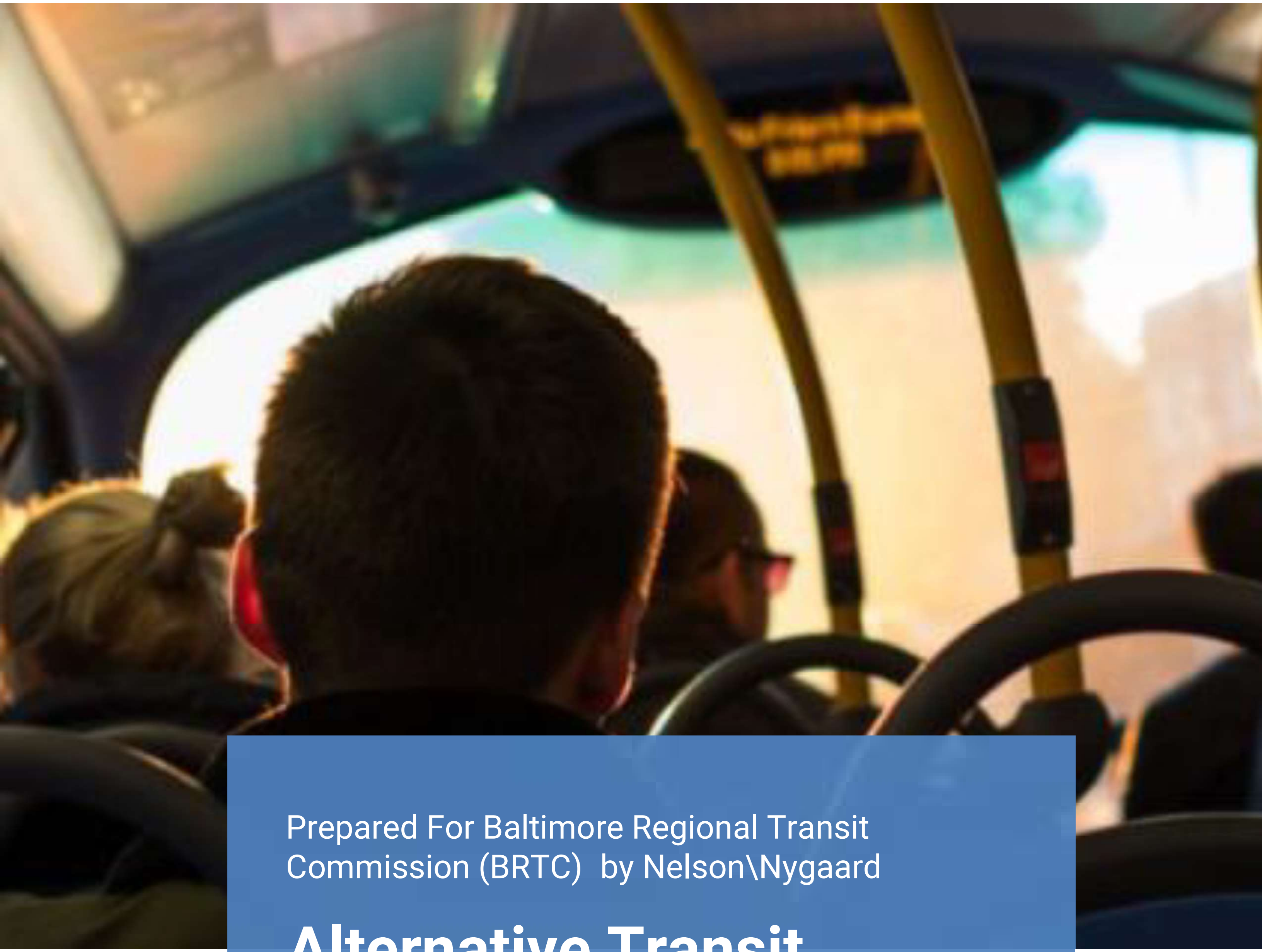

Prepared For Baltimore Regional Transit Commission (BRTC) by Nelson\Nygaard

Alternative Transit Governance and Funding Structures for the Baltimore Region

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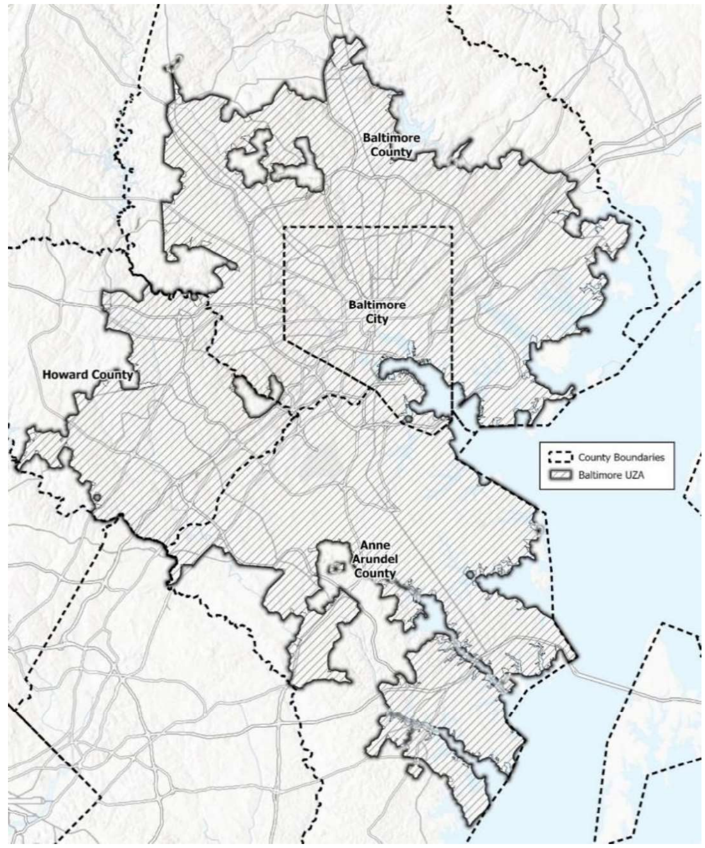
CHAPTER 1: Introduction

This report, commissioned by the Baltimore Regional Transit Commission (BRTC), addresses a key recommendation made by the Baltimore Metropolitan Council's Transit Governance and Funding Workgroup. Formed in 2022, the Transit Funding and Governance Workgroup identified options to reform transit governance and funding in the Baltimore region. Among its five recommendations was a detailed study of the creation of a transit authority for the Baltimore region. This recommendation stems from ongoing discussions in the region about improving MTA's current model, which is operated by a state agency without an independent governance board, by creating an independently governed transit authority.



While the idea of an independent transit authority has long been advocated for by some stakeholders, the Workgroup found that the complexities of such a change required detailed analysis. The current system has some advantages, and any transition to a new authority would present questions on issues including governance, funding, asset management, labor agreements, and compliance with federal, state and local law.

The purpose of this report is to advance the Workgroup's recommendation in a substantive and thoughtful way. The report identifies three models for a new transit authority and provides a roadmap for the development of each. Additionally, the report explores the funding paradigm and outlines options for additional revenue.

The BRTC's intent is for this report to serve as a resource to decision-makers, including the Governor, the Maryland General Assembly, the Maryland Commission on Transportation Revenue and Infrastructure Needs (TRAIN Commission) and the Baltimore Metropolitan Council.

Key Findings

The current model for transit governance in the Baltimore region has three key challenges:

1. The lack of formal coordination between MTA and local government
2. MTA's lack of autonomy makes long-term planning difficult and limits effective advocacy to address the needs of the system and its riders
3. MTA lacks the resources to effectively serve both the Baltimore core and statewide services

There are three viable options for a transit authority in the Baltimore Region:

1. Independent Regional Transit Authority
2. A State-Controlled Regional Transit Authority
3. A State-Controlled Regional Transit Authority *plus an Empowered* Baltimore Regional Transit Commission

The baseline requirements of any new authority are:

- An independent and empowered board of directors
- A reliable and sufficient dedicated funding source for transit in the region

CHAPTER 2: Transit Governance and Funding in the Baltimore Region

GOVERNANCE

The Maryland Transit Administration (MTA) operates nearly all of the statewide and local public transit service in the Baltimore region. Local service is operated in the Baltimore Core service area, which includes all of Baltimore City, large portions of Baltimore County, and the northern portion of Anne Arundel County and is defined in State law, COMAR Transportation Article §7–301.1. The core services include local buses, light rail, metro subway and complementary paratransit service. Collectively, these services make MTA one of the 15 largest transit agencies in the United States in terms of annual passenger trips. MTA also manages statewide transit programs and services, such as the Maryland Area Regional Commuter (MARC) rail service, and commuter bus service. Additionally, MTA provides financial and technical support to the Locally Operated Transit System (LOTS) owned and operated by the local governments across Maryland. There are eight LOTS systems providing targeted transit service in the Baltimore metro area. MTA plays a significant role in system expansion. MTA has been responsible for the planning and construction of the Purple Line, a new light rail service in Prince George's and Montgomery Counties, and it is leading the planning efforts for the reimagined Baltimore Red Line in Baltimore City and Baltimore County.

MTA is led by an Administrator appointed by the Secretary of Transportation with the approval of the Governor. MTA does not have an independent board of directors and decision-making authority lies entirely with the Administrator and Secretary.

The Administrator serves at the pleasure of, and reports to, the Secretary and is responsible for budget oversight and policy development for all MTA services in and outside of the Baltimore Core service area.

In 2023 the Maryland General Assembly created the Baltimore Regional Transit Commission (BRTC). The purpose of the BRTC is to provide updates to the Central

Maryland Transportation Plan and various annual reports, and to perform oversight and advocacy duties related to Baltimore region transit services. The 16-member commission includes state and local government appointees, along with a non-voting appointee from organized labor. While the BRTC is required to comment on MTA's budget request and allocation in the CTP, it does not have direct authority over MTA's budget.

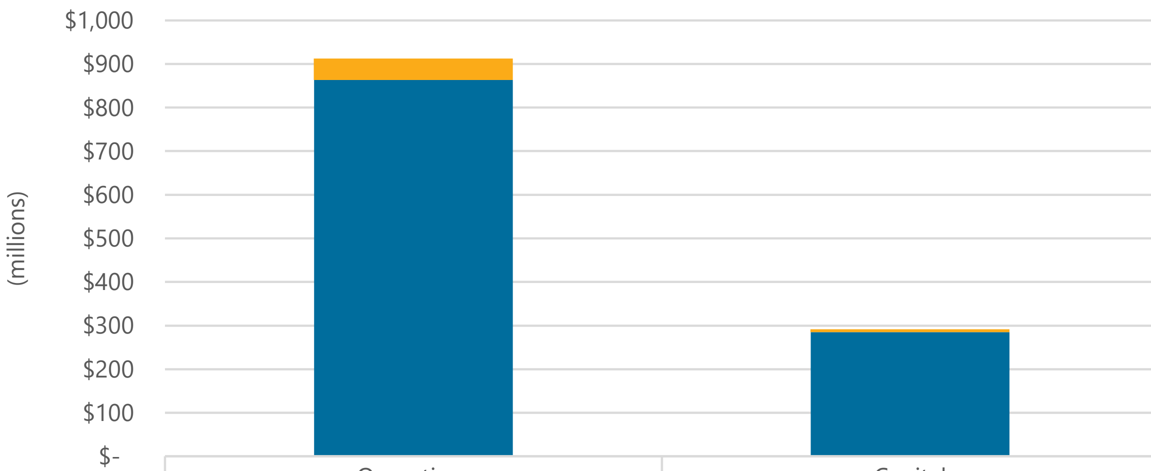
Funding

MTA receives its capital and operating funding from MDOT. MTA submits an annual budget request and receives a budget allocation from MDOT, which manages the Transportation Trust Fund (TTF). MTA's budget includes operating and capital funds for each of MTA's modes as well as the LOTS across the State. MTA's operating and capital programs are not broken down by jurisdiction or region, which makes it difficult to identify a specific budget for the Baltimore Core service area. The study team has used available information to develop Baltimore Core service budget figures for this report.

Current Transit Funding

In FY 2025, MTA's budget for Baltimore core services was $1.2 billion, inclusive of $1.1 billion from federal grants and state revenues, plus $55 million of allocated funding for the LOTS program (see Figure 1).

Figure 1 – Baltimore Region Transit Investment (MTA and LOTS) FY 2025



	Operating	Capital
Local	$48	$6
MDOT	$864	$285

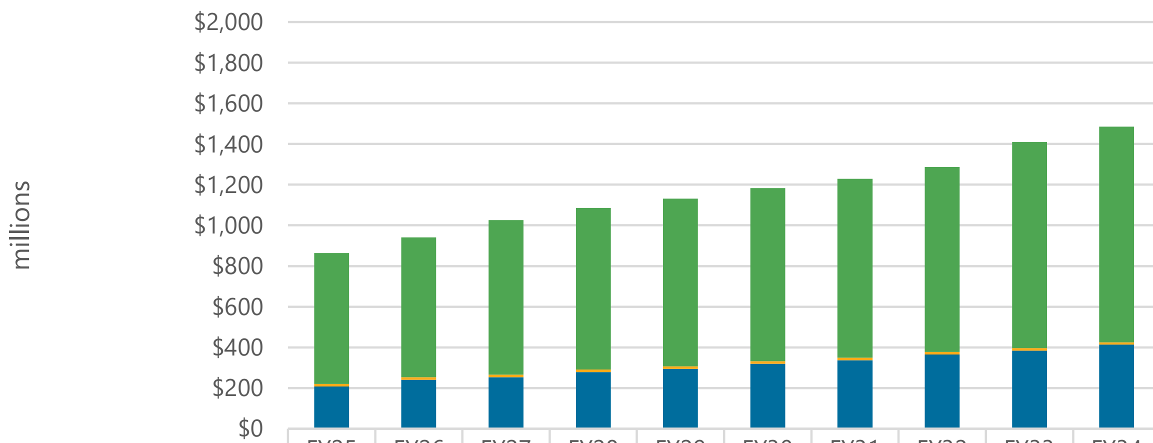
Source: MTA adapted by Nelson\Nygaard

A further breakdown of MTA's budget for Baltimore transit services by operating and capital programs follows. This includes estimates of federal, state, and local spending to operate and maintain transit systems in the Baltimore region only, and how much of current and project funding needs apply to the "core" services of the Baltimore region only.

Operating Costs

According to information provided by MTA, the FY 2025 operating budget for Baltimore Core services is $864.3 million. This includes MTA-operated services and Baltimore region LOTS. It does not include the cost to operate MARC trains, commuter bus service, or LOTS outside the Baltimore region. MTA's planning and budgeting documents include a service expansion by roughly 8% per year between FY 2025 and FY 2034. The planned service expansion would increase MTA's budget to $1.5 billion by FY 2034 (see Figure 2).

Figure 2 – MTA Baltimore Core Services and Baltimore Region LOTS – 10-Year Operating Funding Program



	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33	FY34
Core Baltimore Service	$643.4	$689.0	$759.5	$795.4	$824.9	$852.3	$881.1	$909.8	$1,015.	$1,059.
LOTS	$12.3	$12.3	$12.3	$12.3	$12.3	$12.3	$12.4	$12.4	$12.4	$12.4
Mobility	$207.8	$240.2	$253.7	$278.4	$293.4	$319.4	$336.2	$364.5	$383.3	$412.9

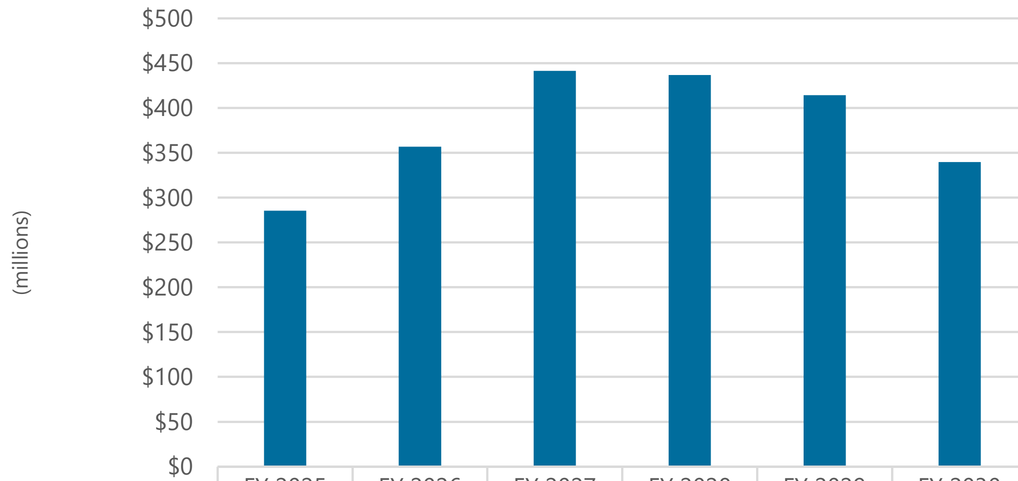
Fiscal Years

Source: MTA data adapted by Nelson\Nygaard Consulting Associates

Capital Costs

Capital budgets and investments vary year-by-year; MDOT and MTA prepare a six-year Consolidated Transportation Program (CTP) and update this plan annually. In FY 2025, MTA's state-wide capital investment in transit projects is $622.2 million, of which $285.3 million is the investment associated with Baltimore Core services and LOTS. The remaining $336.9 million is allocated to the Purple Line, as well as MARC, Commuter Bus and LOTS projects outside of the Baltimore Core-service area. Budget constraints in FY 2025 mean several projects are postponed and capital investment for FY 2025 is the lowest for the current six-year period (see Figure 3).

Figure 3 – MTA Consolidated Transportation Program: Baltimore Core Services and Regional LOTS – (FY 2025- FY 2030)



	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Total Baltimore Region Costs	285.327	356.826	441.508	436.795	414.449	339.807

Source: MTA data adapted by Nelson\Nygaard Consulting Associates

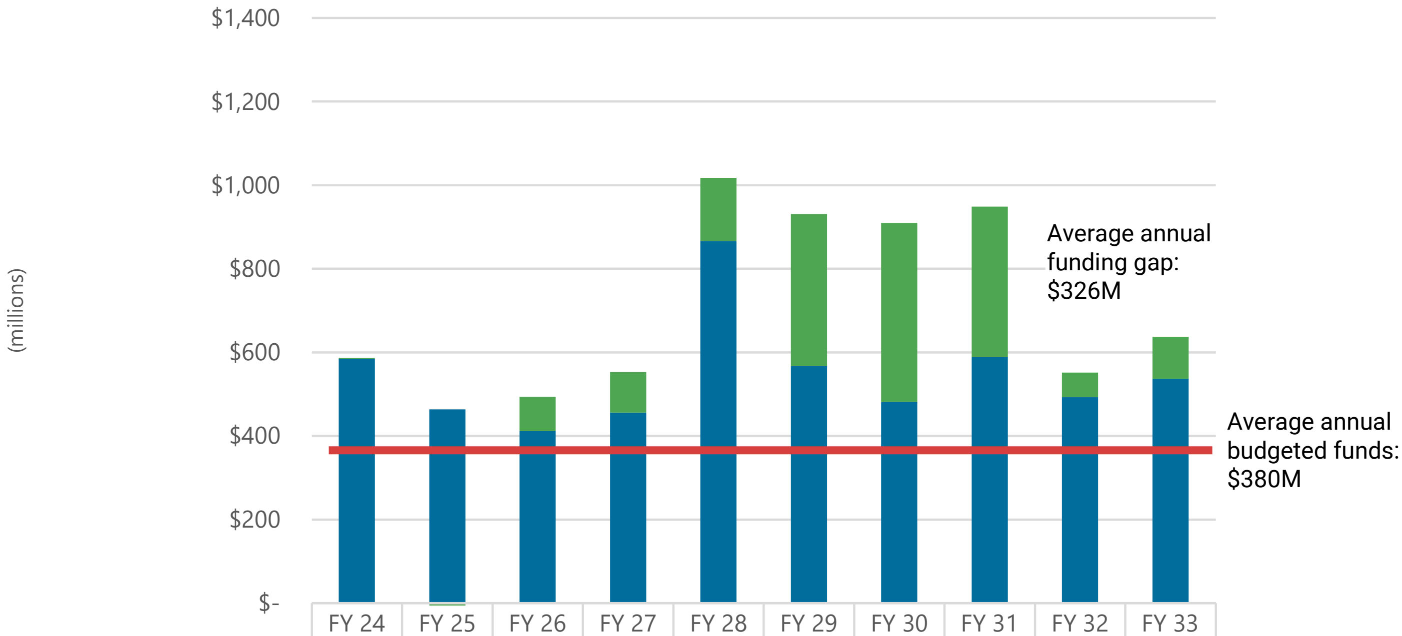
Ongoing Capital Needs

MTA's capital needs are updated at least once every three years in its Capital Needs Inventory (CNI). The CNI anticipates MTA's capital needs for two types of programs over a 10-year period, these are:

- The **State of Good Repair (SGR)** that include needed investments to maintain the system's physical assets (train cars, train tracks, signals, and maintenance facilities, etc.); and
- **System Enhancements**, which includes technology investments (fareboxes, system controls, and clean fuel vehicles, etc.) and projects to expand the system (vehicles, new bus stops, etc.).

While the CTP includes investments in both SGR and system enhancement, there are projects and needs identified in the CNI that are not funded in the CTP. These projects represent MTA's unfunded needs. These additional needs – on average – include another $326 million per year of capital projects over the next ten years (see Figure 4).

Figure 4 – MTA 10-Year State of Good Repair and System Enhancement (Modernization) Program*



	FY 24	FY 25	FY 26	FY 27	FY 28	FY 29	FY 30	FY 31	FY 32	FY 33
Modernization Subtotal	2,500,0	(27,987	81,792,	97,221,	151,447	364,559	428,057	360,054	58,705,	100,487
TERMLite SGR Subtotal	584,121	463,326	411,549	455,774	865,885	566,639	481,198	588,859	493,054	537,105

Source: MTA data adapted by Nelson\Nygaard Consulting Associates

* Agency-wide needs allocated to the Baltimore region based on revenue hours by mode. Does not include MARC, commuter bus, Red Line, or 5th bus division.

CHAPTER 3: Issues and Challenges

The **Maryland Transit Administration (MTA)** faces several challenges that impede the effectiveness of the region's transit system.

Coordination between State and Local Government

One of the most significant issues facing MTA is the disconnect between state and local level decision-making. The absence of a formal process for integrating local input into MTA's planning and decision-making poses a significant problem for both the agency and the local governments. Local governments are essential partners in shaping land use, housing development, and economic growth—key factors that directly influence the effectiveness and success of a transit system. Without a structured approach for collaboration, both local government and MTA risk missing critical opportunities to align its initiatives with regional priorities and needs. The BRTC has been helpful, but its limited authority also limits the local voice in decision-making.

An empowered board of directors with both state and local representation would significantly enhance MTA's capacity to work with local government in a mutually beneficial way. Regular meetings, responsive reporting, meaningful public involvement and publicly-made decisions would ensure stakeholders the opportunity to help shape the system.

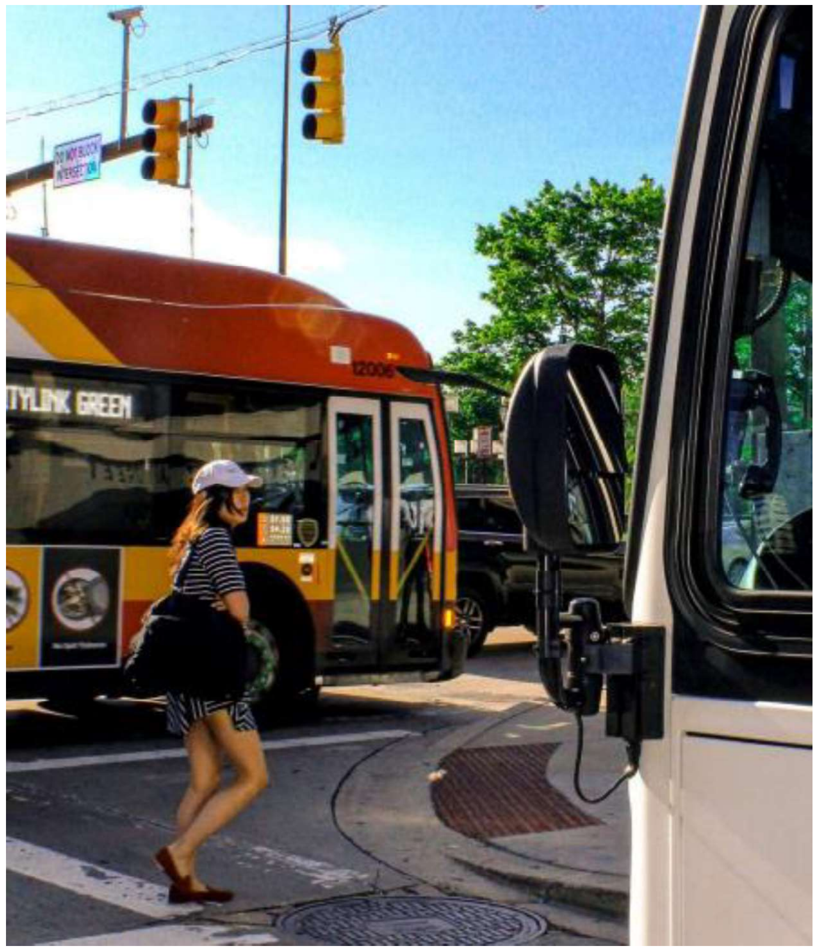
Effective Autonomy

MDOT's role as a single decision-making body for MTA simplifies budgeting and decision-making, but the lack of an empowered oversight board presents several challenges for MTA and transit in the Baltimore region. A system as large and complex as MTA requires coordination, long-term planning and stable oversight. Every change in gubernatorial administration has the potential to drastically shift MTA's focus, making long term planning extremely difficult. Major transit projects take years of planning and engineering before construction begins. It is not uncommon for major projects to remain in the planning stages for at least a decade, meaning projects like the Red Line must endure the shifting priorities of two or more Governors before funding is even secured. An oversight board whose rotating terms overlapped administrations would promote consistency and guardrails against such drastic swings.

MTA's position within MDOT's governance structure also limits its ability to effectively advocate and compete for the needs of the system beyond the priorities the Governor and Secretary. Other modal administrations within MDOT, including the State Highway Administration, Port Administration, and Aviation Administration benefit from strong and influential support by the business community and other allies to advance their respective needs. Despite its size and importance to the Baltimore region, MTA lacks these natural champions and has historically been asked to defer needed investments and make due with less. This dynamic has contributed to the significant backlog of state of good repair needs facing MTA today.

Limited Resources for an Expanded Mission

Originally designed to serve the Baltimore region, MTA has gradually taken on significant statewide responsibilities, including commuter bus services and MARC service. However, this expansion of MTA’s mission has not been matched by adequate increases in internal staffing capacity or the fiscal resources to manage these additional responsibilities effectively. As a result, MTA’s resources are stretched thin across the state. While the agency continues to oversee major projects, such as the Purple Line in Prince George’s and Montgomery Counties, it has struggled to maintain and improve core services in the Baltimore region.



The current structure and resources allocated to MTA are insufficient to meet the growing demands of both the Baltimore region and the state as a whole. Bridging the gap between state-level decision-making and local input, increasing transparency, and ensuring MTA is properly resourced to manage its expanding mission are essential steps toward creating a more effective and responsive transit system for Maryland.

CHAPTER 4: Transit Funding and Governance - National Models and Peer Examples

While no two transit agencies have an identical structure, a review of transit agencies nationally shows there are four primary models for organization and governance. These models are:

1. **Department Within an Existing Government Agency**

   Examples include Montgomery County Department of Transportation (Ride On) in Montgomery County, Maryland and King County Metro in Seattle, Washington.

   Overview: These transit services are be managed and operated as a department within a larger city, county, regional, or state government.

   Funding: Funding is typically provided through a combination of dedicated government transit funds or general funding.

   Governance: Transit agencies housed within a larger government may have an advisory board that reviews policy decisions but elected officials (i.e., city council, county commissioners, state legislature, etc.) are the governing body for the service.

2. **Independent Regional Transit Authority (RTA)**

   Examples include the Regional Transit District (RTD) in Denver, Colorado, the Valley Metro Regional Public Transportation District (Valley Metro) in Phoenix, Arizona, and Capital Metropolitan Transportation Authority (CapMetro) in Austin, Texas.

   Overview: RTAs are transit services managed and operated by an independent agency with authority to operate service and manage capital projects. RTAs typically serve multiple jurisdictions and have full control over their budgets. Independent RTAs have dedicated funding streams and a clear and transparent charter that details their mission to taxpayers.

   Funding: Funding sources vary; some RTAs collect taxes directly and others assess local governments for contributions.

   Governance: In almost all cases, RTAs are governed by an independent board that may be elected or appointed.

3. **RTA With Strong Ties to State Government**

   Examples include the Southeastern Pennsylvania Public Transit Authority (SEPTA) in Philadelphia, Pennsylvania, the Massachusetts Bay Transportation Authority (MBTA) in Boston, and the Chicago Transit Authority (CTA).

Overview: These agencies are structured like independent RTAs, with the important distinction that their governance reflects close fiscal and administrative ties to State government.

Funding: These agencies receive a significant portion of their revenue from state government(s). In most cases, local or regional governments also contribute funds to the budget.

Governance: Typically, these RTAs have independent boards with some board seats appointed by the governor and/or the legislature. Board structures among peers vary from an entirely state-appointed board, to a few examples where local or regional government has a majority of the seats.

4. **Regional Transit Planning and Funding Agency**

   Examples include the Northern Virginia Transportation Commission and the Wake Transit Plan (Raleigh, NC).

   Overview: These entities may be advisory boards or they can manage and allocate funding to transit operators. These entities are not operators of transit.

   Funding: Regional Transit Planning and Funding Agencies typically raise funds through local or regional tax structures and are eligible for federal grants or formula-based funding from agencies like the Federal Transit Administration (FTA) to support capital projects or operating costs. In some cases, these agencies play a role in the distribution of state funds.

   Governance: The governance structure is a board that represents the member jurisdictions and/or funding entities.

MTA PEER EXAMPLES

MTA's structure as a State-run agency without a board of directors is unique and has no equivalent among large metro areas. On paper, MTA most resembles a Department within an existing government agency. However, most transit systems embedded within a larger agency are smaller entities like Maryland's LOTS programs. The size and scope of MTA's operation are much more aligned to an RTA with strong ties to State government with the clear distinction that RTAs have boards of directors with budget and fiduciary authority.

The table below identifies peer systems. These peers were selected based on factors including system size, governance model (including two state-run transit), system attributes (e.g. multimodal transit including heavy rail) and regional demographics.

These RTAs include several of the largest transit agencies in the United States, which are legacy systems that operate in dense, aging urban areas. Figure 5 below provides an overview of their funding sources and governance models. The selected peers are: Washington, DC (WMATA), Philadelphia (SEPTA), Boston (MBTA), Chicago (CTA), New Jersey (NJ Transit) and Rhode Island (RIPTA). *Please note that the 36% local share of*

	Maryland MTA	WMATA	SEPTA	MBTA	CTA	NJ Transit	RIPTA
Funding	**State = 81%** **Local = 0%** **Federal = 2%** **Fares = 16%**	**State = 23%** **Local = 36%** **Federal = 3%** **Fares = 38%**	**State = 50%** **Local = 7%** **Federal = 6%** **Fares = 37%**	**State = 44%** **Local = 9%** **Federal = 0%** **Fares = 47%**	**State = 21%** **Local = 35%** **Federal = 1%** **Fares = 43%**	**State = 36%** **Local = 0%** **Federal = 17%** **Fares = 47%**	**State = 56%** **Local = 0%** **Federal = 17%** **Fares = 23%**
Funding Source	Transportation Trust Fund (TTF) includes a portion of the state's tax and fee revenue. Federal formula funds No local match/regional funding is required	Federal formula funds Operating funding is paid by local jurisdictions where WMATA operates. Local/State match set by a formula that includes population density, ridership, and system size. Dedicated funding for capital investments.	Federal formula funds Ongoing local match of 7% public transportation trust fund Distributed on four operating statistics: total passengers, revenue vehicle miles and vehicle hours	Federal Formula Funds State funds – sales tax revenue dedicated to MBTA Local assessment paid by municipalities (weighted % of the total population of the authority)	Federal Formula Funds Passenger Fares State motor fuels tax Local sales tax and portion of real estate transfer tax	Federal formula funds Passenger fares State contribution provided via dedicated funding through transportation trust fund and NJ Turnpike	Federal formula funds Fare revenue State funds including portion of gas Local funding of capital projects (less than 5%)
Service Area Population	7,811,145	6,304,975	3,475,337	4,367,000	3,224,995	10,594,013	1,048,310
Governance	16-member BRTC - advisory capacity only. Administrative and funding decisions made by State.	8-member board Maryland: 2 seats WDC: 2 seats Federal Gov't: 2 seats Virginia: 2 seats	15-member board Region: 10 seats State: 5 seats City of Philadelphia: 2 seats and veto power.	9-member board State: 6 seats City of Boston: 1 seat Advisory Board: 1 seat Mass. State Labor Council: 1 seat	7-member board Mayor: 4 seats Governor: 3 seats	13-member board (11 voting members) State controls all seats 8 of 13 members must be public members	9-member board State: 8 seats Director of the Department of Transportation: 1 seat and serves as chair

Figure 5 - Operating Funding and Governance Models: RTAs with Close Ties to State Government (2019)

Source: Nelson\Nygaard adapted from NTD Transit Agency data profiles, agency webpages and other sources. NTD 2019 Operating Funding Sources by Agency.* Notes: Service area population from NTD 2023

*NTD Funding data from 2019 reflects pre-pandemic levels of federal assistance that does not include additional/surplus federal, and state operating assistance received during the COVID-19 pandemic (CARES)

CHAPTER 5: Potential Governance Models for the Baltimore Region

The study team has identified three potential governance models to address the issues and challenges identified and maximize the benefits of transit for the residents of the Baltimore region. All models require MDOT to undergo significant restructuring and for the State to continue to fund transit at current levels at a minimum and commit to dedicating these funds toward transit service in the region. Because the State would continue to be a major funder in each model, MDOT would continue to have a significant role in transit decision-making and governance. Each of these models would require legislative changes to both MDOT and the Transportation Trust Fund (TTF) and for the State to support the new entity at current funding levels.

A brief summary of the three proposed models are:

1. **Independent RTA:** A new, independent agency responsible for operating and managing transit service in the Baltimore region. The RTA would be governed by an independent board, with board members appointed regionally and by local governments in the region and the State of Maryland. This model assumes the State of Maryland would dedicate funding for transit based on current levels, at least; the RTA would also be supported by federal grants, passenger fares and other revenues and a new funding source raised regionally.
2. **State-controlled RTA:** This model would separate MTA's Baltimore Core services from other MDOT responsibilities to form an independent authority within State government for operating and managing transit services in the Baltimore region. The new State-controlled RTA would be governed by a board of directors, shared between the State of Maryland and the Baltimore region with majority appointments by the state. The State-controlled RTA would also have a dedicated funding source using the TTF and other state funds. The authority would also receive funding from federal grants, passenger fares and other sources. A State-controlled RTA would be able to receive funding from local or regional sources.
3. **Enhanced Regional Transit Commission (RTC) plus a State-controlled RTA:** In this option, the State-controlled RTA exists as described above, in option 2. As a supplement to the State-controlled-RTA, governments in the Baltimore region would form an enhanced Baltimore Regional Transit Commission with authority to distribute and manage locally raised regional transit funds. The enhanced RTC would also have responsibility for regional transit planning and have seats on the State-controlled RTA board to ensure continuity of planning.

The following section provides an outline of how each governance model could work, including:

- Organizational structure and oversight

- Relationship to MDOT and local governments
- Relationship to the Federal Transit Administration

Independent Regional Transit Authority

An independent RTA would be a new, independent agency with responsibility for operating Baltimore Core services, including local bus, light rail, subway, and paratransit services. The RTA would also include LOTS services operating in the Baltimore region. The independent RTA would be governed by a board of directors with representation from the State of Maryland and the Baltimore region.

This model would improve on the existing transit funding and governance model by involving both the state of Maryland and local government in decision making, establishing a board accountable to riders and taxpayers and clearly focusing MTA's efforts on the Baltimore region

Governance Structure, Transit Operations and Funding

An independent RTA would be led by a general manager (or chief executive officer) and governed by an independent board of directors. Based on an analysis of national peers, the board of directors would likely be comprised of nine or 11 individuals, including representatives from each of the jurisdictions in the Baltimore region plus individuals appointed by the Governor and/or MDOT Secretary. A pre-condition of a truly independent RTA would be a dedicated source of local or regional funds.

Because of the contribution of local funds, the makeup of the board of directors would likely be weighted towards local government. While the final details of governance would be negotiated as part of forming the RTA, at least half of the directors would be appointed by Baltimore region jurisdictions, and no more than half of the representatives would be appointed by the state (see Figure 6 below).

Given the cost required to operate and maintain the Baltimore region's existing transit service ($1.2 billion in FY 2025), current funding provided through the State of Maryland and FTA must be available to the RTA. The Baltimore region would also need to have authority to raise new revenues to support transit. These sources—grants from FTA and the State of Maryland's TTF, plus new funds raised regionally combined with passenger fares—would fund the RTA operating and capital program.

Potential challenges associated with the new RTA include:

Dedicated State Funding for a Regional Transit Authority – Confirming and identifying MDOT's role in maintaining funding for Baltimore region services will be challenging. MTA does not currently have a consistent and predictable budget. Instead, transportation investments are made across multiple MDOT programs and negotiated annually. However, for the RTA to operate independently either internal or external to MDOT, it must have a dedicated funding stream guaranteed by state law. The funding formula may be a guarantee of a set amount of money (like the annual dedicated capital funding provided to WMATA) or a formal commitment to fund a portion of the transit funding (i.e., funding the net deficit of transit operations, also consistent with WMATA's funding).

Legislative Authority for RTAs - Maryland's General Assembly would need to pass legislation to enable regions within the state to form regional transit authorities. This legislation would also spell out specific powers and authorities granted to a new regional entity or the local governments that make up its membership. These new powers and authorities would include the ability to levy taxes and fees to support operations. Similar legislative action could also be required at the local level.

Transfer of Labor Agreements - MTA currently holds labor agreements with several classifications of employees, including transit operators, security staff, and maintenance staff. MTA would transfer these contracts to the new RTA, so contracts could continue to be honored by the new organization. Typically, existing agreements contain language to deal with succession or assignment. These clauses can mitigate, but not eliminate, challenges with amending a labor agreement.

Policing, Security and Enforcement – use of MTA's police powers and services is governed by a passenger code of conduct that is enforceable by MTA Police. Similar or new authorities and responsibilities would need to be transferred to the new RTA.

Transfer of Contracts and Responsibilities – while the RTA would be an independent agency, it should be designated as a governmental unit so it could continue to participate in some of the state programs and resources available to local and regional governments.

Insurance and Liability – the State of Maryland administers commercial insurance policies for state-maintained transportation infrastructure, including MTA. Ideally, the RTA would have access to these insurance policies as a governmental unit in perpetuity, or at least during an interim period.

Pension Funds and Liabilities – As state employees, MTA staff participate in the Maryland State Retirement and Pension System (MSRA). Ideally, the RTA can join the MSRA, so its employees are able to participate in the program, similar to how other governmental units (county governments, school districts, libraries, etc.) in Maryland participate in the system.

Transfer of Capital Assets – a new RTA would need to assume responsibility for MTA's existing capital assets, including guideway systems (tracks, signals, etc.), vehicles (rail cars and buses), maintenance facilities, and passenger facilities, like bus stops and rail stations. MTA has identified a $512 million per year annual State of Good Repair reinvestment need in its 2022 Capital Needs Inventory. As stated earlier in this report, it is estimated from MTA information that for the Baltimore Core service area that gap is approximately

$326 million per year of that need over the next ten years. Any transfer of these capital assets would, in essence, be a transfer of these liabilities. Transferring such assets and liabilities may also be complicated in cases where there is shared ownership or authority.

Coordination with Locally Operated Transit Systems (LOTS) –Operations and management of the LOTS could be transferred to the RTA; this would create a more seamless and integrated transit network but introduce challenges including employee wages and benefits into the RTA formation. Currently LOTS staff generally are not unionized and have lower cost structures, so integrating them brings challenges, including increased cost of labor.

State-controlled Regional Transit Authority

A State-controlled RTA would be a new, autonomous authority within State government with responsibility for operating and managing public transportation services in the Baltimore region, including local bus, light rail, metro subway, and mobility services. LOTS services would continue to operate as part of their local jurisdiction. The State-controlled RTA would be governed by an independent board of directors with representation from both the State of Maryland and local governments from Baltimore region.

The model would improve on the existing transit funding and governance model by creating an independent board with state and regional representation to govern and manage the authority. The State-controlled RTA would also be an improvement over the current model because it would operate with predictable and dedicated funding.

Governance Structure, Transit Operations and Funding

A State-controlled RTA would be led by a general manager (or chief executive officer) and governed by an autonomous board of directors. The board of directors would be comprised of nine or 11 individuals, with representatives appointed by Maryland's Governor and/or MDOT's Secretary of Transportation and jurisdictions in the Baltimore region. For the purposes of this report, the Study Team assumes there would be no local funding for this model. While the final details will be negotiated as part of forming the RTA, at least half of the directors would be appointed by the state, and no more than half of the representatives would be appointed by jurisdictions in the Baltimore region (see Figure 7 below).

The State-controlled RTA requires MDOT to maintain funding for the RTA's operating and capital program at a minimum of the current level, which is $1.2 billion in FY 2025. Creating a dedicated funding source for transit service in the Baltimore region requires administrative and legislative changes to MDOT and the TTF.

Like the independent RTA, this State-controlled RTA would be a new authority. However, this model would not require the challenging transition of assets, work force, contracts, and operations. Potential challenges associated with a State-controlled RTA include:

- **Dedicated State Funding for a Regional Transit Authority -** MTA does not currently have a consistent and predictable budget. Instead, MDOT allocates transportation money across multiple MDOT programs and these are negotiated annually. However, for the RTA to operate independently within MDOT, it must have a dedicated funding stream guaranteed by state law. The funding formula may be a guarantee of a set amount of money (like the annual dedicated capital funding provided to WMATA) or a promise to fund a portion of the transit funding (i.e., funding the net deficit of transit operations, also consistent with WMATA's funding).
- **Coordination with Locally Operated Transit Systems (LOTS) –** there are five LOTS currently operating in the Baltimore region. It is assumed that these systems would continue to operate under their current funding program, with potential for the RTA to distribute funds directly to the LOTS. Operations and management of the LOTS could be transferred to the RTA; this would create a more seamless and integrated transit network but introduce inequities across employee wages and benefits into the RTA.

Enhanced Regional Transit Commission plus an State-controlled RTA

A third option is to establish a State-controlled RTA and enhance Baltimore's existing Regional Transit Commission (RTC), by enabling it to manage and distribute a new fund. The enhanced RTC would also have responsibility to lead regional transit planning efforts, initiate regional projects and participate in state run projects and programs.

The enhanced RTC would operate separate from, but in close cooperation with, the State-controlled RTA. An important distinction with this model, however, is that the Baltimore region—through the enhanced RTC—would have the ability to raise and invest regional funds in transit.

This model provides the benefits of the State-controlled RTA and it gives local governments a formal role in the decision-making process for transit development and operation in the region.

Governance Structure, Transit Operations and Funding

The RTC would be managed by an executive director and governed by a board of directors, all of whom would be appointed regionally. The RTC would also be able to appoint at least one member to MTA Board of Directors.

The enhanced RTC would not operate or manage transit service. Instead, its functions would be to raise and invest funds in regional transit programs and participate in important planning processes, such as MTA's annual operating and capital budgets, the Capital Needs Plan, and the Central Maryland Regional Transit Plan.

The powers and authorities of this type of RTC would be similar to the Washington Suburban Transit Commission (WSTC), which can plan, develop and oversee mass transportation systems and function as a financial conduit for the funding of mass transit projects[1].

Under the RTC model, both the state-controlled RTA and LOTS services would continue to be funded and supported through a combination of federal grants, the Maryland's TTF, user fees and other revenues. The RTC would also manage new funds to support transit and distribute these funds to MTA and LOTS as may become available.

Potential challenges specific to the enhanced RTC include:

- **Legislative Authority for the RTC –** the Maryland General Assembly would need to expand or adjust existing legislation to create an RTC that is vested with the powers and authorities envisioned in this alternative. Recent legislation that established the Baltimore Regional Transit Commission[2] did not include fiscal authority and powers to develop and oversee mass transit systems. The legislation that established the WSTC has expanded authority but is specific to Montgomery and Prince George's counties. Either provision in law could be adjusted to allow local governments in regions in the State of Maryland to have additional authority to levy taxes and fees in support of public transit services. It would also need to specify the relationship between the RTC, MDOT and MTA.
- **Coordination with Locally Operated Transit Systems (LOTS) –** coordination between the RTC and the five LOTS currently operating in the Baltimore region may be complicated in an RTC model, especially with regards to how the LOTS receive funding from the RTC. While the RTC should have authority to distribute funds directly to the LOTS, it will need to balance needs with services provided by the state controlled RTA. An early step for the RTC would be to discuss this concern and agree to an approach to share costs. The RTC could coordinate with the LOTS on potential transit needs and use new funds to encourage specific projects, programs, and services.
- **Enhanced RTC authority and power** - While an RTC would have some clear, direct responsibilities for Baltimore's service, such as planning and participating in decision-making, it would not have responsibility for operations. Being in this position means the RTC executive director and board would need to be active and intentional about developing and using the authority it will have. Examples

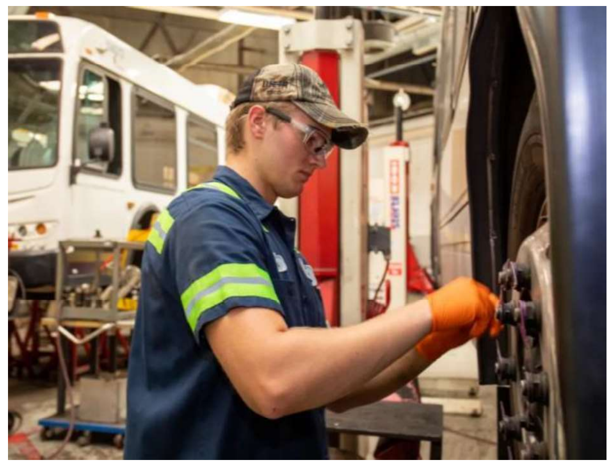
[1] WSTC's authorizing legislation Chapter 870, Acts of 1965: https://wstcmaryland.org/wp-content/uploads/2021/04/Acts_of_1965_CH870.pdf
[2] BRTC's authorizing legislation, Chapter 504, Acts of 2023: https://mgaleg.maryland.gov/2023RS/chapters_noln/Ch_504_hb0794E.pdf

include being clear about goals and working towards those priorities through strong participation on the MTA Board and by unifying the region around shared objectives. This could be accomplished through a formal processes like the development of an annual funding allocation program.

CHAPTER 6: Transit Funding Options

In response to the recommendation of the Baltimore Regional Transit Governance and Funding Workgroup, the study team has outlined options for locally raised transit revenue. This chapter presents a high level overview of these funding options for informational purposes only. The figures and assumptions in this chapter are based on publicly available revenue information and the experience of peer regions.

It must be clearly stated that Maryland's transportation funding paradigm was not designed with significant local contribution in mind. Local governments in the Baltimore region have never borne the responsibility of funding transportation; especially transit. Any shift in that direction would require sweeping changes to Maryland Law and an active decision by local governments to raise revenue specifically for transit. Introducing any new regional funding for transit however should be contingent on the State of Maryland – at a minimum - maintaining its current commitment to transit funding, with annual adjustments for inflation.



As detailed in Chapter 2 of this report, transit service in the Baltimore region is facing a significant shortfall in the next decade, most critically in dollars for state of good repair. Outside of Baltimore's transit needs, MDOT is facing equally challenging circumstances as it balances competing priorities across modes and metropolitan regions. Like most states, Maryland's transportation funding is heavily reliant on the state gas tax and motor vehicle registrations, which are expected to offer diminishing returns as vehicles become more reliable, efficient and drivers' transition to electric vehicles. Maryland's gas tax is indexed to inflation and registration and titling fees were increased in 2024. The appetite for additional increases is unknown.

Leaders across Maryland are aware of these challenges, and are giving due consideration to a range of options. MDOT, Metropolitan Planning Organizations, policy advocates and economic development organizations are all engaged in the discussion of how to solidify transportation funding moving forward. The Maryland Commission on Transportation Revenue and Infrastructure Needs (the TRAIN Commission) was established by Chapter 455, Acts of 2023, to review, evaluate, and make recommendations on the prioritization and funding of transportation projects. The TRAIN Commission was restructured in the 2024 legislative session and a final report has not been submitted at the time of this writing.

Should the local governments in the Baltimore region contribute locally raised funds to transit, a reasonable target would be between 5% and 10% of the Baltimore Core service area’s annual operating budget. Over the next ten years, this range would require an average of $60 million and $120 million in new revenue per year. The study team arrived at this range by examining the contributions of peer systems and the impact of the potential revenue.

- **The experience of regional peers**. In Southeastern Pennsylvania, the City of Philadelphia, and surrounding counties (Bucks, Chester, Delaware, and Montgomery) contribute approximately 7% of SEPTA’s annual operating costs and are actively involved in transit decision-making. Likewise, the City of Boston contributes an estimated 9% of the MBTA’s annual operating budget.
- **Impact of potential revenue.** New funding on the order of $60 million to $120 million would have a significant impact on regional transit investment by leveraging federal grants for capital projects and/or increasing funding for service operations.

REVENUE OPTIONS FOR TRANSIT FUNDING

In 2020, the Baltimore Regional Transportation Board’s study of Transit Governance and Funding explored a host of transit funding options for the State at large and for the jurisdictions in the Baltimore region. That report estimated potential revenue for the full gamut of options. A summary of the taxing mechanisms and fees used across the Unites States is detailed in figure 6 below.

Figure 6 – Inventory of Potential Transit Funding Measures

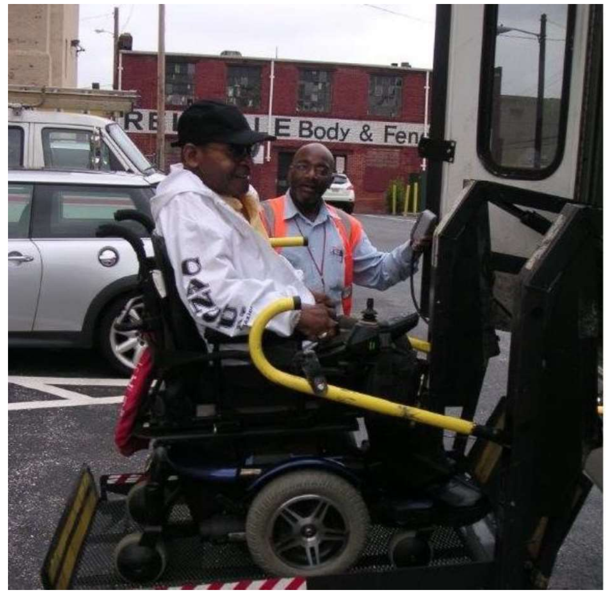
Traditional Taxes	Transportation-Related Revenue Sources	Transportation User Fees	Excise Taxes and Lottery	Financing Mechanisms
Property Tax Income Tax (Corporate*, Personal) Sales Tax Payroll Tax	Local Assessments Transportation Climate Initiative (Carbon Taxes) Transportation Utility Fee Developer Impact Fee	Tolls** Fuel Taxes* Rideshare Tax** Vehicle Registration Fee* Vehicle Miles Travel Fee Mobility / Congestion Pricing Parking Taxes Micro-mobility tax (scooters, etc.) Fares**	Alcohol Tax Cigarette Tax Cannabis Tax Lottery Revenue Lodging Tax Real Estate Transfer Tax Rental Car Tax**	General Revenue Funds** Land Value Capture TIFIA

Source: Nelson\Nygaard
Notes: * Denotes funding source already used by Maryland Transportation Trust Fund
** Denotes funding already used in Central Maryland

Several of these measures are already used by the TTF. Others are difficult in the Baltimore region because existing tax rates are high (i.e., property tax, vehicle licensing fees) or don't have the revenue potential needed to raise $60 million to $120 million annually (i.e., alcohol tax, cigarette tax, parking taxes). Other funding measures – like a tax on vehicle miles travelled or carbon taxes – have not yet been widely implemented in the United States, so are viewed as not feasible in the short-term.

For the purposes of this report, the study team broadly evaluated four measures – increased passenger fares, increased sales tax, a premium on tolls in Central Maryland and a new payroll tax – to show how the region could raise revenue to support transit (see also **Figure** 7). The options are presented in alphabetical order.

Passenger Fares



Increasing passenger fares is the least complicated way to raise revenue from the perspective of a transit operator. The decision is largely administrative and it does not require state or local legislation. However, increased transit fees are also the most immediate burden on transit riders, many of whom are dependent on transit due to reasons of disability and economic hardship. Importantly, moderate increases to MTA's fares would raise only a small portion of the revenue target.

In 2023, MTA earns approximately 16% of its revenue from fares paid by riders. The rate is lower than previous levels, as MTA, like transit agencies nationally, continues to recover from ridership losses resulting from changing travel patterns in the wake of the pandemic. A planning level estimate of the potential revenue that could be raised through fare increases is about $17 million per year. This estimate does not account for ridership losses likely to result from higher fares, or account for bulk discounts and fare programs available from riders. The estimate considers:

- MTA currently charges $2.00 for one-way adult cash fare. The fare is slightly lower than its two closest peers, WMATA ($2.25 for a bus ride[3]) and SEPTA ($2.50 for bus or rail), but higher than other large Maryland based transit systems like the Charm city Circulator (free), Montgomery County RideOn ($1.00) and Prince George's The Bus ($1.00).
- In 2023, MTA provided approximately 69.4 million rides, inclusive of all modes.
- If every rider paid an additional $0.25 per trip, MTA's revenue would increase – on the high end – by $17.1 million. An additional $0.50 would raise up to $34m (on the high end). This estimate does not factor in elasticity rates for transit cost increases which would likely lower these estimates.
- Funds raised from this source would not meet the target of 5% and 10% of MTA's current operating budget discussed above.

Sales Taxes

Sales taxes are used by many of the nation's largest transit systems, including in Boston, Los Angeles, and San Antonio. Historically, dedicating some sales tax revenues to transit is popular; data suggests that approximately 70% of transit funding initiatives are approved by voters.[4] In the 2024 election cycle, voters approved 24 of 33 transit ballot measures, including initiatives in Columbus, Ohio, Nashville, Tennessee and Phoenix, Arizona.

A *planning level estimate* of the potential revenue from a transit-dedicated sales tax of 0.25% is approximately $112 million per year. This does not account for revenue losses that could result from reduced consumer spending (i.e., buying less or purchasing more goods in other nearby states or regions). The estimate is based on the following data and estimates:

- At the current 6% rate, Maryland's existing sales tax revenues of $6.7 billion per year.
- The Baltimore region accounts for roughly 40%, or $2.68 billion of the State's sales tax revenue.
- A 0.25% sales tax increase in the Baltimore region could raise roughly $112 million per year.

While the revenue potential is strong and well within the target goal, there are challenges with sales taxes, including that they are vulnerable to economic recessions and downturns. Sales taxes are also regressive and disproportionately impact lower income residents. Another challenge is Maryland's current sales tax of 6% on taxable purchases[5] is already higher than Virginia (5.30%) and Delaware (0%), and equal to the rate in Washington D.C, West Virginia, and Pennsylvania.[6] In Maryland, only the state can levy sales taxes; counties and municipalities are not currently legislatively enabled to do so.

Tolls

Toll revenues are used to fund transit in Northern Virginia, San Francisco, and New York City, among other places. Maryland's toll revenues are collected by the Maryland Transportation Authority (MDTA) to fund construction, operating, maintenance and law-enforcement costs on bridges and crossings plus debt service. Tolls are a relatively stable source of funding and generally considered equitable because they charge drivers for the impacts associated with congestion, emissions, and roadway costs.

A *planning level estimate* of the potential revenue that could be raised through higher tolls is between $26 million and $104 million, depending on the amount of the increase. This estimate does not account for behavioral changes as some consumers adjust to higher costs (i.e., taking a different, longer route).

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[4] American Public Transportation Association
[5] https://www.marylandtaxes.gov/business/sales-use/index.php
[6] Sales tax rates in West Virginia and Pennsylvania may exceed Maryland's in some localities, as those states have legislatively enabled localities to raise their own sales taxes in addition to the statewide rate.

The estimate is based on:

- There are five tolled bridge crossings in Central Maryland (JFK/I-95, Hatem Bridge, Bay Bridge, Harbor Tunnel and Fort McHenry Tunnel).
- Toll rates vary by crossing, so a transit fee could increase the toll by as little as $0.25 per crossing, or as much as $1.00 per crossing.
- Revenue potential for the Central Maryland region only, ranges from $26 million per year ($0.25 increase per crossing) or $104 million per year ($1.00 increase per crossing).

In Maryland, tolls are controlled and managed by MDTA and set to manage and maintain their facilities. By law, MDTA dollars may not be spent on projects not owned by the authority. Toll rates have not increased in a nearly a decade. In 2024, legislation raising toll rates to fund the MDTA and supplement the TTF passed the House of Delegates, but was unsuccessful in the Maryland Senate.[7]

The collapse of the Key Bridge complicates the conversation both because the bridge accounted for nearly 8% of MDTA's revenues and more toll revenues may be required to help rebuild that facility.[8] In addition, the MDTA recently (Fall 2024) announced it is considering replacing the Chesapeake Bay Bridge at significant cost. Given the loss of MDTA revenue due to the collapse of the Key Bridge, and the immense challenge ahead of the MDTA in replacing both the Key Bridge and Chesapeake Bay Bridge, the use of toll funds to support transit may face insurmountable challenges, .

Payroll Taxes

Payroll taxes are imposed on employers based on the amount of their payroll. The employer is responsible for withholding, reporting, and remitting the tax. Payroll taxes are different from income taxes because they are paid by employers; in the United States, payroll taxes are generally used to fund public programs, like Social Security and Medicare.

The State of Oregon uses payroll taxes to fund transit. The state has set a base tax of 0.1% from each employee's gross pay for transit. The idea is that a small tax on a large base (wages) generates a large amount of revenue. In the case of Oregon, the statewide tax is $1.00 per $1,000 of income, so an employer paying their employee $50,000

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[7] Maryland House Ok's higher MTA tolls: Senate must still give approval, WYPR Baltimore, March 18, 2024.
[8] Collapse of Key Bridge reduces tolls by $141 million, hastens likely toll increase, Maryland Matters, July 1, 2024.

annually, would be taxed $50. Two other Oregon transit districts, Lane County (Eugene) and TriMet (Portland) add onto that rate to raise revenues for their systems.

A *planning level estimate* of the potential revenue that could be raised through a payroll tax is $100 million annually. The estimate is based on the following estimates and assumptions:

- The Baltimore-Columbia-Towson Metropolitan area, which is broadly consistent with the Baltimore region defined by this study, had annual wages on the order of $100 billion.[9]
- If wages are taxed at 0.1%, the region would raise approximately $100 million annually.

Maryland collects payroll taxes for unemployment insurance, which is technically a joint state and federal program. The state also has an income tax, which is paid by the employee, rather than a payroll tax, which is designed to be paid by the employer. Payroll taxes technically would be a new tax, although it is likely the Maryland General Assembly has considered this source previously. Initiating a new tax would be challenging, but potentially less challenging than adding to an existing tax. Also, as described, this tax is designed to be a small amount (0.1%) and therefore, more likely to be acceptable. Asking employers to pay for transit has some logic, given employment is concentrated in urbanized areas and employers benefit from the increased access, and thus larger labor pool, provided by transit.

Figure 7 – Summary of Transit Funding Measures for Baltimore Region and Potential Revenue

	Sales Tax	Tolls	Payroll Taxes	Fares
Proposed Tax Rate	0.025% levied in Baltimore region only	+ $1.00 per crossing in Baltimore region	0.1% of wages in Baltimore region	$0.25 (to $2.25) and $0.50 (to $2.50)
Estimated Annual Revenues	~ $112 million	~ $103 million	~ $100 million	$34 million
Challenges	Requires state approval	Not viable in current climate	New state created tax	Limited benefit and negative impact on riders

Source: Nelson\Nygaard Consulting Associates

[9] Federal Reserve Bank of St. Louis, Federal Reserve Economic Data

CHAPTER 7: Conclusion

This report presents, to the BRTC and other stakeholders, three models for transit governance in the Baltimore region. The three models are:

- Independent Regional Transit Authority
- State-Controlled Regional Transit Authority
- State-Controlled Regional Transit Authority plus an enhanced Regional Transit Commission.

Each model has its own benefits and challenges, but all three are designed to address the same core issues and optimize the effectiveness of the region's transit network. All three models share three key objectives intended to address the same core issues and optimize the effectiveness of the region's transit network. The three objectives are:

1. **Local Government Participation:** Any structural change to transit governance in the Baltimore region should allow for the direct participation of local governments in decision-making.

2. **Increased Autonomy:** The new governance structure must have the freedom to make transparent decisions and advocate for state and federal funds needed for system preservation and expansion. Additionally, the new governance structure should allow long-term planning and capital investment to survive the shifting priorities of gubernatorial administrations.

3. **Focus on the Baltimore-Core Service Area:** A transit system the size and complexity of Baltimore's merits the dedicated attention of its operator. Similarly, MTA's statewide programs have expanded such that that they too would benefit from focused attention and oversight.

The existing structure of Baltimore's transit system was established nearly fifty years ago to meet the needs of the time. This framework helped build a fast-growing system that was, at one point, considered a national model of modern and effective transit and urban renewal. However, since the turn of the century, that growth has stagnated. Long planned projects like the Red Line and the State Center redevelopment have been abruptly cancelled without replacement. Essential maintenance projects are routinely deferred, allowing them to grow in both expense and severity. These challenges have been long in the making and will not be easily or quickly resolved.

A crucial first step toward addressing these challenges is a thoughtful modernization of the governance of Baltimore's transit system. This report is submitted in the hope that it will be a useful tool in that process.