SB 73

Department of Legislative Services

Maryland General Assembly
2007 Session

FISCAL AND POLICY NOTE

Senate Bill 73 (The President) (By Request – Administration)
Budget and Taxation

Maryland Transportation Authority - Intercounty Connector - Funding

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This Administration bill provides relief from mandated funding in fiscal 2008 only – deferring payment until fiscal 2010 at the latest. Specifically, the bill repeals the requirement that the Governor transfer at least $50 million in fiscal 2008 from the general fund to the Maryland Transportation Authority (MdTA) to pay for the InterCounty Connector (ICC). However, a total of $264.9 million must still be transferred from the general fund to MdTA by fiscal 2010.

The fiscal 2008 budget bill (SB 55/HB 50) includes a $53 million general fund reduction, contingent upon enactment of this bill or similar legislation.

The bill takes effect June 1, 2007.

Fiscal Summary

State Effect: General fund expenditures decrease by $53 million in FY 2008. This deferral results in a corresponding increase in general fund expenditures by FY 2010.

(in dollars)	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Revenues	$0	$0	$0	$0	$0
GF Expenditure	(53,000,000)	0	53,000,000	0	0
Net Effect	$53,000,000	$0	($53,000,000)	$0	$0

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

Local Effect: None.

Small Business Effect: A small business impact statement was not provided by the Administration in time for inclusion in this fiscal note. A revised fiscal note will be issued when the Administration's assessment becomes available.

Analysis

Current Law: To help pay for the ICC, the Governor must transfer to MdTA:

- $22 million from the Transportation Trust Fund (TTF) in fiscal 2005, $38 million from the TTF in fiscal 2006, and at least $30 million from the TTF each year for fiscal 2007 through 2010;
- a total of $264,913,000 from the general fund by fiscal 2010 including at least $50 million each year for fiscal 2007 through 2010; and
- at least $10 million in federal aid.

Background: The ICC is a proposed east-west, limited-access toll road that would connect I-270 in Montgomery County and I-95/US1 in Prince George's County. Governor Robert Ehrlich pledged in 2003 to restart planning and design of the 18-mile, six-lane parkway and begin construction by 2006. The Maryland Department of Transportation (MDOT) began project planning for the ICC in March 2003, and in July 2005, the Governor selected the Corridor 1 alignment as the preferred route. After an expedited federal review, ground was broken in 2006. Portions of the parkway should be completed by 2010 and 2011. MDOT projects the cost of the ICC to be $2.4 billion, not including financing costs.

During the economic downturn of the early 2000s, general fund revenues dropped precipitously, necessitating a series of extraordinary cost containment measures and fund balance transfers to maintain operations. These transfers included $314.9 million from the TTF to the general fund through Chapter 203 of 2003, the Budget Reconciliation and Financing Act (BRFA) – $160 million in fiscal 2003 and $154.9 million in fiscal 2004. The Governor was required to submit a plan for replacement of these funds to specified committees of the General Assembly by December 1, 2003.

As the Governor did not submit a plan for replacement of funds, the General Assembly developed a repayment plan by modifying existing provisions relating to the disposition of any unappropriated general fund balance at the end of a fiscal year. Chapter 430 of 2004 (the BRFA), included the TTF in these provisions so that up to $50 million in any such surpluses would be transferred to the TTF, beginning in fiscal 2006, until the full amount ($314.9 million) had been repaid.

Although a transfer of $50 million was made in fiscal 2006, subsequent transfers were not required. Instead, the TTF repayment provision was repealed through Chapter 472 of 2005, and a detailed financing plan to fund the ICC was established. That plan mandated a series of transfers from the general fund to MdTA equal to the remaining $264.9 million that had not yet been repaid.

Chapter 472 required MdTA to operate and maintain the ICC and provide the majority of the financing for the project through the issuance of (1) revenue bonds backed by tolls on its existing facilities as well as tolls that would be collected on the ICC; and (2) a form of debt called Grant Anticipation Revenue Vehicle bonds, which are bonds backed by future federal transportation aid. In total, at least another $454.9 million is to be funded from the TTF, the general fund, and federal aid.

The Governor has already transferred or scheduled for transfer:

- $60 million from the TTF during fiscal 2005 and 2006;
- $30 million from the TTF during fiscal 2007; and
- $53 million from the general fund during fiscal 2007.

In addition, $18.5 million of federal aid was earmarked for the ICC in the recent reauthorization of highway funding.

The Governor's fiscal 2008 budget plan results in a projected fund balance for fiscal 2008 of $29.9 million. This balance assumes the $53 million reduction in the general fund appropriation that is contingent on this legislation. In lieu of passing this legislation to authorize the reduction, the General Assembly would need to reduce the budget or increase revenues by at least $23.1 million to ensure a balanced fiscal 2008 budget.

State Fiscal Effect: The fiscal 2008 budget includes a $53 million general fund reduction, contingent upon enactment of this bill or similar legislation altering the timing of transfers to MdTA. The bill does not alter the total amount of money that needs to be conveyed to MdTA from the general fund; the deferred $53 million payment will need to be made by the end of fiscal 2010. Assuming that the Governor waited until fiscal 2010 to reallocate the monies needed to make up the shortfall, general fund expenditures would increase by $53 million in fiscal 2010.

MDOT advises that a detailed scrutiny of the project schedule and the financing plan for the ICC has been conducted. The payment could be deferred until fiscal 2010. MdTA advises that other aspects of the financing plan can be adjusted to accommodate a delay in the transfer of general funds. Nonbudgeted operations and expenditures would therefore not be affected.

Additional Information

Prior Introductions: None.

Cross File: HB 57 (The Speaker) (By Request – Administration) – Appropriations.

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

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