

Department of Legislative Services
2010 Session

FISCAL AND POLICY NOTE

House Bill 383
Appropriations

(Delegate Krebs, *et al.*)

Transportation Trust Fund Protection Act

This bill prohibits the transfer of money in the Transportation Trust Fund (TTF) to the general fund unless the Governor declares the transfer necessary due to extraordinary financial circumstances and legislation enacted prior to the transfer provides for repayment of the funds within five years after the diversion, with repayment commencing immediately.

The bill takes effect July 1, 2010.

Fiscal Summary

State Effect: No direct effect. To the extent that future legislation provides for a transfer of TTF revenues to the general fund, general fund expenditures increase in order to repay TTF within the five-year time limit.

Local Effect: Local government finances are not directly affected by the bill.

Small Business Effect: None.

Analysis

Current Law: After meeting debt service obligations, the Maryland Department of Transportation (MDOT) may use funds in TTF for any lawful purpose related to the exercise of its rights, powers, duties, and obligations. No part of TTF may revert or be credited to the general fund.

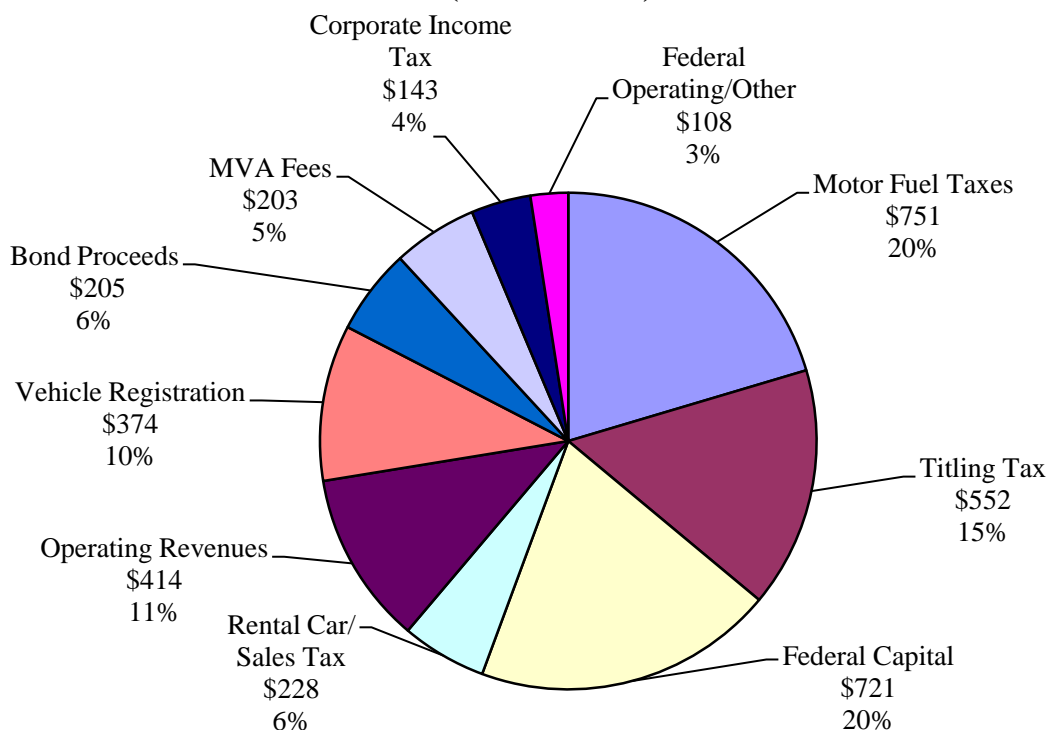
Background: TTF is a nonlapsing special fund that provides dedicated funding for transportation. It consists of tax and fee revenues, operating revenues, bond proceeds, and fund transfers. MDOT issues bonds backed by TTF revenues and invests the

TTF fund balance to generate investment income. The Maryland Transit Administration, Motor Vehicle Administration, Maryland Port Administration, and Maryland Aviation Administration generate operating revenues that cover a portion of their operating expenditures.

The specific tax and fee revenues allocated to TTF include motor fuel taxes, rental car sales taxes, titling taxes, vehicle registration fees, a portion of the corporate income and sales taxes, and other miscellaneous motor vehicle fees. A portion of these revenues is credited to the Gasoline and Motor Vehicle Revenue Account (GMVRA). Then, 30% of GMVRA revenue is distributed to local jurisdictions and the remainder is retained by TTF for MDOT's capital program, debt service, and operating costs.

Exhibit 1 shows that TTF's largest revenue sources in fiscal 2011 are the motor fuel and titling taxes and federal aid for the capital program, which represent almost \$2 billion (56%) of all fund sources. MDOT projects that \$205 million in bonds will be sold to supplement the transportation capital program in fiscal 2011.

Exhibit 1
Transportation Trust Fund – State-sourced Revenues and Federal Funds
Fiscal 2011 – Total \$3,699 Million
(\$ in Millions)



MVA: Motor Vehicle Administration

Source: Governor's Budget Books, Fiscal 2011, Volume I, pages 594-598

Legislation transferring TTF revenues to the general fund has been enacted multiple times as illustrated in **Exhibit 2**. Most of the transfers were executed to close projected budget shortfalls. Other transfers included efforts to mitigate the savings and loan crisis (1992) and purchase Medevac helicopters (1988, 1995). Funds have been transferred from the general fund to TTF as well; some of these transfers were executed to repay TTF, as noted below.

Exhibit 2
TTF Transfers to the General Fund

<u>Fiscal Year</u>	<u>Amount Transferred (\$ in Millions)</u>
1984	\$29.0 ¹
1986	100.0 ¹
1988	31.0
1991	22.2
1992	48.0
1993	18.1
1994	1.3
1995	6.5
2003	160.0 ²
2004	154.9 ²
2010	321.0
2011	101.9 ³

¹Repaid by general fund per statute.

²Per statute, \$50 million repaid to TTF and \$264.9 million being paid to the Maryland Transportation Authority to support the InterCounty Connector project.

³HB 151/SB 141 of 2010 proposes a **total** transfer of \$340.3 million in fiscal 2011.

Source: Department of Legislative Services.

The Budget Reconciliation and Financing Act of 2010 (House Bill 151/Senate Bill 141) maintains the county share of Highway User Revenue (HUR) funding at the fiscal 2010 level in fiscal 2011 and 2012, and transfers the remaining revenue to the general fund.

Unlike in fiscal 2010 where municipalities did not fully participate in all of the reductions, House Bill 151/Senate Bill 141 specifies that the municipalities will share equally in the HUR reductions. Therefore, the total transfer to the general fund may total \$340.3 million in fiscal 2011. If revenues exceed estimates, then the counties and municipalities will receive 88.5% of the revenue growth while Baltimore City will receive 11.5%.

Additional Information

Prior Introductions: HB 140 of 2009 received an unfavorable report from the House Appropriations Committee. Its cross file, SB 894, received a hearing in the Senate Budget and Taxation Committee, but no further action was taken. HB 1128 of 2008 received a hearing in the House Appropriations Committee, but no further action was taken.

Cross File: None.

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

Fiscal Note History: First Reader - February 12, 2010
ncs/lgc

Analysis by: Amanda Mock

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