

Department of Legislative Services
Maryland General Assembly
2024 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

House Bill 950
Appropriations

(Delegate Edelson, *et al.*)

Budget and Taxation

Maryland Transit Administration - Locally Operated Transit Systems -
Mandatory Funding

This bill requires the Governor, for fiscal 2026 and each fiscal year thereafter, to include in the annual budget bill an appropriation from the Transportation Trust Fund (TTF) of at least \$80,533,314 to the Locally Operated Transit System (LOTS) Grant Program for statewide program operations. **The bill takes effect July 1, 2024.**

Fiscal Summary

State Effect: The bill is not anticipated to affect TTF expenditures; funding provided for the LOTS Grant Program generally exceeds the minimum funding level required by the bill. However, by establishing a mandated minimum funding level for the program, the bill reduces the Maryland Department of Transportation’s (MDOT) flexibility to balance its budget in future fiscal years, as discussed below. **This bill establishes a mandated appropriation beginning in FY 2026.**

Local Effect: The bill is not anticipated to affect local government finances or operations.

Small Business Effect: None.

Analysis

Current Law: Historically, MDOT has provided local governments with financial support for local transit systems through its LOTS Grant Program, and the program was codified by Chapter 508 of 2023. Under the codified program:

- MDOT must provide funds to LOTSs in the State;

- a LOTS may use funds received through the program for capital expenses, operating expenses, planning expenses, and any other eligible expense, as determined by MDOT; and
- MDOT may source funds from specified federal transportation programs and State public transportation programs.

The program is generally supported through a combination of State and federal funding. Pursuant to § 3-216 of the Transportation Article, federal funding for transportation projects and grants, including for the LOTS Grant Program, flows through TTF.

State Expenditures: The bill is not anticipated to affect TTF expenditures; funding provided for the LOTS Grant Program generally exceeds the minimum funding level required by the bill. Historically, program funding has been level-funded or has increased from year to year. However, establishing a mandated minimum funding level reduces MDOT's flexibility to balance its budget should it experience financial difficulties in future fiscal years.

Notably, in fall 2023, MDOT announced across-the-board reductions to its operating and capital spending in order to account for a substantial projected budget deficit in TTF. These reductions would have reduced LOTS Grant Program funding below the funding level required by the bill. However, the fiscal 2025 budget as introduced included additional financial support for TTF to ensure that many of the previously announced reductions, including the anticipated reduction in funding for the LOTS Grant Program, would no longer be necessary. This additional financial support was retained in the fiscal 2025 budget as passed by the General Assembly. Specifically, the fiscal 2025 budget as passed by the General Assembly includes \$93.7 million for the LOTS Grant Program; funding for the LOTS Grant Program, combined with funding for other programs that generally support local jurisdictions, is included in the State budget under budget code J00H01.06 (Statewide Programs Operations). Collectively, funding for those programs totals \$134.9 million in the fiscal 2025 as passed by the General Assembly.

Should MDOT experience future financial constraints, MDOT would likely be required to make more significant reductions to other programs to ensure the minimum funding level required by the bill is met; however, any such occurrence cannot be predicted.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: SB 1125 (Senator Jackson) - Rules.

Information Source(s): Maryland Department of Transportation; Baltimore City; Anne Arundel, Baltimore, Frederick, Harford, Montgomery, Prince George's, and St. Mary's counties; Maryland Municipal League; Department of Legislative Services

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