and pedestrian paths or sea ports.

Also, unlike other areas that have transit, transit in Maryland has no dedicated source of funding. In most metropolitan areas that have transit a favored source of funding is a local sales tax.

Because the TTF funds transit, road advocates have, over the years, argued that transit should be removed from the TTF because the state is spending too much on transit and not enough on roads. Is this true?

Last year Governor Ehrlich appointed a commission to look at Maryland's transportation funding which was chaired by William Hellmann, a former state secretary of transportation. This commission became known as the Hellmann Commission.

What did the Hellmann Commission learn? The TTF is set up so that all money flows into "one pot". These funds are used to pay for both operating and capital expenses. They are not earmarked for a specific project or mode, thus making it difficult to answer the question, how much state funding goes to transit versus how much goes to highways.

In an attempt to answer this question an analysis of historical data was performed looking at the period from FY 1988 to FY 2002. This fifteen-year period had two revenue increases to the TTF, i.e. the gas tax was raised, and it included an economic peak and downturn. In this analysis federal funds were eliminated as well as any transfer into the TTF from the state's general funds.

Here are the results of this analysis:

- The total of state dollars spent on highways was \$6.6 billion while the total collected from the state's motor fuel tax was \$5.8 billion. Thus if every single dollar raised by the motor fuel tax had been spent on roads there would have been a shortfall on the highway side of \$800 million. Thus none of the motor fuel tax was spent on transit.
- Federal Highway Administration statistics show that the majority of states fund their highway program with motor fuel taxes and auto registration fees. When this comparison was made for Maryland it showed that over time Maryland's highways have been paid for with the state's motor fuel tax and auto registration fees.

- How was mass transit funded? Over this 15-year period the state spent \$5 billion in state money on transit, mainly WMATA and the MTA in Baltimore. The next largest source of TTF revenue was the 5% “titling tax,” which raised \$4.9 billion.
- From a survey of states surrounding Maryland it was found that in all of these states the automobile “titling tax” is considered just like a state sales tax on appliances or furniture and goes into the state’s general fund. Since a general sales tax is the major source of funding for transit in these states, Maryland, like its neighboring states, can also be considered as a state that funds transit with its general tax revenue.

Though Maryland’s TTF is not structured to have dedicated sources of funding for its highway and transit programs, the way Maryland collects and funds these two programs is consistent with national trends and what our neighboring states do.

But is the question, how do we pay for transit in Maryland the question we should be asking? In my opinion it’s the wrong question. The question we should be asking is, how do we raise the money we need to build and maintain the transportation system we need in Maryland to serve the needs of all our citizens?