

Department of Legislative Services  
 Maryland General Assembly  
 2020 Session

FISCAL AND POLICY NOTE  
 Third Reader - Revised

House Bill 368  
 Appropriations

(Delegate Lierman, *et al.*)

Budget and Taxation

**Maryland Transit Administration - Funding (Transit Safety and Investment Act)**

This bill alters and extends (by seven years) provisions of the Maryland Metro/Transit Funding Act (Chapters 351 and 352 of 2018) that require increased operating and capital spending for the Maryland Transit Administration (MTA). For fiscal 2023 through 2027, the appropriation for MTA’s operating expenses may not be less than the fiscal 2022 appropriation. For fiscal 2022 through 2028, the Governor must include in the State budget an appropriation from the Transportation Trust Fund (TTF) for the state of good repair needs of MTA, as specified. **The bill takes effect June 1, 2020.**

**Fiscal Summary**

**State Effect:** The appropriation for MTA’s operating expenses is likely to already meet the bill’s requirements in all years, as discussed below. Because the Maryland Department of Transportation’s (MDOT) capital program is fully subscribed, MDOT must redirect a total of \$1.0 billion in funding from other projects from FY 2022 through 2028, which includes \$465.0 million in redirected funding from FY 2022 through 2025. Revenues are not affected. **This bill increases a mandated appropriation for FY 2022 and establishes a mandated appropriation for FY 2023 through 2028.**

**Local Effect:** The bill does not directly affect local government operations or finances.

**Small Business Effect:** Potential meaningful.

**Analysis**

**Bill Summary:** It is the intent of the General Assembly that MDOT (1) maximize its use of Consolidated Transportation Bonds to support its capital program by forecasting TTF estimates to include assumed bond issuances that would result in net income debt service coverage ratios of two-and-a-half times maximum future debt service in each year of the forecasts and (2) explore all other options to maximize ancillary revenues through the

operations of its units, including the leasing of unused real estate, the sale of air rights, the sale of advertising, such as naming rights, and other marketing efforts.

### *Capital Funding for State of Good Repair Needs*

The Governor must include in the State budget an appropriation for the state of good repair needs of MTA in the following amounts from the revenues available for the State capital program in TTF:

- at least \$509,541,000 in fiscal 2022;
- at least \$361,880,000 in fiscal 2023;
- at least \$414,893,000 in fiscal 2024;
- at least \$453,839,000 in fiscal 2025;
- at least \$566,573,000 in fiscal 2026;
- at least \$566,573,000 in fiscal 2027; and
- at least \$531,573,000 in fiscal 2028.

An appropriation for MTA's state of good repair needs may be reduced if the total appropriation for state of good repair needs in a prior fiscal year exceeded the amount mandated by the bill for that fiscal year. Such a reduction may only be applied to one fiscal year and may not exceed the difference between what was mandated by the bill and what was actually appropriated.

By January 20, 2021, and by January 20 each year thereafter, MTA must submit to specified legislative committees an accounting of the capital funds programmed, appropriated, and expended for the prior fiscal year on each of the projects identified in the capital needs assessment required by Chapters 351 and 352.

**Current Law/Background:** The Maryland Metro/Transit Funding Act (Chapters 351 and 352 of 2018) mandates additional capital and operating spending for MTA and requires MTA to complete an assessment of its unconstrained capital needs. Chapters 351 and 352 are set to terminate June 30, 2022.

Specifically, for fiscal 2020, the Governor was required to include in the State budget an appropriation from TTF for the operating expenses of MTA that is at least 4.4% greater than the appropriation in the fiscal 2019 State budget as introduced. For fiscal 2021 and 2022, the Governor must include in the State budget an appropriation from TTF for the operating expenses of MTA that is at least 4.4% greater than the preceding fiscal year. The Act also requires the Governor to include in the State budget, for fiscal 2020 through 2022, an appropriation for the capital needs of MTA of at least \$29.1 million from the revenues

available for the State capital program in TTF. This appropriation may not supplant any other capital funding otherwise available for MTA.

At least every 3 years, MTA must assess its ongoing, unconstrained capital needs. In doing so, MTA must (1) compile and prioritize capital needs without regard to cost; (2) identify the backlog of repairs and replacement needed to achieve a state of good repair for its assets, including a separate analysis of those needs over the following 10 years; and (3) identify the needs to be met in order to enhance service and achieve system performance goals. MTA must submit the required assessment to specified legislative committees by July 1, 2019, and by July 1 every 3 years thereafter.

The bill is in response to MTA's first [10-Year Capital Needs Inventory and Prioritization report](#), conducted pursuant to Chapters 351 and 352. The report was published in July 2019 and concluded that there is a \$1.0 billion funding gap between MTA's state of good repair needs for fiscal 2019 through 2028 and the funding planned for MTA's state of good repair projects over that same period.

### **State Expenditures:**

#### *Operating Expenditures*

The bill's requirement that the appropriation for MTA's operating expenses for fiscal 2023 through 2027 may not be less than the fiscal 2022 appropriation is unlikely to affect State operations or finances; the TTF forecast assumes MTA will begin providing Availability Payments (APs) to the Purple Line Partners, the private sector concessionaire, beginning in fiscal 2023.

Specifically, APs will compensate the Purple Line Partners for constructing, operating and maintaining the Purple Line Light Rail. The projected AP for fiscal 2023 is \$119 million, and over the 30-year operating concession, the AP is projected to average approximately \$122 million per year. Given this additional funding commitment, it is unlikely that MTA operating spending will ever fall below the fiscal 2022 level.

If APs are not considered as part of MTA's operating expenses, MDOT advises that its expenditures would increase by \$53 million over the four-year period from fiscal 2022 through 2025 in order to implement the bill. Moreover, MDOT advises that this increase would require it to reduce its capital program by \$120 million over that same period to maintain its debt service coverage ratio.

## Capital Expenditures

The bill establishes mandated appropriations from TTF for MTA's state of good repair capital needs from fiscal 2022 through 2028. As previously discussed, the bill's mandated funding is designed to fill the \$1.0 billion funding gap identified by MTA in its 10-Year Capital Needs Inventory and Prioritization report. For fiscal 2022 through 2028, **Exhibit 1** summarizes the planned spending for MTA's state of good repair needs, as identified in the report, the spending mandated under the bill, and the amount that must be redirected in MDOT's capital program to meet that mandated spending. In total, MDOT must redirect \$1.0 billion in capital spending from other projects from fiscal 2022 through 2028, which includes a redirection of \$465.0 million from fiscal 2022 through 2025.

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### Exhibit 1 Increase in MTA Capital Spending (millions) FY 2022-2028

	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
Planned MTA Capital Spending	\$459.5	\$261.9	\$264.9	\$288.8
Required Spending Under the Bill	<u>509.5</u>	<u>361.9</u>	<u>414.9</u>	<u>453.8</u>
<b>Redirected Spending Required</b>	<b>\$50.0</b>	<b>\$100.0</b>	<b>\$150.0</b>	<b>\$165.0</b>
	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	
Planned MTA Capital Spending	\$366.6	\$366.6	\$366.6	
Required Spending Under the Bill	<u>566.6</u>	<u>566.6</u>	<u>531.6</u>	
<b>Redirected Spending Required</b>	<b>\$200.0</b>	<b>\$200.0</b>	<b>\$165.0</b>	

Notes: Totals may not sum due to rounding.

Source: Maryland Transit Administration 10-Year Capital Needs Inventory and Prioritization, Maryland Department of Transportation, Department of Legislative Services

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**Small Business Effect:** To the extent that the bill creates new projects, or causes projects to be canceled or altered, the small business contractors who work on those projects may be positively or negatively affected.

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### Additional Information

**Prior Introductions:** None.

**Designated Cross File:** SB 424 (Senator Zucker, *et al.*) - Budget and Taxation.

**Information Source(s):** Maryland Department of Transportation; Department of Budget and Management; Department of Legislative Services

**Fiscal Note History:** First Reader - January 30, 2020  
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