

Department of Legislative Services
Maryland General Assembly
2006 Session

FISCAL AND POLICY NOTE

Senate Bill 829 (Senators Gladden and Hughes)
Finance and Budget and Taxation

Transportation - Heavy Rail Transit - Federal Funding

This bill requires that at least 25% of the net projects costs for heavy rail transit projects undertaken by the Maryland Transit Administration (MTA) be paid for by grants from the federal government.

The bill takes effect July 1, 2006.

Fiscal Summary

State Effect: None. The bill would not substantially alter State operations or finances.

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: Heavy rail transit is defined as rail transit that:

- is electronically powered on fixed rails;
- has separate rights-of-way excluding all other traffic;
- uses high speed and rapid acceleration passenger cars; and

- has sophisticated signaling and high platform loading.

Current Law: Net project costs refers to the part of capital costs incurred in constructing and acquiring transit facilities eligible for assistance under federal law and that cannot reasonably be financed from revenues. For light rail projects, at least 10% of the net project costs must be paid for by federal grants, while for all other transit projects, at least two-thirds of the net project costs have to be paid for by federal grants.

Background: The Federal Transit Administration (FTA) provides financial assistance to develop new transit systems and improve, maintain, and operate existing systems. FTA oversees thousands of grants to hundreds of state and local transit providers. These grantees are responsible for managing their programs in accordance with federal requirements, and FTA is responsible for ensuring that grantees follow federal mandates along with statutory and administrative requirements.

FTA funds new construction through its “New Starts” office. Demand for new transit systems exceeds New Start’s ability to fund them, and FTA awards its funds on a competitive basis. FTA policy is that applicants should request at most 50% of the required funding.

State Fiscal Effect: MTA is considering either heavy rail or bus rapid transit for its Baltimore Green Line four-mile extension. MTA estimates the construction costs for a heavy rail extension to be \$620 million to \$1.125 billion, beginning in fiscal 2014. This is in addition to project engineering costs and rights-of-way purchase.

The *FY 2006 to 2011 Consolidated Transportation Plan* (CTP) contains \$10 million for planning between fiscal 2007 and 2010. Of this, approximately \$6.7 million is projected to be federal aid, or 67%. The exact amount of federal aid per fiscal year will not be known until October of that fiscal year. Preliminary engineering is to begin in November 2006.

In addition, the CTP does not contain any activities for fiscal 2011, but it is assumed that additional costs will be added to the CTP for fiscal 2011, based on the results of the preliminary planning.

MTA advises that, if it opted for a heavy rail system, using a midpoint of possible construction costs of \$872.5 million for construction costs alone, the total project costs for the Green Line would be approximately \$1.147 billion. Under that scenario, costs in fiscal 2011 are projected to be \$31.8 million for engineering and purchase of rights-of-way.

The bill removes the statutory requirement that two-thirds of such transit project costs be funded by federal grants; rather it establishes a floor of 25% of net project costs for heavy rail be covered by federal grants. Nothing in the bill precludes MTA from receiving two-thirds of net project costs. Therefore, TTF expenditures would not necessarily change from their planned levels. However, FTA policy is not to consider projects that would require that much federal funding. If FTA policy were to change, MTA would be permitted to receive up to 100% of funding from federal grants.

Although under current law, MTA requires two-thirds of the proposed Green Line construction to be covered by federal grants, based on current FTA policy, it is possible that MTA would receive no more than 50% from federal grants. This bill would therefore allow the Green Line project to proceed since the FTA policy for grants exceeds the 25% funding floor.

Additional Information

Prior Introductions: None.

Cross File: HB 1305 (Delegate Marriott, *et al.*) – Ways and Means.

Information Source(s): Department of Legislative Services

Fiscal Note History: First Reader - March 6, 2006
ncs/ljm

Analysis by: Nora C. McArdle

Direct Inquiries to:
(410) 946-5510
(301) 970-5510