

Department of Legislative Services
Maryland General Assembly
2021 Session

FISCAL AND POLICY NOTE
First Reader - Revised

Senate Bill 199

(Senators McCray and Zucker)

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 2028, the appropriation for MTA's operating expenses may not be less than the fiscal 2022 appropriation. For fiscal 2023 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, 2021.**

Fiscal Summary

State Effect: No effect in FY 2021 or FY 2022. 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 \$634.0 million in funding from other projects from FY 2023 through 2028, which includes \$223.0 million in redirected funding from FY 2023 through 2026. Revenues are not affected. **This bill 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.

The required capital appropriations must be in addition to any funds appropriated for the capital planning, engineering, right-of-way acquisition, or construction of the Purple Line in Montgomery and Prince George's counties.

The bill may not be construed to limit the authority of the MTA Administrator to use available funds appropriated to MTA to increase the State investment in locally operated transit agencies.

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 \$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 as required by the bill 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 in the preceding fiscal year.

By January 20, 2022, and by January 20 each year thereafter, MTA must submit to specify 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: The Maryland Metro/Transit Funding Act (Chapters 351 and 352) 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 Acts also require 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.

State Expenditures:

Operating Expenditures

The bill's requirement that the appropriation for MTA's operating expenses for fiscal 2023 through 2028 may not be less than the fiscal 2022 appropriation is unlikely to affect State operations or finances. MDOT advises that the projected operating expenditures for MTA for fiscal 2023 through 2026 (which is as far out as it projects) exceeds MTA's projected operating expenditures for fiscal 2022, and MTA's operating expenditures in fiscal 2027 and 2028 are likely to exceed those amounts in fiscal 2022 as well.

Capital Expenditures

The bill establishes mandated appropriations from TTF for MTA's state of good repair capital needs from fiscal 2023 through 2028. The bill's mandated funding is designed to fill the funding gap identified by MTA in its [10-Year Capital Needs Inventory and Prioritization report](#). In total, MDOT must redirect \$634.0 million in capital spending from other projects from fiscal 2023 through 2028, which includes a redirection of \$223.0 million from fiscal 2023 through 2026.

For fiscal 2023 through 2028, **Exhibit 1** summarizes the planned capital spending for MTA, the spending mandated under the bill, any applicable overage in funding from the preceding year that allows a reduction in the mandated spending, and the amount that must be redirected in MDOT's capital program to meet the bill's requirements. The estimate for

MTA’s planned capital spending excludes planned spending for the Purple Line (as required by the bill) and spending identified by MDOT to be for purposes other than MTA’s state of good repair needs (which averages about \$35.3 million each year).

Since an overage in funding can only be applied to the following fiscal year, (1) the \$40.1 million overage in fiscal 2023 does not allow reduced spending in any fiscal year (since planned funding in fiscal 2024 also surpasses the bill’s mandated spending) and (2) the \$87.2 million overage in fiscal 2024 allows MDOT to reduce spending by only \$7.5 million in fiscal 2025 (since only \$7.5 million more is needed in that year to meet the bill’s mandated spending).

Exhibit 1
Increase in MTA Capital Spending
(\$ in Millions)
FY 2023-2028

	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
Planned MTA SGR Capital Spending	\$402.0	\$502.1	\$446.3
Required Spending under the Bill	361.9	414.9	453.8
Difference	\$40.1	\$87.2	-\$7.5
Overage Applied from Preceding Year	0	0	7.5
Redirected Spending Required	\$0	\$0	\$0
	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>
Planned MTA SGR Capital Spending	\$343.6	\$343.6	\$343.6
Required Spending under the Bill	566.6	566.6	531.6
Difference	-\$223.0	-\$223.0	-\$188.0
Overage Applied from Preceding Year	0	0	0
Redirected Spending Required	\$223.0	\$223.0	\$188.0

MTA: Maryland Transit Administration
 SGR: State of Good Repair

Notes: Totals may not sum due to rounding. As funding decisions for FY 2027 and 2028 have not yet been made, it is assumed the level of funding in FY 2026 continues in those years. Planned MTA SGR Capital Spending does not include (1) Purple Line funding or (2) MTA capital expenses not considered by the Maryland Department of Transportation to be SGR needs expenses.

Source: Maryland Department of Transportation; Department of Legislative Services

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.

Additional Information

Prior Introductions: HB 368 of 2020, as amended, passed the House and was referred to the Senate Budget and Taxation Committee, but no further action was taken. Its cross file, SB 424, received a hearing in the Senate Budget and Taxation Committee, but no further action was taken.

Designated Cross File: HB 114 (Delegate Lierman, *et al.*) - Appropriations.

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

Fiscal Note History: First Reader - January 21, 2021
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