

Department of Legislative Services
Maryland General Assembly
2008 Session

FISCAL AND POLICY NOTE
Revised

House Bill 1127
Ways and Means

(Delegate Krebs, *et al.*)

Transportation Trust Fund - Dedicated Highway Funds

This bill requires that all motor fuel tax revenues, motor vehicle excise tax revenues, and vehicle registration fees collected, received, or credited to the Transportation Trust Fund, net of statutory deductions and after the payment of debt service, be used only for highway purposes. No part of TTF may revert or be credited to the general fund or a special fund.

The bill takes effect July 1, 2008.

Fiscal Summary

State Effect: The operating budgets of all modes within the Maryland Department of Transportation except the State Highway Administration and the Washington Metropolitan Area Transit Authority would be significantly reduced. The capital programs of all modes except SHA and WMATA would be eliminated.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: TTF is a nonlapsing special fund that provides funding to the Maryland Department of Transportation. The fund consists of tax and fee revenues, operating revenues, and fund transfers. The tax and fee revenues include vehicle registration fees and titling taxes, as well as motor fuel taxes, rental car sales taxes, and a portion of the

corporate income taxes. Effective July 1, 2008, a portion of the State sales tax will be directed to TTF.

No part of TTF may revert or be credited to the general fund and no part may revert or be credited to a special fund, unless otherwise provided by law and approved by the Legislative Policy Committee.

Background: The Maryland Department of Transportation (MDOT) is responsible for statewide transportation planning and the development, operation, and maintenance of key elements of the transportation system. MDOT is organized into a State Highway Administration, Motor Vehicle Administration, Aviation Administration, Port Administration, and Transit Administration. Other departmental components include the Office of the Secretary and certain advisory and zoning boards. A separate Maryland Transportation Authority operates revenue generating transportation facilities. Consequently, MDOT is involved in all modes of transportation within the State, including the construction and maintenance of State roads, regulation and licensing of drivers and vehicles, and operation of bus and rail transit services. In addition, MDOT owns and operates Martin State Airport, Baltimore/Washington International Thurgood Marshall Airport (BWI Marshall Airport), and terminals in the Helen Delich Bentley Port of Baltimore.

TTF Revenue Receipts

Transportation in Maryland is funded through TTF, which generated \$2.2 billion in State sourced funds in fiscal 2007. **Exhibit 1** shows that TTF's fiscal 2007 end of year fund balance totaled \$190 million. The most significant tax and fee revenues in TTF are motor fuel taxes, titling taxes, and registration fees. Attainments from these sources are expected to total \$1.85 billion in fiscal 2008 and \$1.9 billion in fiscal 2009.

Exhibit 2 shows that TTF's largest revenue sources in fiscal 2009 are the motor fuel and titling taxes and federal aid for the capital program, which represent almost \$2.1 billion, or 52%, of all fund sources. MDOT is projecting that \$370 million in bonds will be sold to supplement the transportation capital program in fiscal 2009.

Exhibit 1
Transportation Trust Fund Actual Revenues Received
Fiscal 2007
(\$ in Millions)

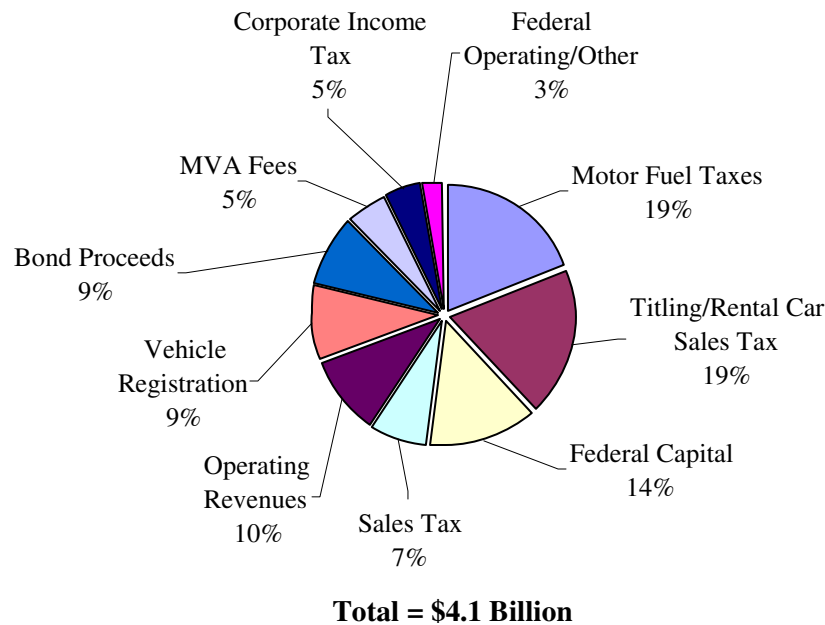
	<u>Actual 2007</u>
Starting Fund Balance	\$235
Revenues	
Titling Taxes	\$704
Motor Fuel Taxes	756
Corporate Income, Registrations, and Miscellaneous MVA Fees	761
Other Receipts and Adjustments	537
Bond Proceeds and Premiums	103
Total Revenues	\$2,861
Uses of Funds	
MDOT Operating Expenditures	\$1,396
MDOT Capital Expenditures	752
MDOT Debt Service	115
Highway User Revenues	554
Other Expenditures	89
Total Expenditures	\$2,906
Ending Fund Balance	\$190

MDOT: Maryland Department of Transportation
MVA: Motor Vehicle Administration

Note: Numbers may not sum to total due to rounding.

Source: Maryland Department of Transportation, January 2008

Exhibit 2
Transportation Trust Fund State Sourced Revenues and Federal Funds
Fiscal 2009



Source: Governor's Budget Books, Fiscal 2009, Volume I, pages 624-628

State funding for roads and highways will total approximately \$1.9 billion in fiscal 2009 which represents 46.3% of total transportation funding. This amount includes \$1.3 billion for the State Highway Administration and \$548.7 million in local highway user grants. State funding for mass transit services will total \$1.2 billion in fiscal 2009 which represents 30.7% of total transportation funding. This amount includes \$942.7 million for the Maryland Transit Administration and \$299.0 million for WMATA. State funding for the Port Administration will total \$241.3 million or 6.0% of total funding; whereas, the Aviation Administration will receive \$250.0 million or 6.2% of total funding. The remaining transportation funds goes towards debt service, the Secretary's Office, and the Motor Vehicle Administration. **Exhibit 3** categorizes the proposed fiscal 2009 State budget by operating and PAYGO capital budgets for each modal administration, debt service, and local highway user grants.

Exhibit 3
Transportation Budget Overview
Fiscal 2007-2009

	<u>2007 Actual</u>	<u>2008 Working</u>	<u>2009 Allowance</u>	<u>2008-09 Change</u>	<u>2008-09 % Change</u>
Operating Programs					
Secretary's Office	\$66,438,873	\$75,453,370	\$76,485,215	\$1,031,845	1.4%
WMATA	170,960,970	193,029,374	218,300,000	25,270,626	13.1%
State Highway Administration	235,358,787	212,178,716	223,688,155	11,509,439	5.4%
Port Administration	98,716,408	110,053,984	112,627,689	2,573,705	2.3%
Motor Vehicle Administration	140,436,589	147,489,842	157,665,110	10,175,268	6.9%
Transit Administration	505,916,399	512,868,921	591,855,931	78,987,010	15.4%
Aviation Administration	178,157,089	183,541,224	187,437,543	3,896,319	2.1%
Subtotal	\$1,395,985,115	\$1,434,615,431	\$1,568,059,643	\$133,444,212	9.3%
Debt Service	\$114,608,917	\$128,318,800	\$141,933,925	\$13,615,125	10.6%
Local Highway User Grants	\$554,060,785	\$566,782,241	\$548,674,120	-\$18,108,121	-3.2%
Capital					
Secretary's Office	\$35,930,807	\$39,175,872	\$24,663,851	-\$14,512,021	-37.0%
WMATA	65,196,979	84,661,000	80,741,000	-\$3,920,000	-4.6%
State Highway Administration	1,046,705,186	1,073,427,270	1,103,437,000	\$30,009,730	2.8%
Port Administration	75,240,149	131,211,000	128,635,000	-\$2,576,000	-2.0%
Motor Vehicle Administration	20,236,175	30,837,031	40,654,681	\$9,817,650	31.8%
Transit Administration	151,710,601	167,826,001	350,832,751	\$183,006,750	109.0%
Aviation Administration	67,848,567	65,752,000	62,425,000	-\$3,327,000	-5.1%
Subtotal	\$1,462,868,464	\$1,592,890,174	\$1,791,389,283	\$198,499,109	12.5%
Total of All Funds					
Special Fund	\$2,744,533,892	\$2,946,918,720	\$3,364,602,323	\$417,683,603	14.2%
Federal Fund	782,759,731	775,687,926	685,416,483	-90,271,443	-11.6%
Reimbursable Fund	229,658	0	38,165	38,165	N/A
Grand Total	\$3,527,523,281	\$3,722,606,646	\$4,050,056,971	\$327,450,325	8.8%

WMATA: Washington Metropolitan Area Transit Authority

Source: Maryland State Budget

Roads and Highways

A majority of State and local transportation resources are dedicated to the State's highway system. The State Highway Administration is responsible for more than 5,200 miles or almost 16,700 lane miles of road, 2,500 bridges, 3,500 small stream crossing structures, and 80 miles of sound barriers. It also has responsibility for planning, designing, constructing, and maintaining these roads and bridges to safety and performance standards while considering sociological, ecological, and economic concerns.

State Fiscal Effect: Pursuant to this legislation, \$1.9 billion in TTF revenues would be dedicated solely to highway purposes, after certain statutory deductions and debt service payments. This will significantly strain the operating budgets of all modes except SHA and WMATA and completely eliminate the special fund capital programs of all modes except for SHA and WMATA. From TTF, the State is obligated to pay debt service on Consolidated Transportation Bonds and make full payment of WMATA operating and capital costs, resulting in reduced special funds for all other modes' operating expenses and no funds for capital projects. Legislative Services advises that the bill potentially adds approximately \$623 million to the highway capital program, while continuing to provide for SHA current operating and capital programs.

Additionally, Legislative Services notes that depending on the allocation method, remaining funds provide for WMATA operating and capital budgets, and some portion of the operating budgets of MAA, MPA, MTA, and MVA. Except for SHA and WMATA, the special fund capital programs for all other modes are eliminated. If allocated on a *pro rata* basis, the bill strains all of the operating modes. Based on this analysis, approximately \$168 million of the operating program would have to be reduced or funded with another source, and all of the special fund capital programs (\$455 million) for the modal administrations would have to be eliminated or funded with another revenue source (**Exhibit 4**). Legislative Services advises that since no other revenue source is provided for within the bill, a significant portion of the operating budgets and all special funds for capital programs, with the exception of WMATA and highway capital, for the various modes would either be eliminated or would have to be replaced with general funds.

Exhibit 4
Potential Funding Reductions to Comply with HB 1127
Fiscal 2009

	<u>\$ in Millions</u>
Operating Funds	
All Modes Except SHA and WMATA	\$168
Capital Funds	
Maryland Transit Administration	\$206
Maryland Port Administration	128
Maryland Aviation Administration	58
Office of the Secretary	22
Motor Vehicle Administration	<u>41</u>
Subtotal	\$455
Total	\$623

Additional Information

Prior Introductions: A similar bill, HB 59, was introduced in the 2007 special session and was referred to the House Rules and Executive Nominations Committee. No further action was taken on the bill.

Cross File: None.

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

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