

Department of Legislative Services  
2010 Session

FISCAL AND POLICY NOTE

House Bill 367  
Ways and Means

(Delegate Krebs, *et al.*)

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**Transportation Trust Fund - Dedicated Highway Funds**

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This bill requires that all motor fuel tax revenues, motor vehicle excise tax revenues, and vehicle registration fees collected, received by, paid, appropriated, or credited to the Transportation Trust Fund (TTF), net of statutory deductions and after the payment of debt service, be used only for specified highway purposes. The bill expands the definition of highway purposes to include police services and ferry operations and authorizes the transfer of funds from TTF to the Transportation Authority Fund. No part of TTF may revert or be credited to the general fund or any other special fund.

The bill takes effect July 1, 2010.

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**Fiscal Summary**

**State Effect:** The bill primarily limits the purpose for which existing funds may be used. Special fund revenues are shifted from several modes within the Maryland Department of Transportation (MDOT) to the State Highway Administration (SHA), resulting in a significant reduction in the operating budgets of several modes and eliminating all MDOT special fund capital programs except SHA and the Washington Metropolitan Area Transit Authority (WMATA).

**Local Effect:** None, assuming highway user revenue funding for local jurisdictions is held harmless.

**Small Business Effect:** None.

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## Analysis

**Current Law:** TTF is a nonlapsing special fund that provides funding to MDOT. The fund consists of tax and fee revenues, operating revenues, and fund transfers. The tax and fee revenues include vehicle registration fees and titling taxes, as well as motor fuel taxes, rental car sales taxes, and a portion of the corporate income and State sales taxes.

No part of TTF may revert or be credited to the general fund and no part may revert or be credited to a special fund, unless otherwise provided by law and approved by the Legislative Policy Committee.

**Background:** MDOT is responsible for statewide transportation planning and the development, operation, and maintenance of key elements of the transportation system. MDOT is organized into several administrations – State highway, motor vehicle, aviation, port, and transit. Other departmental components include the Office of the Secretary and certain advisory and zoning boards. A separate Maryland Transportation Authority operates revenue-generating transportation facilities. Consequently, MDOT is involved in all modes of transportation within the State, including the construction and maintenance of State roads, regulation and licensing of drivers and vehicles, and operation of bus and rail transit services. In addition, MDOT owns and operates Martin State Airport, Baltimore/Washington International Thurgood Marshall Airport, and terminals in the Helen Delich Bentley Port of Baltimore.

### *TTF Revenue Receipts*

Transportation in Maryland is funded through TTF, which generated \$3.1 billion in State-sourced funds in fiscal 2009. **Exhibit 1** shows that TTF's fiscal 2009 end of year fund balance totaled \$245.0 million. The most significant tax and fee revenues in TTF are motor fuel taxes, titling taxes, and registration fees. Attainments from these sources are expected to total \$1.68 billion in fiscal 2011.

**Exhibit 2** shows that TTF's largest revenue sources in fiscal 2011 are the motor fuel and titling taxes and federal aid for the capital program, which represents almost \$2.0 billion (56%) of all fund sources. MDOT is projecting that \$205.0 million in bonds will be sold to supplement the transportation capital program in fiscal 2011.

Total State and federal funding in the Governor's proposed fiscal 2011 budget for roads and highways is approximately \$1.4 billion, which represents 39% of total transportation funding. This amount includes \$1.0 billion for SHA and \$378.8 million in local highway user grants. State funding for mass transit services is \$1.4 billion in fiscal 2011, which represents 38% of total transportation funding. This amount includes \$1.1 billion for the

Maryland Transit Administration (MTA) and \$326.5 million for WMATA. State funding for the Maryland Port Administration (MPA) is \$178.2 million or 5% of total funding; whereas, the Maryland Aviation Administration (MAA) receives \$200.5 million or 6% of total funding. The remaining transportation funds go to debt service, the Secretary's Office, and the Motor Vehicle Administration (MVA). **Exhibit 3** categorizes the Governor's proposed fiscal 2011 budget by operating and PAYGO capital budgets for each modal administration, debt service, and local highway user grants.

**Exhibit 1**  
**Transportation Trust Fund Actual Revenues Received**  
**Fiscal 2009**  
**(\$ in Millions)**

|                                                     | <u>Actual 2009</u> |
|-----------------------------------------------------|--------------------|
| <b>Starting Fund Balance</b>                        | <b>\$53</b>        |
| <b>Revenues</b>                                     |                    |
| Titling Taxes                                       | \$514              |
| Motor Fuel Taxes                                    | 736                |
| Sales Tax                                           | 202                |
| Corporate Income, Registrations, and Misc. MVA Fees | 712                |
| Other Receipts and Adjustments                      | 521                |
| Bond Proceeds and Premiums                          | 402                |
| <b>Total Revenues</b>                               | <b>\$3,087</b>     |
| <b>Uses of Funds</b>                                |                    |
| MDOT Operating Expenditures                         | \$1,526            |
| MDOT Capital Expenditures                           | 716                |
| MDOT Debt Service                                   | 142                |
| Highway User Revenues                               | 467                |
| Other Expenditures                                  | 44                 |
| <b>Total Expenditures</b>                           | <b>\$2,895</b>     |
| <b>Ending Fund Balance</b>                          | <b>\$245</b>       |

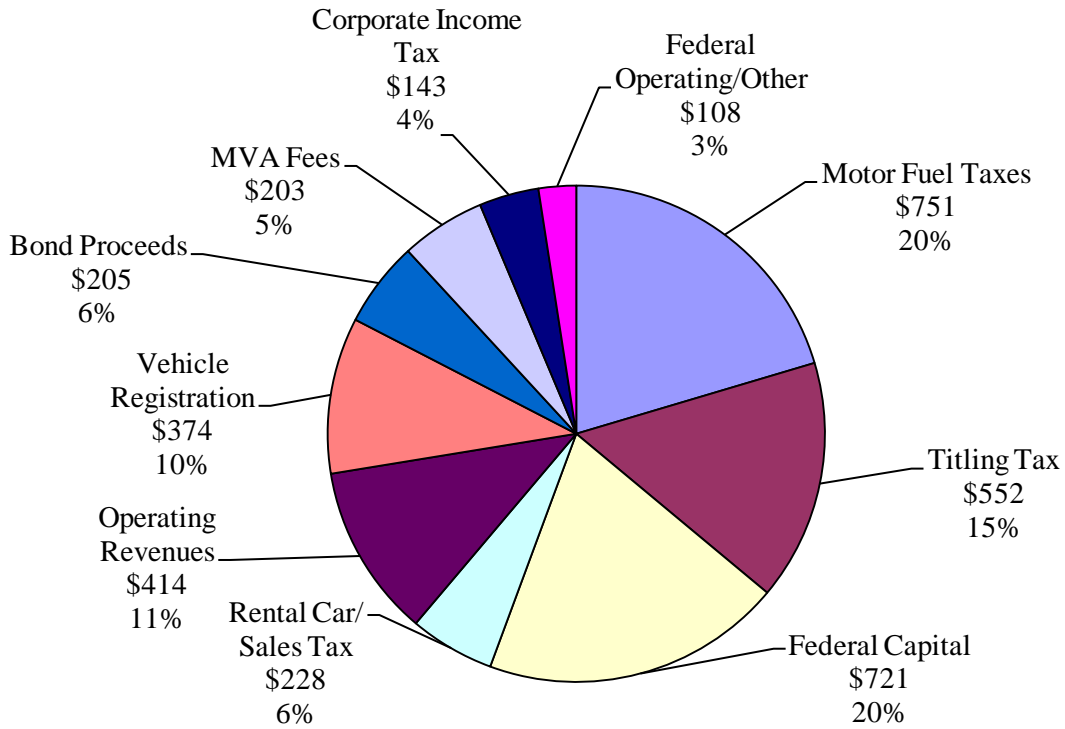
MDOT: Maryland Department of Transportation

MVA: Motor Vehicle Administration

Note: Numbers may not sum to total due to rounding.

Source: Maryland Department of Transportation, Transportation Trust Fund Forecast, January 2010

**Exhibit 2**  
**Transportation Trust Fund**  
**State-sourced Revenues and Federal Funds**  
**Fiscal 2011 Total \$3,699 Million**  
**(\$ in Millions)**



MVA: Motor Vehicle Administration

Source: Governor's Budget Books, Fiscal 2011, Volume I, pages 594-598

**Exhibit 3**  
**Transportation Budget Overview**  
**Fiscal 2009-2011**

|                                  | <u>2009</u><br><u>Actual</u> | <u>2010</u><br><u>Working</u> | <u>2011</u><br><u>Proposed</u> | <u>2010-11</u><br><u>Change</u> | <u>2010-11</u><br><u>% Change</u> |
|----------------------------------|------------------------------|-------------------------------|--------------------------------|---------------------------------|-----------------------------------|
| <b>Operating</b>                 |                              |                               |                                |                                 |                                   |
| Secretary's Office               | \$67,648,898                 | \$72,949,633                  | \$74,006,704                   | \$1,057,071                     | 1.4%                              |
| WMATA                            | 210,393,988                  | 215,776,000                   | 224,450,000                    | 8,674,000                       | 4.0%                              |
| State Highway Administration     | 239,347,070                  | 211,425,214                   | 220,562,016                    | 9,136,802                       | 4.3%                              |
| Port Administration              | 97,900,455                   | 100,612,506                   | 92,235,613                     | -8,376,893                      | -8.3%                             |
| Motor Vehicle Administration     | 148,105,879                  | 149,240,891                   | 163,733,596                    | 14,492,705                      | 9.7%                              |
| Transit Administration           | 591,720,288                  | 606,935,558                   | 616,667,467                    | 9,731,909                       | 1.6%                              |
| Aviation Administration          | 170,452,928                  | 174,541,156                   | 174,845,450                    | 304,294                         | 0.2%                              |
| <b>Subtotal</b>                  | <b>\$1,525,569,506</b>       | <b>\$1,531,480,958</b>        | <b>\$1,566,500,846</b>         | <b>\$35,019,888</b>             | <b>2.3%</b>                       |
| <b>Debt Service</b>              | <b>\$136,729,519</b>         | <b>\$159,698,275</b>          | <b>\$163,984,750</b>           | <b>\$4,286,475</b>              | <b>2.7%</b>                       |
| <b>Local Highway User Grants</b> | <b>\$465,078,612</b>         | <b>\$148,977,610</b>          | <b>\$378,845,000</b>           | <b>\$229,867,390</b>            | <b>154.3%</b>                     |
| <b>Capital</b>                   |                              |                               |                                |                                 |                                   |
| Secretary's Office               | \$29,396,388                 | \$48,428,580                  | \$27,271,052                   | -\$21,157,528                   | -43.7%                            |
| WMATA                            | 74,915,400                   | 52,041,000                    | 102,041,000                    | 50,000,000                      | 96.1%                             |
| State Highway Administration     | 863,912,348                  | 931,643,000                   | 818,150,000                    | -113,493,000                    | -12.2%                            |
| Port Administration              | 102,338,151                  | 82,679,645                    | 86,034,476                     | 3,354,831                       | 4.1%                              |
| Motor Vehicle Administration     | 17,632,529                   | 29,612,873                    | 23,248,116                     | -6,364,757                      | -21.5%                            |
| Transit Administration           | 268,523,645                  | 451,714,001                   | 433,346,305                    | -18,367,696                     | -4.1%                             |
| Aviation Administration          | 28,557,742                   | 38,866,000                    | 25,667,000                     | -13,199,000                     | -34.0%                            |
| <b>Subtotal</b>                  | <b>\$1,385,276,203</b>       | <b>\$1,634,985,099</b>        | <b>\$1,515,757,949</b>         | <b>-\$119,227,150</b>           | <b>-7.3%</b>                      |
| <b>Total of All Funds</b>        |                              |                               |                                |                                 |                                   |
| Special Fund                     | \$2,749,233,428              | \$2,468,413,255               | \$2,708,574,882                | \$240,161,627                   | 9.7%                              |
| Federal Fund                     | 762,171,171                  | 1,006,728,687                 | 916,445,993                    | -90,282,694                     | -9.0%                             |
| Reimbursable Fund                | 1,249,241                    | 0                             | 67,670                         | 67,670                          | 100.0%                            |
| <b>Grand Total</b>               | <b>\$3,512,653,840</b>       | <b>\$3,475,141,942</b>        | <b>\$3,625,088,545</b>         | <b>\$149,946,603</b>            | <b>4.3%</b>                       |

WMATA: Washington Metropolitan Area Transit Authority

Source: Maryland State Budget

## *Roads and Highways*

Most State and local transportation resources are dedicated to the State's highway system. SHA is responsible for more than 5,200 miles or approximately 16,800 lane miles of road, 2,500 bridges, 3,500 small stream crossing structures, and 80 miles of sound barriers. It also has responsibility for planning, designing, constructing, and maintaining these roads and bridges to safety and performance standards while considering sociological, ecological, and economic concerns.

**State Fiscal Effect:** Pursuant to this legislation, \$1.2 billion in TTF revenues are dedicated solely to highway purposes in fiscal 2011, after certain statutory deductions and debt service payments. This significantly strains the operating budgets of all modes except SHA and WMATA and completely eliminates the special fund capital programs of all modes except for SHA and WMATA. From TTF, the State is obligated to pay debt service on Consolidated Transportation Bonds and make full payment of WMATA operating and capital costs, resulting in reduced special funds for all other modes' operating expenses and no funds for capital projects. Legislative Services advises that the bill potentially adds approximately \$707.0 million to the highway capital program, while continuing to provide for SHA current operating and capital programs.

Additionally, Legislative Services notes that, depending on the allocation method, remaining funds provide for WMATA operating and capital budgets and some portion of the operating budgets of MAA, MPA, MTA, and MVA. Except for SHA and WMATA, the special fund capital programs for all other modes are eliminated. If allocated on a *pro rata* basis, the bill strains all of the operating modes. Based on this analysis, approximately \$405.0 million of the operating program has to be reduced or funded with another source, and all of the special fund capital programs (\$302.0 million) for the modal administrations has to be eliminated or funded with another revenue source (**Exhibit 4**). Legislative Services advises that, since no other revenue source is provided for within the bill, approximately 27% of the special funds for operating budgets and all special funds for capital programs, with the exception of WMATA and SHA, for the various modes is either eliminated or has to be replaced with general funds.

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**Exhibit 4**  
**Potential Funding Reductions to Comply with HB 367**  
**Fiscal 2011**

|                                  | <u>\$ in Millions</u> |
|----------------------------------|-----------------------|
| <b>Operating Funds</b>           |                       |
| All Modes Except SHA and WMATA   | \$405                 |
| <b>Capital Funds</b>             |                       |
| Maryland Transit Administration  | \$151                 |
| Maryland Port Administration     | 81                    |
| Maryland Aviation Administration | 20                    |
| Office of the Secretary          | 27                    |
| Motor Vehicle Administration     | <u>23</u>             |
| Subtotal                         | \$302                 |
| <b>Total</b>                     | <b>\$707</b>          |

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**Additional Information**

**Prior Introductions:** HB 139 of 2009 received a hearing in the House Ways and Means Committee, but no further action was taken. Similar bills were introduced as HB 59 of the 2007 special session and HB 1127 of 2008. HB 59 was referred to the House Rules and Executive Nominations Committee, but no further action was taken. The House Ways and Means Committee held a hearing on HB 1127, but no further action was taken.

**Cross File:** None.

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

**Fiscal Note History:** First Reader - February 26, 2010  
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