

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE

House Bill 1328 (Delegates Barve and Exum)
Ways and Means

Transportation - Montgomery and Prince George’s Counties - Grants for Purchase of Buses

This bill requires that the Maryland Department of Transportation (MDOT) provide an annual capital grant to Montgomery County and Prince George’s County for the purchase of buses for local bus service. Any grants made under this provision are in addition to any federal funds that the State receives for bus service in Montgomery and Prince George’s counties. Current law provides that the State reimburses the counties as part of the annual operating grant which equals the cost of buses divided by their useful life. The bill has an effective date of July 1, 1997.

Fiscal Summary

State Effect: Special fund capital expenditures increase by \$2.7 million, while special fund operating expenditures decrease by \$1.5 million in FY 1998, leaving a net expenditure increase of \$1.2 million. Special fund bond revenues increase approximately \$1.232 million in FY 1998 with a corresponding increase of \$32,000 for debt service payments, leaving a zero net effect for the State. Future years reflect the amounts budgeted in the Consolidated Transportation Program.

(in thousands)	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002
SF Bond Revenues	\$1,232	\$1,298	\$1,567	\$2,074	\$2,701
Debt Service Exp.	32	98	167	274	401
SF Capital Exp.	2,700	2,700	3,000	3,600	4,300
SF Operating Exp.	(1,500)	(1,500)	(1,600)	(1,800)	(2,000)
Net Effect	\$0	\$0	\$0	\$0	\$0

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

Local Effect: Montgomery County would receive a capital grant of \$2.3 million in FY 1998 for the purchase of buses. Prince George’s County would receive a capital grant of \$.4 million in FY 1998 for the purchase of buses.

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

Fiscal Analysis

State Effect: Under current law, MDOT provides annual operating grants to Prince George's and Montgomery counties to reimburse them for the depreciated cost of buses previously purchased with local funds. The bill would instead provide capital funds to pay for the cost of the bus at the time of the purchase. This would increase Transportation Trust Fund capital expenses by \$2.7 million in fiscal 1998. Total capital expenses would be \$16.2 million for fiscal 1998-2002. However, Transportation Trust Fund operating expenditures would decrease by \$1.5 million in fiscal 1998. Total operating savings would be \$8.2 million for fiscal 1998-2002. Therefore, net expenditures would increase by \$1.2 million in fiscal 1998 and \$7.9 million over fiscal 1998-2002.

The bill would also increase MDOT's bonding capacity. 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 decreased as outlined under the legislation, an increase of approximately \$1.2 million in fiscal 1998 and \$8.8 million in projected average annual bond revenues would result over the fiscal 1998-2002 program period.

However, debt service expenditures would also increase by about \$1 million over the fiscal 1998-2002 period. Because the term of bonds is 15 years, the 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 bill would provide a capital grant to Prince George's and Montgomery counties for the purchase of buses to be used in eligible local bus service. The counties would not be required to purchase the buses with local funds and wait for reimbursement from the State. The following exhibit details the amount that is expected to be granted to the counties upon passage of this bill.

(in millions)	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002
Montgomery	\$2.3	\$2.2	\$2.4	\$2.9	\$3.5
Prince George's	\$0.4	\$0.5	\$0.6	\$0.7	\$0.8

Information Source(s): Department of Transportation (Washington Metropolitan Area Transit Authority), Prince George's County, Department of Fiscal Services

Fiscal Note History: First Reader - March 3, 1997

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