

May 26, 1994

The Honorable Thomas V. Mike Miller, Jr.
President of the Senate
State House
Annapolis, Maryland 21401

Dear Mr. President

In accordance with Article II, Section 17 of the Maryland Constitution, I have today vetoed Senate Bill 5.

Senate Bill 5 would allow any nonprofit organization in the State that is actively operating a vehicle used in a system of transportation for elderly, handicapped, or low income individuals to apply for a motor fuel tax refund. The bill would also establish certain criteria that an organization must meet, including that the organization is: tax exempt under federal law; receives part of its operating funding from either the Department of Transportation or the Department of Health and Mental Hygiene; and has stated in its charter or bylaws that operating transportation services for elderly, handicapped, or low income individuals are one of the purposes for which it was established.

This is the fifth consecutive year that this type of legislation has been introduced. In 1990, I vetoed Senate Bill 319 for many of the same reasons discussed below. Senate Bill 5 would establish a precedent for granting motor fuel tax refunds to other nonprofit organizations involved in providing services to the public. As the motor fuel tax is the primary revenue source for the Transportation Trust Fund (TTF), it is fiscally unsound to implement a statewide tax refund program that will erode future revenues and over which the State has no control. For example, a similar tax refund program was implemented in Howard County in fiscal year 1989. In six short years, the revenue loss to the Trust Fund has increased by 700 percent. The State has traditionally resisted exempting organizations from paying motor fuel taxes for this very reason.

I recognize that nonprofit organizations provide valuable transportation services to individuals with special needs in communities throughout Maryland. While the intent of Senate Bill 5 is commendable, the Department of Transportation currently has several programs that provide assistance to these organizations. The Statewide Special Transportation Assistance Program (SSTAP) provides funding that offsets the operating costs of nonprofit organizations serving specialized populations. Since fiscal year 1990, the State has provided approximately \$14 million in grants through SSTAP.

The Department of Transportation also provides assistance to nonprofit organizations for capital expenditures through the Federal Section 16 Program. Under this program, organizations compete on an annual basis for grants used to purchase capital equipment. In fiscal year 1994, a total of \$953,000 was provided under this program to nonprofit organizations that would be eligible for refunds under the provisions of Senate Bill 5. Since fiscal year 1990, total assistance through the program has exceeded \$3 million.

Unlike SSTAP and the Federal Section 16 Program, Senate Bill 5 contains no provisions for direct oversight of the use of funds through the budget process. As a result, there are no assurances that the fuel tax refund would directly benefit the organizations that are best serving the needs of the deserving populations. Therefore, in lieu of Senate Bill 5, I