

Department of Legislative Services
Maryland General Assembly
2013 Session

FISCAL AND POLICY NOTE

Senate Bill 842 (Senator Kittleman)
Budget and Taxation

State Highway and Road Construction - Forward-Funded Projects -
Reimbursement of Political Subdivisions

This bill requires the State to reimburse a political subdivision for any forward-funded expenditure made by the political subdivision to cover the State's share of costs on a State highway or road construction project.

Fiscal Summary

State Effect: To the extent the bill requires the State Highway Administration (SHA) to allocate additional road construction funding and/or provide such funding within a shorter time period, Transportation Trust Fund expenditures increase, potentially significantly, in FY 2014 and subsequent years. Revenues are not affected.

Local Effect: To the extent local governments receive additional State road construction funding and/or receive such funding within a shorter time period, local government revenues increase, potentially significantly, in FY 2014 and subsequent years.

Small Business Effect: Minimal.

Analysis

Current Law: All State highway projects must be performed under the supervision of SHA and are subject to its approval, in accordance with plans and specifications prepared by the chief engineer and approved by SHA.

Background: Significant State and local transportation resources are dedicated to the State's highway system. SHA is responsible for more than 5,200 miles or approximately

15,400 lane miles of road, over 2,500 bridges, 3,100 small stream crossing structures, and 100 miles of sound barriers. It also has responsibility for planning, designing, constructing, and maintaining these roads and bridges to safety and performance standards while considering sociological, ecological, and economic concerns.

The Maryland Department of Transportation (MDOT) advises that the State manages and controls the vast majority of construction projects on or along State roads. However, the State has allowed local jurisdictions, which contribute to a State roadway project, to have an oversight and/or administrative role with projects. For example, the State provided a capital grant to Prince George's County to cover the State portion of Forestville Road construction costs and the county oversaw the joint State-local project. Between fiscal 2008 and 2012, local jurisdictions contributed \$148.3 million, or 9.2% of total project costs, to State highway construction projects. SHA develops a financing agreement for all road construction projects, and all project participants (*e.g.*, local governments and private entities) must agree to the terms of the agreement.

In response to budget constraints, MDOT plans to collaborate more with local jurisdictions and private entities to construct projects that are local priorities and accomplish State goals. However, generally, MDOT intends to be selective in the use of grants to local jurisdictions to manage projects on State roadways.

Currently, there are no policies or procedures governing how local jurisdictions contribute to State projects. However, in a written response to committee narrative in the 2012 *Joint Chairmen's Report*, MDOT notes that it will establish several standards for local government involvement on State roadway construction projects, including:

- 50% of total project costs must be provided by the local government;
- the goals and objectives of the *Maryland Transportation Plan* must be addressed;
- the project must provide (1) capacity expansion to accommodate significant economic development; (2) transit-oriented development; (3) freight movement improvements; or (4) a multimodal transportation program or facility;
- a grant to a local jurisdiction for an improvement to a State facility must be included in the *Consolidated Transportation Program*; and
- MDOT must manage and have oversight over the State portion of the project.

Additional Comments: Because the term “forward-funded” expenditure is not defined in the bill or in statute, the local project expenditures affected by the bill are not clear.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Baltimore, Carroll, Harford, Montgomery, and Queen Anne’s counties; Maryland Department of Transportation; Department of Legislative Services

Fiscal Note History: First Reader - March 15, 2013
ncs/lgc

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