

Department of Legislative Services
 Maryland General Assembly
 2013 Session

FISCAL AND POLICY NOTE

House Bill 771 (Delegate Bates)
 Ways and Means and Appropriations

Mass Transit Trust Fund

This bill establishes a Mass Transit Trust Fund in the Maryland Department of Transportation (MDOT) to be used to support mass transit in the State. MDOT must identify and establish a separate funding source to support the expenses for mass transit in the State and deposit such funds into the Mass Transit Trust Fund. The Mass Transit Trust Fund may only be used for and must be the sole source of funding for (1) capital and operating expenses of the Washington Metropolitan Area Transit Authority (WMATA) and the Maryland Transit Administration (MTA) and (2) grants to local jurisdictions for mass transit capital and operating expenses.

Fiscal Summary

State Effect: In the absence of any other funding source, general fund expenditures increase by \$958.0 million in FY 2014 and by \$1,306.0 million by FY 2018 to maintain current mass transit services and obligations; Transportation Trust Fund (TTF) expenditures decrease correspondingly. Special fund and general obligation bond revenues and expenditures are affected in FY 2014 and subsequent years to the extent new mass transit funding sources are established.

(\$ in millions)	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
SF Revenue	-	-	-	-	-
Bond Rev.	-	-	-	-	-
GF Expenditure	\$958.0	\$1,159.0	\$1,213.0	\$1,246.0	\$1,306.0
SF Expenditure	(\$958.0)	(\$1,159.0)	(\$1,213.0)	(\$1,246.0)	(\$1,306.0)
Bond Exp.	-	-	-	-	-
Net Effect	\$0	\$0	\$0	\$0	\$0

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

Local Effect: Assuming a funding source is identified and established for the new trust fund at a level that maintains current services, local finances are not materially affected. However, local jurisdictions may be required to significantly increase local revenues and expenditures to maintain current mass transit services to the extent that a new funding source is not identified and general funds are not provided.

Small Business Effect: Potential meaningful.

Analysis

Bill Summary: MDOT is prohibited from using specified corporate income tax revenue to pay for mass transit in the State.

No part of the Mass Transit Trust Fund may revert or be credited to the general fund or, unless otherwise provided by law, to a special fund. No part of the Mass Transit Trust Fund may be transferred to a special fund unless the transfer is approved by the Legislative Policy Committee. Failure of the Legislative Policy Committee to reject a proposed transfer within 15 days is considered to be approval.

Current Law/Background:

Transportation Trust Fund

TTF is a nonlapsing special fund that provides funding for transportation projects. It consists of tax and fee revenues, operating revenues, bond proceeds, and fund transfers. The tax and fee revenues allocated to TTF include motor fuel taxes, titling taxes, vehicle registration fees, a portion of the rental car sales and corporate income taxes, and other miscellaneous motor vehicle fees. MDOT issues bonds backed by TTF revenues and invests the TTF fund balance to generate investment income. The Motor Vehicle Administration, Maryland Port Administration, MTA, and Maryland Aviation Administration generate operating revenues that cover a portion of their operating expenditures.

Maryland Transit Administration

MTA operates a comprehensive transit system throughout the Baltimore-Washington metropolitan area, including more than 50 local bus lines in Baltimore and other services such as the light rail, Metro subway, commuter buses, Maryland Area Regional Commuter trains, and mobility/paratransit vehicles. MTA is currently the lead agency coordinating the financing, construction, and future operation of three major transit projects, namely the Red Line, Purple Line, and Corridor Cities Transitway. The

Governor's proposed fiscal 2014 budget for MTA is \$1.2 billion (\$678.2 million in operating funds and \$538.3 million in capital funds) and it is composed of \$837.7 million in State special funds and \$378.8 million in federal funds.

Washington Metropolitan Area Transit Authority

WMATA was created by interstate compact of the State of Maryland, the Commonwealth of Virginia, and the District of Columbia with the consent of the U.S. Congress. WMATA was created to plan, finance, develop, and operate a balanced regional transportation system for the national capital area. WMATA operates the second largest rail transit system and the fifth largest bus network in the United States. Construction of WMATA's 103-mile Metrorail system began in 1969 and was completed in 2001; the system now serves 26 stations in Maryland. WMATA's Metrobus system provides continuous service with 1,500 buses. Metrorail and Metrobus serve a population of 3.4 million within a 1,500-square mile jurisdiction. The Governor's proposed fiscal 2014 budget for WMATA is \$440.1 million (\$287.0 million in operating funds and \$153.1 million in capital funds) and it is composed entirely of State special funds.

State Fiscal Effect: In the absence of any other separate funding source identified and established by MDOT, it is assumed that general funds are required to fund the Mass Transit Trust Fund. Thus, general fund expenditures increase by \$958.0 million in fiscal 2014, which accounts for the bill's October 1, 2013 start date, and TTF expenditures decrease correspondingly. Future year general fund expenditures reflect mass transit costs anticipated in MDOT's *2013-2018 Consolidated Transportation Program*; future year TTF expenditures decrease correspondingly.

These estimates assume that (1) federal funding for MTA is redirected from TTF to the Mass Transit Trust Fund and (2) general funds are used to maintain current mass transit services provided by MTA and WMATA. To the extent that MDOT establishes a new funding source, general funds may not be needed.

While MTA currently charges fares to help cover the cost of providing mass transit services, the bill does not expressly authorize MTA to use this existing revenue to support its operations; therefore, this analysis assumes that MTA fare revenue continues to be allocated to TTF and is not used to support mass transit services.

If new special funds (*e.g.*, new mass transit fares or fees) and/or general obligation bonds are allocated to the Mass Transit Trust Fund in fiscal 2014 and/or subsequent years, special fund and general obligation bond fund revenues and expenditures increase accordingly. It is unclear what types of funding sources might be identified and established. Although the bill requires MDOT to identify and establish a separate

funding source for the Mass Transit Trust Fund, the bill does not expressly authorize MDOT to charge new fares or fees.

Small Business Effect: To the extent small businesses are required to pay additional or increased fares or fees for mass transit services, expenditures increase.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Washington and Worcester counties, Maryland Department of Transportation, Department of Legislative Services

Fiscal Note History: First Reader - March 12, 2013
ncs/lgc

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