

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE

Senate Bill 771 (Senator Ruben, *et al.*)
Budget and Taxation

Prince George's County and Montgomery County Local Bus Systems - Funding

This bill requires the Maryland Department of Transportation (MDOT) to provide annual grants for ineligible local bus service beginning in fiscal 1998. In fiscal 1998, the grant is 40% of the operating deficit of ineligible local bus service and in fiscal 1999, and each year thereafter, the grant is 50% of the operating deficit of ineligible service. The bill has an effective date of July 1, 1997.

Fiscal Summary

State Effect: Special fund bond revenues would decrease \$6.2 million in FY 1998 and attendant debt service expenditures would decrease by \$.2 million in FY 1998. Special fund expenditures would increase \$8.2 million in FY 1998. Future year expenditures reflect the higher percentage of the expected ineligible bus service deficit. Future year debt service costs reflect the cumulative effect of the debt service payments.

(in millions)	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002
SF Bond Revenues	(\$6.2)	(\$7.0)	(\$8.7)	(\$8.9)	(\$9.4)
Debt Service Exp.	(0.20)	(1.00)	(1.70)	(1.90)	(2.40)
SF Expenditures	8.2	10.8	11.3	12.5	13.3
Net Effect	(\$14.2)	(\$16.8)	(\$18.3)	(\$19.5)	(\$20.3)

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

Local Effect: Montgomery County revenues increase by approximately \$8 million in FY 1998. Prince George's County revenues would increase approximately \$175,000 in FY 1998.

Small Business Effect: None. The bill would not directly affect small businesses.

Fiscal Analysis

State Effect: Ineligible local bus service is service that was implemented at the discretion of Montgomery or Prince George's county before June 30, 1989 and that did not replace comparable bus services provided by the Washington Metropolitan Area Transit Authority (WMATA). This bill requires MDOT to provide a grant of 40% of the operating deficit (cost less fare revenue) in fiscal 1998 and 50% of the operating deficit each year thereafter. Based on the estimated deficits, this would increase the expenditures for the Transportation Trust Fund by \$56.1 million in fiscal 1998-2002.

The bill would also affect MDOT's ability to issue debt. MDOT leverages revenues dedicated to the Transportation Trust Fund by issuing 15-year Consolidated Transportation Bonds. Debt service is payable solely from the trust fund. The issuance of debt is limited by a cap on the maximum debt outstanding and certain debt service coverage tests. If annual operating expenditures are increased as outlined under the legislation, the impact on net revenues would cause coverage to fall below the limits set forth in the agency's six-year forecast. A reduction of approximately \$40 million in projected average annual bond revenue would result over the fiscal 1998-2002 program period.

However, debt service expenditures would also decrease by about \$7.2 million over the fiscal 1998-2002 period. Because the term of bonds is 15 years, the reduction in debt service expenditures would continue to increase for an additional 10 years beyond 2002 and, at some point, would exceed the additional proceeds of the new debt issued. This is because, at current interest rates, total debt service payments are approximately 150% of the bond indebtedness over the life of the bond.

Local Effect: The following exhibit details the estimated amounts that Montgomery and Prince George's counties would receive in grants to offset their operating deficits for ineligible bus service in fiscal 1998-2002.

(in millions)	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002
Montgomery Count	\$8.0	\$10.1	\$9.7	\$10.9	\$14.0
Prince George's	\$.2	\$.3	\$.2	\$.9	\$2.0

Information Source(s): Department of Transportation (Washington Metropolitan Area

Transit Authority), Prince George's County, Montgomery County, Department of Fiscal Services

Fiscal Note History: First Reader - March 3, 1997

nrd

Analysis by: Jody J. Minnich

Reviewed by: Paul Ballou

Direct Inquiries to:

John Rixey, Coordinating Analyst

(410) 841-3710

(301) 858-3710