

Department of Legislative Services
Maryland General Assembly

FISCAL NOTE
Revised

House Bill 489 (Delegates Barve and Exum)
Ways and Means

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

This bill requires the Maryland Department of Transportation (MDOT) to 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 the buses divided by their useful life. The bill's effective date is July 1, 1998.

Fiscal Summary

State Effect: The FY 1999 budget includes a \$2.4 million capital grant for the purchase of buses in Montgomery and Prince George's counties contingent on enactment of this bill. As a result, Transportation Trust Fund (TTF) budgeted operating expenditures have decreased by \$1.1 million in FY 1999, and TTF bonding capacity has increased by \$5 million in FY 1999 with a related minimal increase in debt service expenditures.

Local Effect: Montgomery County is budgeted to receive \$2.2 million in FY 1999 and Prince George's County is budgeted to receive \$.2 million for the purchase of buses.

Small Business Effect: None.

Fiscal Analysis

State Effect: Under current law, MDOT provides for 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 State capital funds to pay for the cost of the bus at the time of purchase. The fiscal 1999 budget has increased Transportation Trust Fund (TTF) capital expenditures by \$2.4 million to provide for the purchase of buses as required by this bill. Total budgeted capital expenditures are \$13.4 million for fiscal years 1999-2003. Thus, TTF operating expenditures in the fiscal 1999 budget were decreased by \$1.1 million in anticipation of this bill’s enactment.

Due to the decrease in operating expenditures, MDOT’s bonding capacity would increase. MDOT leverages revenues dedicated to the TTF 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. MDOT’s bonding capacity has increased by \$5 million in fiscal 1999 and related debt service expenditures have increased minimally. Over the six-year Consolidated Transportation Program, the increase in bonding capacity and decrease in operating expenditures is expected to completely offset the increase in capital and debt service expenditures. However, beyond the six-year program cycle, debt service expenditures will increase to a point that will exceed any proceeds of new debt issued and savings in operating expenditures. 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 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 budgeted for the counties in MDOT’s capital program.

(in millions)	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
Montgomery	\$2.2	\$2.3	\$2.4	\$2.5	\$2.7
Prince George’s	\$0.2	\$0.3	\$0.3	\$0.3	\$0.4

Information Source(s): Department of Transportation (Washington Metropolitan Area Transit Authority), Prince George’s County, Montgomery County, Department of Legislative Services

Fiscal Note History: First Reader - March 2, 1998

Inc

Revised - Updated Information - April 16, 1998

Analysis by: Jody J. Minnich

Direct Inquiries to:

Reviewed by: David B. Juppe

John Rixey, Coordinating Analyst

(410) 841-3710

(301) 858-3710