



BILL NO.: Senate Bill 441

TITLE: Transportation Trust Fund – Financing – Use of Funds

POSITION: **SUPPORT WITH AMENDMENTS**

DATE: March 9, 2012

COMMITTEE: Budget and Taxation

CONTACT: Andrea Mansfield

The Maryland Association of Counties (MACo) **SUPPORTS SB 441 WITH AMENDMENTS**. This bill would constitutionally prohibit the transfer of revenue from the Transportation Trust Fund to the State General Fund, requiring these revenues to be used for their intended purpose, transportation.

The Transportation Trust Fund (TTF) is composed largely of tax and fee revenues that Maryland’s citizens pay on their vehicles and fuel. In return for paying these taxes and fees, citizens have an expectation of good roadways to take them to and from work and their children to and from school. This expectation has been undermined in recent years as the Transportation Trust Fund has been routinely targeted as a source of funding to balance the State’s budget. In the last three years, the State has re-directed over \$1 billion from local (HUR) to state purposes, with more than \$350 million being similarly taken for FY 2013. Drastic local cutbacks have been required to accommodate these funding reductions. Essentially all new projects have been eliminated or delayed, and even essential preventive maintenance and surface treatment of roadways has been significantly reduced, jeopardizing Maryland’s transportation infrastructure.

Since 1984, \$571.1 million has been transferred from MDOT to the State’s General Fund. Whereas, the State has essentially repaid the funds taken from MDOT, it still has placed pressures on new construction and highway maintenance. SB 441 would protect against these transfers by prohibiting transfers to the General Fund.

With respect to HUR, although the bill establishes a mechanism to retain funds in the Transportation Trust Fund, the bill as introduced does not guarantee that local governments would maintain their share of HUR. Maryland’s longstanding and wise policy has long been to provide HUR as the primary source of revenue for local road maintenance budgets, including snow removal, patching and chip sealing, signage and pavement stripping, and drainage work. For smaller jurisdictions, HUR funds all roadway maintenance and capital expenditures.

This policy took a drastic turn in FY 2010 when the Board of Public Works reduced HUR by 90% for nearly all jurisdictions, compounding already deep cuts enacted by the General

Assembly for that year. Although Baltimore City's percentage reduction in funding was not as large, its reduction per capita was 50% larger than the average per capita reduction of all other jurisdictions. During the 2010 General Assembly, these reductions were made permanent with no local offset and the funding distribution was changed to reduce local government's share from 30% to 8.5%, with the General Fund receiving 23% of HUR. During the 2011 Session, adjustments were again made to the HUR distribution, but this time action was taken to transfer HUR revenues from the General Fund back to the TTF and transfer the portion of two revenue sources, the sales tax and corporate income tax, being placed in the TTF back to the General Fund. At the same time, the percentage distribution of HUR was changed to approximately 10% for local governments with MDOT retaining approximately 90%.

To protect and restore the local share of HUR to the level that was in effect prior to the significant reductions in FY 2010, MACo suggests that the bill be amended to include the following language:

FUNDS IN THE GASOLINE AND MOTOR VEHICLE REVENUE ACCOUNT IN THE TRANSPORTATION TRUST FUND SHALL BE DISTRIBUTED AS PROVIDED IN §§ 8-402, 8-403, 8-404, AND 8-405 OF THE TRANSPORTATION ARTICLE AS THEY WERE IN EFFECT ON OCTOBER 1, 2008.

SB 441 as amended would provide assurances to taxpayers that revenues are being used for their dedicated purpose, restore local government's share of HUR to its traditional level of 30%, and express the State's commitment to funding local roadways. For these reasons, MACo urges the Committee to give SB 441 a **FAVORABLE** report **WITH AMENDMENTS**.