

Department of Legislative Services  
2013 Session

FISCAL AND POLICY NOTE

House Bill 1046  
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, 2013.

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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:** After meeting debt service requirements, MDOT may use funds in TTF for any lawful purpose related to the exercise of its rights, powers, duties, and obligations. TTF funds may not be transferred or diverted to the general fund unless legislation is enacted prior to the diversion that repays the TTF funds within five years. Also, 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 the transfer is approved by the Legislative Policy Committee. If the committee fails to reject the transfer within 15 days after the transfer is presented, it is deemed to be approved.

**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*

TTF is a nonlapsing special fund that provides funding for transportation projects. It consists of tax and fee revenues, operating revenues, bond proceeds, and fund transfers. MDOT issues bonds backed by TTF revenues and invests the TTF fund balance to generate investment income. The Maryland Transit Administration (MTA), Motor Vehicle Administration (MVA), Maryland Port Administration (MPA), and Maryland Aviation Administration (MAA) generate operating revenues that cover a portion of their operating expenditures. **Exhibit 1** shows that TTF's fiscal 2012 end-of-year fund balance totaled \$187 million.

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**Exhibit 1**  
**Transportation Trust Fund Revenues and Expenditures**  
**Fiscal 2012**  
**(\$ in Millions)**

	<u><b>Actual FY 2012</b></u>
<b>Starting Fund Balance</b>	<b>\$221</b>
<b>Revenues</b>	
Titling Taxes	\$632
Motor Fuel Taxes	734
Sales Tax	24
Corporate Income, Registrations, and Misc. MVA Fees	795
Other Receipts and Adjustments	515
Bond Proceeds and Premiums	130
<b>Total Revenues</b>	<b>\$2,830</b>
<b>Uses of Funds</b>	
MDOT Operating Expenditures	\$1,572
MDOT Capital Expenditures	736
MDOT Debt Service	172
Highway User Revenues	147
Other Expenditures	237
<b>Total Expenditures</b>	<b>\$2,864</b>
<b>Final Ending Fund Balance</b>	<b>\$187</b>

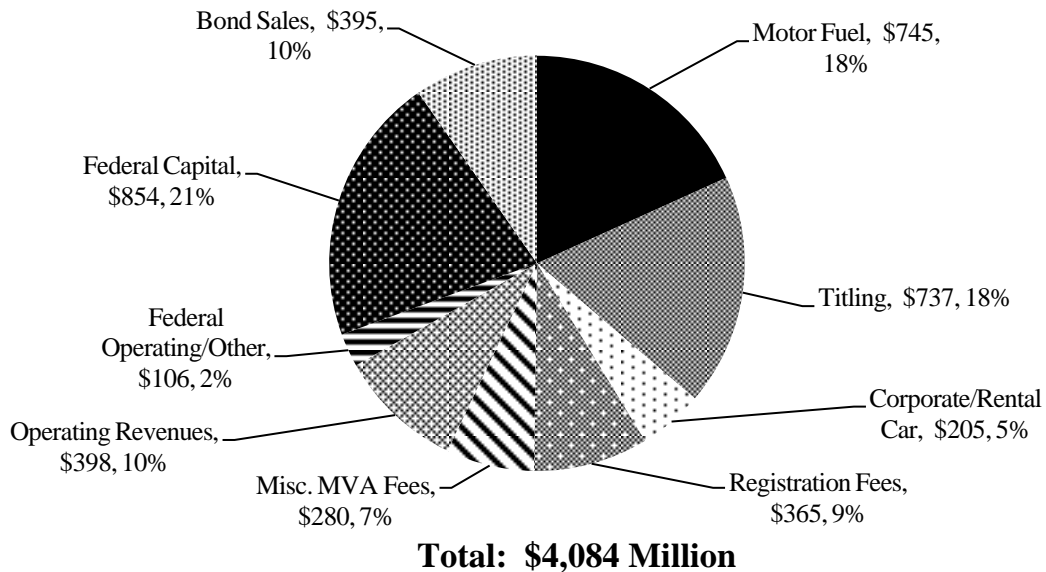
Source: Maryland Department of Transportation, January 2013

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The tax and fee revenues allocated to TTF include motor fuel taxes, titling taxes, vehicle registration fees, a portion of the rental car sales and corporate income taxes, and other miscellaneous motor vehicle fees. **Exhibit 2** shows that TTF's largest revenue sources in fiscal 2014 are the motor fuel and titling taxes and federal aid for the capital program, which represent \$2.3 billion (57%) of all fund sources. MDOT is projecting that \$395 million in bonds will be sold to supplement the transportation capital program in fiscal 2014.

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**Exhibit 2**  
**Transportation Trust Fund**  
**State-sourced Revenues and Federal Funds**  
**Fiscal 2014**  
**(\$ in Millions)**



Source: Governor’s Budget Books, Fiscal 2014, Volume I, pages 584-588

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Total State and federal funding in the Governor’s proposed fiscal 2014 budget for roads and highways is approximately \$1.4 billion, which represents 34% of total transportation funding. This amount includes \$1.2 billion for SHA and \$167.5 million in local highway user grants. State funding for mass transit services is \$1.7 billion in fiscal 2014, which represents 41% of total transportation funding. This amount includes \$1.2 billion for MTA and \$440.1 million for WMATA. State funding for MPA is \$161.3 million or 4% of total funding, whereas MAA receives \$258.1 million or 6% of total funding. The remaining transportation funds go to debt service, the Secretary’s Office, and MVA. **Exhibit 3** categorizes the Governor’s proposed fiscal 2014 budget by operating and pay-as-you-go capital budgets for each modal administration, debt service, and local highway user grants.

*Roads and Highways*

Significant State and local transportation resources are dedicated to the State’s highway system. SHA is responsible for more than 5,200 miles or approximately 15,400 lane

miles of road, over 2,500 bridges, 3,100 small stream crossing structures, and 100 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.

**Exhibit 3**  
**Transportation Budget Overview**  
**Fiscal 2012-2014**

	<u>FY 2012</u>	<u>FY 2013</u> <u>Working</u>	<u>FY 2014</u> <u>Proposed</u>	<u>FY 2013-14</u> <u>Change</u>	<u>FY 2013-14</u> <u>% Change</u>
<b>Operating</b>					
Secretary's Office	\$71,382,143	\$79,521,571	\$80,011,377	\$489,806	0.6%
WMATA	256,721,778	263,899,241	287,000,000	23,100,759	8.8%
State Highway Administration	226,708,129	215,110,879	227,631,515	12,520,636	5.8%
Port Administration	41,611,531	46,664,915	47,717,513	1,052,598	2.3%
Motor Vehicle Administration	161,329,414	171,108,845	186,108,172	14,999,327	8.8%
Maryland Transit Administration	646,795,045	663,486,377	678,184,339	14,697,962	2.2%
Aviation Administration	167,415,348	176,526,465	179,000,048	2,473,583	1.4%
<b>Subtotal</b>	<b>\$1,571,963,388</b>	<b>\$1,616,318,293</b>	<b>\$1,685,652,964</b>	<b>\$69,334,671</b>	<b>4.3%</b>
<b>Debt Service</b>	<b>\$172,341,890</b>	<b>\$191,915,100</b>	<b>\$212,223,613</b>	<b>\$20,308,513</b>	<b>10.6%</b>
<b>Local Highway User Grants</b>	<b>\$147,063,928</b>	<b>\$162,984,600</b>	<b>\$167,533,632</b>	<b>\$4,549,032</b>	<b>2.8%</b>
<b>Capital</b>					
Secretary's Office	\$27,146,690	\$87,093,328	\$100,420,762	\$13,327,434	15.3%
WMATA	129,926,424	132,449,000	153,149,000	20,700,000	15.6%
State Highway Administration	894,516,866	951,208,000	987,512,000	36,304,000	3.8%
Port Administration	58,531,629	103,750,061	113,593,161	9,843,100	9.5%
Motor Vehicle Administration	12,513,511	23,792,378	26,445,887	2,653,509	11.2%
Maryland Transit Administration	380,689,721	451,895,000	538,298,000	86,403,000	19.1%
Aviation Administration	61,614,919	73,675,000	79,149,000	5,474,000	7.4%
<b>Subtotal</b>	<b>\$1,564,939,760</b>	<b>\$1,823,862,767</b>	<b>\$1,998,567,810</b>	<b>\$174,705,043</b>	<b>9.6%</b>
<b>Total of All Funds</b>					
Special Fund	\$2,534,803,805	\$2,869,872,019	\$3,053,445,533	\$183,573,514	6.4%
Federal Fund	921,432,892	925,208,741	1,010,532,486	85,323,745	9.2%
Reimbursable Fund	72,269	0	0	0	--
<b>Grand Total</b>	<b>\$3,456,308,966</b>	<b>\$3,795,080,760</b>	<b>\$4,063,978,019</b>	<b>\$268,897,259</b>	<b>7.1%</b>

Source: Maryland State Budget

**State Fiscal Effect:** Pursuant to this legislation, \$1.6 billion in TTF revenues are dedicated solely to highway purposes in fiscal 2014, after certain statutory deductions  
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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. The Department of Legislative Services (DLS) advises that the bill potentially adds approximately \$985.0 million to the highway capital program, while continuing to provide for SHA current operating and capital programs.

Additionally, DLS 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 \$498.0 million of the operating program must be reduced or funded with another source, and all of the special fund capital programs (\$487.0 million) for the modal administrations must be eliminated or funded with another revenue source (**Exhibit 4**). DLS advises that, since no other revenue source is provided for within the bill, approximately 31% of the special funds for operating budgets and all special funds for capital programs for the various modes, with the exception of WMATA and SHA, is either eliminated or must be replaced with general funds.

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**Exhibit 4**  
**Potential Funding Reductions to Comply with the Bill**  
**Fiscal 2014**

	<u>\$ in Millions</u>
<b>Operating Funds</b>	
All Modes Except SHA and WMATA	\$498
<b>Capital Funds</b>	
Maryland Transit Administration	\$216
Maryland Port Administration	113
Maryland Aviation Administration	55
Office of the Secretary	76
Motor Vehicle Administration	<u>26</u>
Subtotal	\$487
<b>Total</b>	<b>\$985</b>

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## **Additional Information**

**Prior Introductions:** HB 367 of 2010 and HB 139 of 2009 received hearings in the House Ways and Means Committee, but no further action was taken on either bill. 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):** Maryland Department of Transportation, Department of Legislative Services

**Fiscal Note History:** First Reader - March 11, 2013  
ncs/lgc

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