
March 7, 2023

The Honorable Ben Barnes
Chair, House Appropriations Committee
Room 121, House Office Building
Annapolis MD 21401

RE: Letter of Information – House Bill 1125 – Transit – Grant Funding for Local Service – Alterations

Dear Chair Barnes and Committee Members:

The Maryland Department of Transportation (MDOT) takes no position on House Bill 1125 but offers the following information for the Committee's consideration.

House Bill 1125 codifies the Locally Operated Transit System (LOTS) Grant Program that is administered by the MDOT Maryland Transit Administration (MTA), requires annual inflation increases to the Program, and further specifies the Washington Area Grants (WAG) Program must increase annually at the rate of inflation.

The primary purpose of the LOTS Program is to provide federal and State funding to the Locally Operate Transit Systems who provide transit service throughout the State. The MTA administers the funding through a number of grants, supporting both public transportation and specialized transportation services. The LOTS Grant Program includes federal public transit formula grant program funds and the following State transportation funds:

- Washington Area Grants (WAG)
- Americans with Disabilities Act (ADA) Program
- Statewide Special Transportation Assistance Program (SSTAP) Maryland
- State matching funds

The annual increases to the WAG Program, as required by House Bill 1125, would result in a fiscal impact ranging from \$38M to \$75M between Fiscal Year (FY) 25 and FY 28, depending on how the inflation factor is applied. There is not expected to be any fiscal impact for the non-WAG portions over the next five years, as the levels of federal funding available to LOTS under the Bipartisan Infrastructure Law (BIL) are increasing by 30-50 percent; this will offset the required increases in House Bill 1125 over the next five years.

It is important to note that federal funding increases in the future are not guaranteed. If federal formula funding is reduced or less than the rate of inflation, State funds would be required to make up the difference. This could exacerbate challenges with keeping State transportation programs operating in an environment where federal funding is reduced.

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House Bill 1125 identifies that the baseline funding amount from 2019, \$107,997,595, includes WAG at \$56,499,828. As that Program is addressed separately in House Bill 1125, MTA requests clarification on if WAG and Montgomery and Prince George's County capital grants are intended to be included. If they are intended to continue to be handled separately in law, then those amounts should be subtracted from the 2019 baseline, resulting in a total of \$48,997,747.

As capital needs are often larger expenditures that occur periodically, capital grants vary on an annual basis; for example, replacing a bus division only occurs every 50 years. To reflect the need for flexibility so as to best address LOTS capital needs, increased flexibility would be needed in House Bill 1125 to allow annual adjustments, as long as the overall funding levels are achieved over the six-year Consolidated Transportation Program.

It is also unclear as to how the inflation factor (CPI) is intended to be applied. Generally, budgets are created a year in advance so the CPI that could be applied to FY25 would be the FY23 CPI. MTA requests clarification on if the intent is to apply the CPI from FY19 – FY23 or if a single averaged year of inflation is intended to be applied for FY25 (vs FY19). This calculation would have an extreme effect on the impact as the CPI for July 2018 – January 2023 equals 18.7%. If average CPI is utilized (1 year of inflation over FY19) then the Impact vs FY19 is 4.1% vs 18.7% (If 5 years of CPI is considered).

The Maryland Department of Transportation respectfully requests the Committee consider this information when deliberating House Bill 1125.

Respectfully submitted,

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