

# HOUSE BILL 430

B1, P5

7lr0180  
CF SB 306

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

Introduced and read first time: January 26, 2017

Assigned to: Appropriations

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## 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)

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EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



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

**Article – State Finance and Procurement**

6–104.

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

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

**(3) “ESTIMATED ANNUAL NONWITHHOLDING REVENUE SHARE” MEANS THE ANNUAL NONWITHHOLDING REVENUE SHARE THAT IS ESTIMATED BY THE BUREAU FOR THE FISCAL YEAR FOLLOWING THE FISCAL YEAR IN WHICH THE ESTIMATE IS MADE.**

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

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

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

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

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

1                               **2. INCLUDES AN AVERAGE OF THE ACTUAL ANNUAL**  
2 **NONWITHHOLDING 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 NONWITHHOLDING**  
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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(ii) for fiscal year 2020:

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

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

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

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

**7-329.**

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

**(B) THERE IS A FISCAL RESPONSIBILITY FUND.**

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

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

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

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

**(F) THE FUND CONSISTS OF:**

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

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

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

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

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

**(2) THE POSTRETIREMENT HEALTH BENEFITS TRUST FUND ESTABLISHED UNDER § 34-101 OF THE STATE PERSONNEL AND PENSIONS 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.