EXECUTIVE SUMMARY

AUGUST 2021
Acknowledgements

This work was conducted on behalf of the Baltimore Regional Transportation Board (BRTB) as a task defined in the Addendum to the FY 2020-2021 Unified Planning Work Program.

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The Baltimore Regional Transit Governance and Funding Study developed alternatives for how the Baltimore region could structure, organize, and fund its transit services.

The Baltimore Regional Transportation Board (BRTB) initiated the study in response to interest from the Maryland State Legislature and at the request of the Central Maryland Regional Transit Plan Commission and the MDOT MTA.

The bulk of the public transportation services operating in the State of Maryland, including the Baltimore Region, are owned, operated, maintained, and improved by the State. The State of Maryland also funds transportation investment through its multi-modal Transportation Trust Fund (TTF), which is supported by a variety of transportation taxes and fees, including fuel (gas) taxes, vehicle excises taxes, and transit fares (among others). This dedicated funding stream for transportation programs, including public transit, makes Maryland a national leader in terms of its commitment to multimodal transportation.

Maryland’s TTF supports transit services statewide. The State also manages and operates a regional transit system in the Baltimore area. This arrangement provides many advantages, especially financially. However, State control means decisions about service delivery and investment are made exclusively by the Maryland Department of Transportation and the Maryland Transit Administration. As a result, regional governments and stakeholders in the Baltimore Region have limited input into regional transit investments, including service, operations, or strategic direction. This structure also disincentivizes coordination and collaboration among local jurisdictions within the region and between local jurisdictions and the State of Maryland.
Study analysis was conducted with the Baltimore Regional Transit Board (BRTB) through an iterative process of research, analysis, and stakeholder input. Resulting alternatives were guided by the goals set forth in the beginning of this effort (see illustration at right). They are also grounded in local experience, respectful of history, and informed by national best practices.

**Study Goals**

**TRANSIT FUNDING AND GOVERNANCE IN THE BALTIMORE REGION**

Today there are three distinct actors with unique roles supporting transit services in the Baltimore region: the Maryland Department of Transportation (MDOT), the MDOT Maryland Transit Administration and the Locally Operated Transit Systems (LOTS):

- **MDOT oversees the management and allocation of Maryland’s TTF.** MDOT also oversees Maryland’s transit investment in the Washington, D.C. metro area.

- **MDOT MTA is one of six modal agencies within MDOT,** responsible for managing and operating most of the public transit service in the Baltimore region. The MDOT MTA also manages statewide commuter services.

- **Eight LOTS agencies in the Baltimore region provide services** that are managed and governed at the local level, using a combination of MDOT MTA administered state and federal funding and local funding to support the service.

Transit funding in Maryland operates in tandem with governance. MDOT combines funding available through the TTF with federal transportation resources and allocates these funds to the individual business units within MDOT, including the MDOT MTA. In Fiscal Year 2019, MDOT allocated approximately $1.1 billion to transit, including roughly $800 million annually to support transit operations and another $304 million for capital projects.

MDOT MTA receives its capital and funding budgets from MDOT and has limited discretion for allocating these resources among its core programs, Baltimore regional services, commuter bus and rail services (MARC Train) and the LOTS program. Indeed, MDOT MTA’s overall funding decisions are largely constrained by commitments associated with operating contracts, such as for purchased transportation service, labor agreements, and other contractual obligations.

Together, purchased transportation and labor costs account for over three-quarters of MDOT MTA’s operating expenditures.

The State of Maryland also provides $167 million annually to WMATA’s capital fund. This is in addition to Maryland’s ongoing support of the funding compact. Maryland provides this funding from the State’s general revenues, not the TTF.
## Executive Summary

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Notes: Baltimore-oriented Local Services category includes unallocated Agency-wide items; includes all Commuter Bus and MARC Train service costs.

Source: Developed from MDOT MTA data (for agency expenditures) and NTD data (for LOTS expenditures).
Lessons from Peers and Stakeholder Input

The Baltimore Transit Funding and Governance Study included a review of six peer agencies as well as input provided through stakeholder interviews and a public forum featuring national practitioners. The peer review and conversations led to a series of key themes for transit funding and governance:

- **It is critical to strike the right balance of representation** between the state as well as each of the counties and municipalities in the Baltimore region.

- **Funding will have the greatest impact on service improvement** – allowing for increased investment in existing assets and expansion to meet shifting demands.

- **Better coordination** between transit systems will improve regional service.

- **Strong regional connections** require a positive climate towards transit and clear commitment by the state, counties and center city to a healthy regional transit system.

- **Experience elsewhere shows a general unwillingness to cross-subsidize investment and services for other communities**. Thoughtful and thorough interlocal agreements can help codify how resources will be allocated to meet needs and have the greatest impact.

- **Transit leadership is currently aligned to political leadership and its four year election cycles**. Large scale capital improvements often have longer timelines, making it difficult to implement large scale improvements to the transit system. Staggered terms for advisory or board leadership can help sustain momentum and capacity to implement improvements.

- **Governance reforms** should consider transit workforce protections to safeguard existing transit employees. Honoring existing labor agreements and providing workforce job security and voice are essential to ensuring the buy-in and support of frontline employees.

- **A comprehensive, multimodal regional transit network can promote resilience**, encourage active transportation, and improve sustainability. This is particularly important to the Baltimore region since ridership fell less drastically during the pandemic in comparison to peers.
Executive Summary

Transit Funding and New Opportunities

The MDOT Secretary’s Office, MDOT MTA and LOTS agencies each fund transit differently. While all transit services rely on passenger fares for a portion of their operating revenues, MDOT MTA services depend on state funding for operating revenues,\(^1\) while Central Maryland LOTS use a combination of federal, state, and local funds. MDOT MTA and the LOTS program also fund capital programs differently. MDOT MTA relies entirely on federal and state funding for its capital investments, whereas the LOTS systems use a combination of federal, state, and local funding. As discussed, the State of Maryland funds transit services in the Washington D.C. differently.

Potential Transit Funding Sources

Throughout the United States, transit is funded at the state and local level in a variety of ways, noting that all transit agencies raise revenues beyond federal grants and passenger fares. The Baltimore Region Transit Funding and Governance Study identified ways that the Baltimore Region could raise new funding to support transit. The study inventoried a long list of potential taxes and fees and broadly evaluated them for their application to the Baltimore region, including a handful of key characteristics: revenue potential, stability, and equity.

Some of the most common taxing methods could each generate tens of millions of dollars in revenue per year for the State of Maryland or the Central Maryland region. Ideally, future transit funding will increase revenues to meet near- and long-term needs and align funding with more participation in local and regional decision making. The list of funding opportunities is not included in this executive summary but is available in the final report with more detail in the support appendices. Key findings from the analysis included:

- **Traditional transportation taxes** such as fuel tax, sales tax, income tax, property tax, real estate transfer taxes and increasing tolls offer the most revenue potential. Relatively low tax rates can raise significant revenues.

- **Most traditional transportation taxes are already used** by the State of Maryland and collected through the TTF.

- **Two funding measures stand out in terms of revenue potential, stability, and equity:** Real Estate Transfer Taxes and Tolling. Transfer are low relative to neighboring states and the tax also offers a stable source of revenue and is progressive.

- **Increasing tolls has the potential to raise significant revenue,** but important challenges to increasing toll rates is that tolls are already collected and used to support the Maryland Transportation Authority, including debt secured by existing toll revenue.

- **Smaller taxes and fees used in combination could provide a local source of revenue to support transit investment.** Among the most promising taxes and fees include taxes on ridesharing or TNCs.

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\(^1\) In most cases, FTA funding cannot be used for transit service operations in large, urbanized areas. Exceptions are made for transit agencies that operate fewer than 100 buses in peak services and some specific programs.
Executive Summary

GOVERNANCE OPPORTUNITIES

Governance models offer elected officials, taxpayers, and funding partners options for how they participate and are represented in decision-making. In the case of public transit, governance models determine how decisions are made regarding developing, managing, and operating the shared transit network. Because transit organizations are often regional, decision making must also be shared across multiple jurisdictions and account for a diverse and broad group of stakeholders. Further, sometimes, but not always, input into decision-making is in line with financial contributions.

This study set out to identify governance models that offer alternatives to govern and fund transit investments in the Baltimore region. There are three major objectives associated with consideration of alternative governance models.

1. **Increasing regional and local participation in decision-making**, especially regarding how transit services are planned, designed, and operated in the Baltimore region.

2. **The potential of a new governance structure to increase investment** in public transportation, including through increased regional and local support.

3. **Strengthening the quality of transit services**, including coordination across services and among partner jurisdictions.

Alternative governance and funding models consider different approaches to sharing decision-making and how changes in decision-making could lead to increased investment in transit with an overarching goal of strengthening and improving transit services.

The study identified five models (not including the “no change” or status quo option, which would leave funding and governance as it is currently structured).
Governance Model Alternatives

- Baltimore Core Services
- LOTS
- Commuter/Regional Services
The State Transportation Commission model would modify the role of the existing Maryland Transportation Commission to manage and oversee the spending/budgeting decision-making and investments associated with Maryland’s TTF.

- **Responsibilities would span across** all MDOT modal investments and business units.
- **The Secretary of Transportation** would continue to be the Chair of the State Transportation Commission and work with Commissioners to allocate TTF resources and approve major transportation investments.
- **The model assumes Commissioners would be appointed by the Governor and General Assembly** and would include representation from regional and local jurisdictions. Accordingly, the model assumes an expansion of the existing Commission.
A State Transit Commission would create a new commission to oversee spending and investments decisions associated with MDOT.

**MODEL #2  STATE TRANSIT COMMISSION**

The governance model assumes the State Transit Commission oversees all MDOT MTA programs; thus, responsibilities and authorities would encompass Baltimore Core Services as well as MDOT MTA's LOTS program and responsibilities for Commuter and Regional services.

**MDOT MTA's Administrator would remain an MDOT employee but report to the State Transit Commission**, which would be responsible for hiring and overseeing MDOT MTA's Transit Administrator.

**Given that the Transit Commissioners would oversee regional and statewide transit investment**, participation on the Commission would include representation from the Baltimore region together with a statewide perspective.

**It would also represent multiple transit service perspectives**, including commuter travel, local services, and regional urban markets.

**Commissioners would have some public transit experience** and would be appointed by the Governor and approved by the General Assembly.
The Baltimore Advisory Board model would create a new body to oversee the spending and investments associated with the Baltimore Core Services, providing advice and input on budget and operations decisions associated with transit service delivery. The Advisory Board could also have a planning function.

The Baltimore Advisory Board would not have responsibilities associated with either the LOTS program or MARC passenger rail programs, however Express Bus is a commuter service operated in the Baltimore region and would be considered part of the Baltimore Core Services.

MDOT MTA would continue to operate services.

- The Baltimore Advisory Board would be strengthened if it managed a predictable operating and capital budget to support regional transit services. Predictability would work best if MDOT MTA implemented a transit funding formula or the Maryland State Assembly mandated investment levels.

- Advisory Board members would have some public transit experience or represent a key local constituency and could be appointed by the Governor and approved by the General Assembly.

- Local government leadership could also provide input to ensure a broad representation of local needs.
The Commission would encompass the following:

- **Include state and local representation** and be vested with authority to raise, distribute, and spend funds for transit services and capital projects in the Baltimore region.

- **Include representatives from** Anne Arundel County, Baltimore City, Baltimore County, and Howard County. Other jurisdictions (the City of Annapolis, Carroll County, Harford County, and Queen Anne’s County) would have the option of joining the BTC.

- **The Commission would reflect a diversity of transit perspectives and geographic interest.** The overall makeup would be determined by formula, potentially reflecting population, the amount of transit service provided, or a combination of representation.

- An important goal of the Commission membership would be to **avoid an opportunity for a single jurisdiction to possess the ability to effectively exercise a veto.**

- **The General Manager would be a MDOT MTA employee** serving at the pleasure of the BTC Board. MDOT MTA would continue to operate the Baltimore area’s core bus, light rail, subway, and paratransit services under the direction of the BTC, and the locally operated services would continue to be operated by those jurisdictions.

The BTC would not have responsibilities associated with either the LOTS program or Commuter Bus and Regional Passenger Rail programs.
Baltimore Regional Transit Governance and Funding Study

Governance Model Alternatives

MODEL #5

BALTIMORE REGIONAL TRANSIT AUTHORITY

The Baltimore Regional Transit Authority (RTA) would merge existing public transit services in the Baltimore region into a single governance structure and model.

- **Be the direct recipient of federal transit funding** for the Baltimore urbanized area.
- **Contract for service operations** with the option of contracting with MDOT MTA or local LOTS providers.
- **Assumes the State would participate in the RTA as a commissioner** and would continue to support transit operations at levels consistent with existing spending, but that funding would be distributed through a funding formula.
- **Would include representatives from** Anne Arundel County, Baltimore City, Baltimore County, and Howard County. Other jurisdictions (the City of Annapolis, Carroll County, Harford County and Queen Anne’s County) would have the option of joining the RTA.
- **The General Manager would be an RTA employee**, who serves at the pleasure of the RTA Board. The RTA would govern and manage transit services and would need to determine if MDOT MTA continues to operate the Baltimore area’s core bus, light rail, subway and paratransit services and LOTS services.
- **The RTA would not have responsibilities associated with either the LOTS program or Commuter Bus and Regional Passenger Rail program.**
Next Steps

There are clear advantages and disadvantages of the current governance and funding model as it relates to transit investment and service delivery in the Baltimore region.

Transit investment benefits from State financial support provided through Maryland’s multimodal Transportation Trust Fund but limits local and regional input into how the funds are spent. In addition, Maryland’s TTF is facing multiple demands, requiring transit to compete for funding with a host of compelling transportation programs and projects.

The governance models included in the report present alternatives for the structure, organization, and funding of public transit in the Baltimore Region including scenarios to enhance and balance local jurisdiction engagement and potential contributions to achieve regional and local public transit performance goals. These potential alternatives are built on many assumptions that if realized could change the way regional transit services are governed, funded, operated, and managed.

Moving forward, more detailed plans as it relates to meeting the vision for transit service in the region will need to be developed, including both governance approaches and funding strategies. As this is done, the findings of this study should serve as a backbone of options and issues to consider. The potential alternatives outlined here are intended to frame options for local and state elected decision-makers and the public to debate, discuss, alter, and accept or reject as they see fit. The Baltimore Regional Transportation Board and the Baltimore Metropolitan Council staff hope that this report is a useful step in producing actions that address the intended goals of the study as outlined.