

Department of Legislative Services  
 Maryland General Assembly  
 2020 Session

FISCAL AND POLICY NOTE  
 First Reader

House Bill 1526 (Delegates Korman and Barve)  
 Environment and Transportation and  
 Appropriations

Transportation Carbon Reduction Fund – Establishment  
 (Transportation Carbon Fund Act)

This bill establishes a Transportation Carbon Reduction Fund, a special fund administered by the Secretary of Transportation, to retain any revenue the State receives from its participation in the Transportation and Climate Initiative (TCI). The fund may only be used to finance projects and programs related to the State’s participation in TCI in accordance with the State budget. The bill also establishes a Transportation and Climate Initiative Workgroup, staffed by the Department of Legislative Services (DLS), to study and make related recommendations. **The bill takes effect July 1, 2020; provisions related to the workgroup terminate June 30, 2022.**

Fiscal Summary

**State Effect:** Overall State revenues from TCI are not affected; the bill merely establishes a special fund into which to deposit TCI proceeds (likely millions of dollars annually once TCI is operational). General fund expenditures increase by *at least* \$100,000 in both FY 2021 and 2022 for contractual costs related to the workgroup; general fund expenditures could increase in the out-years for TCI administrative costs, as discussed below.

(in dollars)	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
Revenue	\$0	\$0	\$0	\$0	\$0
GF Expenditure	\$100,000	\$100,000	-	-	-
Net Effect	(\$100,000)	(\$100,000)	(-)	(-)	(-)

*Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease*

**Local Effect:** There is no immediate impact on local governments; any changes to future funding under the bill cannot be reliably estimated at this time.

**Small Business Effect:** No immediate impact; future effects are unknown.

## Analysis

**Bill Summary:** The Transportation Carbon Reduction Fund established by the bill consists of all revenues received by the State from its participation in TCI as well as interest earnings of the fund. Money expended from the fund to finance projects and programs related to the State's participation in TCI is supplemental to and is not intended to take the place of funding that would otherwise be appropriated for those uses. The fund may not be used for administrative expenses.

The stated purpose of the workgroup is to study and make recommendations related to funds from TCI based on data, studies, and community consultation. Specifically, the workgroup must study (1) mapping indicators and parameters for defining, through a geographic boundary, disadvantaged communities, including those overburdened by disproportionate cumulative exposure to pollution or rates of pedestrian fatalities, and communities with disparities in access to transit and mobility options related to population density and commute times; (2) potential data sets, studies, and indicators that could be used to inform funding priorities or assess the impact of funding; and (3) procurement and investment policies that maximize job creation in the State. The workgroup must consult with specified stakeholders, develop recommendations on a number of related issues, and make public solicitations for written public comment.

The workgroup must establish a community advisory subcommittee, as specified, and may establish other subcommittees as necessary to fulfill its duties. By June 1, 2021, the workgroup must (1) publish a report with its findings and recommendations, including an appendix with public comments, on the Maryland Department of Transportation's (MDOT) website and (2) report its findings and recommendations to the Governor and the General Assembly.

A member of the workgroup may not receive compensation, but is entitled to reimbursement for expenses.

**Current Law/Background:** TCI of the Northeast and Mid-Atlantic States is a regional collaboration that seeks to improve transportation, develop the clean energy economy, and reduce carbon emissions from the transportation sector. There are 13 participating jurisdictions: Connecticut, Delaware, the District of Columbia, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Vermont, and Virginia. The Maryland Department of the Environment (MDE) advises that Maryland has been an active participant in TCI since its inception in 2010. According to TCI's website, the initiative is directed by state and district agencies within the participating jurisdictions and is facilitated by the Georgetown Climate Center, with funding support from various entities.

The TCI jurisdictions are developing a regional policy for low-carbon transportation following a December 18, 2018, announcement from 9 of the member states (including Maryland, Virginia, and the District of Columbia) of the [intent](#) to design a regional low-carbon transportation policy proposal that would (1) cap and reduce carbon emissions from the combustion of transportation fuels and (2) invest proceeds from the program into a low-carbon and more resilient transportation infrastructure.

On December 17, 2019, the TCI group invited public input on a new draft proposal for the regional program. The [draft Memorandum of Understanding](#) (MOU) builds on a program framework that was issued on October 1, 2019. According to TCI's [statement](#) on its website, a final MOU is anticipated to be released in spring 2020, following additional public input and analysis. At that time, the participating jurisdictions will decide whether to sign the final MOU and participate in the regional program, which could be operational by 2022.

According to MDOT, which is participating in the development of the TCI program, the TCI partnership will recommend focus areas and direct funding to the most beneficial areas to areas that will have the greatest impact. MDOT further notes that the TCI work is highly technical and both MDOT and MDE have developed expertise in the program by active participation in the development process.

### **State Fiscal Effect:**

#### *Department of Legislative Services – Contractual Costs for the Workgroup*

General fund expenditures for DLS increase by *at least* \$100,000 in both fiscal 2021 and 2022 for contractual costs to support and staff the workgroup. The technical nature of the subjects and issues the workgroup must study and develop recommendations on are outside the scope of DLS' expertise. The department does not have sufficient staffing resources to absorb the impact of the workgroup with existing resources. This estimate is based on prior commissions that DLS has staffed that required third-party contractual support.

#### *Transportation Carbon Reduction Fund*

MDOT advises that total annual proceeds from TCI are projected to range from \$1.4 billion to \$5.6 billion and are anticipated to increase as the emissions cap is reduced each year. The proceeds will be split among the participating TCI jurisdictions. Given the magnitude of the potential proceeds, revenues to and expenditures from the special fund established under the bill are significant, likely millions of dollars annually once the program is up and running. Current projections are that TCI could be operational by 2022 (fiscal 2023).

*MDOT advises that no determination has been made about where TCI revenues will be deposited in the absence of the bill. The bill itself does not increase the overall revenues the State would otherwise receive from TCI; it merely establishes a special fund into which to deposit them.*

However, under the bill, the State is limited in how the proceeds can be used. TCI is a cap and invest program. Accordingly, part of the ongoing planning is evaluating how to best invest the proceeds to “achieve additional benefits through reduced emissions, cleaner transportation, healthier communities, and more resilient infrastructure.” That being said, each TCI jurisdiction has different transportation needs and unique authorities, so the framework is designed such that each jurisdiction independently decides how proceeds are invested to achieve carbon reductions and other policy goals. Because the final framework for TCI is not yet in place, the exact impact of the bill’s changes regarding the use of the TCI proceeds cannot be evaluated; however, according to MDOT, the bill’s provisions related to the workgroup (regarding the future use of the TCI proceeds) remove flexibility in the use of the funds and may not be in line with the MOU.

It is also unclear how administrative costs related to implementing TCI are handled under the bill. The bill explicitly prohibits the use of money in the new special fund from being used for administrative expenses. However, the bill also specifies that the fund may only be used to finance projects and programs related to the State’s participation in TCI. It is unclear whether the prohibition relates to fund-specific administrative expenses, or overall administrative costs related to the State’s participation in TCI. Both MDE and MDOT had planned to use TCI proceeds to cover their administrative costs related to TCI participation. Additional general funds will be needed if TCI proceeds cannot be used to pay for MDE and MDOT’s administrative costs once the program is operational.

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### **Additional Information**

**Prior Introductions:** None.

**Designated Cross File:** None.

**Information Source(s):** Maryland Department of the Environment; Maryland Department of Transportation; Transportation and Climate Initiative of the Northeast and Mid-Atlantic States; Department of Legislative Services

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Analysis by: Kathleen P. Kennedy

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