

Department of Legislative Services
 Maryland General Assembly
 2025 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 20 (Senator McCray)
 Budget and Taxation

Locally Operated Transit Systems - Mandatory Funding - Inflation Adjustment
(Local Transit Sustainability Act)

This bill increases, beginning in fiscal 2027, the mandated appropriation for the Locally Operated Transit System (LOTS) Grant Program within the Maryland Department of Transportation (MDOT) by requiring the total amount the Governor must include in the annual budget bill from the Transportation Trust Fund (TTF) each year for the program to be adjusted for inflation, as specified. **The bill takes effect July 1, 2025.**

Fiscal Summary

State Effect: No effect in FY 2026. TTF expenditures increase by \$2.0 million in FY 2027; future year estimates reflect ongoing adjustments to the mandated funding for inflation, as required by the bill. Revenues are not affected. **This bill increases a mandated appropriation beginning in FY 2027.**

(\$ in millions)	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Revenues	\$0	\$0	\$0	\$0	\$0
SF Expenditure	0	2.0	4.0	5.9	7.7
Net Effect	\$0.0	(\$2.0)	(\$4.0)	(\$5.9)	(\$7.7)

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

Local Effect: Local government revenues and expenditures increase, potentially significantly, beginning in FY 2027, as local governments receive additional funding through the LOTS Grant Program and use that funding for authorized purposes.

Small Business Effect: None.

Analysis

Bill Summary: For fiscal 2027 and each fiscal year thereafter, the mandated appropriation for the LOTS Grant Program must be increased by the amount that equals the product of multiplying (1) the amount required to be in the annual budget bill for the prior fiscal year for the program and (2) the lesser of the percentage growth in the Consumer Price Index for All Urban Consumers (CPI) or 5%. If there is a decline or no growth in the CPI, the appropriation must be equal to the amount of the appropriation for the prior fiscal year.

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

- required MDOT to provide funds to LOTSs in the State;
- authorized a local transit system to use funds received through the program for capital expenses, operating expenses, planning expenses, and any other eligible expense, as determined by MDOT; and
- authorized MDOT to source funds for the program from specified federal transportation programs and State public transportation programs.

The program was further modified by Chapter 652 of 2024, which requires the Governor, for fiscal 2026 and each fiscal year thereafter, to include in the annual budget bill at least \$80,533,314 to the LOTS Grant Program.

The LOTS Grant Program is a combination of approximately 13 grant programs that are supported through various State and federal funding sources. 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: As shown in **Exhibit 1**, from fiscal 2027 through 2030, TTF expenditures increase by a total of \$19.6 million due to the bill's changes. Although the LOTS Grant Program is funded through a variety of sources, for purposes of this analysis, it is assumed that TTF is used to provide the additional funding required by the bill.

The current law estimates in Exhibit 1 account for annual increases in MDOT's funding already planned for the Statewide Special Transportation Assistance Program. MDOT advises that, even in the absence of the bill, funding for this program is adjusted annually for inflation.

Exhibit 1
Mandated Appropriation for the LOTS Grant Program under Current Law and
Under the Bill
Fiscal 2027-2030
(\$ in Millions)

	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>
Current Law	\$80.7	\$80.8	\$80.9	\$81.0
The Bill	82.6	84.8	86.8	88.7
Increase	\$2.0	\$4.0	\$5.9	\$7.7

Note: Totals may not sum due to rounding.

Sources: Maryland Department of Transportation; Moody’s Analytics; Department of Legislative Services

Local Fiscal Effect: Beginning in fiscal 2027, the bill significantly increases funding for the LOTS Grant Program. Accordingly, expenditures and revenues increase for any local government that applies for and receives additional funding through the program.

A precise estimate of the impact on any particular local government cannot be made, as it depends on numerous unknown factors, including which of the grant programs that fall within the LOTS Grant Program receive additional funding as a result of the bill. However, the impact could be significant for some jurisdictions.

Additional Information

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

Designated Cross File: HB 432 (Delegate Edelson) - Appropriations.

Information Source(s): Maryland Department of Transportation; Governor’s Office; Maryland Association of Counties; Anne Arundel, Charles, Dorchester, Garrett, and Howard counties; Maryland Municipal League; cities of College Park and Rockville; Moody’s Analytics; Department of Legislative Services

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rh/lgc

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