

Department of Legislative Services  
Maryland General Assembly  
2020 Session

**FISCAL AND POLICY NOTE**  
**First Reader**

Senate Bill 424

(Senator Zucker, *et al.*)

Budget and Taxation

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**Maryland Transit Administration - Funding (Transit Safety and Investment Act)**

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This bill alters and extends (by five years) provisions of the Maryland Metro/Transit Funding Act (Chapters 351 and 352 of 2018) that require increased operating and capital spending for the Maryland Transit Administration (MTA). For fiscal 2023 through 2027, the appropriation for MTA's operating expenses may not be less than the fiscal 2022 appropriation. For fiscal 2022 through 2027, the Governor must include in the State budget an appropriation from the Transportation Trust Fund (TTF) of at least \$500 million for MTA's capital needs. **The bill takes effect June 1, 2020.**

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**Fiscal Summary**

**State Effect:** The appropriation for MTA's operating expenses is likely to already meet the bill's requirements in all years, as discussed below. Because the Maryland Department of Transportation's (MDOT) capital program is fully subscribed, MDOT must redirect a total of \$523.2 million in funding from other projects from FY 2022 through 2025, as discussed below. Revenues are not affected. **This bill increases a mandated appropriation for FY 2022 and establishes a mandated appropriation for FY 2023 through 2027.**

**Local Effect:** The bill does not directly affect local government operations or finances.

**Small Business Effect:** Potential meaningful.

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**Analysis**

**Bill Summary:** The \$500 million in capital spending required for fiscal 2022 must be in addition to the \$29.1 million already required by Chapters 351 and 352 of 2018. The required capital appropriations must be in addition to any funds appropriated for the capital planning, engineering, right-of-way acquisition, or construction of the Purple Line in Montgomery and Prince George's counties.

By January 20, 2021, and by January 20 each year thereafter, MTA must submit to specified legislative committees an accounting of the capital funds programmed, appropriated, and expended for the prior fiscal year on each of the projects identified in the capital needs assessment required by Chapters 351 and 352.

### **Current Law/Background:**

#### *Maryland Metro/Transit Funding Act – Maryland Transit Administration*

The Maryland Metro/Transit Funding Act (Chapters 351 and 352 of 2018) mandates additional capital and operating spending for MTA and requires MTA to complete an assessment of its unconstrained capital needs.

Specifically, for fiscal 2020, the Governor was required to include in the State budget an appropriation from TTF for the operating expenses of MTA that is at least 4.4% greater than the appropriation in the fiscal 2019 State budget as introduced. For fiscal 2021 and 2022, the Governor must include in the State budget an appropriation from TTF for the operating expenses of MTA that is at least 4.4% greater than the preceding fiscal year. The Act also requires the Governor to include in the State budget, for fiscal 2020 through 2022, an appropriation for the capital needs of MTA of at least \$29.1 million from the revenues available for the State capital program in TTF. This appropriation may not supplant any other capital funding otherwise available for MTA.

At least every 3 years, MTA must assess its ongoing, unconstrained capital needs. In doing so, MTA must (1) compile and prioritize capital needs without regard to cost; (2) identify the backlog of repairs and replacement needed to achieve a state of good repair for its assets, including a separate analysis of those needs over the following 10 years; and (3) identify the needs to be met in order to enhance service and achieve system performance goals. MTA must submit the required assessment to specified legislative committees by July 1, 2019, and by July 1 every 3 years thereafter.

#### *Purple Line*

The Purple Line is a 16.2-mile light rail line that will extend from Bethesda, in Montgomery County, to New Carrollton, in Prince George's County. The Purple Line will operate largely at street level in a combination of dedicated and semi-exclusive right-of-way, and also includes segments on elevated structures and in tunnels. The alignment for the Purple Line will provide direct connections to the Washington Metropolitan Area Transit Authority at Bethesda, College Park, New Carrollton, and Silver Spring. The Purple Line Project is currently in the construction phase, with revenue operations scheduled for December 31, 2022. More information on the project can be found on the project website: [purplelinemd.com](http://purplelinemd.com).

## **State Expenditures:**

### *Operating Expenditures*

The bill's requirement that the appropriation for MTA's operating expenses for fiscal 2023 through 2027 may not be less than the fiscal 2022 appropriation is unlikely to affect State operations or finances; the TTF forecast assumes MTA will begin providing Availability Payments (APs) to the Purple Line Partners, the private sector concessionaire, beginning in fiscal 2023.

Specifically, APs will compensate the Purple Line Partners for constructing, operating and maintaining the Purple Line Light Rail. The projected AP for fiscal 2023 is \$119 million, and over the 30-year operating concession, the AP is projected to average approximately \$122 million per year. Given this additional funding commitment, it is unlikely that MTA operating spending will ever fall below the fiscal 2022 level.

If APs are not considered as part of MTA's operating expenses, MDOT advises that its expenditures would increase by \$53 million over the four-year period from fiscal 2022 through 2025 in order to implement the bill. Moreover, MDOT advises that this increase would require it to reduce its capital program by \$120 million over that same period to maintain its debt service coverage ratio.

### *Capital Expenditures*

The bill establishes mandated appropriations from TTF for MTA's capital needs from fiscal 2022 through 2027. Specifically, at least \$529.1 million is mandated in fiscal 2022, and at least \$500.0 million is mandated in all other affected years (fiscal 2023 through 2027). The bill also specifies that appropriations for the Purple Line project may not be included in the mandated appropriations.

The bill's mandated appropriations do not increase total TTF expenditures; MDOT's capital program is fully subscribed through fiscal 2025. Instead, the bill requires MDOT to redirect funding from other projects to MTA. Even though more than \$300.0 million is already planned for MTA's capital needs in each of the affected years, the amount of funding required by the bill is not met in any of those years. In order to meet the bill's mandated appropriations, MDOT must redirect \$73.8 million in fiscal 2022, \$152.1 million in fiscal 2023, \$175.0 million in fiscal 2024, and \$122.3 million in fiscal 2025, totaling \$523.2 million over the five-year period from fiscal 2021 through 2025. **Exhibit 1** summarizes the effect on MDOT's capital spending.

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**Exhibit 1**  
**Increase in MTA Capital Spending (millions)**  
**FY 2022-2025**

	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
Planned MTA Capital Spending	\$562.1	\$380.8	\$325.0	\$377.7
Planned Purple Line Spending	<u>106.8</u>	<u>32.9</u>	<u>0</u>	<u>0</u>
<b>Planned Spending Less Purple Line</b>	<b>\$455.3</b>	<b>\$347.9</b>	<b>\$325.0</b>	<b>\$377.7</b>
Planned Spending Less Purple Line	\$455.3	\$347.9	\$325.0	\$377.7
Required Spending Under the Bill	<u>529.1</u>	<u>500.0</u>	<u>500.0</u>	<u>500.0</u>
<b>Redirected Spending Required</b>	<b>\$73.8</b>	<b>\$152.1</b>	<b>\$175.0</b>	<b>\$122.3</b>

Notes: Totals may not sum due to rounding. Purple line planned spending in fiscal 2022 does not include an additional \$36.3 million in spending by third parties for related projects.

Source: Maryland Transit Administration, Maryland Department of Transportation, Department of Legislative Services

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**Small Business Effect:** To the extent that the bill creates new projects, or causes projects to be canceled or altered, the small business contractors who work on those projects may be positively or negatively affected.

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**Additional Information**

**Prior Introductions:** None.

**Designated Cross File:** HB 368 (Delegate Lierman, *et al.*) - Appropriations.

**Information Source(s):** Maryland Department of Transportation; Department of Budget and Management; Department of Legislative Services

**Fiscal Note History:** First Reader - January 30, 2020  
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