

Department of Legislative Services
Maryland General Assembly
2003 Session

FISCAL AND POLICY NOTE

Senate Bill 757 (Senators Giannetti and Kramer)
Budget and Taxation

Constitutional Amendment - Transportation Trust Fund

This bill proposes to amend the Maryland Constitution to include the Transportation Trust Fund (TTF) and establish rules for its operation and funding. The bill provides that TTF funds may only be used to pay the principal of and interest on transportation bonds and for any lawful purpose related to construction and maintenance of an adequate highway system or any other transportation related purpose. No part of the TTF may revert or be credited to general funds and no part may revert or be credited to a State special fund unless otherwise provided by law that was in effect on or before October 1, 2003. The bill specifies the sources for TTF revenues (those contained in current law), which include all motor fuel and vehicle excise taxes, as well as all vehicle registration fees, a portion of the corporate income tax and the rental vehicle sales tax, and cash proceeds from the sale of consolidated transportation bonds.

The bill states that constitutional requirements for a majority approval of the amendment in a local jurisdiction do not apply and calls for the amendment to be submitted for a statewide vote at the next general election to be held in November 2004.

Fiscal Summary

State Effect: If adopted, the constitutional amendment would allow TTF expenditures to continue and would eliminate or reduce any expenditures from the TTF for the general fund beginning in FY 2005. The effect on TTF revenues cannot be determined at this time; however, future revenue sources would be affected.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: State law prohibits any part of the TTF to revert or be credited to the general fund. Similarly, no part of the TTF 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 within 15 days after the transfer is presented, the transfer is deemed to be approved.

Background: Notwithstanding statutory restrictions, TTF funds have been transferred to the general fund four times between 1984 and 2003. In 1984, approximately \$29 million was transferred for a budget shortfall and, in 1986, \$100 million was transferred to the Maryland Deposit Insurance Fund (MDIF) during the savings and loan crisis. These funds were repaid. During the State's budget crisis in 1991 and 1992, \$70.2 million was transferred from the TTF to reduce a general fund shortfall. The enabling legislation did not require repayment. Additionally, the Governor plans to transfer \$300 million (\$150 million in fiscal 2003 and 2004) from the TTF to the State's general fund through the Budget Reconciliation and Financing Act of 2003 (BRFA), which would be effective June 1, 2003.

The TTF's fiscal 2003 starting balance was \$173 million; as a result of revenue increases, expenditures, and the proposed \$150 million transfer under BRFA, the ending balance is estimated to be \$100 million. The fiscal 2004 ending balance, accounting for an identical transfer, is also expected to be \$100 million.

State Fiscal Effect: Assuming approval of the amendment in the November 2004 election, this bill will prevent any transfers from the State's portion of the TTF that occur after the amendment is adopted, thus allowing TTF expenditures to continue at the current rate. Any proposed transfers would require an additional constitutional amendment. The Department of Legislative Services advises that any future shortfalls in the general fund could require additional and possibly significant expenditure reductions or revenue increases, or additional fund transfers.

The bill also establishes the TTF revenue sources as part of the constitution rather than statute, which would render making any changes to TTF revenue sources subject to the constitutional amendment process and would restrict the State's flexibility to increase or change those revenues. If the State experiences a shortfall in any of the current revenue sources, this could lead to a decrease in TTF revenues.

Additional Information

Prior Introductions: None.

Cross File: HB 1157 (Delegate Leopold, *et al.*) – Appropriations.

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

Fiscal Note History: First Reader - March 17, 2003

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