

Department of Legislative Services
Maryland General Assembly
2012 Session

FISCAL AND POLICY NOTE

Senate Bill 1064 (Senator Pipkin)
Budget and Taxation

Transportation - Washington Metropolitan Area Transit Authority - Revenue Contributions by Montgomery County and Prince George's County

This bill reduces the State share of annual operating subsidy grant payments, from 100% to 75%, to the Washington Metropolitan Area Transit Authority (WMATA) for operations and to Montgomery and Prince George's counties for eligible local bus service. Montgomery and Prince George's counties become responsible for the remaining 25% of the payments.

The bill takes effect July 1, 2012.

Fiscal Summary

State Effect: Transportation Trust Fund (TTF) expenditures decrease by \$66.4 million in FY 2013 due to reducing the State's share of the WMATA operating grant payment. Future year expenditure decreases reflect estimated WMATA grant payments. Revenues are not affected.

(in dollars)	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Revenues	\$0	\$0	\$0	\$0	\$0
SF Expenditure	(66,400,000)	(68,400,000)	(70,500,000)	(72,600,000)	(74,800,000)
Net Effect	\$66,400,000	\$68,400,000	\$70,500,000	\$72,600,000	\$74,800,000

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

Local Effect: Montgomery and Prince George's counties' expenditures increase by \$66.4 million in FY 2013 to make operating subsidy payments to WMATA. Future year expenditure increases reflect estimated WMATA payments. **This bill imposes a mandate on a unit of local government.**

Small Business Effect: None.

Analysis

Current Law: WMATA was created by interstate compact of the State of Maryland, the Commonwealth of Virginia, and the District of Columbia with the consent of the U.S. Congress. Maryland ratified the Washington Metropolitan Area Transit Regulation Compact in 1965 (Chapter 869 of 1965). WMATA was created to plan, finance, develop, and operate a balanced regional transportation system for the national capital area. WMATA also maintains a regular police force to protect patrons, personnel, and property.

The Maryland Department of Transportation (MDOT) must provide annual operating grants to the Washington Suburban Transit District that cover 100% of its share of the WMATA operating deficit. An “operating deficit” is operating costs less the greater of operating revenues or 50% of the operating costs and all federal operating assistance.

Subject to appropriation, among other requirements, MDOT must provide annual grants to Montgomery and Prince George’s counties for eligible local bus service. “Eligible local bus service” is (1) the number of annual platform miles and annual platform hours of fixed route, scheduled local bus service, that previously replaced comparable service operated by WMATA, plus the number of annual platform miles and annual platform hours of any new fixed route, scheduled local bus service added after June 30, 1989; and (2) limited to service operated by or on behalf of and in Montgomery or Prince George’s counties. These MDOT grants must equal 100% of the service deficit attributable to each county less each county’s share of MDOT’s annual operating grant to WMATA. The Secretary of Transportation may authorize payments to Montgomery and Prince George’s counties (1) to subsidize new bus service for a period of 36 months from the initiation of service; and (2) for the loss of revenues from fare modifications for a period of 36 months from the date of the modification.

MDOT’s grant for any eligible local bus service may not exceed the operating grant MDOT would incur from the same bus service if operated by WMATA. This requirement must be applied on a line-by-line basis.

Background: The Washington Suburban Transit Commission, established in 1965, is responsible for administering the Washington Suburban Transit District and is authorized to develop a transportation system, including mass transit facilities, for Montgomery and Prince George’s counties. It coordinates mass transit programs with the two county governments, WMATA, and MDOT. MDOT provides annual operating grants to the commission, which then provides funding to WMATA for operation of the Metrorail, Metrobus, and MetroAccess systems. These operating grants are based on numerous factors, including miles of service, number of stations, and population density in each jurisdiction, and they are offset by the fare revenues generated by each service.

WMATA operates the second largest rail transit system and the fifth largest bus network in the United States. Construction of WMATA's 103-mile Metrorail system began in 1969 and was completed in 2001; the system now serves 26 stations in Maryland. WMATA's Metrobus system provides continuous service with 1,500 buses. Metrorail and Metrobus serve a population of 3.4 million within a 1,500-square mile jurisdiction.

Montgomery County schedules and manages its own Ride-On bus system which consists of 335 county-owned and -operated buses that provide nearly 30 million trips annually. Ride-On seeks to complement services provided by other transit providers in the county, including WMATA, Maryland Area Regional Commuter train service, and Maryland Transit Administration buses.

Prince George's County, in conjunction with WMATA, operates more than 70 bus routes throughout the county.

State Expenditures: In accordance with statute, MDOT provides an annual grant to WMATA for 100% of its share of the operating deficit for transit services. This bill reduces MDOT's share from 100% to 75%. Therefore, TTF expenditures decrease by an estimated \$66.4 million in fiscal 2013 due to reducing the annual operating subsidy grant to WMATA. Future year expenditure decreases reflect estimated WMATA operating subsidy payments. This analysis assumes that the counties submit their portions of the annual operating grant directly to WMATA.

However, due to budget constraints over the past several years, MDOT's operating subsidy payments for local bus service in Montgomery and Prince George's counties have been considerably less than the amount otherwise required in statute. MDOT advises that its share of local bus service grants to the counties has been under the 75% threshold identified in the bill for the past several years. Assuming MDOT continues to pay less than 75% in future years in the absence of the bill, the bill's provision that reduces MDOT's share of the subsidy for local bus service is not expected to materially affect State finances. Even so, TTF expenditures decrease in fiscal 2013 and future years to the extent the bill decreases MDOT operating subsidy payments to Montgomery and Prince George's counties; however, any such decrease cannot be reliably estimated at this time.

Local Fiscal Effect: Montgomery and Prince George's counties' expenditures increase by a total of \$66.4 million in fiscal 2013 and by \$74.8 million in fiscal 2017 due to making operating subsidy payments to WMATA, as shown in **Exhibit 1**.

Exhibit 1
Estimated Impact on Local Expenditures for Operating Subsidy Payments to WMATA
(\$ in Millions)

	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>
Montgomery County	\$28.4	\$29.2	\$30.1	\$31.0	\$32.0
Prince George's County	38.0	39.2	40.4	41.6	42.8
Total	\$66.4	\$68.4	\$70.5	\$72.6	\$74.8

Note: Out-year estimates assume 3% annual increases.

Source: Maryland Department of Transportation

Because MDOT payments for local bus service in Montgomery and Prince George's counties have been under the 75% threshold for the past several years, the bill's provision that reduces MDOT's share of the subsidy for local bus service is not expected to have a material effect on local finances. However, to the extent the bill limits MDOT operating subsidy payments to Montgomery and Prince George's counties in the future, local grant revenues decrease. Any such decrease cannot be reliably estimated at this time.

Additional Information

Prior Introductions: None.

Cross File: None.

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

Fiscal Note History: First Reader - March 23, 2012
mlm/lgc

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