

Department of Legislative Services
Maryland General Assembly
2000 Session

FISCAL NOTE

Senate Bill 27 (Senator Haines)

Budget and Taxation

State Budget - General Fund Surplus - Appropriation to the Transportation Trust Fund

This bill requires the Governor to appropriate to the Transportation Trust Fund (TTF) an amount equivalent to at least 75% of a general fund surplus in the second fiscal year following that surplus. The bill defines a surplus of general funds as the amount of unappropriated general funds in a fiscal year that exceeds \$25 million as determined by the State Comptroller.

The bill requires that the amount transferred to the TTF must be used by the Maryland Department of Transportation (MDOT) for the construction of new highways, roads, and bridges in the State. The use of the funds to finance projects for the Mass Transit Administration is prohibited. MDOT must ensure that: (1) the selection of projects to be funded by the surplus is made on an impartial and equitable basis; and (2) projects in each county be included in the selection process.

The bill is effective June 1, 2000.

Fiscal Summary

State Effect: Potentially significant increase in TTF revenues depending upon the amount of the unappropriated general fund surplus in a fiscal year that exceeds \$25 million.

Local Effect: The bill ensures that State highway, road, or bridge projects in each county are included in the selection of projects to be funded by the amount of surplus transferred to the TTF.

Small Business Effect: Minimal.

Analysis

Current Law: The TTF was created in 1971 and established as a dedicated fund to pay for the activities of MDOT. All department expenditures are made through the TTF and may be used for any lawful purpose related to the exercise of the department's rights, powers, duties, and obligations subject to the appropriation limits approved within the State budget. All activities of the department are supported by the TTF including debt service, maintenance, operations, administration, and capital improvements (new or existing). A portion of the revenues credited to the TTF is shared with local governments and other State agencies.

All or part of the following revenues are used to fund the TTF: motor fuel tax revenues; motor vehicle excise (titling) tax revenues; motor vehicle registration, license, and other fees; corporate income tax revenues; bus and rail fares; fees from the Port Administration and Aviation Administration; federal funds; bond proceeds; and other miscellaneous sources. Unspent funds at the close of each fiscal year remain in the TTF and do not revert to Maryland's general fund.

Background:

Commission on Transportation Investment

House Joint Resolution 6 of 1999 established the Commission on Transportation Investment (CTI) to examine the needs and funding of the State's transportation system. The resolution required that the commission evaluate the transportation funding system and make recommendations concerning funding needs and funding requirements by December 1, 1999.

MDOT estimates that transportation needs in excess of available funds will total \$27 billion over the next 20 years. Accordingly, the CTI recommended that the current level of annual capital investment be increased by \$100 million for each of the next four years to reach a level of \$1.5 billion in capital investment in fiscal 2004. In addition to raising traditional transportation taxes such as motor fuel and vehicle titling taxes to generate the additional revenue needed, the commission noted that consideration should be given to other potential revenue sources, such as expanding the sales tax, increasing the sales tax rate, using general funds, and implementing a regional transit tax or congestion pricing.

History of Transfers to/from the General Fund

Although the TTF is self-sustaining, there is a history of transfers between the TTF and the general fund. Funds in the TTF have been used to support the general fund in times of economic downturns. Some of the funds have been repaid to the TTF and some have not. On the other hand, legislative changes have been made that benefit the TTF at the expense of the general fund. For example, electric and gas utilities are now subject to the corporate income tax, which is credited in part to the TTF, instead of the public service company franchise tax, a general fund revenue source. Further, general funds were transferred to the TTF in order to hold the TTF harmless after the fuel efficiency surcharge legislation was found to be in conflict with federal law.

Current General Fund Transfers

The Governor plans to transfer \$360 million of general funds to the TTF over the next few fiscal years to offset costs of the Woodrow Wilson Bridge replacement and the Metro extension to Addison Road.

State Reserve Fund and General Fund Surpluses

Chapter 4 of 1998 accelerated the previously scheduled income tax reduction. Uncodified language in the legislation requires the Governor to appropriate the unappropriated general fund surplus that exceeds \$10 million to the Revenue Stabilization Account of the State Reserve Fund for fiscal 2000 - 2003.

State Fiscal Effect: The bill could result in significant increases in TTF revenues depending on the amount of unappropriated surpluses. It is not possible to reliably predict the amount of unappropriated general fund balances at the end of a given fiscal year. Based on the Governor's proposed fiscal 2001 budget, the fiscal 2000 unappropriated fund balance is expected to be \$12.7 million, although that amount could change by the end of the fiscal year. Because the bill defines surplus as the amount of unappropriated general funds in a fiscal year that exceeds \$25 million, at this time the bill's provisions would not result in an appropriation of funds to the TTF in fiscal 2002.

For illustrative purposes only, if the unappropriated general fund balance for fiscal 2000 is adjusted upward to \$30 million, the TTF would receive at least \$3,750,000 in fiscal 2002.

Local Fiscal Effect: The bill's provisions do not grant funds to local jurisdictions for local road or bridge projects. However, the bill does require MDOT to ensure that projects in each county are included in the projects to be funded through the surplus of general funds that is transferred to the TTF.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Maryland Department of Transportation, Department of Budget and Management, Department of Legislative Services

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