

SENATE BILL 306

B1, P5

7lr0179
CF 7lr0180

By: **The President (By Request – Administration)**

Introduced and read first time: January 20, 2017

Assigned to: Budget and Taxation

A BILL ENTITLED

1 AN ACT concerning

2 **Fiscal Responsibility Act of 2017**

3 FOR the purpose of requiring the Bureau of Revenue Estimates to calculate a certain share
4 of nonwithholding income tax revenues; requiring the Bureau to calculate a certain
5 limit on certain nonwithholding income tax revenues; requiring the Bureau to
6 include in certain reports submitted to the Board of Revenue Estimates certain
7 information on a certain share of nonwithholding income tax revenues and a certain
8 limit on certain nonwithholding income tax revenues; requiring the budget books to
9 state a certain limit on certain nonwithholding income tax revenues; requiring the
10 State Comptroller to make a certain distribution to the Revenue Stabilization
11 Account under certain circumstances; establishing the Fiscal Responsibility Fund as
12 a special, nonlapsing fund; specifying the purpose of the Fund; requiring the State
13 Comptroller to administer the Fund; requiring the State Treasurer to hold the Fund
14 and the State Comptroller to account for the Fund; specifying the contents of the
15 Fund; specifying the purpose for which the Fund may be used; providing for the
16 investment of money in and expenditures from the Fund; requiring the State
17 Comptroller to make a certain distribution to the Fund under certain circumstances;
18 defining certain terms; and generally relating to the financing of State government.

19 BY repealing and reenacting, with amendments,
20 Article – State Finance and Procurement
21 Section 6–104, 7–117, and 7–311
22 Annotated Code of Maryland
23 (2015 Replacement Volume and 2016 Supplement)

24 BY adding to
25 Article – State Finance and Procurement
26 Section 7–329
27 Annotated Code of Maryland
28 (2015 Replacement Volume and 2016 Supplement)

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND,
2 That the Laws of Maryland read as follows:

3 **Article – State Finance and Procurement**

4 6–104.

5 (A) (1) IN THIS SECTION THE FOLLOWING WORDS HAVE THE MEANINGS
6 INDICATED.

7 (2) “ACTUAL ANNUAL NONWITHOLDING REVENUE SHARE” MEANS
8 THE PERCENTAGE IN EACH FISCAL YEAR, ROUNDED TO THE FOURTH DECIMAL
9 PLACE, THAT IS CALCULATED BY DIVIDING THE NONWITHOLDING REVENUE FOR
10 THAT FISCAL YEAR BY THE TOTAL GENERAL FUND REVENUE FOR THAT FISCAL
11 YEAR.

12 (3) “ESTIMATED ANNUAL NONWITHOLDING REVENUE SHARE”
13 MEANS THE ANNUAL NONWITHOLDING REVENUE SHARE THAT IS ESTIMATED BY
14 THE BUREAU FOR THE FISCAL YEAR FOLLOWING THE FISCAL YEAR IN WHICH THE
15 ESTIMATE IS MADE.

16 (4) “NONWITHOLDING REVENUE” MEANS ALL STATE REVENUE
17 THAT IS A PROCEED OF THE STATE INDIVIDUAL INCOME TAX AND NOT WITHHELD BY
18 AN EMPLOYER FROM AN EMPLOYEE’S COMPENSATION.

19 (5) “NONWITHOLDING REVENUE LIMIT” MEANS THE RESULT OF
20 SUBTRACTING THE AVERAGE OF ACTUAL ANNUAL NONWITHOLDING REVENUE
21 SHARES FOR THE 10 FISCAL YEARS IMMEDIATELY PRECEDING THE CURRENT FISCAL
22 YEAR FROM THE ESTIMATED ANNUAL NONWITHOLDING REVENUE SHARE FOR THE
23 FISCAL YEAR FOLLOWING THE FISCAL YEAR IN WHICH THE ESTIMATE IS MADE.

24 [(a)] (B) (1) After the end of each fiscal year, the Bureau shall submit to the
25 Board a report that:

26 (i) contains an itemized statement of the State revenues from all
27 sources for that fiscal year; [and]

28 (II) 1. CONTAINS A LIST OF THE ACTUAL ANNUAL
29 NONWITHOLDING REVENUE SHARE FOR EACH OF THE 10 FISCAL YEARS
30 IMMEDIATELY PRECEDING THE FISCAL YEAR COVERED BY THE REPORT; AND

1 **2. INCLUDES AN AVERAGE OF THE ACTUAL ANNUAL**
2 **NONWITHOLDING REVENUE SHARES FOR THE 10 FISCAL YEARS DESCRIBED UNDER**
3 **ITEM 1 OF THIS ITEM; AND**

4 **[(ii)] (III)** includes any recommendations of the Bureau.

5 (2) **(I)** In December, March, and September of each year, the Bureau
6 shall submit to the Board a report that contains an itemized statement of the estimated
7 State revenues from all sources for the fiscal year following the fiscal year in which the
8 report is made.

9 **(II) THE REPORTS REQUIRED UNDER SUBPARAGRAPH (I) OF**
10 **THIS PARAGRAPH SHALL CONTAIN A STATEMENT OF THE NONWITHOLDING**
11 **REVENUE LIMIT.**

12 (3) The Bureau shall provide to the Board any other information that the
13 Board requests.

14 (4) Notwithstanding any other provision of law, the reports required under
15 paragraphs (1) and (2) of this subsection shall include an itemized statement of:

16 (i) revenues or estimated revenues distributed to the
17 Transportation Trust Fund, including the motor fuel taxes imposed under Title 9, Subtitle
18 3 of the Tax – General Article and motor vehicle titling taxes imposed under Title 13,
19 Subtitle 8 of the Transportation Article; and

20 (ii) revenues from the State transfer tax imposed under Title 13,
21 Subtitle 2 of the Tax – Property Article.

22 **[(b)] (C)** In addition to these reports, the Bureau shall continually conduct
23 studies of State revenue sources to:

24 (1) determine the amount of revenue produced; and

25 (2) devise and recommend new methods and sources for improved
26 efficiency, equity, and economy in production, collection, and estimation of revenue.

27 **[(c)] (D)** (1) On or before December 1, 2008, and December 1 of every third
28 year thereafter, the Bureau shall submit to the Governor and, in accordance with § 2–1246
29 of the State Government Article, to the General Assembly a tax incidence study measuring
30 the burden of all the major taxes imposed by the State and how that burden is shared
31 among taxpayers of different income levels.

32 (2) The Bureau shall prepare and submit the statistics of income report
33 required under § 10–223 of the Tax – General Article.

1 7-117.

2 The budget books for a fiscal year shall state:

3 (1) each source of State revenues for the year, from which the proposed
4 appropriations are to be paid; [and]

5 (2) the amount that the Governor estimates will be collected from each
6 source; AND

7 (3) **THE NONWITHOLDING REVENUE LIMIT ESTABLISHED UNDER §**
8 **6-104(A)(5) OF THIS ARTICLE.**

9 7-311.

10 (a) (1) In this section the following words have the meanings indicated.

11 (2) "Account" means the Revenue Stabilization Account.

12 (3) "Estimated General Fund revenues" means the estimated General
13 Fund revenues for a fiscal year stated in the report of the Board of Revenue Estimates
14 submitted to the Governor under § 6-106 of this article in December preceding the fiscal
15 year.

16 (b) The Revenue Stabilization Account is established to retain State revenues for
17 future needs and reduce the need for future tax increases by moderating revenue growth.

18 (c) The Account is a continuing, nonlapsing fund which is not subject to § 7-302
19 of this subtitle.

20 (d) The Account consists of:

21 (1) money appropriated in the State budget to the Account; and

22 (2) interest or other income earned from the investment of any portion of
23 this Account or any other account in the State Reserve Fund.

24 (e) **(1)** Except as provided in [subsection (f) of this section] **PARAGRAPH (2)**
25 **OF THIS SUBSECTION**, for each fiscal year:

26 [(1)] **(I)** if the Account balance is below 3% of the estimated General Fund
27 revenues for that fiscal year, the Governor shall include in the budget bill an appropriation
28 to the Account equal to at least \$100,000,000; [and]

29 [(2)] **(II)** if the Account balance is at least 3% but less than 7.5% of the
30 estimated General Fund revenues for that fiscal year, the Governor shall include in the

1 budget bill an appropriation to the Account equal to at least the lesser of \$50,000,000 or
2 whatever amount is required for the Account balance to exceed 7.5% of the estimated
3 General Fund revenues for that fiscal year; AND

4 **(III) IF THE ACCOUNT BALANCE IS BELOW 10% OF THE**
5 **ESTIMATED GENERAL FUND REVENUES FOR THAT FISCAL YEAR AND THE**
6 **NONWITHOLDING REVENUE LIMIT ESTABLISHED UNDER § 6-104(A)(5) OF THIS**
7 **ARTICLE FOR THAT FISCAL YEAR IS A POSITIVE NUMBER, UNLESS THE**
8 **DISTRIBUTION WOULD RESULT IN THE GENERAL FUND BEING OUT OF BALANCE,**
9 **THE STATE COMPTROLLER SHALL DISTRIBUTE TO THE ACCOUNT THE LESSER OF**
10 **THE PRODUCT OF THE NONWITHOLDING REVENUE LIMIT AND THE TOTAL**
11 **GENERAL FUND REVENUE OR WHATEVER AMOUNT IS REQUIRED FOR THE ACCOUNT**
12 **BALANCE TO EQUAL 10% OF THE ESTIMATED GENERAL FUND REVENUES FOR THAT**
13 **FISCAL YEAR.**

14 **[(f)] (2)** The appropriations required by **[subsection (e) of this section]**
15 **PARAGRAPH (1)(I) AND (II) OF THIS SUBSECTION** are not required when the Account
16 balance exceeds 7.5% of the estimated General Fund revenues.

17 **(F) (1) SUBJECT TO PARAGRAPH (2) OF THIS SUBSECTION, IN ANY FISCAL**
18 **YEAR WHEN THE NONWITHOLDING REVENUE LIMIT IS A POSITIVE NUMBER, AND**
19 **THE PRODUCT OF THE NONWITHOLDING REVENUE LIMIT AND THE TOTAL**
20 **GENERAL FUND REVENUE IS GREATER THAN THE AMOUNT NECESSARY TO**
21 **INCREASE THE BALANCE OF THE ACCOUNT TO EQUAL 10% OF THE ESTIMATED**
22 **GENERAL FUND REVENUE FOR THAT FISCAL YEAR, THE STATE COMPTROLLER**
23 **SHALL DISTRIBUTE TO THE FISCAL RESPONSIBILITY FUND ESTABLISHED UNDER §**
24 **7-329 OF THIS SUBTITLE ANY AMOUNT THAT WOULD RESULT IN THE BALANCE OF**
25 **THE ACCOUNT EXCEEDING 10% OF THE ESTIMATED GENERAL FUND REVENUES TO**
26 **BE USED FOR ONE OR MORE OF THE FOLLOWING PURPOSES:**

27 **(I) PAY-AS-YOU-GO CAPITAL PROJECTS;**

28 **(II) THE POSTRETIREMENT HEALTH BENEFITS TRUST FUND**
29 **ESTABLISHED UNDER § 34-101 OF THE STATE PERSONNEL AND PENSIONS**
30 **ARTICLE;**

31 **(III) THE ACCUMULATION FUNDS OF THE STATE RETIREMENT**
32 **AND PENSION SYSTEM; OR**

33 **(IV) THE WORKERS' COMPENSATION FUND ESTABLISHED**
34 **UNDER § 9-319 OF THE LABOR AND EMPLOYMENT ARTICLE.**

1 **(2) THE DISTRIBUTION UNDER PARAGRAPH (1) OF THIS SUBSECTION**
2 **MAY NOT BE MADE IF THE DISTRIBUTION WOULD RESULT IN THE GENERAL FUND**
3 **BEING OUT OF BALANCE.**

4 (g) (1) Unless the transfer would result in an Account balance below 5% of the
5 estimated General Fund revenues for the fiscal year in which the transfer is made, if
6 authorized by an act of the General Assembly or specifically authorized in the State budget
7 bill as enacted, the Governor may transfer funds from the Account to General Fund
8 revenues as necessary to support the operation of State government on a temporary basis.

9 (2) If the transfer would result in an Account balance below 5% of the
10 estimated General Fund revenues for the fiscal year in which the transfer is made, the
11 Governor may transfer funds from the Account to General Fund revenues only if the
12 transfer is authorized by an act of the General Assembly other than the State budget bill.

13 (h) If the budget bill as submitted to the General Assembly includes a transfer of
14 funds from the Account pursuant to subsection (g) of this section, the budget bill as enacted
15 by the General Assembly may provide for a reduction of the amount of the transfer from
16 the Account by an amount up to the amount of the reductions made by the General
17 Assembly in the General Fund appropriations.

18 (i) Funds of the Account may only be transferred from the Account as provided
19 in this section and are not subject to transfer by budget amendment.

20 (j) (1) Except as provided in paragraph (2) of this subsection, for fiscal year
21 2007 and for each subsequent fiscal year, the Governor shall include in the budget bill an
22 appropriation:

23 (i) for each of fiscal years 2017, 2018, and 2019, to the accumulation
24 funds of the State Retirement and Pension System an amount, up to a maximum of
25 \$50,000,000, that is equal to one-half of the amount by which the unappropriated General
26 Fund surplus as of June 30 of the second preceding fiscal year exceeds \$10,000,000;

27 (ii) for fiscal year 2020:

28 1. to the accumulation funds of the State Retirement and
29 Pension System an amount, up to a maximum of \$50,000,000, that is equal to one-half of
30 the amount by which the unappropriated General Fund surplus as of June 30 of the second
31 preceding fiscal year exceeds \$10,000,000; and

32 2. to the Account equal to the amount by which the
33 unappropriated General Fund surplus as of June 30 of the second preceding fiscal year
34 exceeds \$10,000,000, less the amount of the appropriation under item 1 of this paragraph;
35 and

1 (iii) for fiscal year 2021 and each fiscal year thereafter, to the Account
2 equal to the amount by which the unappropriated General Fund surplus as of June 30 of
3 the second preceding fiscal year exceeds \$10,000,000.

4 (2) The appropriation required under this subsection for any fiscal year
5 may be reduced by the amount of any appropriation to the Account required to be included
6 for that fiscal year under subsection (e) of this section.

7 **7-329.**

8 (A) IN THIS SECTION, "FUND" MEANS THE FISCAL RESPONSIBILITY FUND.

9 (B) THERE IS A FISCAL RESPONSIBILITY FUND.

10 (C) THE PURPOSE OF THE FUND IS TO MITIGATE FISCAL RISKS TO THE
11 STATE ASSOCIATED WITH CERTAIN POTENTIAL LIABILITIES.

12 (D) THE STATE COMPTROLLER SHALL ADMINISTER THE FUND.

13 (E) (1) THE FUND IS A SPECIAL, NONLAPSING FUND THAT IS NOT
14 SUBJECT TO § 7-302 OF THIS SUBTITLE.

15 (2) THE STATE TREASURER SHALL HOLD THE FUND SEPARATELY,
16 AND THE STATE COMPTROLLER SHALL ACCOUNT FOR THE FUND.

17 (F) THE FUND CONSISTS OF:

18 (1) MONEY DISTRIBUTED TO THE FUND IN ACCORDANCE WITH §
19 7-311(F) OF THIS SUBTITLE;

20 (2) MONEY APPROPRIATED IN THE STATE BUDGET TO THE FUND; AND

21 (3) MONEY RECEIVED FROM ANY PUBLIC OR PRIVATE SOURCE FOR
22 THE BENEFIT OF THE FUND.

23 (G) EXPENDITURES FROM THE FUND MAY BE USED ONLY TO HELP PAY FOR
24 ONE OR MORE OF THE FOLLOWING TYPES OF POTENTIAL STATE LIABILITIES:

25 (1) PAY-AS-YOU-GO CAPITAL PROJECTS;

26 (2) THE POSTRETIREMENT HEALTH BENEFITS TRUST FUND
27 ESTABLISHED UNDER § 34-101 OF THE STATE PERSONNEL AND PENSIONS
28 ARTICLE;

1 **(3) THE ACCUMULATION FUNDS OF THE STATE RETIREMENT AND**
2 **PENSION SYSTEM; OR**

3 **(4) THE WORKERS' COMPENSATION FUND ESTABLISHED UNDER §**
4 **9-319 OF THE LABOR AND EMPLOYMENT ARTICLE.**

5 **(H) (1) THE STATE TREASURER SHALL INVEST THE MONEY OF THE FUND**
6 **IN THE SAME MANNER AS OTHER STATE MONEY MAY BE INVESTED.**

7 **(2) ANY INTEREST EARNINGS OF THE FUND SHALL BE CREDITED TO**
8 **THE GENERAL FUND OF THE STATE.**

9 **(I) EXPENDITURES FROM THE FUND MAY BE MADE BY:**

10 **(1) AN APPROPRIATION IN THE ANNUAL STATE BUDGET; OR**

11 **(2) A BUDGET AMENDMENT IN ACCORDANCE WITH § 7-209 OF THIS**
12 **TITLE.**

13 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect June
14 1, 2017.