

Department of Legislative Services
Maryland General Assembly
2006 Session

FISCAL AND POLICY NOTE

Senate Bill 245

(Senator McFadden)

(By Request – Baltimore City Administration)

Budget and Taxation

Ways and Means

Baltimore City - Highway User Revenues - Authorized Use

This bill extends the period during which highway user revenues distributed to Baltimore City may be used to pay students' costs of discounted Maryland Transit Administration (MTA) fares for eligible public school students. Currently, the city may use the funds for this purpose through fiscal 2006. The bill extends the period through fiscal 2010.

The bill takes effect July 1, 2006.

Fiscal Summary

State Effect: None. Special fund revenues from MTA fares would continue at approximately the current level from FY 2007 to 2010.

Local Effect: Baltimore City would continue to use approximately \$3.6 million per year of highway user revenues to subsidize student transportation costs.

Small Business Effect: None.

Analysis

Current Law: Baltimore City may use local highway user revenues to pay students' costs of discounted MTA fares for eligible public school students in Baltimore City.

Background: Baltimore City began using highway user revenue in 1987 (authorized in Chapter 291 of 1987) to cover the costs of discounted MTA fares for school children.

The initial provision was for fiscal 1988 only, however, the General Assembly has repeatedly extended the termination date. Chapter 319 of 1988 extended the provision through fiscal 1990. Chapter 478 of 1990 extended the provision until fiscal 1992, while Chapter 215 of 1992 extended the provision until fiscal 1997. Chapter 628 of 1997 extended the provision through fiscal 2002, while Chapter 386 of 2001 extended the provision until June 30, 2006.

Statewide, approximately 71% of public school students receive transportation services from their local school system through traditional yellow school buses. In Baltimore City, however, school buses are only used to transport elementary school children who live too far from the school to walk and disabled children. According to the Maryland State Department of Education, approximately 29% of school children in Baltimore City are transported on traditional yellow school buses.

Middle and high school children either have to walk to school or use MTA transit services. Students who are more than 1.5 miles from school are eligible for tickets paid by the school system. The Baltimore City Public School System each month provides a ticket book to eligible students, at no charge to the student. Students who live closer than 1.5 miles from school are not eligible for the free tickets, but are eligible for a reduced fare. According to MTA, the reduced fare is \$1.10 each time a student boards an MTA bus; the normal base fare is \$1.60.

State Fiscal Effect: MTA collected approximately \$6 million (of which \$3.6 million is highway user revenues) from Baltimore City in fiscal 2006 for transporting students to and from school. Extending the period in which Baltimore City may use highway user revenues for this purpose would generate approximately this same amount from fiscal 2007 to 2010.

If highway user revenues were not used to subsidize MTA fares, the Baltimore City Public School System may have to find alternative forms of transportation for students, as Baltimore City will not replace the highway user revenue. This would cause MTA revenues to fall by approximately \$6 million.

Local Effect: Baltimore City is projected to receive \$238.8 million in local highway user revenues in fiscal 2007. This represents an \$18.0 million or 8.1% increase over the amount received in the prior year. Baltimore City uses approximately \$3.6 million per year in highway user revenues to subsidize the cost of MTA fares for students. Baltimore City would continue to do so if the provision is extended; as such, there is no fiscal effect. The city indicates that it does not intend to replace the highway user revenue money if the sunset extension is not passed; the Baltimore City Public School System

would be expected to replace the funding or find alternate methods of transporting its students.

Additional Information

Prior Introductions: None.

Cross File: HB 177 (Delegate Marriott, *et al.*) (By Request – Baltimore City Administration) – Ways and Means.

Information Source(s): Maryland State Department of Education, Maryland Department of Transportation, Baltimore City, Department of Legislative Services

Fiscal Note History: First Reader - February 1, 2006
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