

# SENATE BILL 772

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By: **Senators DeGrange and Miller**

Introduced and read first time: January 31, 2014

Assigned to: Budget and Taxation

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## A BILL ENTITLED

AN ACT concerning

### **Transit Benefit Districts**

FOR the purpose of authorizing the Maryland Transit Administration, after preparing a certain report and holding a certain hearing, to establish up to a certain number of transit benefit districts to finance, construct, and operate transit facilities and transit services; authorizing the Administration to establish the governing body of each transit benefit district; prohibiting the Department of Transportation from exercising jurisdiction or authority over a transit benefit district; authorizing a transit benefit district to take certain actions in performance of its duties; authorizing a transit benefit district to impose certain taxes; providing that certain taxes shall be administered in accordance with certain other taxes; authorizing a transit benefit district to issue bonds payable from certain fees, fares, and taxes for the purpose of financing transit facilities; providing that bonds issued by a transit benefit district do not constitute a debt or pledge of the full faith and credit of certain entities; providing that bonds issued by a transit benefit district do not obligate certain entities to impose any tax; requiring a transit benefit district to determine certain matters concerning certain bonds; providing for the issuance and execution of the bonds; authorizing a transit benefit district to issue bonds to refinance the cost of transit facilities; authorizing a transit benefit district to issue refunding bonds for certain purposes; authorizing a transit benefit district to issue interim certificates or temporary bonds; authorizing a transit benefit district to issue bond anticipation notes; authorizing bonds issued by a transit benefit district to be secured by certain trust agreements; requiring certain fees, fares, and taxes designated by a transit benefit district as security for bonds to be adjusted in a certain manner; requiring that certain revenues of a transit benefit district be deemed to be trust funds to be used only in a certain manner; authorizing the trustee or a holder of bonds issued by a transit benefit district to bring a legal action to enforce certain rights and compel the performance of certain duties; providing that bonds issued by a transit benefit district are securities in which certain persons may invest and that may be deposited with certain persons;

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EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



exempting bonds issued by a transit benefit district from taxation; defining certain terms; and generally relating to transit benefit districts.

BY adding to

Article – Transportation

Section 9–101 through 9–413 to be under the new title “Title 9. Transit Benefit Districts”

Annotated Code of Maryland

(2008 Replacement Volume and 2013 Supplement)

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

**Article – Transportation**

**TITLE 9. TRANSIT BENEFIT DISTRICTS.**

**SUBTITLE 1. DEFINITIONS.**

**9–101.**

(A) IN THIS TITLE THE FOLLOWING WORDS HAVE THE MEANINGS INDICATED.

(B) “ADMINISTRATION” HAS THE MEANING STATED IN § 7–101 OF THIS ARTICLE.

(C) “COST” HAS THE MEANING STATED IN § 3–101 OF THIS ARTICLE.

(D) “TRANSIT FACILITY” HAS THE MEANING STATED IN § 7–101 OF THIS ARTICLE.

(E) “TRANSIT SERVICE” HAS THE MEANING STATED IN § 7–101 OF THIS ARTICLE.

**SUBTITLE 2. TRANSIT BENEFIT DISTRICTS – ESTABLISHMENT.**

**9–201.**

(A) AFTER A PUBLIC HEARING REQUIRED UNDER § 9–203 OF THIS SUBTITLE, THE ADMINISTRATION MAY ESTABLISH A TRANSIT BENEFIT DISTRICT TO CONSTRUCT AND OPERATE A TRANSIT FACILITY OR TRANSIT SERVICE.

(B) (1) THE ADMINISTRATION MAY NOT ESTABLISH MORE THAN TWO TRANSIT BENEFIT DISTRICTS IN THE STATE.

**(2) THE ADMINISTRATION MAY ESTABLISH A TRANSIT BENEFIT DISTRICT FOR:**

**(I) THE BALTIMORE METROPOLITAN REGION; AND**

**(II) THE WASHINGTON METROPOLITAN REGION.**

**(C) (1) THE ADMINISTRATION SHALL DEFINE THE REGIONAL BOUNDARIES OF A TRANSIT BENEFIT DISTRICT.**

**(2) A TRANSIT BENEFIT DISTRICT MAY CONSIST OF PART OF A COUNTY.**

**(D) (1) THE ADMINISTRATION SHALL ESTABLISH MEMBERSHIP OF THE GOVERNING BODY OF THE TRANSIT BENEFIT DISTRICT.**

**(2) THE GOVERNING BODY OF THE TRANSIT BENEFIT DISTRICT SHALL INCLUDE MEMBERS OF THE GOVERNING BODY OF A COUNTY OR MUNICIPAL CORPORATION WITHIN THE REGIONAL BOUNDARIES OF THE TRANSIT BENEFIT DISTRICT.**

**(3) THE REPRESENTATION OF A COUNTY OR MUNICIPAL CORPORATION ON THE GOVERNING BODY OF THE TRANSIT BENEFIT DISTRICT SHALL BE IN PROPORTION TO THE SIZE OF THE COUNTY OR MUNICIPAL CORPORATION WITHIN THE TRANSIT BENEFIT DISTRICT.**

**9-202.**

**(A) AT LEAST 30 DAYS BEFORE THE ADMINISTRATION ESTABLISHES A TRANSIT BENEFIT DISTRICT, THE ADMINISTRATION SHALL PUBLISH A REPORT THAT DESCRIBES:**

**(1) THE TRANSIT FACILITY OR TRANSIT SERVICE THAT THE TRANSIT BENEFIT DISTRICT WILL PROVIDE;**

**(2) THE COSTS, BENEFITS, AND FINANCING PLAN OF THE TRANSIT FACILITY OR TRANSIT SERVICE; AND**

**(3) THE BOUNDARIES OF THE TRANSIT BENEFIT DISTRICT.**

**(B) THE ADMINISTRATION SHALL CONSULT WITH THE GOVERNING BODY OF A COUNTY OR MUNICIPAL CORPORATION WITHIN A PROPOSED**

TRANSIT BENEFIT DISTRICT BEFORE ESTABLISHING THE TRANSIT BENEFIT DISTRICT.

**9-203.**

(A) THE ADMINISTRATION SHALL HOLD A PUBLIC HEARING ON THE REPORT REQUIRED UNDER § 9-202 OF THIS SUBTITLE.

(B) AT LEAST 15 DAYS BEFORE THE PUBLIC HEARING, THE ADMINISTRATION SHALL POST NOTICE OF THE HEARING ON ITS WEB SITE AND PUBLISH NOTICE OF THE HEARING IN A NEWSPAPER OF GENERAL CIRCULATION IN EACH REGION OF THE PROPOSED TRANSIT BENEFIT DISTRICT.

**SUBTITLE 3. JURISDICTION AND POWERS.**

**9-301.**

(A) A TRANSIT BENEFIT DISTRICT SHALL:

(1) FINANCE, CONSTRUCT, OPERATE, REPAIR, AND MAINTAIN IN GOOD ORDER A TRANSIT FACILITY AND TRANSIT SERVICE; AND

(2) NOTWITHSTANDING ANY OTHER PROVISION OF LAW, HAVE GENERAL AND EXCLUSIVE JURISDICTION OVER THE TRANSIT FACILITY AND TRANSIT SERVICE.

(B) EXCEPT AS PROVIDED IN THIS TITLE, THE DEPARTMENT MAY NOT EXERCISE JURISDICTION OR AUTHORITY OVER THE TRANSIT FACILITY AND TRANSIT SERVICE.

**9-302.**

A TRANSIT BENEFIT DISTRICT MAY DO THE FOLLOWING IN THE EXERCISE OF ITS POWERS AND PERFORMANCE OF ITS DUTIES:

(1) ACQUIRE, HOLD, AND DISPOSE OF PROPERTY;

(2) SUE AND BE SUED IN ITS OWN NAME;

(3) MAKE CONTRACTS AND AGREEMENTS;

(4) EMPLOY AND FIX THE COMPENSATION OF ACCOUNTANTS, ATTORNEYS, CONSULTING ENGINEERS, CONSTRUCTION AND FINANCIAL EXPERTS, MANAGERS, AND ANY OTHER AGENTS OR EMPLOYEES;

(5) APPLY FOR AND RECEIVE GRANTS FROM A FEDERAL AGENCY OR ANY OTHER SOURCE;

(6) CONDEMN PROPERTY IN ACCORDANCE WITH TITLE 12 OF THE REAL PROPERTY ARTICLE;

(7) FIX, REVISE, CHARGE, AND COLLECT RENTALS, RATES, FEES, FARES, AND OTHER CHARGES FOR THE USE OF THE TRANSIT BENEFIT DISTRICT'S FACILITIES OR SERVICES; AND

(8) ADOPT REGULATIONS TO CARRY OUT THIS TITLE.

**SUBTITLE 4. FINANCING OF TRANSIT FACILITIES AND TRANSIT SERVICES.**

**9-401.**

(A) FOR THE PURPOSE OF FINANCING TRANSIT FACILITIES AND TRANSIT SERVICES, A TRANSIT BENEFIT DISTRICT MAY, WITHIN THE BOUNDARIES OF THE TRANSIT BENEFIT DISTRICT, IMPOSE A PROPERTY TAX ON THE ASSESSMENT OF PROPERTY THAT IS SUBJECT TO THE STATE PROPERTY TAX.

(B) THE PROPERTY TAX AUTHORIZED UNDER THIS SECTION SHALL BE LEVIED IN THE SAME MANNER, ON THE SAME ASSESSMENTS, FOR THE SAME PERIOD OR PERIODS, AND AS OF THE SAME DATE OR DATES OF FINALITY AS ARE NOW OR MAY HEREAFTER BE PRESCRIBED FOR PROPERTY TAX PURPOSES FOR THE STATE WITHIN THE TRANSIT BENEFIT DISTRICT.

(C) THE PROPERTY TAX AUTHORIZED UNDER THIS SECTION SHALL BE COLLECTED AND SECURED IN THE SAME MANNER AS THAT REQUIRED FOR THE COUNTY PROPERTY TAXES AND SHALL BE SUBJECT TO THE SAME PENALTIES AND THE SAME PROCEDURE, SALE, AND LIEN PRIORITY IN CASE OF DELINQUENCY AS THOSE PROVIDED FOR THE COUNTY PROPERTY TAXES.

(D) A PROPERTY TAX ESTABLISHED UNDER THIS SECTION SHALL IDENTIFY THE TRANSIT FACILITY OR TRANSIT SERVICE THAT THE TAX BENEFITS.

**9-402.**

(A) TO FINANCE THE COST OF TRANSIT FACILITIES, A TRANSIT BENEFIT DISTRICT MAY ISSUE BONDS, NOTES, OR OTHER EVIDENCE OF OBLIGATION, PAYABLE SOLELY FROM THE RENTALS, RATES, FEES, FARES, AND TAXES THAT EACH TRANSIT BENEFIT DISTRICT IS EMPOWERED TO IMPOSE UNDER THIS TITLE.

(B) BOND PROCEEDS MAY BE USED SOLELY FOR PAYING THE COST OF TRANSIT FACILITIES.

9-403.

(A) BONDS ISSUED BY A TRANSIT BENEFIT DISTRICT UNDER THIS SUBTITLE MAY NOT:

(1) CONSTITUTE A DEBT OF THE STATE OR A POLITICAL SUBDIVISION OF THE STATE OTHER THAN A TRANSIT BENEFIT DISTRICT AND SHALL SO STATE ON THEIR FACE;

(2) CONSTITUTE A PLEDGE OF THE FULL FAITH AND CREDIT OF A TRANSIT BENEFIT DISTRICT OR THE STATE OR A POLITICAL SUBDIVISION OF THE STATE; OR

(3) DIRECTLY OR INDIRECTLY OBLIGATE THE STATE OR A POLITICAL SUBDIVISION OF THE STATE TO IMPOSE ANY TAX AND SHALL CONTAIN A STATEMENT ON THEIR FACE TO THAT EFFECT.

(B) A TRANSIT BENEFIT DISTRICT SHALL DETERMINE THE FOLLOWING CONCERNING BONDS ISSUED BY THE TRANSIT BENEFIT DISTRICT:

(1) DATE OF ISSUE;

(2) INTEREST RATE;

(3) DATE AND AMOUNT OF MATURITY, EXCEPT THAT A BOND MAY NOT MATURE MORE THAN 40 YEARS AFTER ITS DATE OF ISSUE;

(4) FORM AND MANNER OF EXECUTION;

(5) MANNER OF SALE; AND

(6) ANY OTHER MATTER RELATING TO THE FORM, TERMS, CONDITIONS, ISSUANCE, SALE, AND DELIVERY OF THE BONDS.

**(C) A TRANSIT BENEFIT DISTRICT MAY ISSUE BONDS:**

**(1) WITHOUT OBTAINING THE CONSENT OF ANY INSTRUMENTALITY, AGENCY, OR UNIT OF THE STATE; AND**

**(2) WITHOUT ANY PROCEEDINGS OR THE OCCURRENCE OF ANY CONDITIONS OR OBLIGATIONS OTHER THAN THOSE SPECIFICALLY REQUIRED BY THIS SUBTITLE.**

**(D) (1) BONDS SHALL BE EXECUTED ON BEHALF OF A TRANSIT BENEFIT DISTRICT BY THE MANUAL OR FACSIMILE SIGNATURES OF THE INDIVIDUALS DESIGNATED BY THE GOVERNING BODY OF THE TRANSIT BENEFIT DISTRICT.**

**(2) OTHER SIGNATURES ON THE BONDS MAY BE EITHER MANUAL OR FACSIMILE.**

**(E) IF AN INDIVIDUAL WHOSE MANUAL OR FACSIMILE SIGNATURE APPEARS ON ANY BOND OR COUPON CEASES TO SERVE IN AN AUTHORIZED CAPACITY BEFORE THE DELIVERY OF THE BOND, THE SIGNATURE NEVERTHELESS IS AS VALID AND SUFFICIENT FOR ALL PURPOSES AS IF THE INDIVIDUAL HAD REMAINED IN THAT CAPACITY UNTIL DELIVERY OF THE BOND.**

**9-404.**

**(A) WITHOUT THE APPROVAL OF THE GENERAL ASSEMBLY, A TRANSIT BENEFIT DISTRICT MAY ISSUE BONDS TO REFINANCE ALL OR ANY PART OF THE COST OF TRANSIT FACILITIES FOR WHICH A TRANSIT BENEFIT DISTRICT PREVIOUSLY ISSUED BONDS UNDER THIS SUBTITLE.**

**(B) IF, BY REASON OF INCREASED CONSTRUCTION COSTS, ERROR IN ESTIMATES, OR OTHERWISE, THE PROCEEDS OF THE BONDS OF ANY ISSUE ARE LESS THAN THE AMOUNT REQUIRED FOR THE PURPOSE FOR WHICH THE BONDS ARE AUTHORIZED, ADDITIONAL BONDS MAY BE ISSUED IN A SIMILAR MANNER TO PROVIDE THE AMOUNT OF THE DEFICIENCY.**

**9-405.**

**(A) IN THIS SECTION, "REFUNDING" MEANS THE RETIREMENT AND CANCELLATION OF BONDS, INCLUDING BONDS OF PRIOR ISSUES, AFTER THEIR ACQUISITION BY OR FOR A TRANSIT BENEFIT DISTRICT, WHETHER BEFORE, AT, OR AFTER MATURITY, EITHER IN EXCHANGE FOR OTHER BONDS OR BY PAYMENT, PURCHASE, OR REDEMPTION WITH THE PROCEEDS OF THE SALE OF OTHER BONDS.**

**(B) A TRANSIT BENEFIT DISTRICT MAY ISSUE REFUNDING BONDS FOR:**

**(1) REFUNDING ANY BONDS ISSUED UNDER THIS SUBTITLE OR ANY BONDS OF PRIOR ISSUES, INCLUDING THE PAYMENT OF ANY REDEMPTION PREMIUM ON THE BONDS AND ANY INTEREST ACCRUED OR TO ACCRUE TO THE DATE OF REDEMPTION OF THE BONDS; AND**

**(2) CONSTRUCTING IMPROVEMENTS OR EXTENSIONS TO OR ENLARGEMENTS OF ANY TRANSIT FACILITY.**

**9-406.**

**BEFORE THE PREPARATION OF DEFINITIVE BONDS, A TRANSIT BENEFIT DISTRICT MAY ISSUE INTERIM CERTIFICATES OR TEMPORARY BONDS, WITH OR WITHOUT COUPONS, EXCHANGEABLE FOR DEFINITIVE BONDS WHEN THE DEFINITIVE BONDS HAVE BEEN EXECUTED AND ARE AVAILABLE FOR DELIVERY.**

**9-407.**

**(A) A TRANSIT BENEFIT DISTRICT MAY ISSUE BOND ANTICIPATION NOTES PAYABLE TO THE BEARER OR REGISTERED HOLDER OF THE NOTES OUT OF THE FIRST PROCEEDS OF THE NEXT SALE OF BONDS ISSUED UNDER THIS SUBTITLE.**

**(B) THE ISSUANCE OF BOND ANTICIPATION NOTES, THE DETAILS OF THEIR ISSUANCE, THE RIGHTS OF THEIR HOLDERS, AND THE RIGHTS, DUTIES, AND OBLIGATIONS OF THE TRANSIT BENEFIT DISTRICT WITH RESPECT TO THE BOND ANTICIPATION NOTES ARE GOVERNED BY THE PROVISIONS OF THIS SUBTITLE RELATING TO THE ISSUANCE OF THE BONDS IN ANTICIPATION OF THE SALE AT WHICH THE NOTES ARE ISSUED, INSOFAR AS THOSE PROVISIONS ARE APPLICABLE.**

**9-408.**

**(A) BONDS ISSUED UNDER THIS SUBTITLE MAY BE SECURED BY A TRUST AGREEMENT BETWEEN A TRANSIT BENEFIT DISTRICT AND A CORPORATE TRUSTEE, WHICH MAY BE ANY TRUST COMPANY OR BANK HAVING TRUST POWERS WITHIN OR OUTSIDE THE STATE.**

**(B) THE TRUST AGREEMENT MAY PLEDGE OR ASSIGN ALL OR ANY PART OF THE REVENUES OF A TRANSIT BENEFIT DISTRICT OR OF ANY TRANSIT FACILITY BUT MAY NOT MORTGAGE ANY PART OF ANY TRANSIT FACILITY.**

**9-409.**

THE RENTALS, RATES, FEES, FARES, AND TAXES DESIGNATED AS SECURITY FOR BONDS ISSUED UNDER THIS SUBTITLE SHALL BE FIXED AND ADJUSTED SO AS TO PROVIDE FUNDS THAT ARE SUFFICIENT AS LONG AS THE BONDS ARE OUTSTANDING AND UNPAID TO PAY THE PRINCIPAL OF AND THE INTEREST ON THE BONDS AS THEY BECOME DUE AND PAYABLE.

**9-410.**

ALL MONEY THAT IS RECEIVED BY A TRANSIT BENEFIT DISTRICT AS PROCEEDS FROM THE SALE OF BONDS, NOTES, OR OTHER EVIDENCES OF OBLIGATION UNDER THIS SUBTITLE AND, BY WAY OF RENTALS, RATES, FEES, FARES, AND TAXES, THAT IS DESIGNATED BY ANY TRUST AGREEMENT AS SECURITY FOR THE BONDS, NOTES, OR OTHER EVIDENCES OF OBLIGATION SHALL BE DEEMED TO BE TRUST FUNDS TO BE HELD AND APPLIED ONLY AS PROVIDED IN THIS SUBTITLE.

**9-411.**

EXCEPT TO THE EXTENT RESTRICTED BY THE TRUST AGREEMENT, THE TRUSTEE OR ANY HOLDER OF BONDS ISSUED UNDER THIS SUBTITLE OR OF ANY OF THE COUPONS APPERTAINING TO THE BONDS MAY:

(1) BRING A SUIT OR ANY OTHER PROCEEDING TO PROTECT AND ENFORCE ANY RIGHT UNDER THE LAWS OF THE STATE OR UNDER THE TRUST AGREEMENT; AND

(2) ENFORCE AND COMPEL THE PERFORMANCE OF ALL DUTIES REQUIRED BY THIS SUBTITLE OR BY THE TRUST AGREEMENT TO BE PERFORMED BY A TRANSIT BENEFIT DISTRICT OR BY ANY OF ITS OFFICERS, INCLUDING THE FIXING, CHARGING, IMPOSING, AND COLLECTING OF RENTALS, RATES, FEES, FARES, AND TAXES.

**9-412.**

BONDS ISSUED UNDER THIS SUBTITLE ARE SECURITIES:

(1) IN WHICH ALL PUBLIC OFFICERS AND PUBLIC BODIES OF THE STATE AND ITS POLITICAL SUBDIVISIONS AND ALL INSURANCE COMPANIES, STATE BANKS AND TRUST COMPANIES, NATIONAL BANKING ASSOCIATIONS, SAVINGS BANKS, SAVINGS AND LOAN ASSOCIATIONS, INVESTMENT COMPANIES, EXECUTORS, ADMINISTRATORS, TRUSTEES, AND OTHER FIDUCIARIES MAY

PROPERLY AND LEGALLY INVEST FUNDS, INCLUDING CAPITAL IN THEIR CONTROL OR BELONGING TO THEM; AND

(2) THAT MAY BE PROPERLY AND LEGALLY DEPOSITED WITH AND RECEIVED BY ANY STATE OR COUNTY OFFICER OR ANY AGENCY OR POLITICAL SUBDIVISION OF THE STATE FOR ANY PURPOSE FOR WHICH THE DEPOSIT OF BONDS OR OBLIGATIONS OF THE STATE IS AUTHORIZED BY LAW.

9-413.

THE BONDS, NOTES, AND OTHER EVIDENCES OF OBLIGATION ISSUED UNDER THIS SUBTITLE, THEIR TRANSFER, THE INTEREST PAYABLE ON THEM, AND ANY INCOME DERIVED FROM THEM, INCLUDING ANY PROFIT REALIZED IN THEIR SALE OR EXCHANGE, SHALL BE EXEMPT FROM TAXATION BY THE STATE OR BY ANY OF ITS POLITICAL SUBDIVISIONS, MUNICIPAL CORPORATIONS, OR PUBLIC AGENCIES.

SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect June 1, 2014.