

Department of Legislative Services
Maryland General Assembly
2006 Session

FISCAL AND POLICY NOTE

House Bill 1022 (Delegate Barkley, *et al.*)
Environmental Matters

Transportation - Mass Transit - Inspectors General and Governance of the
Washington Metropolitan Area Transit Authority

This bill establishes an Office of the Inspector General in the Maryland Transit Administration (MTA) and grants the inspector general of the MTA certain powers and duties. In addition, the bill specifies that, upon the enactment of similar legislation by Virginia and the District of Columbia, the Washington Metropolitan Area Transit Authority (WMATA) must establish an Office of the Inspector General. The bill also increases the membership of the board of WMATA contingent on enactment of similar legislation by Virginia and the District of Columbia as well as provision of certain funding from the federal government.

Fiscal Summary

State Effect: No additional expenditures from creating an Office of the Inspector General at MTA. If the federal government were to provide WMATA \$150 million for capital expenditures each year, Transportation Trust Fund (TTF) expenditures could decrease, by as much as \$73.6 million in FY 2007 and \$83.9 million in FY 2011.

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: The inspector general of MTA would be required to:

- conduct and supervise MTA audits and investigations;

- promote efficiency, economy, and effectiveness at MTA;
- detect and prevent fraud; and
- keep the administrator of MTA informed about deficiencies at MTA and necessary corrective actions.

The inspector general of WMATA would be required to:

- conduct and supervise WMATA audits and investigations, including the annual audit of WMATA's financial accounts;
- promote efficiency, economy, and effectiveness at WMATA;
- detect and prevent fraud; and
- keep the board of WMATA informed about deficiencies at WMATA and necessary corrective actions.

The bill establishes procedures for the hiring and termination of the inspector general of WMATA in accordance with federal law. If the inspector general does not conduct WMATA's annual audit of its financial accounts, the inspector general must choose the external auditors to conduct it instead. Any employee of the Office of the Inspector General who refuses to assist in this audit is subject to discharge at the discretion of the inspector general.

Payments to WMATA from signatories to the Washington Metropolitan Area Transit Authority Compact must be made from sources of funding that are earmarked and required to be used exclusively for payments to WMATA.

These provisions are contingent upon the passing of similar acts by Virginia and the District of Columbia.

An additional director is added to the board, a director for the United States, appointed by the administrator of the U.S. General Services Administration (GSA). In addition, the administrator of GSA must be given a copy of all changes to mass transit plans, including the adoption of a new plan.

This provision is contingent on the passing of similar acts by Virginia and the District of Columbia and on the U.S. government providing \$150 million to WMATA in a fiscal year. If the funding is not provided by October 1, 2011, this provision is null and void.

Current Law: The Washington Metropolitan Area Transit Zone consists of the District of Columbia; the cities of Alexandria, Falls Church, and Fairfax; the counties of Arlington, Fairfax, and Loudoun in Virginia; and Montgomery and Prince George's counties in Maryland.

WMATA was created to provide comprehensive transit within these areas. Maryland, the District of Columbia, and Virginia are signatories to the WMATA Compact. WMATA is governed by a board that consists of six directors. An annual financial audit is conducted each year by external auditors selected by the board. The board must transmit all changes to its mass transit plans to specified governmental agencies.

Background: In the United States, an inspector general is a type of investigator charged with examining the actions of a government agency or military organization as a general auditor of their operations to ensure they are operating in compliance with general established policies of the government. It is also the inspector general's responsibility to audit the effectiveness of security procedures and to discover the misconduct, waste, fraud, theft, or certain types of criminal activity by individuals or groups related to the agency's operation, usually involving some misuse of the organization's funds or credit.

The National Capital Transportation Amendments Act of 2005 authorizes the Secretary of the U.S. Department of Transportation to finance in part the capital and preventive maintenance projects of WMATA in its Capital Improvement Plan at \$150 million annually. This funding cannot be provided until:

- (1) all local signatories agree to use earmarked funds for WMATA subsidies;
- (2) an Office of the Inspector General is established, in accordance with guidelines in the Act; and
- (3) two directors appointed by the administrator of GSA are included in the board of directors of WMATA, one of whom must be nonvoting.

The Maryland Department of Transportation (MDOT) currently provides annual operating grants to WMATA, as well as covers part of its capital program. In fiscal 2006, \$167.8 million was appropriated for WMATA's operating budget, while \$96.1 million was appropriated for WMATA's capital program. The Governor's proposed fiscal 2007 budget includes \$174.5 million in operating grants for WMATA, as well as \$90 million for the State's portion of WMATA's capital program.

State Fiscal Effect: MTA advises that the responsibilities assigned to the new MTA inspector general are identical to the ones assigned to the manager of audit. MTA would therefore reclassify the manager of audit position as the inspector general. This could be done with existing resources.

MTA was unable to provide an estimate as to the cost to WMATA for creating an Office of the Inspector General.

MTA advises that specifically earmarking funds to pay WMATA expenses does not necessarily alter payments to WMATA. In addition, if GSA were to provide \$150 million to WMATA, MTA advises that the effect on MDOT would depend on whether the \$150 million were intended to supplement or replace signatory funding.

If, however, it were intended to replace signatory funding, MTA expenditures for WMATA's capital program would be reduced for that year. TTF expenditures for WMATA's capital projects in the *FY 2006 – 2011 Consolidated Transportation Program* are projected to be \$73.6 million in fiscal 2007, \$86.1 million in fiscal 2008, \$77.7 million in fiscal 2009, \$84.9 million in fiscal 2010, and \$89.3 million in fiscal 2011. The remainder is covered by federal grants.

Additional Comments: Legislative Services advises that the National Capital Transportation Amendments Act of 2005 requires that *two* directors be appointed by the administrator of GSA in order for the funding of \$150 million annually to be provided. This bill only provides for one such director to be appointed.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Wikipedia, Library of Congress, Maryland Department of Transportation, Department of Legislative Services

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