Department of Legislative Services

Maryland General Assembly
2025 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 517 (Delegates Korman and Solomon)

Environment and Transportation and Appropriations

Transportation - Maryland Area Rail Commuter Rail Authority - Establishment (MARC Rail Authority Act of 2025)

This bill establishes the MARC (*i.e.*, Maryland Area Regional Commuter) Rail Authority (MRA) and its various powers and duties. The Maryland Department of Transportation (MDOT) must, among other things, (1) transition all MARC operations and contracts to MRA to the extent permissible by such agreements and (2) allocate to MRA the revenue needed to support the MARC operating and capital budgets. In general, MARC fares may only be used to support MRA. **The bill takes effect July 1, 2025.**

Fiscal Summary

State Effect: Beginning in FY 2026, Transportation Trust Fund (TTF) expenditures decrease as the responsibility for MARC projects is transferred from MDOT to MRA but increase as TTF is used to pay for at least some portion of MRA's expenses. TTF revenues from MARC fares decrease significantly, as discussed below. Special fund revenues and expenditures for MRA increase significantly beginning in FY 2026 as funding is provided from TTF, fares are collected, MARC projects are transferred from MDOT, and any capital projects are implemented. The bill may also affect MDOT's planned capital spending and Purple Line debt service, as discussed below.

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

Small Business Effect: Minimal.

Analysis

Bill Summary: MRA is comprised of various appointed members as well as the Secretary of Transportation, who is the chair. An appointed member of MRA is entitled to the compensation provided in the State budget and reimbursement for expenses as provided in the State budget. The Secretary must designate an executive director of MRA, and MRA is entitled to the staff provided in the State budget. The Secretary must provide MRA with the personnel of MDOT that the Secretary considers necessary for performance of the maintenance and other functions required for MRA to meet its obligations with respect to its MARC railroad facilities projects.

Acting on behalf of MDOT, MRA has various powers and duties relating to the supervision, financing, construction, operation, maintenance, and repair of MARC railroad facilities projects. MRA may delegate project operations, maintenance and repair to the Maryland Transit Administration (MTA) and use fare revenue to provide MTA with payments for these services. MRA has general supervision of MARC railroad facilities projects and must finance, construct, operate, repair, and maintain in good order the facilities.

The powers and duties of MRA established by the bill broadly include:

- acquiring, holding, and disposing of property;
- making contracts and agreements;
- applying for and receiving federal grants for the planning, construction, operation, or financing of any passenger rail or transit project and receiving aid or other contributions, as specified;
- adopting rules and regulations;
- taking any other action necessary or convenient to carry out the powers granted by the bill;
- condemning property for any MARC railroad facilities project, as specified;
- contracting with MTA to authorize MTA police officers to exercise their authority on property owned, leased, or operated by or under the control of MRA; and
- adhering to the Open Meetings Act and making publicly available on its website specified information about and video recordings of MRA meetings (with specified assistance from the Department of Information Technology).

On an annual basis, MDOT must allocate to MRA the revenue needed to support the MARC operating and capital budgets. MARC fares and any other revenue from charges imposed for MARC service may be used only to support MRA, except to the extent they are required under established financing agreements, as specified.

Current Law: MTA is a modal unit within MDOT, and it operates a comprehensive transit system throughout the Baltimore-Washington metropolitan area, including more than 50 local bus lines in Baltimore and other services, such as the light rail, Baltimore Metro subway, commuter buses, MARC trains, and mobility/paratransit vehicles. Aside from the District of Columbia transit system, MDOT and MTA are generally the agencies responsible for the construction and operation of transit lines in the State.

State Fiscal Effect: Given the various unknown factors associated with MRA (including how many staff are needed and any future decisions made by MRA with regard to MARC service operations and capital projects), a reliable estimate of the bill's overall impact on State finances cannot be made at this time. However, the following sections discuss the bill's various effects.

Notably, because the bill requires MDOT, on an annual basis, to allocate to MRA the revenue needed to support the MARC operating and capital budgets, and because MARC fare revenues generally only account for a small portion of MARC's total costs, it is assumed that TTF pays for a significant portion of MRA's operating and capital expenses.

For context, MDOT advises that in fiscal 2024, MARC revenues totaled $23.0 million, while its operating costs totaled $166.0 million. In that year, fare revenues only covered 13.9% of MARC's operating costs. In addition, the *Consolidated Transportation Program* (CTP) for fiscal 2025 through 2030 includes tens of millions of dollars in capital costs for various MARC service-related projects.

Personnel, Administrative, and Other Operating Costs

MDOT advises that the portions of MTA directly related to MARC will be transferred to MRA pursuant to the bill's requirement for MDOT to provide MRA with staff. However, duplication of certain staff (such as police, engineering, finance, and human resources) and other resources (such as information technology systems, technical equipment, office space, and utilities) may still be necessary, increasing total staffing and administrative costs paid by TTF. Moreover, the bill requires MRA to have an executive director and specifies that board members are entitled to the compensation provided in the State budget and reimbursement for expenses, further increasing costs associated with MRA staff and personnel.

A preliminary analysis by MDOT estimates that MRA needs an estimated 22 positions, some of which may be transferred from MTA. If new positions are established, the increase in TTF expenditures for these staff and associated operating costs exceeds $7.0 million annually beginning in fiscal 2026.

Delegation of Certain Duties to the Maryland Transit Administration

The bill authorizes MRA to delegate project operations, maintenance, and repair of MARC rail facilities to MTA and use fare revenue to provide MTA with payments for those activities. To the extent that any such delegation and payment takes place, TTF finances are likely affected.

Fare Revenues and the Potential Effect on Planned Transportation Activities

The bill requires that all fare revenues from MARC services be used to support MRA. This analysis assumes fare revenue is redirected from MTA to MRA (discussed in more detail below). As a result, TTF revenues decrease by an estimated $23.0 million annually beginning in fiscal 2026, which reflects the estimated revenue from existing MARC services based on actual revenues from fiscal 2024. The decrease in revenues, in combination with the increase in expenditures discussed above, may require MDOT to reassess its planned activities in the upcoming years to ensure funding to pay debt service on outstanding bond issuances. However, given the many unknown fiscal implications of the bill, any such impact cannot be reliably estimated at this time.

Federal Funding

MTA currently receives federal funds from the Federal Transit Administration (both for MARC service and for general public transportation). It is unclear how such funding could be affected by the bill. MDOT advises that those federal funds may still need to flow through MTA and then be provided to MRA, but this is unclear.

Overall Finances of the Maryland Rail Authority

The bill does not create a dedicated fund for MRA. For purposes of this analysis, however, it is assumed that a special fund is created in MRA to collect the fare revenues redirected from MTA, any other revenues redirected from MDOT, and any federal grants MRA applies for and receives. Accordingly, MRA special fund revenues increase significantly beginning in fiscal 2026. Special fund expenditures increase accordingly as the responsibility for MARC railroad facilities projects is transferred from MTA to MRA and any capital projects are implemented. Likely included in the transfer, the CTP for fiscal 2025 through 2030 includes $57.2 million for various MARC service-related projects that have been identified at this time.

Capital Funding for MARC Rail Facilities Projects

Although the bill requires MRA to, among other duties, *finance* MARC railroad facilities, the bill does not provide MRA with the authority to issue any revenue bonds (or other bonds). Accordingly, as discussed above, this analysis assumes that any capital projects undertaken by MRA are funded by MDOT through TTF (and potentially, any federal grants MRA applies for and receives).

Depending on the decisions made by MRA concerning capital projects and spending on MARC rail facilities projects, and how those decisions differ compared to the decisions that would otherwise be made by MDOT and MTA in the absence of the bill, the bill may increase capital spending for MARC projects and correspondingly decrease spending for other MDOT projects in the CTP. MDOT's capital program is generally fully subscribed from year to year; accordingly, an increase in total capital spending for MARC-related projects (anticipated to be supported by MDOT under the bill) does not increase total capital spending by MDOT, but instead requires MDOT to reduce or delay spending for other projects.

Purple Line Debt Service

MDOT advises that MARC revenues are already pledged as a payment source for the Purple Line availability payments; these payments were structured in a manner so that they would not be considered State debt. Although the bill excludes fares from a MARC railroad facilities project from being used exclusively to support MRA if they are pledged under an applicable financing agreement, it is unclear whether the Purple Line financing agreement meets this exclusion; however:

- if the exclusion applies, then MARC revenues may continue to be used to pay the Purple Line availability payments, requiring other TTF revenues to support MRA; and
- if the exclusion does not apply, then MARC revenues must be used to support MRA; in this case, MDOT advises that the Purple Line availability payments, which would need to be paid with other TTF revenues, would likely be considered State debt, thereby significantly increasing the State's debt outstanding, resulting in a likely violation of the State's debt affordability criteria.

Additional Information

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

Designated Cross File: SB 401 (Senator McCray) - Budget and Taxation and Finance.

Information Source(s): Maryland Department of Transportation; Office of the Attorney General; Maryland State Treasurer's Office; Judiciary (Administrative Office of the Courts); Department of Budget and Management; Department of Legislative Services

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