

Department of Legislative Services
 Maryland General Assembly
 2003 Session

FISCAL AND POLICY NOTE

Senate Bill 657 (The President) (By Request – Administration)
 Budget and Taxation

Budget Reconciliation and Financing Act of 2003

This bill (2003 BRFA) helps implement the fiscal 2004 budget by: (1) transferring various State special funds and nonbudgeted funds to the general fund in fiscal 2003 and 2004; and (2) making various changes to statutory funding requirements and revenue distribution provisions in those years to allow for contingent reductions in the budget bill (HB40/SB55 of 2003).

The bill takes effect June 1, 2003.

Fiscal Summary

State Effect: General funds increase by \$361.1 million in FY 2003, \$369.8 million in FY 2004, and \$202.4 million in FY 2005 as a result of transfers and contingent reductions. Various special funds and nonbudgeted funds experience revenue declines.

(\$ in millions)	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
GF Revenue	\$361.4	\$369.8	\$202.4	\$0	\$0
SF Revenue	(286.4)	(330.9)	(202.4)	0	0
NonBud Rev.	(75.0)	(3.0)	0	0	0
Expenditure	\$0	\$0	\$0	\$0	\$0
Net Effect	\$0	\$35.9	\$0	\$0	\$0

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

Local Effect: Local revenues from State highway user revenue-sharing would decline by \$102.4 million in both FY 2004 and FY 2005. Property tax credit reimbursements would decline by approximately \$10 million in FY 2004 to reflect the cost of property tax assessment. Aid to local governments for Program Open Space and other programs funded by the transfer tax would decline in FY 2003, FY 2004, and FY 2005.

Small Business Effect: A small business impact statement was not provided by the Administration by the time this Fiscal and Policy Note went to print. The statement will be provided at the hearing if available at that time.

Analysis

Bill Summary: The bill's provisions are discussed individually in the attached **Appendix**. The fiscal impact of all the provisions is summarized in **Exhibit 1, Exhibit 2,** and **Exhibit 3**.

Current Law: Current law for each item is discussed in the Appendix.

State Fiscal Effect: The total fiscal impact is illustrated in Exhibit 1, Exhibit 2, and Exhibit 3.

Local Fiscal Effect: See discussion in Fiscal Summary.

Additional Comments: In this bill, the Budget Reconciliation and Financing Act of 2002 (Chapter 440 of 2002) is referred to as the "2002 BRFA."

Additional Information

Prior Introductions: None.

Cross File: HB 935 (The Minority Leader) – Appropriations.

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

Fiscal Note History: First Reader - February 27, 2003
ncs/jr

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Exhibit 1
Summary of Fund Transfers in the 2003 BRFA

	<u>Fund</u>	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2004</u>
Fiscal 2003 Transfers				
Transfer taxes	SF	\$38,656,033		
Program Open Space – unexpended balances	SF	3,000,000		
Agricultural Land Preservation Fund	SF	10,000,000		
Waterway Improvement Fund	SF	8,000,000		
DBED – Md. Compet. Advan. (MCAFF)	SF	550,000		
DBED – Small Business Devel. (MSBDFA)	SF	1,000,000		
DBED – Md. Econ. Devel. Asst. (MEDAFF)	SF	2,000,000		
DBED – Enterprise Investment	SF	2,000,000		
DBED – One Maryland	SF	2,450,000		
DHCD – Homeownership programs	SF	2,000,000		
Transportation Trust Fund	SF	150,000,000		
Local share of transportation revenue	SF	17,949,407		
Injured Workers Insurance Fund for future liability	NonBud	75,000,000		
University System of Maryland	SF	29,000,000		
Information Technology – major projects	SF	10,225,500		
911 Fund	SF	5,000,000		
State Use Industries	SF	2,000,000		
Cigarette Restitution Fund	SF	1,387,090		
Dedicated Purpose Fund	SF	988,500		
Racing Commission	SF	1,692,000		
Adjustment to planned transfer from Racing Facility Redev. Fund	SF	(1,488,716)		
Subtotal		\$361,409,814		
Fiscal 2004 and 2005 Transfers				
Transportation Trust Fund	SF		\$150,000,000	
Local share of transportation revenue	SF		102,440,128	\$102,440,128
Transfer taxes	SF		55,565,284	100,000,000
Lottery Unclaimed Prize Fund	SF		10,000,000	
Waterway Improvement Fund	SF		10,000,000	
Maryland Automobile Insurance Fund (MAIF)	NonBud		3,000,000	
State Use Industries	SF		2,000,000	
Affordable Housing Trust	SF		500,000	
Racing Commission	SF		393,100	
Subtotal			\$333,898,512	\$202,440,128

Exhibit 2
Summary of Contingent Reductions in the 2003 BRFA

	<u>FY 2004</u>
Fiscal 2004 reductions contingent on legislation	
Local share of property tax assessment costs	\$10,000,000
Aid to Community Colleges	9,719,215
Baltimore City Community College	2,510,214
Aid to Nonpublic Institutions of Higher Education	3,549,920
Deferred compensation match	7,896,808
Arts Council	2,265,100
Subtotal	\$35,941,257

Exhibit 3
2003 BRFA Total Impact
(\$ in Millions)

	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
Contingent Reduction	--	\$35.9	--
Transfers	<u>\$361.4</u>	<u>333.9</u>	<u>\$202.4</u>
Total	\$361.4	\$369.8	\$202.4

Appendix
2003 BRFA
(SB 657/HB 935)
Analysis by Action

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2003 BRFA Action Analysis

Program

Name: Racing Facility Redevelopment Fund

Agency: Racing Commission – Department of Labor, Licensing, and Regulation

Program Description: The Racing Commission regulates activities generally related to thoroughbred and harness horse racing, including off-track betting, the racing schedule, and testing laboratories. The Racing Redevelopment Fund, which is overseen by the commission, is established to service any debt issued in relation to racetrack improvements. The fund consists of two sources: (1) proceeds from additional takeout allocations; and (2) uncashed parimutuel tickets.

<u>Item</u>	<u>Fiscal 2003</u>	<u>Fiscal 2004</u>
<i>2003 BRFA Reversion</i>	<i>-\$1,488,716 (uncashed tickets)</i>	<i>0</i>
<i>2003 BRFA Transfer</i>	<i>\$1,692,000 (commission)</i>	<i>\$393,100(uncashed tickets)</i>

Description of Action: The bill halts future transfers of uncashed parimutuel tickets to the Racing Redevelopment Fund, and the fund is terminated upon repayment of existing bonds.

There are also two, partially offsetting, transfers affecting the uncashed tickets portion of the fund for fiscal 2003. A provision of the 2002 BRFA transferred \$3.7 million from the Redevelopment Fund to the general fund. However, only \$2.21 million was actually available to transfer from the fund; therefore the funds available for use in fiscal 2003 are reduced by \$1.48 million. This proposal also transfers \$1.69 million from the Racing Commission in fiscal 2003. There is also a \$393,100 transfer in fiscal 2004 from the uncashed tickets portion of the fund.

2003 BRFA Action Analysis

Program

Name: Innovative Partnerships for Technology Program

Agency: Maryland Higher Education Commission

Program Description: This program requires the State to match certain private technology donations to community colleges.

Description of Action: The provision delays the payments for the Innovative Partnerships for Technology Program (IPT). Under current law, the State is obligated to make a \$3,264,764 payment on prior technology donations and potentially could owe another \$6.6 million between fiscal 2006 and 2008. The provision would delay the payment by an additional year, generating a budget savings of \$3,264,764 in fiscal 2004.

2003 BRFA Action Analysis

Program

Name: Private Donation Incentive Grant Program

Agency: Maryland Higher Education Commission

Program Description: The program provides State matching funds for certain private donations to public colleges and universities.

Description of Action: This is not a transfer of a fund balance. It changes the obligations of the State relative to the program. The changes include:

1. removing the date by which institutions other than the four historically black institutions (HBIs) must raise eligible private donations;
2. deferring payments to all institutions other than the four historically black institutions;
3. spreading deferred payments evenly over four fiscal years (2005 through 2008);
4. repealing the chapter law that defers fiscal 2003 payments to fiscal 2004.

The amount owed in fiscal 2004 would otherwise be \$11,757,664. The allowance provides \$3,097,950, which is the amount currently due to the four historically black institutions. The remaining \$8,659,714 would be paid to the other institutions spread evenly over fiscal 2005 through 2008.

Matching funds for additional eligible donations raised by institutions other than the HBIs after the start of fiscal 2003, up to \$5,090,287, would be paid in fiscal 2005 through 2008. It appears that matching funds for additional eligible donations to the HBIs, up to \$2,902,050, would continue to be due in the fiscal year two years after the fiscal year in which the donation was received.

2003 BRFA Action Analysis

Program Name: Waterway Improvement Fund (WIF)

Agency: Department of Natural Resources

Program Description: WIF is funded by special funds from an excise tax on the sale of boats and is used for projects related to waterway improvement, such as dredging and marking channels, constructing and maintaining marine facilities, and controlling shore erosion.

<u>Item</u>	<u>Fiscal 2003</u>	<u>Fiscal 2004</u>
Starting Balance	\$7,539,829	\$6,570,311
SF Revenues	24,425,000	29,425,000
Operating Expenditures	15,194,618	13,660,685
Capital Expenditures	11,200,000	4,000,000
<i>2003 BRFA Transfer*</i>	<i>6,570,311</i>	<i>10,000,000</i>
Ending Balance	\$6,570,311	\$3,334,626

*Excess WIF revenue overattainment will be transferred to the general fund. DNR advises that the \$11.2 million in fiscal 2003 project funds and the \$4.0 million in special funded project funds in the fiscal 2004 allowance will not be affected.

Description of Action: This legislation would redirect \$8.0 million in unexpended fiscal 2003 special funds to the general fund. In addition, \$10.0 million in fiscal 2004 special fund revenue would be transferred to the general fund.

The bill also allows the Department of Natural Resources to use 100% of WIF funds in fiscal 2003 and 2004 for administrative expenses relating to implementing the purposes of WIF.

2003 BRFA Action Analysis

Program

Name: **Transfer Tax**

Agency: Maryland Department of Agriculture (MDA), Department of Natural Resources (DNR), Heritage Areas Authority

Program Description: Real estate transfer tax revenue special funds are dedicated to several departments and programs, including MDA's Maryland Agricultural Land Preservation Program, DNR's Program Open Space and Heritage Conservation Fund, and the Heritage Areas Authority.

<u>Item</u>	<u>Fiscal 2003</u>	<u>Fiscal 2004</u>	<u>FY 2005</u>
<i>2003 BRFA Transfer</i>	\$38,656,033	\$55,565,284	\$100,000,000

Description of Action: The bill transfers a total of \$241.5 million in transfer tax revenues to the general fund in fiscal 2003, 2004, and 2005. In fiscal 2003, \$38.6 million in current and projected over attainment funds are directed to the general fund. The 2002 BRFA stipulated that \$47,268,585 in transfer tax revenues should be allocated to the general fund in fiscal 2004. This legislation increases this amount to \$102,833,869. This change results in an additional \$55.6 million in estimated fiscal 2004 revenues to the general fund in fiscal 2004. Finally, \$100.0 million in anticipated fiscal 2005 revenue is directed to the general fund in fiscal 2005.

The bill stipulates that after transfer tax revenues are redirected to the general fund, the remaining revenue should be allocated according to current law. However, the funding allocations in the fiscal 2004 budget bill are not consistent with current law. Therefore, a technical amendment should be introduced to clarify that funds should be provided as stated in the fiscal 2004 budget bill.

The decrease to the transfer tax will reduce the special funds available to fund programs such as Program Open Space, MALPF, and Rural Legacy. The fiscal 2004 impact of these transfers under this bill (versus current law) is as follows:

<u>Program</u>	<u>FY 2004</u>
Program Open Space	\$54.0
Maryland Agricultural Land Preservation Program (MALPF)	13.0
Rural Legacy	<u>7.8</u>
Total	\$74.8*

*The fiscal 2004 expenditure impact on these programs includes the effect of part of the fiscal 2003 transfer plus the fiscal 2004 transfer.

These reductions are in addition to specific fiscal 2003 fund transfers for Program Open Space (\$3 million) and MALPF (\$10 million). These transfers are discussed separately under their respective program names.

While not specifically identified in this legislation, the Rural Legacy program would be affected because of its reliance on transfer tax revenues. Rural Legacy provides funds to local governments and land trusts to purchase interests in real property in designated areas of the State. Under current law, Rural Legacy would receive \$8.3 million in transfer tax revenues in fiscal 2004. However, this legislation revamps the transfer tax allocation formula, and in effect transfers the entire \$8.3 million to the general fund. Current law requires the Governor to include in the annual capital budget an amount not less than \$5.0 million for this program. The capital budget allowance includes \$5.0 million in general obligation bond funding for Rural Legacy.

To partially off set the impact of this legislation, the fiscal 2004 GO bond allowance includes \$37.1 million for Program Open Space and \$21.2 million for the Maryland Agricultural Land Preservation Program.

2003 BRFA Action Analysis

Program

Name: Maryland Automobile Insurance Fund (MAIF) – Uninsured Division

Agency: MAIF

Program Description: The uninsured motorist division provides funds for Maryland residents who are involved in accidents in Maryland with uninsured motorists and “hit and run” drivers.

<u>Item</u>	<u>Fiscal 2004</u>
<i>2003 BRFA Transfer</i>	<i>\$3,000,000</i>

Description of Action: As of February 2003, it is anticipated there will be a \$6.1 million balance at the end of calendar 2002 after the transfer of \$20 million in the 2002 BRFA. The 2002 BRFA also restored the \$2 million annual revenue stream going into the uninsured division.

Although calendar 2003 expenditures are expected to be slightly higher than revenues, the Uninsured Division is expected to have a closing balance of \$6.0 million as of December 31, 2003. This will be sufficient to permit the \$3.0 million transfer in fiscal 2004.

This bill also provides \$3 million in uninsured motorist penalties to MAIF in fiscal 2005.

2003 BRFA Action Analysis

Program Name: Cigarette Restitution Fund (CRF)

Agency: N/A

Program Description: Continuing nonlapsing fund to account for all revenues received by the State from the settlement with the major tobacco manufacturers.

<u>Item</u>	<u>Fiscal 2003</u>	<u>Fiscal 2004</u>
Starting Balance	\$103,522,000	\$46,703,964
Revenues	174,432,000	153,747,000
Interest/Other Adjustments	4,732,000	13,608,000
Expenditures	232,144,946	213,672,907
2002 BRFA Transfer	2,450,000	0
<i>2003 BRFA Transfer</i>	<i>1,387,090</i>	<i>0</i>
Ending Balance	\$46,703,964	\$386,057

Description of Action: The bill transfers \$1.4 million from the CRF to the general fund in fiscal 2003. Legislative Services advises that this would likely be accomplished by transferring \$825,000 for the development of eSAMIS information technology project, previously supported with Cigarette Restitution Funds, to the Department of Budget and Management's Information Technology Fund. The remaining \$562,090, would be transferred to the general fund to cover anticipated fiscal 2003 shortfalls. Legislative Services advises that the actual fund balance may be lower than projected, making the proposed transfer problematic.

Language that authorized the 1999 increase in the tobacco tax also required the Governor to include \$21 million in the annual allowance for tobacco control. This provision reduces the required annual allowance for tobacco control to \$18 million. If this provision is not adopted, fiscal 2004 budget bill language stipulates that \$2,897,509 in Cigarette Restitution Funds appropriated for cancer prevention screening or treatment programs shall be expended instead for activities aimed at reducing tobacco use.

2003 BRFA Action Analysis

Program Name: Community Colleges under Cade Formula

Agency: N/A

Program Description: Fifteen of the State’s 16 community colleges are local institutions that receive State funds through the Senator John A. Cade Funding Formula. (Baltimore City Community College is a State agency with its own funding formula.)

<u>Item</u>	<u>Fiscal 2004</u>
<i>Reduction Contingent on Legislation</i>	\$9,719,215

Description of Action: The fiscal 2004 allowance is based on 2003 per-student general fund support to selected public four-year institutions prior to cost containment measures. This bill reduces Cade formula aid by \$9.7 million in fiscal 2004 to reflect the fiscal 2003 reduction (of roughly 8%) to appropriations for the selected public institutions.

In the 2002 BRFA, the Cade institution’s funding formula was “rebased” from 25% of the prior year’s aid per full-time equivalent student (at selected four-year public institutions of higher education) to 23.1% in fiscal 2003, increasing back to 25% as illustrated below.

	<u>Fiscal 2003</u>	<u>Fiscal 2004</u>	<u>Fiscal 2005</u>	<u>Fiscal 2006</u>
Formula	23.1%	23.1%	24.0%	25.0%

2003 BRFA Action Analysis

Program Name: Baltimore City Community College

Agency: N/A

Program Description: Baltimore City Community College (BCCC) is a State agency funded separately from the State's other 15 community colleges. The State contributes a higher percentage of funding to BCCC than to the other community colleges. BCCC receives funding based on a formula that reflects prior year funding of the State's public four-year institutions.

<u>Item</u>	<u>Fiscal 2004</u>
<i>Reduction Contingent on Legislation</i>	<i>\$2,510,014</i>

Description of Action: The fiscal 2004 allowance is based on 2003 per-student general fund support to selected public four-year institutions prior to cost containment measures. This bill reduces BCCC aid by \$2.5 million in fiscal 2004 to reflect the fiscal 2003 reductions (of roughly 8%) to appropriations for the selected institutions.

In the 2002 BRFA, BCCC's funding formula was "rebased" from 66% of the State's general fund per-student appropriation (at selected four-year public institutions of higher education) to 60.9% for fiscal 2003, increasing back to 66% as illustrated below.

	<u>Fiscal 2003</u>	<u>Fiscal 2004</u>	<u>Fiscal 2005</u>	<u>Fiscal 2006</u>
Formula	60.9%	60.9%	63.4%	66.0%

2003 BRFA Action Analysis

Program Name: "Sellinger" Aid to Nonpublic Institutions

Agency: Maryland Higher Education Commission

Program Description: The program provides State aid to nonpublic institutions of higher education in Maryland. The amount of aid granted annually is a percentage of the previous year's per-student general fund support to selected public four-year institutions, multiplied by the number of full-time equivalent students enrolled in eligible nonpublic institutions.

<u>Item</u>	<u>Fiscal 2004</u>
<i>Reduction Contingent on Legislation</i>	\$3,549,920

Description of Action: The fiscal 2004 allowance is based on 2003 per-student general fund support to the selected public institutions prior to cost containment measures. This bill reduces Sellinger aid by \$3,549,920 in fiscal 2004 to reflect the fiscal 2003 reductions (of roughly 8%) to appropriations for the selected public institutions.

In the 2002 BRFA, the Sellinger institutions' funding was "rebased" from 16% of the previous year's per-student general fund support to 14.3% for fiscal 2004, increasing back to 16% as illustrated below:

<u>Fiscal 2004</u>	<u>Fiscal 2005</u>	<u>Fiscal 2006</u>
14.3%	15.2%	16.0%

2003 BRFA Action Analysis

Program

Name: St. Mary's College

Agency: N/A

Program Description: General fund increases are appropriated to St. Mary's College of Maryland as provided by the Education Article, 14-405(b)(ii), which states that the prior year appropriation be augmented by funds required to offset inflation. The prior year appropriation is multiplied by the implicit price deflator for State Higher Education institutions. For fiscal 2004 the price deflator is 3.5%.

Description of Action: General fund support for St. Mary's each year is the amount from the previous year, adjusted for inflation. This bill implicitly clarifies that the 2004 amount is based on the 2003 general fund support for St. Mary's after adjustments for 2003 cost containment. The fiscal 2004 allowance reflects \$1,244,867 based on the application of the formula to the cost contained fiscal 2003 general fund appropriation.

2003 BRFA Action Analysis

Program Name: Arts Council

Agency: Department of Business and Economic Development

Program Description: The Maryland State Arts Council supports the performing visual and creative arts, provides grants to individual artists, arts organizations, and county arts councils, and promotes statewide awareness of the arts resources and opportunities.

<u>Item</u>	<u>Fiscal 2004</u>
<i>Reduction Contingent on Legislation</i>	<i>\$2,265,100</i>

Description of Action: The Governor is required to submit a budget for the arts council where the general funds increase by not less than the percentage by which the revised general fund revenues for the current fiscal year exceed the revised estimate of total general fund revenues for the upcoming fiscal year as submitted by the Board of Revenue Estimates (BRE). The proposed reduction overrides that formula for fiscal 2004 by limiting the Governor’s budget allowance to \$12.3 million. This effectively reflects an increase based upon the fiscal 2003 appropriation rather than the fiscal 2003 allowance.

2003 BRFA Action Analysis

Program

Name: Employee Transit Benefit

Agency: Statewide

Program Description: The employee transit program provides free ridership to State employees in the Baltimore area.

Description of Action: In fiscal 2003, funds were appropriated to various State agencies and were then transferred to the Maryland Department of Transportation (Maryland Transit Administration) to defray the cost of providing the employee transit benefit. This bill restricts the expenditure of these funds, meaning that funds appropriated in Executive Branch agencies (\$1.5 million in general funds) will revert at the end of fiscal 2003. Funds remaining include Judiciary expenditures budgeted for this purpose (\$155,000), and funds other than general funds. All funds are restored in fiscal 2004, albeit at a slightly lower level than budgeted in fiscal 2003.

2003 BRFA Action Analysis

Program Name: Deferred Compensation State Match

Agency: Statewide

Program Description: For State employee members of the Employees' Pension System, the State provides a dollar-for-dollar match for a portion of contributions made to their Maryland 457, 403(b), and 401(k) supplemental retirement plans. In fiscal 2003, the State matches up to \$500.

Item

Fiscal 2004

Reduction Contingent on Legislation

\$7,896,808

Description of Action: The administration intends to reduce \$7,896,808 from the funds budgeted for the State's match of deferred compensation contributions in fiscal 2004, contingent on enabling legislation in the 2003 BRFA. This amount represents the general funds budgeted for Executive Branch agencies. This reduction does not address funding for this purpose in the Judicial or Legislative Branch budgets. It also does not address special, federal, reimbursable, and unrestricted funds for Executive Branch agencies. Total statewide funding for this program is estimated to be \$18.9 million in fiscal 2004.

State law provides for a \$600 annual match to the deferred compensation accounts of certain State employees. During the development of the fiscal 2003 budget, the General Assembly reduced the match to \$500. The reduction eliminates the matching program for fiscal 2004 for general funded Executive Branch employees.

2003 BRFA Action Analysis

Program Name: Performance Bonuses, Merit Increases, and Cost-of-living Increases for State Employees in Fiscal 2004

Agency: Statewide

Program Description: These components of employee compensation are not budgeted in fiscal 2004. The 2003 BRFA confirms that they will not be paid.

Description of Action: The bill confirms that the three components of compensation listed above, which are not budgeted in fiscal 2004, will not be paid.

2003 BRFA Action Analysis

Program

Name: Provider Rates for Nonpublic School Placements

Agency: Maryland State Department of Education (MSDE)

Program Description: Rates for providers of nonpublic placements and rates set for providers under the “Interagency Rates Committee” are established by the Interagency Rates Committee and the State Department of Education.

Description of Action: This bill freezes rates for providers of nonpublic placements and providers whose rates are set by the Interagency Rates Committee at the rates in effect on January 17, 2003. The bill applies this freeze throughout fiscal 2004. Payment in excess of the rates may be made in cases of extreme financial hardship

The MSDE fiscal 2004 budget allowance for nonpublic special education placements reflects a projected \$4 million in savings from the rate freeze. Absent the enactment of this language the Department of Budget and Management advises that the program would likely incur a deficiency in fiscal 2004. Incorporating savings from the Department of Human Resources results in total potential savings of approximately \$8 million.

2003 BRFA Action Analysis

Program Name: Injured Workers' Insurance Fund (IWIF) Long-term Liability Account

Agency: Injured Workers' Insurance Fund

Program Description: The IWIF long-term liability account provides a reserve toward the liability for State employees' workers' compensation claims. The long-term liability fund is commonly called the "Unfunded Liability" account, which refers to the difference between what the actuaries have determined is adequate to cover future liability and what the State has deposited in the account. Unfunded liability on June 30, 2003 is estimated to be \$173,462,664; on June 30, 2004 it is estimated to be \$206,383,577.

Fiscal 2003 (\$ in Millions)

<u>Item</u>	<u>Liability</u>	<u>Reserve</u>	<u>Unfunded Liability</u>
Starting Balance	\$194.8	\$97.5	\$88.4
Increase	11.2	20.0	0
2002 BRFA Transfer	0	-39.2	0
2003 BRFA Transfer	0	-75.0	0
Interest	0	1.5	0
Operating Account Balance	0	4.8	0
Ending Balance	\$206.0	\$27.7	\$173.5

Description of Action: Two separate transfers are made from the IWIF long-term liability account. The first transfer, for \$39.2 million, will be made on June 30, 2003 and was required under the 2002 BRFA; the second will be made the same day through this bill in the amount of \$75.0 million. If an unexpected high level of workers' compensation claims are made against the State, the level of the fund balances remaining after these transfers may require the State to make additional contributions to cover the claims on a pay-as-you-go basis.

2003 BRFA Action Analysis

Program Name: University System of Maryland Fund Balance

Agency: University System of Maryland (USM)

Program Description: The university system, which consists of 11 degree-granting institutions and 2 research centers, has increased reserves in recent years to strengthen its financial position. Bond rating agencies have indicated that USM should have a fund balance equal to one-half of its outstanding debt to maintain its current Aa3 bond rating. An adequate fund balance allows the system access to indirect debt through public-private partnerships, lower interest rates on debt, and lower issuance costs. It also allows institutions to save for particular purposes and respond to unanticipated emergencies. The sources of the reserves are the unrestricted fund revenue sources of the system: State general funds, tuition and fees, indirect cost recovery related to grants and contracts, and other revenues.

Description of Action: This action would transfer \$29 million from the University System of Maryland to the general fund. The system began fiscal 2003 with a fund balance of approximately \$286 million, of which approximately \$69 million was attributable to State funds.

2003 BRFA Action Analysis

Program

Name: Maryland Agricultural Land Preservation Fund (MALPF)

Agency: Maryland Department of Agriculture

Program Description: MALPF seeks to preserve agricultural land and woodland by buying permanent easements on agricultural land that meets certain criteria.

<u>Item</u>	<u>Fiscal 2003</u>	<u>Fiscal 2004</u>
<i>2003 BRFA Transfer</i>	<i>\$10,000,000</i>	<i>See Transfer Tax Discussion</i>

Description of Action: This legislation impacts funding for MALPF in multiple fiscal years. First, \$10.0 million in unexpended fiscal 2002 property and agricultural transfer tax revenues would be transferred to the general fund. Second, \$14.7 million in transfer tax revenues that would be transferred to MALPF in accordance with current transfer tax law is redirected to the general fund. This impact is discussed at greater length under discussion of the Transfer Tax. To partially offset the impact of this legislation, the fiscal 2004 general obligation bond allowance includes \$21.2 million for this program.

2003 BRFA Action Analysis

Program

Name: 9-1-1 Trust Fund

Agency: Department of Public Safety and Correctional Services

Program Description: The trust fund, consisting of revenues from a monthly fee on each telephone service provider account of 10 cents, is used to pay for capital improvements to local 9-1-1 operating systems.

<u>Item</u>	<u>Fiscal 2003</u>	<u>Fiscal 2004</u>
Starting Balance (State share only)	\$5,740,145	\$740,145
Revenues	5,100,000	5,100,000
Interest/Other Adjs.		0
Expenditures	5,100,000	5,100,000
<i>2003 BRFA Transfer</i>	<i>5,000,000</i>	<i>0</i>
Ending Balance	\$740,145	\$740,145

Description of Action: The bill transfers \$5.0 million from the 9-1-1 Trust Fund to the general fund in fiscal 2003. There are two components of the fund: charges that local jurisdictions impose for phone bills that are collected by the State and passed through for local operations, and a ten-cent surcharge that goes into a State fund for enhancing the 9-1-1 system, mandated equipment, or equipment required by the Emergency Number Board. The transfer of funds comes from the State ten-cent portion. As of January 13, 2003, the fund's unencumbered balance is approximately \$5.7 million. There is an issue with complying with the Federal Communications Commission requirement for wireless locator services by 2005.

2003 BRFA Action Analysis

Program Name: Department of Housing and Community Development Homeownership Programs

Agency: Department of Housing and Community Development

Program Description: Three programs comprise the Homeownership Programs: the Maryland Home Financing Program which makes direct loans to very low-income households to purchase homes; the Reverse Equity Mortgage Program which provides mortgage loans to limited-income elderly homeowners; and the Down Payment and Settlement Expense Loan Program which assists limited-income families with closing costs in the purchase of a home.

<u>Item</u>	<u>Fiscal 2003</u>	<u>Fiscal 2004</u>
Starting Balance	\$0	\$0
Revenues	2,781,000	2,247,000
Interest/Other Adjustments	6,307,000	6,488,000
Expenditures	7,088,000	8,735,000
<i>2003 BRFA Transfer</i>	<i>2,000,000</i>	<i>0</i>
Ending Balance	\$0	\$0

Description of Action: The transfer of \$2.0 million requires a one-for-one reduction in planned encumbrances for fiscal 2003 because the nonlapsing fund does not have a revolving unencumbered balance.

2003 BRFA Action Analysis

Program Name: Smart Growth Economic Infrastructure Fund (One Maryland)

Agency: Department of Business and Economic Development (DBED)

Program Description: This program provides grants, loans, or equity investments to qualified distressed jurisdictions or MEDCO. Funds can be used for acquisitions, improvements, and rehabilitation of land for industrial sites and parks, development of infrastructure, and shell buildings. Currently there are seven jurisdictions qualified as distressed jurisdictions: Baltimore City, and Allegany, Caroline, Dorchester, Garrett, Somerset, and Worcester counties.

<u>Item</u>	<u>Fiscal 2003</u>	<u>Fiscal 2004</u>
Starting Balance	\$3,700,000	-\$950,000
Revenues*	7,500,000	7,500,000*
Interest/Other Adjustments	400,000	500,000
Expenditures/Encumbrances	10,100,000	7,000,000
<i>2003 BRFA Transfer</i>	<i>2,450,000</i>	<i>0</i>
Ending Balance	-\$950,000	\$50,000

*Fiscal 2004 revenues consist of general obligation bond funds.

Description of Action: The proposed \$2,450,000 transfer in fiscal 2003 is attainable with current fund balances. The transfer, however, may ultimately require the delay of some projects until fiscal 2004 depending upon the “readiness” of projects in the pipeline.

The 2002 BRFA transferred \$2.0 million from this program to the general fund.

2003 BRFA Action Analysis

Program Name: Maryland Competitive Advantage Financing Fund

Agency: Department of Business and Economic Development (DBED)

Program Description: The program provides direct loans to small businesses that are unable to borrow from traditional lenders. Financial assistance is restricted to companies with less than \$1.0 million in annual revenues and fewer than 100 employees. Financial assistance can take the form of loans, loan guarantees, and interest subsidies and can range from \$10,000 to \$100,000. Eligible businesses must be located in a State priority funding area.

<u>Item</u>	<u>Fiscal 2003</u>	<u>Fiscal 2004</u>
Starting Balance	\$1,600,000	\$850,000
Revenues/General Funds	800,000	750,000
Interest/Other Adjustments	300,000	300,000
Expenditures	1,300,000	1,400,000
<i>2003 BRFA Transfer</i>	<i>550,000</i>	<i>0</i>
Ending Balance	\$850,000	\$500,000

Description of Action: The \$550,000 transfer in fiscal 2003 is attainable with current fund balances. DBED may have to suspend encumbrance activity to meet the requirement as \$1.4 million of the available \$2.6 million of general and special funds has been disbursed, encumbered, or earmarked for operating budget support.

2003 BRFA Action Analysis

Program Name: Maryland Small Business Development Financing Authority – Equity Participation Program

Agency: Department of Business and Economic Development (DBED)

Program Description: This program was created to offer financing assistance to small businesses that do not meet the established credit criteria of financial institutions and are unable to obtain adequate business financing in reasonable terms through normal financing channels. The authority currently offers four financing programs: the Contract Financing Program provides loans and loan guarantees for small contractors performing work under federal, State, local government, or public utility contracts; the Long-Term Guaranty Program provides guarantees of loans from private lenders; the Surety Bond Program assists small businesses in obtaining bid, performance, or payment bonds; and the Equity Participation Program assists small businesses through equity participation investments.

<u>Item</u>	<u>Fiscal 2003</u>	<u>Fiscal 2004</u>
Starting Balance	\$1,841,000	\$1,672,000
Revenues/General Funds	1,905,000	1,500,000
Interest/Other Adjustments	16,244,000	16,658,000
Expenditures	17,318,000	18,566,000
<i>2003 BRFA Transfer</i>	<i>1,000,000</i>	<i>0</i>
Ending Balance	\$1,672,000	\$1,264,000

Description of Action: The \$1.0 million transfer in fiscal 2003 is attainable with current fund balances from the Equity Participation Program. Furthermore, program encumbrance activity could be curtailed to ensure the funds are available at the end of the fiscal year.

The fund balance information includes the Contract Finance and Equity Participation programs. The Surety Bond and Guaranty Fund programs have been excluded because the larger than normal fund balances associated with these programs are maintained to provide leverage ratio coverage required by participating financial institutions.

2003 BRFA Action Analysis

Program Name: Maryland Enterprise Investment Fund

Agency: Department of Business and Economic Development (DBED)

Program Description: The Enterprise Fund provides capital through equity purchases to start-up companies that are developing innovative technologies with commercial applications. Investments, except those made in venture capital limited liability companies, are limited to 25% of a company's total equity or no more than \$500,000 and may not exceed 15 years in duration.

<u>Item</u>	<u>Fiscal 2003</u>	<u>Fiscal 2004</u>
Starting Balance	\$17,100,000	\$2,400,000
Revenues/General Funds	4,500,000	4,500,000
Interest/Other Adjustments	700,000	300,000
Expenditures	17,900,000	5,900,000
<i>2003 BRFA Transfer</i>	<i>2,000,000</i>	<i>0</i>
Ending Balance	\$2,400,000	\$1,300,000

Description of Action: The transfer of \$2.0 million in fiscal 2003 from the Enterprise Fund is attainable, as a sufficient balance currently exists to meet the transfer. Program activity could also be reduced, e.g., by making fewer investments to meet this transfer. If DBED is aware that the funds will not be there, it can adjust its encumbrance activity accordingly.

2003 BRFA Action Analysis

Program Name: Maryland Economic Development Assistance Authority Fund (MEDAAF)

Agency: Department of Business and Economic Development (DBED)

Program Description: The program provides below-market long-term fixed financing to specific growth industry sector businesses locating or expanding operations in a State priority funding area. Financing can take the form of loans, conditional loans, grants, conditional grants, and investments. The program also provides direct assistance to local jurisdictions or MEDCO to assist with local economic development projects or fund local revolving loan funds.

<u>Item</u>	<u>Fiscal 2003</u>	<u>Fiscal 2004</u>
Starting Balance	\$45,500,000	\$26,400,000
Revenues/General Funds	2,000,000	0
Interest/Other Adjustments	15,400,000	14,300,000
Expenditures	34,500,000	34,500,000
<i>2003 BRFA Transfer</i>	<i>2,000,000</i>	<i>0</i>
Ending Balance	\$26,400,000	\$6,200,000

Description of Action: The \$2.0 million transfer in fiscal 2003 is attainable with current available balances. A sizable balance exists in the fund and DBED should be able to adjust encumbrance activity to meet the proposed transfer even if activity levels increase throughout the fiscal year.

The 2002 BRFA transferred \$8.5 million from MEDAAF to the general fund.

2003 BRFA Action Analysis

Program Name: State Use Industries

Agency: Department of Public Safety and Correctional Services – Division of Correction

Program Description: State Use Industries (SUI) provides work and job training for inmates incarcerated in the Division of Correction. State Use Industries produces goods and supplies services at a cost that does not exceed the prevailing average market price. These goods and services are used by local, State, and federal agencies. They are also available for charitable, civic, educational, fraternal, or religious organizations for their own use.

<u>Item</u>	<u>Fiscal 2003</u>	<u>Fiscal 2004</u>
Starting Balance	\$13,317,355	\$12,203,950
Revenues	39,500,000	38,137,936
Interest/Other Adjustments	0	0
Expenditures	38,613,405	38,137,936
<i>2003 BRFA Transfer</i>	<i>2,000,000</i>	<i>2,000,000</i>
Ending Balance	\$12,203,950	\$10,203,950

Description of Action: SUI is operated as a financially self-sufficient entity for which revenues must meet or exceed expenses. The bill transfers \$2.0 million in fiscal 2003 and 2004 from SUI. The large fund balance is an accumulation of the excess of revenues over expenses. The 2002 BRFA transferred \$2 million in fiscal 2002 funds from State Use Industries to the general fund. The agency's projected fiscal 2004 revenues may be lower than projected due to cutbacks in purchases by other State agencies.

2003 BRFA Action Analysis

Program Name: Program Open Space (POS)

Agency: Department of Natural Resources

Program Description: This program is funded by the transfer tax and expedites the acquisition of outdoor recreation and open space areas and accelerates development and capital renewal of outdoor recreation activities.

<u>Item</u>	<u>Fiscal 2003</u>	<u>Fiscal 2004</u>
<i>2003 BRFA Transfer</i>	\$3,000,000	<i>See Transfer Tax Discussion</i>

Description of Action: This legislation reduces estimated revenues for POS in fiscal 2003 and 2004 via three strategies. First, \$3.0 million in fiscal 2003 State-side unexpended balances would be redirected to the general fund, leaving a fiscal 2003 POS State-side balance of approximately \$500,000. Secondly, in fiscal 2003, \$38.7 million in transfer tax over-attainment for fiscal 2002 and 2003 is transferred to the general fund. (See discussion under Transfer Tax.) Of this amount, \$15.5 million that would have supported POS in fiscal 2004 and \$13.6 million that would have supported POS in fiscal 2005 are transferred to the general fund. Finally, \$100 million in fiscal 2005 transfer taxes are directed to the general fund (see discussion in Transfer Tax), of which \$77.3 million would have supported POS in fiscal 2005.

These changes essentially eliminate special fund support for POS's land acquisition efforts. The remaining POS special fund appropriations will be dedicated primarily to program operation and administration costs, and critical maintenance projects. To partially offset the impact of this legislation, the capital budget allowance includes \$37.1 million in general obligation bond funding for POS.

2003 BRFA Action Analysis

Program Name: Information Technology – Major Projects

Agency: Department of Budget and Management (DBM)

Program Description: The Major Information Technology Project Development Fund is a special fund that provides funding support for certain major information technology projects.

<u>Item</u>	<u>Fiscal 2003</u>	<u>Fiscal 2004</u>
Starting Balance	\$3,657,745	\$5,266,644
Revenues	4,500,000	4,250,000
Interest/Other Adjustments	17,812,175	0
Expenditures	10,477,776	8,946,546
<i>2003 BRFA Transfer</i>	<i>10,225,500</i>	<i>0</i>
Ending Balance	\$5,266,644	\$570,098

Description of Action: The \$10.2 million transfer in fiscal 2003 defers a number of information technology projects that could otherwise have been supported by those funds. The transfer essentially reduces the fund balance below the level needed to support proposed projects requiring prioritization among those projects. That prioritization has been made by DBM.

2003 BRFA Action Analysis

Program Name: **Dedicated Purpose Fund**

Agency: State Reserve Fund

Program Description: The Dedicated Purpose Fund (DPF) was established to retain appropriations for major, multi-year expenditures where the magnitude and timing of cash needs are uncertain and to meet expenditure requirements which may be effected by changes in federal law or fiscal policies, or other contingencies.

<u>Item</u>	<u>Fiscal 2003</u>	<u>Fiscal 2004</u>
Starting Balance	\$100,770,434	\$11,430,759
Revenues	0	0
Interest/Other Adjustments	77,500	0
Expenditures	88,428,675	11,430,759
<i>2003 BRFA Transfer</i>	<i>988,500</i>	<i>0</i>
Ending Balance	\$11,430,759	\$0

Description of Action: The bill transfers \$661,000 from the DPF that were dedicated to the Woodrow Wilson Bridge replacement and the Addison Road Metrorail extension and \$327,500 from the DPF that were dedicated to utility restructuring education funds, both in fiscal 2003. Insofar as DPF will no longer support the MDOT projects and the PSC funds are no longer necessary, this action transfers these residual funds into the general fund.

The Department of Budget and Management advises that due to a lower amount of funds available, there is only \$911,000 available for transfer. Legislative Services recommends a corrective amendment.

2003 BRFA Action Analysis

Program

Name: Maryland Affordable Housing Trust (MAHT)

Agency: Department of Housing and Community Development (DHCD)

Program Description: MAHT provides grants to promote affordable housing for households earning less than 50% of the area or statewide median income. The trust is directed by a board of trustees and staffed by DHCD. MAHT grants are funded through the collection of interest earned on trust accounts held by title insurers doing business in the State. These funds are collected annually and deposited into a revolving special fund account for distribution by the MAHT.

<u>Item</u>	<u>Fiscal 2003</u>	<u>Fiscal 2004</u>
Starting Balance	\$4,409,000	\$2,379,000
Revenues	1,000,000	1,000,000
Interest/Other Adjustments	0	0
Expenditures	3,030,000	2,830,000
<i>2003 BRFA Transfer</i>	<i>0</i>	<i>500,000</i>
Ending Balance	\$2,379,000	\$49,000

Description of Action: The transfer of \$500,000 in fiscal 2004 is attainable within the resources currently available in the nonlapsing fund.

2003 BRFA Action Analysis

Program Name: Unclaimed Lottery Prize Fund

Agency: Maryland State Lottery

Program Description: This nonlapsing revolving fund consists of prize funds that have not been claimed by prize winners within 182 days.

<u>Item</u>	<u>Fiscal 2003</u>	<u>Fiscal 2004</u>
Starting Balance	\$5,764,298	\$869,606
Revenues	14,152,128	12,720,000
Interest/Other Adjustments	0	0
Expenditures	19,046,820	12,100,000
<i>2003 BRFA Transfer</i>	<i>0</i>	<i>-10,000,000</i>
Ending Balance	\$869,606	-\$8,510,394

Description of Action: The Governor's budget plan includes a \$10.0 million increase in the amount of State lottery proceeds paid to the general fund in fiscal 2003. The current figure established by the Board of Revenues Estimates (BRE) in December 2002 is \$431,991,000. The Governor has increased this figure to \$441,991,000 and to the extent that the State Lottery Agency is unable to meet the additional requirement, the 2003 BRFA would transfer the lesser of the difference between the amount of State lottery proceeds paid to the general fund in fiscal 2003 and \$441,991,000, or \$10.0 million from the Unclaimed Prize Fund in fiscal 2004. Since the lottery's plan for achieving the original \$431,991,000 general fund revenue figure includes the use of the Unclaimed Prize Fund, the agency does not expect to end fiscal 2003 or begin fiscal 2004 with a sizeable balance in unclaimed prize funds. As in fiscal 2003, the agency anticipates utilizing the revenues deposited into the Unclaimed Prize Fund to achieve the BRE fiscal 2004 general fund revenue requirement. To the extent that the lottery does not achieve the Governor's established \$441,991,000 fiscal 2003 general fund revenue requirement and transfer from the Unclaimed Prize Fund is required, the agency's ability to utilize these fund to achieve the fiscal 2004 general fund revenue requirement would be impacted.

2003 BRFA Action Analysis

Program

Name: Tax Credit Payments

Agency: State Department of Assessments and Taxation (SDAT)

Program Description: The tax credit program provides financial assistance to low-income homeowners, renters, and businesses that operate in designated enterprise zones.

<u>Item</u>	<u>Fiscal 2004</u>
<i>Reduction Contingent on Legislation</i>	<i>\$10,000,000</i>

Description of Action: The budget bill includes language making a \$10 million general fund reduction to the SDAT budget contingent on enactment of legislation allowing the State to recover from the counties a portion of the cost associated with property tax administration for local governments. This recovery will be accomplished by withholding \$10 million from the tax credit funds SDAT provides the local jurisdictions. The tax credit program is an entitlement that has regularly been under-utilized (based on the annual appropriation). However, since the tax credits program is an entitlement these payments must be made and therefore the local jurisdictions will meet their tax credit payments with their own funds.

The \$10 million reduction is allocated to the counties based on the assessed value of county property.

This bill also provides that if the proposed reduction exceeds the amount of funds due to a county for reimbursement of tax credit payments, then no additional payment is required from the county. Thus, the total amount ultimately withheld could be slightly less than \$10 million. Talbot and Worcester counties are currently projected to have tax credit payments less than the proposed reduction of \$32,831 and \$11,599 respectively.

2003 BRFA Action Analysis

Program Name: Joseph Fund

Agency: State Reserve Fund

Program Description: The fund was established in 1999 to meet the emergency needs of economically disadvantaged citizens of the State, especially in times of economic downturn.

<u>Item</u>	<u>Fiscal 2003</u>	<u>Fiscal 2004</u>
Starting Balance	\$8,067,409	\$8,232,636
Revenues	0	0
Interest/Other Adjustments	165,227	0
Expenditures	0	0
<i>2003 BRFA Transfer</i>	<i>0</i>	<i>8,232,636</i>
Ending Balance	\$8,232,636	\$0

Does transfer have to be repaid in future budgets: No

Description of Action: The 2002 BRFA authorized the use of the fund to support increased Temporary Cash Assistance (TCA) payments in fiscal 2003 and 2004. Because the required increase was nominal, the funds were not needed for TCA payments. With this budget, the Administration is proposing to use these funds to support the administration of the Department of Human Resources' Child Welfare Program, which supports such activities as foster care and adoption services. The \$8.2 million savings is already reflected in the fiscal 2004 allowance for the Department of Human Resources. Failure to adopt this transfer will create an \$8.2 million deficit for the Department of Human Resources.

2003 BRFA Action Analysis

Program

Name: Local Highway User Revenues

Agency: Maryland Department of Transportation (MDOT)

Program Description: This program shares certain MDOT revenues with local jurisdictions based on each jurisdiction's total county road miles and number of registered vehicles. The shared revenues include motor fuel tax receipts, titling tax revenues, corporate income taxes, sales tax on rental cars, and a portion of motor vehicle registration fees.

<u>Item</u>	<u>Fiscal 2003</u>	<u>Fiscal 2004</u>	<u>Fiscal 2005</u>
<i>2003 BRFA Transfer</i>	<i>17,949,407</i>	<i>102,440,128</i>	<i>\$102,440,128</i>

Description of Action: Fiscal 2003 Highway User Revenue are available due to the excess receipts over the estimates assumed in the fiscal 2003 appropriation. This bill reduces local distributions by \$17.9 million in fiscal 2003 and \$102.4 million in fiscal 2004 and 2005. For fiscal 2004, the reduction represents approximately 5% of highway user revenues. MDOT's share is not affected.

The distribution by county of this reduction is shown on the next page. Baltimore City's share of highway user funds is set at \$170 million for fiscal 2004 and 2005 under the legislation. The counties and municipalities share the remaining account per the current formula which is based on road mileage and auto registrations.

**State Highway User Revenues
Fiscal 2003 - 2004**

<u>County</u>	<u>FY 2003 Contingent Reduction</u>	<u>FY 2004 Contingent Reduction</u>
Allegany	\$231,139	\$2,064,536
Anne Arundel	953,845	8,519,748
Baltimore City	8,155,818	14,963,702
Baltimore	1,312,353	11,721,950
Calvert	187,070	1,670,911
Caroline	152,472	1,361,878
Carroll	420,889	3,759,383
Cecil	237,065	2,117,464
Charles	289,862	2,589,047
Dorchester	173,874	1,553,046
Frederick	550,165	4,914,076
Garrett	196,800	1,757,824
Harford	485,017	4,332,175
Howard	479,905	4,286,513
Kent	87,811	784,329
Montgomery	1,366,386	12,204,572
Prince George's	1,183,019	10,566,734
Queen Anne's	172,063	1,536,869
St. Mary's	223,372	1,995,157
Somerset	104,326	931,838
Talbot	138,937	1,240,990
Washington	359,959	3,215,160
Wicomico	278,701	2,489,361
Worcester	<u>208,561</u>	<u>1,862,865</u>
Total	\$17,949,407	\$102,440,128

2003 BRFA Action Analysis

Program Name: **Transportation Trust Fund**

Agency: Maryland Department of Transportation (MDOT)

Program Description: The Transportation Trust Fund consists of motor fuel tax receipts, titling tax revenues, vehicle registration fees, a portion of the corporate income tax, revenues generated by the modal units of the department, and proceeds from bond sales.

	(\$ in Millions)	
<u>Item</u>	<u>Fiscal 2003</u>	<u>Fiscal 2004</u>
Starting Balance	\$173.0	\$100.0
Revenues (net)	1,741.0	1,805.0
Interest/Other Adjustments	408.0	413.0
Expenditures	2,072.0	2,608.0
<i>2003 BRFA Transfer</i>	<i>150.0</i>	<i>150.0</i>
Ending Balance	\$100.0	\$100.0

Description of Action: MDOT has made operating reductions in fiscal 2003 and 2004 and capital project reductions in fiscal 2003 through 2008 to reduce expenditures sufficiently to permit the transfer of \$300 million (\$150 million in fiscal 2003 and \$150 million in fiscal 2004).