

Department of Legislative Services
Maryland General Assembly
2002 Session

FISCAL NOTE

Senate Bill 632

(Senator Mooney)

Budget and Taxation

Transportation Trust Fund - Special Funds - State Highway Administration

This bill requires that the special funds appropriated each fiscal year for the operating and capital program of the State Highway Administration (SHA), including the distribution of highway user revenues, equal at least 50% of all special funds appropriated for the Department of Transportation's (MDOT) operating and capital budget. Funds appropriated under the bill may be used for all costs associated with the purchase of rights-of-way, planning, construction, reconstruction, relocation, or maintenance of State highways.

Fiscal Summary

State Effect: The bill does not alter the overall amount of Transportation Trust Fund (TTF) expenditures; however, TTF expenditures for non-highway projects would decrease significantly. Potentially significant loss of federal revenues for non-highway projects.

Local Effect: Local jurisdictions would face significant expenditure increases for transit projects. Local governments could also benefit from increased funds available for State highway construction.

Small Business Effect: Potential meaningful. The direction and magnitude of the bill's impact cannot be determined at this time. The redistribution of funds could increase the number of State highway projects, which would benefit construction trades that are mostly small businesses. However, small businesses that would benefit from non-highway projects (bus companies, etc.) could be adversely affected.

Analysis

Current Law: The TTF consists of revenue from motor fuel, titling, and corporate income taxes, as well as operating revenues, proceeds from the sale of transportation bonds, any general fund appropriations, and the proceeds of any State loan or federal grant made for transportation purposes. The TTF must contain one or more sinking fund accounts that have sufficient funds at all times to meet the debt service on all bonds of prior issues and Consolidated Transportation Bonds. No part of the TTF can revert or be credited to the general fund or a special fund unless otherwise provided by law.

After meeting its debt service requirements, MDOT may use the funds in the TTF for any lawful purpose related to the exercise of its duties and obligations. MDOT annually proposes a funding allocation for capital projects such as highways or transit facilities to the Governor and the General Assembly for review and approval after it solicits comments from the public in all local jurisdictions. The capital program must be consistent with the goals of the Maryland Transportation Plan.

State Fiscal Effect: MDOT advises that the bill would require the department to shift, on average, \$150 million annually from other modal agencies, such as the Maryland Transit Administration and the Maryland Aviation Administration, to SHA. Over the six-year span of MDOT's capital project schedule, the Consolidated Transportation Program (CTP), \$750 million would have to be redistributed to SHA. The table below shows the potential impact of the bill on each agency's operating and capital budget. SHA's budget now accounts for approximately 43% of MDOT's total budget.

Exhibit 1 MDOT Operating and Capital Budgets: FY 2003 and Adjusted (\$ millions)

	<u>FY 2003 Allowance</u>	<u>Adjustment under SB 632</u>
Maryland Aviation Administration	\$201	177
Maryland Port Administration	184	162
Maryland Transit Administration	407	359
Motor Vehicle Administration	150	132
Secretary's Office	76	67
State Highway Administration	986*	1140
WMATA grants	276	243

* Total includes \$436 million of highway user revenues.

MDOT further notes that the new distribution formula would jeopardize federal funding for projects implemented by other modes (e.g., airport improvements, light rail) because

the State would not be able to provide the required matching funds. MDOT receives \$61.4 million in federal aid for operating expenses, of which approximately \$45 million is dedicated to transit. The State will receive approximately \$4 billion in federal aid for capital projects from fiscal 2002 to fiscal 2007, including \$2.8 billion for SHA, over \$1 billion for transit, including facilities operated by the Washington Metropolitan Transit Authority (WMATA), and \$108 million for aviation.

Local Fiscal Effect: The bill would allow more highway related projects to be carried out in local jurisdictions, thus reducing local expenditures for those projects. However, other non-highway projects largely funded by the State, such as supplemental bus service or subway extensions, may be delayed or cancelled due to the lack of funding.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of Transportation, Department of Legislative Services

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ncs/jr

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