

**Department of Legislative Services**  
Maryland General Assembly  
2004 Session

**FISCAL AND POLICY NOTE**

House Bill 58  
Ways and Means

(Delegate Boschert)

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**Transportation Trust Fund - Transit Operating Expenses - Limitations**

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This bill limits the amount of funds in the Transportation Trust Fund (TTF) that can be dedicated for transit operating expenses to 32.5% of the total operating expenses of the Maryland Department of Transportation (MDOT), notwithstanding any other provision of law, beginning in fiscal 2006. The Governor may include a general fund appropriation in the State budget to fund additional transit expenses; the 32.5% limit would not apply to that appropriation.

The bill takes effect July 1, 2004.

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**Fiscal Summary**

**State Effect:** TTF expenditures for transit would decrease by \$193 million beginning in FY 2006 and by \$227 million in FY 2009, resulting in a significant operational impact for transit services. Revenues would not be affected.

**Local Effect:** State grants to local governments for transit service would decrease by 8% to 9% annually. Local government expenditures would increase to make up the difference or local transit service would be reduced.

**Small Business Effect:** Minimal. Small nonprofit organizations will likely be affected if State cleaning contracts for transit facilities are reduced. Paratransit providers are less likely to be affected.

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## Analysis

**Current Law:** State law does not limit the amount of TTF funds that can be spent for transit. The Maryland Transit Administration (MTA) has a statutory farebox recovery goal of 40%; however, due to declining bus ridership and increasing costs, it has not been able to obtain that goal.

**Background:** MDOT supports transit in Maryland through MTA and the Washington Metropolitan Area Transit Authority (WMATA). MTA directly operates bus, Metro, and light rail services and some paratransit services in the Baltimore metropolitan region and contracts with private carriers to provide additional paratransit services in Baltimore and commuter bus services that link Baltimore and Washington, DC to surrounding counties. MTA also manages the Maryland Rail Commuter (MARC) system (which is operated by CSX and Amtrak) and supports the maintenance of State-owned rail lines. MTA also gives technical assistance and operating grants to transit services operated by local jurisdictions throughout Maryland, including Montgomery County's "Ride-On" and Prince George's County "the Bus" services.

MDOT provides annual operating grants to the Washington Suburban Transit Commission, which then provides funding to WMATA for operation of the Metrorail, Metrobus, and MetroAccess systems. The fiscal 2005 transit budget includes \$32 million of mandatory spending for pension and bond payments.

**State Expenditures:** TTF expenditures for transit would decrease by approximately \$193 million in fiscal 2006, assuming no general fund transfers to the TTF for transit operating costs. Presumably, these funds will be shifted to other modes (roads, airport, Port of Baltimore, or the MVA). The projected decrease is based on MDOT's estimated operating budget, as well as WMATA operating grants. The Department of Legislative Services notes that the total operating budget excludes debt service. MDOT's and WMATA's combined operating budgets for fiscal 2006 to 2009 is shown in **Exhibit 1**, with the percentage allowed under the bill for transit, compared to the amount budgeted for transit. Currently, MDOT's operating expenses for transit account for approximately 48% of MDOT's total operating expenses.

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**Exhibit 1**  
**Transit and MDOT Operating Expenses**  
(in millions)

<b><u>Fiscal Year</u></b>	<b><u>MDOT Operating Funds</u></b>	<b><u>MDOT &amp; WMATA Operating Budget</u></b>	<b><u>Total MTA Operating Funds</u></b>	<b><u>MTA's Operating Funds under HB 58</u></b>
2006	\$1,258	\$602	\$441	\$248
2007	1,306	628	459	255
2008	1,356	656	479	264
2009	1,410	685	500	273

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According to MTA, the bill will have a significant operational impact on transit service, resulting in major cuts in frequency and routes for MTA bus and rail service in Baltimore and local bus service in suburban areas. Maintenance, repair, and cleaning contracts would also be substantially reduced. However, MTA does not anticipate significant cuts in paratransit service, which is estimated to cost \$20 million in fiscal 2005.

MTA advises that the cuts could not be offset or reduced with fare increases because the bill limits the operating budget appropriation rather than the operating deficit.

MTA indicates that federal grant funds would not be lost as a result of the reduction because they could be diverted to capital projects or held for future years.

**Local Fiscal Effect:** Grants to local governments could decline by \$4 million to \$5 million annually as part of the overall operating budget reduction. MTA's fiscal 2005 operating budget earmarks \$40 million to Montgomery and Prince George's bus systems. Both counties would likely curtail bus system hours and routes as a result of the reduction.

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**Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** Maryland Department of Transportation, Department of Legislative Services

**Fiscal Note History:** First Reader - March 18, 2004  
mh/mdr

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