

Department of Legislative Services
Maryland General Assembly
2012 Session

FISCAL AND POLICY NOTE

House Bill 1250
Ways and Means

(Delegate Hershey, *et al.*)

Transportation - Transit Authorities - Red Line and Purple Line

This bill establishes a Red Line Transit Authority and a Purple Line Transit Authority to finance, construct, operate, repair, and maintain in good order the Red Line and Purple Line rail transit facilities and transit services. Each authority is given general and exclusive jurisdiction over its respective transit facility and service. The Maryland Department of Transportation (MDOT) is prohibited from exercising jurisdiction or authority over the transit facilities and the transit services they provide.

Fiscal Summary

State Effect: General fund expenditures increase in FY 2013 to establish the authorities. Transportation Trust Fund (TTF) special/federal fund expenditures for the transit projects decrease by \$109.0 million in FY 2013 and by \$189.5 million in FY 2014. Potential significant increase in special/federal fund and bond expenditures in FY 2014 and subsequent years to operate the authorities and develop the transit lines. Potential significant increase in special/federal fund and bond revenues in FY 2014 and future years due to federal grants, levying taxes, and issuing bonds. MDOT federal fund revenues decrease by \$137.0 million in FY 2014 due to establishing the authorities.

(\$ in millions)	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
FF Revenue	\$0	(\$137.0)	\$0	\$0	\$0
SF/FF Rev.	\$0	-	-	-	-
Bond Rev.	\$0	-	-	-	-
SF/FF Exp.	(\$109.0)	(\$189.5)	\$0	\$0	\$0
GF/SF/FF Exp.	-	-	-	-	-
Bond Exp.	\$0	-	-	-	-
Net Effect	\$109.0	\$52.5	\$0	\$0	\$0

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

Local Effect: Potential impact on local finances, as discussed below.

Small Business Effect: Potential meaningful.

Analysis

Bill Summary: A “district” is (1) the Red Line Transit District, consisting of Baltimore City and Baltimore County; or (2) the Purple Line Transit District, consisting of Montgomery and Prince George’s counties. The “Purple Line” is a light rail transit line from Bethesda in Montgomery County to New Carrollton in Prince George’s County. The “Red Line” is a light rail transit line from Woodlawn in Baltimore County to Johns Hopkins Bayview Medical Center Campus in Baltimore City.

The bill specifies the membership and membership terms for both transit authorities and clarifies that members are entitled to reimbursement for expenses under standard State travel regulations, as provided in the State budget. The authorities are entitled to staff, as provided in the State budget.

Jurisdiction and Powers

Both authorities are authorized to (1) acquire, hold, and dispose of property; (2) sue and be sued in their own name; (3) make contracts and agreements; (4) employ and fix the compensation of attorneys, consulting engineers, accountants, construction and financial experts, managers, and any other agents or employees; (5) apply for and receive grants; (6) condemn property in a specified manner; (7) fix, revise, charge, and collect rentals, rates, fees, fares, and other charges for the use of their facilities or services; and (8) adopt rules and regulations to implement the bill.

Financing

To finance their facilities and service, both authorities are authorized, within the limits of their respective districts, to (1) tax to the same extent as the State; (2) provide for the collection of any tax; (3) grant exemptions from any tax; and (4) issue revenue bonds, notes, or other evidence of obligation, payable solely from the rentals, rates, fees, fares, and taxes each authority is empowered to impose. Bond issues may not (1) constitute a debt of the State or a political subdivision of the State other than the authorities; (2) constitute a pledge of the full faith and credit of the authorities, the State, or a political subdivision of the State; or (3) directly or indirectly obligate the State or a political subdivision of the State to impose any tax. The authorities must issue bonds in a specified manner and must consider specified issues concerning bonds issued. Bond proceeds may be used solely for paying the cost of transit facilities.

Both authorities may issue bonds to refinance all or any part of the cost of a transit facility without the approval of the General Assembly, and they may issue additional revenue bonds if a deficiency exists. Revenue bonds issued may be secured by a trust agreement between one of the authorities and a corporate trustee; the trust agreement may pledge or assign all or any part of the revenues but may not mortgage any part of any transit facility.

Both authorities may issue revenue refunding bonds for specified purposes. “Refunding” is the retirement and cancellation of bonds, including revenue bonds of prior issues, after their acquisition by or for the authorities, whether before, at, or after maturity, either in exchange for other bonds or by payment, purchase, or redemption with the proceeds of the sale of other bonds.

Before the preparation of definitive bonds, both authorities may issue interim certificates or temporary bonds, with or without coupons, exchangeable for definitive bonds when the definitive bonds have been executed and are available for delivery. Also, both authorities may issue bond anticipation notes, payable to the bearer or registered holder of the notes out of the first proceeds of the next sale of bonds issued under the bill.

The rentals, rates, fees, fares, and taxes designated as security for bonds issued under the bill must be fixed and adjusted in a specified manner. All revenue that is designated by any trust agreement as security for various debts are trust funds to be held and applied only as provided in the bill. Bonds issued under the bill are securities that (1) various fiduciaries may properly and legally invest funds; and (2) may be properly and legally deposited with any State or local entity for any authorized purpose. Revenue bonds, notes, and other evidences of obligation issued under the bill, their transfer, the interest payable on them, and any income derived from them, including any profit realized in their sale or exchange, is exempt from taxation.

The bill clarifies the legal rights of the trustee or any holder of revenue bonds or associated coupons issued under the bill.

Current Law/Background: The Maryland Transit Administration (MTA) operates a comprehensive transit system throughout the Baltimore-Washington metropolitan area, including more than 50 local bus lines in Baltimore and other services such as the light rail, Metro subway, commuter buses, Maryland Area Regional Commuter (MARC) trains, and mobility/paratransit vehicles. MTA is currently the lead agency for coordinating the financing, construction, and future operation of both the Red Line and Purple Line transit projects. To date, MTA has received Federal Transit Administration (FTA) grants for planning and preliminary engineering work associated with both projects. Because financial plans and federal funding agreements have not been finalized for the Red Line and Purple Line, MDOT’s 2012-2017 *Consolidated Transportation Program* (CTP) does not include funding for either project in fiscal 2015 through 2017.

The Red Line is a proposed 14-mile, east-west light rail line that would run from Baltimore County's Woodlawn employment and commercial centers through downtown Baltimore City to the Johns Hopkins Bayview Medical Center Campus. It would link to the north-south light rail, metro, and MARC trains. In 2030, approximately 60,000 people per day are expected to use this transit line.

The Purple Line is a proposed 16-mile light rail line extending from Bethesda in Montgomery County to New Carrollton in Prince George's County. It would provide a direct connection to the Metrorail, MARC, Amtrak, and regional and local bus services. Also, the Purple Line would provide a 4.2-mile pedestrian/bicycle trail along the transitway between the Bethesda and Silver Spring central business districts. In 2030, approximately 68,000 people per day are expected to use this transit line.

Creating two authorities with the same level of staff expertise and administrative infrastructure as currently exists at MTA would take many years. Thus, it is assumed that the bill significantly defers development of the Red Line and Purple Line. In addition, MTA advises that creating two separate authorities will result in inefficiencies due, in part, to duplication of administrative, managerial, and operations staffing.

State Fiscal Effect: Estimated federal and TTF funding for the Red Line and Purple Line in MDOT's 2012-2017 CTP is illustrated in **Exhibit 1**. The bill requires responsibility for the Red Line and Purple Line to be transferred from MTA to new authorities that are wholly separate from MDOT. Thus, in fiscal 2013 and 2014, this estimate assumes TTF special/federal fund expenditures decrease by \$298.5 million and federal fund revenues decrease by \$137.0 million. This assumes MTA forfeits all federal funding that is currently budgeted in fiscal 2014 for both transit lines. By transferring responsibility to the authorities, up to \$161.5 million in TTF revenue currently earmarked for the two projects is potentially available for other priorities.

This fiscal and policy note assumes that the authorities' general fund expenditures increase in fiscal 2013 to establish the governing members and hire, at a minimum, an executive director; however, such expenditures cannot be reliably estimated. To the extent general funds are not received, it is unclear what source of funding would be used initially for these expenses. Beginning in fiscal 2014, the authorities will be in a position to begin levying taxes and issuing revenue bonds. Thus, the authorities' special fund and bond revenues and expenditures increase potentially significantly in fiscal 2014 and subsequent years to hire staff and develop the transit lines. This estimate assumes the authorities levy new taxes and issue bonds that generate revenue that is commensurate with their expenditures and that any tax revenue is deposited into dedicated special funds for the authorities' use.

Exhibit 1
Estimated Funding in the CTP: Red Line and Purple Line
Fiscal 2013-2017
(\$ in Millions)

	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015*</u>	<u>FY 2016*</u>	<u>FY 2017*</u>
Red Line					
TTF	\$62.0	\$25.5	\$0	\$0	\$0
Federal Funds	<u>0</u>	<u>57.0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Subtotal:	\$62.0	\$82.5	\$0	\$0	\$0
Purple Line					
TTF	\$47.0	\$27.0	\$0	\$0	\$0
Federal Funds	<u>0</u>	<u>80.0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Subtotal	\$47.0	\$107.0	\$0	\$0	\$0
Total	\$109.0	\$189.5	\$0	\$0	\$0

CTP: 2012-2017 *Consolidated Transportation Program*

TTF: Transportation Trust Fund

*Funding is contingent upon the approval of federal funds.

Source: 2012-2017 *Consolidated Transportation Program*

Since MTA is currently the designated recipient for federal funds for the Red Line and Purple Line, this estimate assumes the authorities must submit new project grant applications to FTA. It is unclear whether federal grant funding would be provided to the authorities. To the extent the authorities secure grants, federal revenues increase in fiscal 2014 and future years; however, such revenues cannot be reliably estimated.

Local Fiscal Effect: The bill gives both authorities various types of financing authority, limited to within their respective districts. Thus, the burden for financing the Red Line and Purple Line is effectively shifted from the entire State to the respective jurisdictions in which the projects are located (*e.g.*, Baltimore City and Prince George's, Montgomery, and Baltimore counties). It is unclear what impact, if any, this shift may have on local finances in the four affected jurisdictions.

Local jurisdictions benefit to the extent TTF revenues currently earmarked for the Red Line and Purple Line are redirected to local jurisdictions for other transportation projects.

Small Business Effect: To the extent the authorities levy taxes, the bill may have a significant impact on small business expenditures in the affected jurisdictions. Small businesses are also potentially impacted to the extent the authorities (1) acquire, hold, dispose, and condemn property; and (2) issue project implementation contracts.

Additional Information

Prior Introductions: SB 27 and HB 18 of the 2011 special session were referred to the Senate Rules Committee and House Rules and Executive Nominations Committee, respectively, but no further action was taken on either bill. SB 729 of 2011 received a hearing in the Senate Budget and Taxation Committee, but no further action was taken.

Cross File: SB 696 (Senator Pipkin, *et al.*) - Budget and Taxation and Finance.

Information Source(s): Baltimore City; Baltimore, Montgomery, and Prince George's counties; Maryland Department of Transportation; Maryland Transportation Authority; Department of Legislative Services

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mc/lgc

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