

Department of Legislative Services  
Maryland General Assembly  
2005 Session

FISCAL AND POLICY NOTE

House Bill 29  
Appropriations

(Delegate Leopold, *et al.*)

---

State Budget - Transfer of Money from Special Funds - Repayment Plans

---

This bill requires the Governor to include in the State budget for the next ensuing fiscal year a reasonable plan for the repayment of money transferred by a legislative enactment from a special fund source that State or federal law dedicates to a specific purpose. The plan must include a specific time period for the repayment of the transferred funds. This provision only applies if the amount of the funds transferred is at least 10% of the fund source or \$1 million, whichever is greater.

The bill takes effect July 1, 2005.

---

Fiscal Summary

**State Effect:** Potential increase in general fund expenditures in the next ensuing fiscal year to the extent that legislation is enacted that transfers special fund revenues dedicated to a specific purpose to the State's general fund.

**Local Effect:** Potential increase in local government revenues. Local expenditures would not be affected.

**Small Business Effect:** None.

---

Analysis

**Current Law:** The Rainy Day Fund's sweeper provision provides that, when there is a surplus of unappropriated funds in the general fund at the close of a fiscal year, the first \$10 million of any such surplus will be retained by the general fund, while the next \$11

million to \$60 million will be transferred to the Transportation Trust Fund (TTF), until such time as a specified amount has been repaid to the TTF. Any surplus amount exceeding \$60 million will be appropriated to the Rainy Day Fund.

**Background:** Balancing the fiscal 2002 through 2005 State budgets has resulted in the transfer of various special funds into the general fund, and the Administration has proposed additional transfers to balance the fiscal 2006 general fund budget. Similar actions were taken in the early 1990s. For example, as shown in **Appendix 1**, special fund transfers to the general fund authorized in the 2003 and 2004 sessions and the transfers proposed in the 2005 session total over \$1.3 billion. The TTF and special funds for land preservation accounted for a majority of that amount at \$537.7 million or 40% and \$515.8 million or 39%, respectively. To partially offset this impact, a total of \$76.9 million for land preservation and related programs was added to the fiscal 2004 and 2005 capital budgets.

In addition, the Budget Reconciliation and Financing Act (BRFA) of 2004 required repayment of \$314.9 million to the TTF; this repayment does not include local highway revenues transferred to the general fund.

**State Fiscal Effect:** Pursuant to this legislation, general fund expenditures could increase to reimburse special funded programs that had monies transferred to the State's general fund or to fund a specific program which would have otherwise been funded with general funds in the previous fiscal year by a legislative enactment. The extent of the expenditure increase in any fiscal year would depend upon the amount of special funds so transferred and the repayment plan submitted by the Governor.

**Local Fiscal Effect:** County and municipal governments receive a significant amount of State funding each year for transportation and land preservation projects. Transportation funding is provided through the State's Transportation Trust Fund in the form of local highway user revenues. Land preservation projects are funded through the State property transfer tax in the form of local Program Open Space grants. As shown in **Exhibit 1**, transfers to the State's general fund from local government aid programs total almost \$386 million since fiscal 2003.

---

**Exhibit 1**  
**State Aid to Local Governments Transferred to the State's General Fund**  
**(\$ in Millions)**

	<u><b>FY 2003</b></u>	<u><b>FY 2004</b></u>	<u><b>FY 2005</b></u>	<u><b>FY 2006</b></u>	<u><b>FY 03-06</b></u>
Highway User Revenues	\$17.9	\$102.4	\$102.4	\$0	\$222.7
Program Open Space	22.0	30.5	49.2	61.3	163.0
<b>Total</b>	<b>\$39.9</b>	<b>\$132.9</b>	<b>\$151.6</b>	<b>\$61.3</b>	<b>\$385.7</b>

Source: Department of Legislative Services

---

Pursuant to this legislation, local governments could be reimbursed for any future legislative enactment that transfers money from local aid programs to the State's general fund.

---

**Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

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

**Fiscal Note History:** First Reader - January 31, 2005  
ncs/ljm

---

Analysis by: Hiram L. Burch Jr.

Direct Inquiries to:  
(410) 946-5510  
(301) 970-5510

**Appendix 1**  
**Transfers from Special Funds to the General Fund**  
**Authorized in the 2003 and 2004 Legislative Sessions and**  
**Proposed by the Governor in the 2005 Legislative Session**  
(\$ in Millions)

<b><u>Special Fund</u></b>	<b><u>FY 2003</u></b>	<b><u>FY 2004</u></b>	<b><u>FY 2005</u></b>	<b><u>FY 2006</u></b>	<b><u>Total</u></b>
Transportation Trust Fund	\$160.0	\$154.9	\$0.0	\$0.0	\$314.9
Local Highway User Revenues	17.9	102.4	102.4	0.0	222.8
<b>Subtotal – Transportation</b>	<b>\$177.9</b>	<b>\$257.4</b>	<b>\$102.4</b>	<b>\$0.0</b>	<b>\$537.7</b>
Transfer Tax	\$38.7	\$102.8	\$189.3	\$163.3	\$494.0
Agricultural Land Preservation	18.8	0.0	0.0	0.0	18.8
Program Open Space Balances	3.0	0.0	0.0	0.0	3.0
<b>Subtotal – Land Preservation</b>	<b>\$60.5</b>	<b>\$102.8</b>	<b>\$189.3</b>	<b>\$163.3</b>	<b>\$515.8</b>
Unclaimed Local Income Taxes	\$0.0	\$0.0	\$81.0	\$0.0	\$81.0
Injured Workers’ Insurance Fund	75.0	0.0	0.0	0.0	75.0
University System of Maryland	29.0	0.0	0.0	0.0	29.0
Information Technology	23.6	0.0	0.0	0.0	23.6
Economic Development Funds	20.0	0.0	0.0	0.0	20.0
Waterway Improvement Fund	8.0	11.0	0.0	0.0	19.0
Maryland Housing Fund	10.0	0.0	0.0	0.0	10.0
State Use Industries	2.0	2.0	2.0	0.0	6.0
Universal Service Trust Fund	3.0	0.0	0.0	0.0	3.0
Homeownership Programs	2.0	0.0	0.0	0.0	2.0
Miscellaneous Funds	5.0	2.7	8.9	0.0	16.6
<b>Subtotal – Other Funds</b>	<b>\$177.7</b>	<b>\$15.7</b>	<b>\$91.9</b>	<b>\$0.0</b>	<b>\$285.3</b>
<b>Total Transfers</b>	<b>\$416.1</b>	<b>\$375.9</b>	<b>\$383.6</b>	<b>\$163.3</b>	<b>\$1,338.8</b>

Source: Department of Budget and Management, *Fiscal Digest*