J00H01
Transit Overview
Maryland Department of Transportation

Operating Budget Data

($ in Thousands)

	FY 02 Actual	FY 03 Approp.	FY 04 Allowance	FY 03 - 04 Change	FY 03 - 04 % Change
Special Funds	$459,308	$484,009	$491,966	$7,957	1.6%
Contingent & Back of Bill Reductions	0	0	-88	-88	0.0%
Adjusted Special Funds	**$459,308**	**$484,009**	**$491,878**	**$7,869**	**1.6%**
Adjusted Federal Funds	**$30,114**	**$47,577**	**$51,606**	**$4,029**	**8.5%**
Adjusted Grand Total	**$489,421**	**$531,586**	**$543,484**	**$11,898**	**2.2%**

- The allowance for the Maryland Transit Administration (MTA) decreases by $2.1 million (.5%) from $402.7 million in fiscal 2003 to $400.6 million in fiscal 2004. There is a decrease of $3.7 million (1%) in the allowance for bus and rail operations which is offset by an increase of $930,000 in statewide operations and an increase of approximately $750,000 in Transit Administration.

- The allowance for the Washington Metropolitan Area Transit (WMATA) increases by $13.3 million (10.3%) over the fiscal 2003 allowance.

PAYGO Capital Budget Data

($ in Thousands)

	FY 02	FY 03		FY 04	FY 03-04	FY 03-04
	Actual	Legislative	Working	Allow.	Change	% Change
Special	$168,214	$211,700	$244,187	$189,549	-$54,599	-22.4%
Contingent & Back of Bill Reductions	0	0	0	-39	-39	0.0%
Federal	125,668	204,600	158,401	157,490	-$911	-0.6%
Total	**$293,883**	**$416,300**	**$402,588**	**$347,039**	**-$55,549**	**-13.8%**

- The fiscal 2004 PAYGO capital allowance is $347 million, a decrease of $55.5 million (13.8%) below the fiscal 2003 working appropriation. Almost all of the decrease occurs in special funds due to cash flow changes for the Addison Road Metrorail extension.

- The allowance includes $252.6 million for the MTA capital allowance, and $94.4 million for the WMATA capital allowance.

Note: Numbers may not sum to total due to rounding.

For further information contact: Lucinda D. Lessley Phone: (410) 946-5530

Personnel Data

	FY 02 Actual	FY 03 Working	FY 04 Allowance	Change
Regular Positions	3,133.00	3,108.00	3,108.00	0.00
Contractual FTEs	38.00	38.00	38.00	0.00
Total Personnel	**3,171.00**	**3,146.00**	**3,146.00**	**0.00**
Vacancy Data: Regular Positions				
Budgeted Turnover: FY 04	182.75	5.88%		
Positions Vacant as of 12/31/02	149	4.74%		

Note: Reflects personnel data for all operating and PAYGO capital programs.

- There is no increase in the fiscal 2004 allowance in the number of MTA's regular positions or in the number of contractual full-time equivalent positions.

- MTA abolished 25 regular positions in fiscal 2003 due to across-the-board position reductions.

Analysis in Brief

Major Trends

MTA's Farebox Recovery Rate Hovers at 40%; Ridership Remains Flat: As part of the Transit Initiative, the MTA's required farebox recovery rate was lowered from 50% to 40%. Current MTA farebox recovery projections are based on a fare increase that is expected to generate $5.1 million in additional revenue for Baltimore-area services (bus, Light Rail, and Metro); however, even with the fare increase and proposed service reductions, the farebox recovery rate will reach only 40.4% in fiscal 2004 and will again fall below 40% in fiscal 2005. Ridership on Baltimore-area services was projected to increase by only 1% in fiscal 2004; however, the Managing for Results (MFR) data on ridership and on service efficiency and effectiveness provided by MTA did not take into account the projected decreases in ridership that would result from the proposed fare increase. Thus, using an industry standard elasticity measure, MTA calculates that it is likely to lose approximately 3.5 million riders out of the 102 million annual riders on the system. **The Department of Legislative Services (DLS) recommends that MTA brief the committees on the effect of the proposed fare increase on MTA ridership projections and on the subsequent impact of decreased ridership on other MFR measures, including the cost efficiency and cost effectiveness of MTA services.**

Annual Growth in WMATA Ridership Has Decreased from 5.5% to 3.6%: Prior to the events of September 11, 2001, WMATA had been experiencing an annual growth in ridership of more than 5%. The annual growth rate for the period from fiscal 2002 to 2004 has slowed to 3.6%; this reduction in the

annual growth rate is contributing to the budget shortfalls being experienced by WMATA. Current performance data predict a slight rise in the combined rail/bus farebox recovery rate to 57.1% in fiscal 2004; the Metrorail system is projected to show a farebox recovery rate of 71% while the Metrobus system is projected to show a farebox recovery rate of 36%.

Issues

MTA Proposes Fare Increase and Service Reductions; Full Implementation of Transit Initiative Has Been Halted: MTA has proposed a fare increase to take effect July 1, 2003. While the full details of the increase are not yet available, it is likely to include a $0.15 (11%) increase in the base fare for Baltimore area services (which would raise the base fare to $1.50). MTA is also proposing to eliminate two MARC commuter trains and three bus routes and to delay introduction of a new South Baltimore shuttle. Even with the fare increase and the service reductions, the farebox recovery rate will barely reach the statutorily required 40% rate in fiscal 2004 and will again fall below 40% in fiscal 2005. **DLS recommends that MTA brief the committees on steps that can be taken to reduce the overall operating expenses of the MTA. DLS also recommends the addition of budget language requiring the elimination of bus routes with farebox recovery rates below 15%. Finally, DLS recommends that MTA discuss the current status of implementation of the Transit Initiative.**

WMATA Proposes Fare Increase but May Still Require Additional Operating Subsidies from Maryland: The amount of the operating subsidy provided by Maryland to WMATA is projected to increase by at least $13.3 million in fiscal 2004 (this is the amount of the increase in the subsidy provided in the Governor's allowance). In addition, WMATA is projecting to raise an additional $24 million in revenue through increases in Metrorail, Metrobus, and MetroAccess fares and parking fees. In the event that the fare increase is not approved, Maryland might be expected to provide an additional $8.5 million in operating subsidies. Even if the fare increase is approved, the operating budget being considered by the WMATA Board may require an additional $6.6 million in operating subsidies from Maryland over the $13.3 million increase contained in the fiscal 2004 allowance. **DLS recommends that MDOT brief the committees on options for reducing subsidy shortfalls in the event that a fare increase is not approved and/or the increased budget is approved by WMATA's Board.**

Safety Issues Continue to Plague MTA: MTA has released a report on the causes of the 30 instances of wheel failures that occurred on MTA buses between August 2001 and May 2002. The report examines the technical causes of the wheel failures, MTA's compliance with federal and industry operating standards, and the characteristics of MTA's organizational response to the bus wheel incidents. In addition to the safety concerns with bus operations raised by the bus wheel failures, the recent collision of a Metro subway train with a maintenance vehicle has raised new safety concerns with Metro operations. **DLS recommends that the committees direct MTA to report on the steps it is taking to assess, prioritize, and implement new comprehensive safety procedures and safety management systems to address systemic shortcomings in safety management.**

Parity Analysis: The statute that created MTA requires a "parity benefit in the allocation of State funds" between the Baltimore region and the Washington region; however, the statute does not define what constitutes parity. In the past, parity has been defined to mean the relative special fund subsidy to support net operating and capital expenses in the Baltimore and Washington regions not covered by operating revenues or federal funds. The total amount of special funds provided in fiscal 2004 to the Washington region is $261 million – $7 million more than the $254 million provided to the Baltimore region. The analysis shows that from fiscal 2000 to fiscal 2004, the capital subsidy provided to Washington has increased by nearly 19% while the capital subsidy provided to Baltimore has increased by nearly 21%. However, the operating subsidy provided to Washington has increased by approximately 9% while the operating subsidy provided to Baltimore has increased by only 1%. **DLS recommends that MDOT brief the committees on why there has been a significant difference in the rates of increase of the operating subsidies provided to the Baltimore and Washington regions.**

Transit Projects Must Be Submitted for Authorization under the Reauthorization of Federal Transportation Spending: The current federal authorization for federal transportation spending (TEA-21) will expire on September 30, 2003. It is expected that a new TEA-21 will be introduced and potentially authorized before the expiration of the current TEA-21. To receive funding under the authorizing legislation, "new starts" transit projects must be named in the reauthorization. The State is currently considering three possible transit projects for submission for authorization, including the Purple Line, the Baltimore Region Rail System Plan, and the Corridor Cities Transitway. **DLS recommends that MDOT discuss with the committees which transit projects it intends to submit for authorization under the new federal authorization legislation.**

Task Force Evaluating Development and Construction of a Prototype Magnetic Levitation (Maglev) System Reports Findings: The task force to evaluate Maglev created by Chapter 573, Acts of 2002 has reported its analysis of the Maglev project. In keeping with the scope of Chapter 573, the task force has not made a recommendation for or against construction of Maglev; instead, the task force has identified a variety of serious institutional, procurement, and financial challenges faced by the project. It has also recommended that an economic benefit-cost analysis be conducted before the project proceed as the project would require that "considerable public funds" be expended for a system whose "benefits have not been quantified." **DLS recommends that the committees add budget language prohibiting the expenditure of funds for the purpose of studying, developing, or constructing a Maglev system.**

Operating Budget Recommended Actions

		Funds
1.	Reduce funding for office assistance in Rail Operations.	$ 25,361
2.	Delete funding for replacement of two automobiles in Bus Operations.	18,209
3.	Delete funding for replacement of two trucks in Rail Operations.	13,995
4.	Delete funding for replacement of one truck in Transit Administration.	12,233
5.	Add budget language directing the Maryland Transit Administration to report on the steps it is taking to assess, prioritize, and implement new comprehensive safety systems and procedures.	
6.	Add budget language requiring the elimination of bus routes with farebox recovery rates below 15%.	
7.	Add budget language eliminating the provision of free transportation on Maryland Transit Administration services.	
	Total Reductions	**$ 69,798**

Capital Budget Recommended Actions

		Funds
1.	Delete funds for the Maglev System Study.	$ 3,154,000
2.	Add language prohibiting the expenditure of funds for the study, development, or construction of a Maglev system.	
3.	Add budget language requiring MDOT to identify for each project the amount of funding provided by each funding source.	
	Total Reductions	**$ 3,154,000**

Updates

Annual Performance Audit for Montgomery and Prince George's County Transit Systems: As required by Chapter 211, Acts of 2000, the Maryland Transit Administration has reported on the service efficiency (operating expenses per vehicle miles) and cost effectiveness (operating expenses per passenger

trip) of the Montgomery County "Ride-On" bus service and the Prince George's County "the Bus" service relative to its peer services.

Status of Paratransit System: As required by the 2002 *Joint Chairmen's Report*, MTA submitted a report assessing how well Mobility paratransit services are meeting users' needs. MTA also provided an update on the implementation of SmartCard technology in the Mobility system.

J00H01

Transit Overview

Maryland Department of Transportation

Budget Analysis

Program Description

The Maryland Department of Transportation (MDOT) supports transit in Maryland through the Maryland Transit Administration (MTA) and the Washington Metropolitan Area Transit Authority (WMATA). MTA consists of the following operating budget programs:

- **Transit Administration** provides executive direction and support services for the MTA;

- **Bus Operations** manages bus service in Baltimore City and surrounding counties. These services include the operation of fixed route and paratransit lines and contracts with commuter and paratransit service providers;

- **Rail Operations** include the Baltimore Metro heavy rail line and Baltimore area light rail lines and the management of the Maryland Rail Commuter (MARC) contracts with Amtrak and CSX Transportation; and

- **Statewide Operations** provides technical assistance and operating grants to local jurisdictions' transit services, including Montgomery County's "Ride-On" and Prince George's County's "the Bus" services. Additionally, the program contracts with private carriers to operate commuter bus services throughout the State into Washington, DC. Assistance is also provided to the Maryland and Delaware Railroad to support the maintenance of State-owned rail lines.

The State provides an annual operating grant to the Washington Suburban Transit Commission (WSTC) in the Secretary's Office budget. WSTC provides funding to WMATA for the operation of the Metrorail and Metrobus systems. These operating grants are based on numerous factors, including miles of service, number of stations, number of passengers, and population density in each jurisdiction, and are offset by fare revenues generated by each service.

MTA has four program performance goals:

- provide outstanding service to customers, including increasing on-time service, improving the reliability of service and cleanliness of facilities, and achieving an average wait time of one minute for telephone information;

- grow transit ridership as outlined in the Transit Advisory Panel's recommendations, including doubling transit ridership over the next 20 years;

- use MTA resources wisely and effectively as measured against prior years and peer services, achieving an operating cost per vehicle mile of $8.96 and an operating cost per passenger of $3.04 in fiscal 2004; and

- provide a safe, crime-free environment for MTA passengers.

Performance Analysis: Managing for Results

MTA Performance Measures

The administration's Managing for Results (MFR) initiative provides a context for evaluating an agency's performance or outcomes rather than its resources or inputs. The MFR framework also serves as a planning tool that identifies appropriate results and aids the agency in concentrating limited resources on the attainment of those results. Current performance data on MTA's farebox recovery rate, ridership level, service efficiency, and service effectiveness are discussed below.

Farebox Recovery

As part of the Transit Initiative, the MTA's farebox recovery rate was reduced from 50% to 40% (Chapters 210 and 211, Acts of 2000). In an effort to promote the use of public transit, the Transit Initiative also focused spending on the renovation of existing equipment and facilities and the expansion of services. As illustrated in **Exhibit 1**, in fiscal 2002, the Light Rail system achieved a farebox recovery rate of 21.4% while the Metro achieved a recovery rate of only 32.4%. As a result, even when the bus service is factored in, the MTA achieved a combined farebox recovery rate of only 38.5% for Baltimore area services (bus, Light Rail, and Metro). The combined rate is expected to decrease to 35.4% in fiscal 2003 before recovering to 40.4% in fiscal 2004. The fiscal 2004 farebox recovery rate assumes $5.1 million in increased revenue will be generated through a fare increase (discussed below). However, even with the fare increase, the farebox recovery rate for the Baltimore-area services is projected to again fall below the 40% level to 39.3% in fiscal 2005.

The continued decline in the farebox recovery rate for fiscal 2003 is due in large part to the fact that MTA is having to bear significant projected cost increases in fiscal 2003, including $4.7 million in increases for wages and other benefits for employees represented by the Amalgamated Transit Union and anticipated increases in pension benefits for employees represented by the Office and Professional Workers; $1.9 million for union health benefits inflation; $2.4 million for settlement of the MARC operating contract; $2.8 million for security-related expenses; and $3 million related to resolution of the bus wheel problem.

Exhibit 1

MTA Farebox Recovery by Year
Fiscal 1999 through 2005

Fiscal Year	Bus	Light Rail	Metro	Baltimore Area Overall	MARC
1999	52.2%	24.1%	37.6%	46.4%	56.3%
2000	48.5%	23.4%	35.6%	42.2%	65.7%
2001	46.7%	21.5%	33.6%	40.2%	58.1%
2002	41.7%	21.4%	32.4%	38.5%	59.3%
2003*	38.7%	19.7%	30.4%	35.4%	58.4%
2004**	43.8%	22.5%	34.0%	40.4%	64.8%
2005	42.6%	21.8%	33.1%	39.3%	66.0%

Note: Calculations of the MARC farebox recovery rate exclude approximately three-quarters of the total amount of access charges (which totaled $11 million in fiscal 2002) paid by MTA to CSX and Amtrak for MARC service. These exclusions are treated as capital leases. Calculations of farebox recovery for Light Rail and Metro include the costs of track maintenance.

* FY 03 expenses reflect cost containment reductions. Revenues exclude $2.6 million reimbursement for State employees riding fare-free.

** FY 04 expenses reflect additional cost containment and reduced services. Revenues include proposed fare increase.

Source: Maryland Transit Administration

Ridership

The MTA is incurring additional operating expenses even as ridership is remaining basically flat on all Baltimore-area services. As **Exhibit 2** shows, MTA's MFR data indicate that total ridership on the MTA's Baltimore-area services is projected to continue to show an annual increase of only slightly more than 1% from fiscal 2001 through fiscal 2004. Ridership on the bus service is projected to increase only slightly more than .5%, while ridership on the Light Rail system is projected to be flat from fiscal 2002 through 2004 (due to service interruptions caused by the double-tracking construction on the service). Metro is projected to show stronger growth (3.27% annual increase); however, even with this increasing ridership, Metro is still projected to show only a 30.4% cost recovery rate in fiscal 2003.

Exhibit 2

MTA Ridership
Fiscal 2001 through 2004
(In Thousands)

	FY 01 Actual	FY 02 Actual	FY 03 Projected	FY 04 Projected	FY 01-04 Annual Change
Bus	70,154	70,304	70,814	71,630	0.70%
Metro	13,597	14,183	14,682	14,976	3.27%
Light Rail	8,519	8,635	8,635	8,635	0.45%
Baltimore Area Ridership	**92,270**	**93,122**	**94,131**	**95,241**	**1.06%**
Paratransit	573	488	512	538	-2.08%
MARC	5,700	6,019	6,312	6,564	4.82%
Contracted Commuter Bus Service	1,826	2,089	2,298	2,528	11.45%
Total Ridership	**100,369**	**101,718**	**103,253**	**104,871**	**1.47%**

Source: Maryland Transit Administration

Measures of MTA Service Efficiency and Effectiveness

Cost efficiency in transit service is the measure of operating expenses per vehicle mile, while the cost effectiveness of transit service is the measure of operating expenses per passenger trip. **Exhibits 3 and 4** below present the current performance data on MTA's service efficiency and effectiveness.

Exhibit 3

MTA Service Efficiency
(Operating Cost per Vehicle Mile)
Fiscal 2001 through 2004

	FY 01 Actual	FY 02 Actual	FY 03 Projected	FY 04 Projected	Annual % Growth
Bus	$8.72	$8.53	$9.31	$9.43	2.60%
Metro	8.78	8.59	9.22	9.34	1.60%
Light Rail	11.67	12.16	12.57	12.74	2.50%
Paratransit	2.47	3.21	3.26	3.18	8.80%
MARC	11.08	11.69	12.4	13.14	5.90%
Contracted Commuter Bus Service	5.69	5.44	5.65	5.86	0.99%
Total	**$8.10**	**$8.26**	**$8.83**	**$8.96**	**3.42%**
Annual Percentage Growth	**5.30%**	**2.00%**	**6.90%**	**1.50%**	

Source: Maryland Transit Administration

Exhibit 4

MTA Service Effectiveness
(Operating Cost per Passenger)
Fiscal 2001 through 2004

	FY 01 Actual	FY 02 Actual	FY 03 Projected	FY 04 Projected	Annual % Growth
Bus	$2.01	$1.99	$2.15	$2.16	2.40%
Metro	2.68	2.76	2.91	2.89	2.60%
Light Rail	4.15	3.64	3.97	4.03	-0.97%
Paratransit	20.19	23.12	23.53	22.96	4.40%
MARC	8.45	9.00	9.18	9.35	5.90%
Contracted Commuter Bus Service	8.06	9.28	8.76	8.26	1.10%
Total	**$2.79**	**$2.81**	**$3.00**	**$3.02**	**2.70%**
Annual Percentage Growth	**12.50%**	**0.70%**	**6.80%**	**.70%**	

Source: Maryland Transit Administration

These statistics estimate that the operating costs of MTA services per vehicle mile and per passenger will be reduced to 1.5% and 1% annual growth respectively. As Exhibit 3 showed, the paratransit service is showing an annual decrease in ridership (2%); however, despite the decreased ridership, the cost of operating paratransit services per vehicle mile has increased by nearly 9% since fiscal 2001 while the costs per passenger have increased by 4.4%. There has been no fare increase for paratransit services in more than seven years.

The MFR data on ridership, service efficiency, and service effectiveness provided by MTA do not take into account the projected decrease of 3.5 million annual riders that is anticipated to result from the proposed fare increase. Therefore, DLS recommends that MTA brief the committees on the effect of the potential ridership decrease on other MFR measures, including cost efficiency and cost effectiveness of MTA services.

Comparison of the MTA Service to the Service of Similar Transit Systems

Chapter 211, Acts of 2000 required MTA to conduct an independent management audit of the operational costs and revenues of transit services every four years, and to provide annual reports on performance indicators that track service efficiency in the MTA Baltimore-area service. As shown in **Exhibit 5**, MTA has reported the following statistics comparing its performance to that of transit systems identified as peer services of the MTA on the basis of such factors as mix of service, fleet size, and property size.

Exhibit 5

Comparison of the MTA's Baltimore Area Service to Similar Transit Systems Nationwide
Fiscal 2001

Peer Transit Agencies	Operating Expenses per Vehicle Mile	Operating Expenses per Passenger Trip	Passenger Trips per Vehicle Mile
Baltimore (MTA Service)	$8.10	$2.79	2.9
Boston	$8.84	$2.04	4.3
Cleveland	$8.03	$3.81	2.1
Los Angeles	$8.24	$1.87	4.4
Philadelphia	$9.02	$2.21	4.1
Washington, DC	$8.58	$2.12	4.0

Source: Maryland Transit Administration

These statistics indicate that when it is compared to five peer systems, the MTA Baltimore region service ranks second in cost efficiency of service (measured as operating expenses per vehicle mile); however, MTA ranks fifth in cost effectiveness of service (measured as operating expense per passenger trip). MTA has a low cost effectiveness measure because it operates many services in low-density areas; among the peer group members to which it has been compared, only Cleveland's service carries fewer passengers per mile than the Baltimore service carries.

WMATA Performance Measures

Current performance data for WMATA's farebox recovery and ridership are discussed below. These data assume a fare increase (discussed later in this analysis) will be implemented at the beginning of fiscal 2004.

Farebox Recovery Rate

As shown in **Exhibit 6**, the overall farebox recovery rate for the WMATA system is expected to be just over 57% in fiscal 2004 – an increase of 1% over the fiscal 2003 rate. The farebox recovery rate for the Metrorail service has hovered around the 70% level. The farebox recovery rate is expected to dip slightly below that rate to 69.6% in fiscal 2003 but current estimates predict a slight rise in the farebox recovery rate to 71% in fiscal 2004. The Metrobus farebox recovery rate has hovered around 36% (a rate that is slightly lower than the MTA bus farebox recovery rate).

Exhibit 6

WMATA Farebox Recovery Rates
Fiscal 2002 through 2004

Service	FY 2002 Farebox Recovery Rate	FY 2003 Projected Farebox Recovery Rate	FY 2004 Projected Farebox Recovery Rate
Metrorail	70%	69.63%	71.1%
Metrobus	36.5%	35.8%	36.1%
MetroAccess	5.5%	4.8%	4.9%
Bus and Rail	**56.4%**	**56%**	**57.1%**

Source: Washington Metropolitan Area Transit Authority

Ridership

As illustrated in **Exhibit 7,** prior to September 11, 2001, WMATA's annual ridership was averaging a 5% annual increase. The annual ridership growth is predicted to slow to approximately 3.6% in fiscal 2003. The reduction in the rate of annual ridership growth is contributing to the budget shortfalls currently being experienced by WMATA.

Exhibit 7

WMATA Total Annual Ridership
Fiscal 1999 through 2004
(Riders in Thousands)

Service	FY 99 Actual	FY 00 Actual	FY 01 Actual	FY 02 Actual	FY 99-02 Annual %Change	FY 03 Est.	FY 04 Est.	FY 02-04 Annual %Change
Metrorail	155,103	163,274	177,269	180,573	**5.2%**	187,509	193,457	**3.5%**
Metrobus	124,534	138,544	145,539	147,771	**5.9%**	154,512	158,787	**3.7%**
MetroAccess	340	454	557	738	**29.5%**	689	916	**11.4%**
Total	**279,977**	**302,272**	**323,365**	**329,082**	**5.5%**	**342,710**	**353,160**	**3.6%**

Source: Washington Metropolitan Area Transit Authority

Fiscal 2003 Actions

Impact of Cost Containment

Beginning January 1, 2002, the State initiated a transit program that provides free transportation on MTA buses, express buses, Light Rail, Metro subway, and some commuter buses to State employees (excluding employees of the judiciary, legislature, or higher education institutions). State agencies have covered the cost of these services by transferring funds from their budgets to the Transportation Trust Fund (TTF) based on a sliding 3-tier scale of costs pro-rated according to where an employee works. The fiscal 2003 cost containment reflects the reversion of appropriations to support free transit ridership for State employees, contingent upon enactment of a provision in the Budget Reconciliation and Financing Act of 2003. The free transit program for State employees is not being eliminated; however, in fiscal 2003, agencies will not transfer funds totaling $2.6 million to the TTF to cover the costs of the transportation services provided to their employees. As a result of the elimination of these subsidies, which is equivalent to the loss of $2.6 million in transit fare revenue, the TTF will be subsidizing the cost of the free transportation program in fiscal 2003.

MTA advises that it expects to reduce its fiscal 2003 budget by an additional $2.7 million, which may include extensive reductions in funds for police protection on MTA facilities, reductions in planned new services and related overtime, and reductions in accident claim reserves. As of February 10, 2003, however, neither the Board of Public Works nor the Maryland General Assembly has taken any action on these potential reductions.

Governor's Proposed Operating Budget

The fiscal 2004 allowance for transit operating expenses is $543.5 million, an increase of $11.9 million (2.2%). The allowance for MTA is $400.6 million, a decrease of $2.1 million (1%) below the fiscal 2003 working appropriation. Changes in the allowance for Transit Administration, MTA Bus Operations, MTA Rail Operations, and MTA Statewide Operations, and in the WMATA operating grant are discussed below and illustrated in **Exhibit 8**.

MTA Transit Administration

The allowance for Transit Administration increases by just over $751,000. The largest increases occur in the allowance for replacement information technology equipment ($506,000) such as office computers and a new server for the MTA's training room, and in the allowance for insurance ($478,000) for MTA's buses, rolling rail stock, excess liability policy, and direct payment of injury claims filed by MTA passengers. The largest decrease occurs in the allowance for new equipment purchases ($208,000); additional decreases are seen in salaries, wages, and communication costs (telephone costs).

Exhibit 8

Governor's Proposed Budget
MDOT - Transit Overview
($ in Thousands)

	FY 02 Actual	FY 03 Approp.	FY 04 Allowance	FY 03 - 04 Change	FY 03 - 04 % Change
Special Funds	$459,308	$484,009	$491,966	$7,957	1.6%
Contingent & Back of Bill Reductions	0	0	-88	-88	0.0%
Adjusted Special Funds	**$459,308**	**$484,009**	**$491,878**	**$7,869**	**1.6%**
Adjusted Federal Funds	**$30,114**	**$47,577**	**$51,606**	**$4,029**	**8.5%**
Adjusted Grand Total	**$489,421**	**$531,586**	**$543,484**	**$11,898**	**2.2%**

Where It Goes:

Personnel Expenses	
Abolished/transferred positions	-$4,791
Deferred compensation match	11
Employee and retiree health insurance	2,338
Workers' compensation premium assessment	-7,886
Retirement	414
Turnover adjustments	2,977
Other fringe benefit adjustments	4,116
Personnel total	**-$2,821**
Nonpersonnel changes	
WMATA operating subsidy	13,300
Rent payments, including debt service for the BWI parking garage	1,162
Grants to support statewide operations, including Montgomery County's "Ride-On" bus service and Prince George's County's "the Bus" service	930
Contractual services for MARC operations, including access charges paid to CSX	764
Information technology equipment purchases	506
Insurance premiums for buses, rail rolling stock, and excess liability coverage	478
Contractual repair services for bus wheels and rail cars and related supplies	-2,500
Other Changes	**79**
Total	**$11,898**

Note: Numbers may not sum to total due to rounding.

MTA Bus Operations

The fiscal 2004 allowance for Bus Operations is approximately $165.6 million – a decrease of nearly $1.8 million (1.1%) below the fiscal 2003 working appropriation.

There is a net reduction of $786,000 in personnel expenses; however, there have been significant offsetting changes in personnel expenses. There is a decrease of more than $2.2 million in overtime earnings and in regular earnings resulting from the elimination of overtime expenses incurred in fiscal 2003 for the bus wheel repair project and from route reductions. Salaries and wages are reduced due to the elimination of 52 positions in fiscal 2003; the turnover rate for fiscal 2004 has been reduced, resulting in a budget increase of nearly $4.2 million. Additional changes are seen in the allowance for health care costs, which increases by $2.6 million, and in the allowance for workers' compensation premiums, which decreases by more than $5 million.

The allowances for contractual repair services and for supplies and materials decrease by more than $900,000 due to the anticipated completion in fiscal 2003 of bus wheel repairs. Additional decreases are seen in the allowances for motor vehicles ($206,000) due to reductions in automobile purchases and in maintenance charges.

MTA Rail Operations

The fiscal 2004 allowance for Rail Operations is nearly $125.3 million – a net decrease of nearly $2 million (1.5%) below the fiscal 2003 working appropriation.

The allowance for salaries and wages decreases by nearly $2 million; however, as in MTA's Bus Operations, there are significant offsetting changes in the personnel expenses in MTA's Rail Operations. There is a reduction of nearly $1.3 million in overtime earnings due to a reduction in the increased police presence put in place at MTA facilities following September 11, 2001. There is a reduction of nearly $1 million in regular earnings due to a reduction of 26 regular positions in fiscal 2003; this is offset by an increase of nearly $1.5 million resulting from a reduction in the turnover rate. Additional changes are seen in the allowance for workers' compensation premiums, which decreases by just over $2 million, and in the allowance for health insurance costs, which increases by just over $500,000.

There is a decrease of approximately $1.6 million in vehicle maintenance and repair costs and in supplies and materials (including material for track and signal repairs, rail car repairs, and station maintenance) due to cost containment reductions and an anticipated reduction in breakdowns following the Metro mid-life overhaul and the Light Rail five-year overhaul.

The fiscal 2004 allowance increases approximately $764,000 in the allowance for contractual services related to MARC operations, including a 3% ($400,000) annual increase in access fees paid to CSX and Amtrak for MARC services, and additional increases in costs associated with materials, fuel, and labor.

There is also an increase of approximately $1.2 million in debt service for the Certificates of Participation associated with construction of the Baltimore-Washington International (BWI) Airport parking garage.

MTA Statewide Operations

The allowance for MTA's Statewide Operations program is $72.2 million – an increase of $930,000 (1.3%) over the fiscal 2003 working appropriation. The allowance for Statewide Operations includes $22.2 million in subsidies to the Montgomery County "Ride-On" bus service (an increase of $850,000 or nearly 4% for a projected ridership increase of 240,000 riders); the allowance also includes approximately $7 million in subsidies to Prince George's County's "the Bus" service (an increase of $337,000 or 5% with a projected ridership increase of 200,000 riders). Through these subsidies, the State is providing approximately 45% of the "Ride-On" service's budget and more than 80% of "the Bus" service's budget.

Operating subsidies for these two services are determined by a formula that takes the operating cost of eligible services less the operating revenues produced by that service, producing an "eligible" subsidy. The "eligible" subsidy rendered by these formulas often exceeds the increases provided in the operating allowance.

WMATA Operating Grant

WMATA is currently projecting an increase of $47.9 million in operating expenses and a $30.2 million increase in operating revenues (including $24 million to be generated through a fare increase). The remaining $18 million will be provided through an increase in total operating subsidies provided by the jurisdictions that comprise WMATA. Maryland is providing $13.3 million of the subsidy increase, raising the total amount of the subsidy provided by the State to $142,915,000 (a 10.9% increase over the fiscal 2003 subsidy). The primary causes of this increase in Maryland's subsidy are discussed below.

- An audit adjustment results in an overall increase of $6 million in the subsidy amount.

- There is an increase in the share of paratransit (MetroAccess) costs borne by Maryland of approximately $3 million. Maryland residents comprise 59.5% of all MetroAccess riders due to the fact that Montgomery and Prince George's counties rely on MetroAccess as their primary paratransit service provider.

- Finally, while the formulas according to which operating subsidies are calculated are not changing, several formula factors (including population density and ridership) are increasing disproportionately in Maryland. As a result, the State's share of the Metrobus operating subsidy is increasing by $2.25 million while the State's share of the Metrorail subsidy is increasing by $2 million.

PAYGO Capital Program

Program Description

The Maryland Transit Administration (MTA) and the Washington Metropolitan Area Transit Authority (WMATA) have substantial capital programs. MTA's capital program provides funds to support the design, construction, rehabilitation, and acquisition of facilities and equipment for the bus, rail, and statewide programs. Funded items include the purchase of transit buses and rail cars; grade-crossing rehabilitation; and maintenance projects on State-owned light density lines. Additionally, the program provides State and federal grants to local jurisdictions and nonprofit organizations to support the purchase of transit vehicles and the construction of transit facilities.

The MDOT Secretary's Office provides a grant for the WMATA capital program to support the design, construction, and rehabilitation of the Metrorail and Metrobus systems. The State also pays 100% of Maryland's share of Metrorail construction, maintenance, debt service, and paratransit retrofitting costs.

Fiscal 2003 through 2008 *Consolidated Transportation Program*

As illustrated in **Exhibit 9**, the MTA capital program for fiscal 2003 totals $239.1 million and comprises approximately 16% of MDOT's total capital program; an additional $3.1 million is provided by other funds, including private and local funding and certificates of participation. The WMATA capital program funded by special funds (State funds) and by federal funds that pass through the TTF totals $163.5 million and comprises approximately 10.9% of MDOT's fiscal 2003 capital program; an additional $139.5 million in federal funds passes directly to WMATA. Thus, the total fiscal 2003 capital allowance – including special funds and federal funds that pass through the TTF – for transit spending comprises approximately 27% of MDOT's fiscal 2003 capital program.

MTA Capital Program

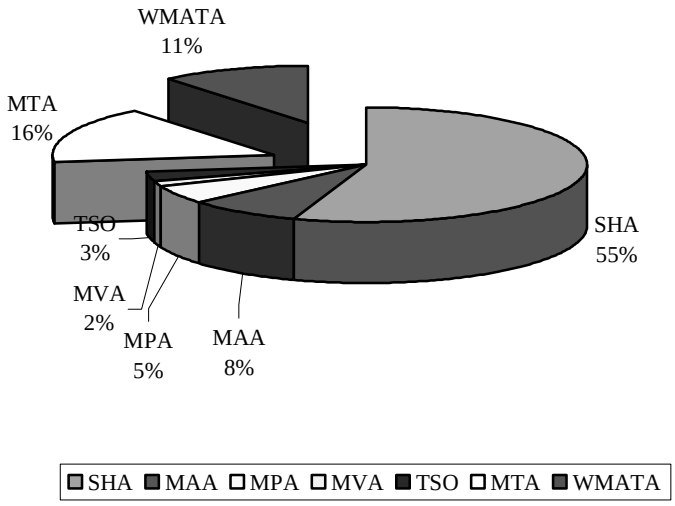
MTA did not add any major projects to the 2003 CTP and no projects have been moved from the planning and project evaluation phase to the construction phase.

Projects Completed

Four projects totaling $109.1 million in total project costs were completed in fiscal 2002, including the purchase of bi-level coaches and coach modifications for the MARC system, renovation of the Laurel MARC station, and rehabilitation of the Maryland-Delaware Railroad.

Exhibit 9

Fiscal 2003 Consolidated Transportation Program



MAA = Maryland Aviation Administration
MPA = Maryland Port Administration
MTA = Maryland Transit Administration
MVA = Motor Vehicle Administration
SHA = State Highway Administration
TSO = The Secretary's Office
WMATA = Washington Metropolitan Area Transit Administration

Source: Maryland Department of Transportation, 2003 *Consolidated Transportation Program*

Projects Removed from CTP Beginning in Fiscal 2006

Three MTA projects had phases removed due to the reduction in the TTF; these changes are described below. All of these changes affect the out-years of the CTP (fiscal 2006 and beyond); there are no reductions in the fiscal 2003 appropriation or 2004 allowance due to the reduction in the TTF.

- **Bus Replacement:** A total of $12.5 million was removed from the projected fiscal 2008 budget for replacement of MTA buses. MTA purchased 100 buses in fiscal 2003 and plans to purchase an additional 125 buses in fiscal 2004; MTA also has options to purchase buses in three subsequent years.

- **Rural Community-based Transit Service (RCBTS) – Bus Acquisition:** The RCBTS bus acquisition program supports the development of fixed routes, shuttle services, and expanded service in rural and small urban communities in Maryland. A total of $10.1 million was removed from the out-years of the Rural Community-based Transit Service Bus Acquisition program.

- **Bus/Light Rail System Preservation – Construction Program:** A total of $5.7 million was removed from fiscal 2008 spending in the Bus/Light Rail System Preservation Program.

Projects Deferred from Fiscal 2003 and 2004 to Fiscal 2005

Fourteen project phases totaling $3.27 million were deferred from the MTA capital budget from fiscal 2003 and 2004 to fiscal 2005 due to the proposed transfer of $300 million from the TTF to the State's general fund. **Exhibit 10** identifies the affected projects and phases and specifies the amount of money removed from fiscal 2003 and 2004.

Exhibit 10

Projects Deferred
Fiscal 2003 and 2004
($ in Millions)

Project Title	Phase Removed/Reduced	Amount Removed
North Ocean City Transit Center	Planning	$0.10
Falls Road Parking Expansion	Planning	$0.10
Parole Town Center	Planning	$0.10
Connection Track at Brunswick	Construction	$0.02
Revenue Room Security Rehabilitation	Construction	$0.17
MD Comprehensive Transit Plan Implementation Fund	Planning	$0.30
Document Control Imaging System	Construction	$0.10
Dunkirk Park and Ride	Planning	$0.10
New Market Park and Ride	Planning	$0.10
Prince Frederick Park and Ride	Planning	$0.02
Strategic Planning/Planning Studies	Planning	$0.10
Coach Bicycle Retrofit	Construction	$0.16
Facility Maintenance Building	Construction	$1.50
Grade Crossings	Construction	$0.40
Total Deferrals		**$3.27**

Source: Maryland Department of Transportation, 2003 *Consolidated Transportation Program*

WMATA Capital Program

In fiscal 2004, the State will make its final payment of $7,098,000 for costs associated with the construction of the original 103-mile Metrorail system. The State will continue to make an annual debt service payment of $9.7 million on the revenue bonds sold to finance construction of the original 103-mile system until fiscal 2014, when the bonds are expected to be retired.

WMATA's current capital program consists of two main components:

- **Infrastructure Renewal Plan (IRP):** IRP is an ongoing 25-year infrastructure maintenance program

intended to maintain WMATA's investment in its existing infrastructure and rolling-stock by supporting the regular rehabilitation and replacement of buses, rail cars, elevators, tracks, and other equipment. The fiscal 2004 allowance for the IRP is $35.7 million – an increase of nearly $6 million (27%) over fiscal the fiscal 2003 allowance. Approximately $9.8 million (27.5%) of this allowance is provided through federal funds that are allocated to Maryland and pass through the TTF.

- **System Access Plan (SAP):** SAP, which was approved by WMATA in fiscal 2003, is intended to provide the additional infrastructure necessary to accommodate an overall 10-year growth of 42% in ridership over the 2002 base year, which will allow the system to serve an estimated 1.6 million daily riders by fiscal 2013. This program calls for the purchase of 122 rail cars and additional buses as needed. The fiscal 2004 allowance for SAP is $12.8 million – a decrease of $1.4 million (10%) below the fiscal 2003 working appropriation. The entire fiscal 2004 allowance for SAP is provided by special funds and supports the purchase of 50 new rail cars; an additional $1 million in federal funds is received directly by WMATA.

In addition to these two programs, WMATA maintains a System Expansion Plan (SEP), which is a series of proposed system expansion projects that would add 100 miles of fixed guideway service to the current system. This plan includes such projects as the Purple Line from Bethesda to New Carrollton, the expansion of Metro to Washington Dulles International airport (in Virginia), and the addition of new in-fill stations in the District of Columbia. These projects are being developed on an individual basis.

Construction is continuing on the extension of Metro's Blue Line from Addison Road to Largo Town Center. In fiscal 2004, the State expects to spend approximately $28.2 million in special funds on this project. An additional $70 million in federal funds are to be provided in fiscal 2004; these funds are now provided directly to WMATA and do not pass through the TTF. The target revenue operation date for this extension remains December 2004.

Projects Removed

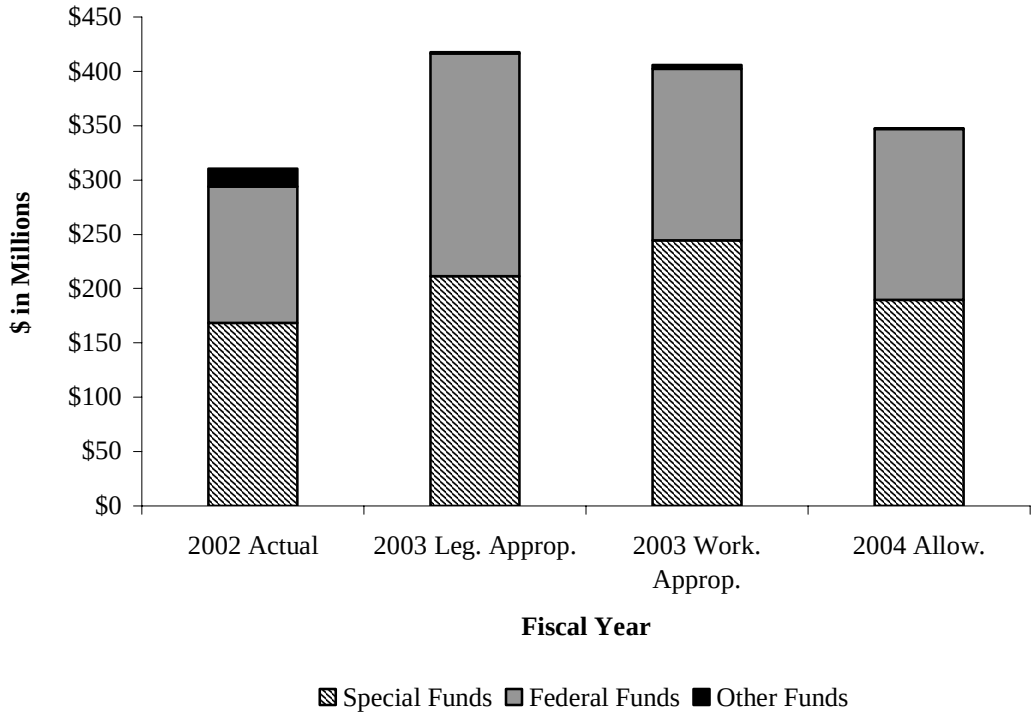
Due to the reduction in TTF, a total of $24.8 million was removed from the fiscal 2007 and 2008 IRP budgets for WMATA.

Fiscal 2003 and 2004 Cash Flow Analysis

As illustrated in **Exhibit 11**, the fiscal 2004 allowance is approximately $347.0 million, which is a decrease of $55.5 million (13.8%) below the fiscal 2003 working appropriation. Almost all of the decrease occurs in special funds, which are reduced by $54.7 million below the fiscal 2003 working allowance, resulting in a fiscal 2004 allowance of $189.5 million. Most of this decrease is due to a reduction in the special fund allowance for construction of the Addison Road Metrorail Extension. Approximately $100 million in special funds is projected to be spent on Addison Road in fiscal 2003; the special fund allowance for this project drops down to $28 million in fiscal 2004. The fiscal 2004 federal fund allowance is $157.5 million – a decrease of $900,000 (approximately one-half percent) below the fiscal 2003 working appropriation.

Exhibit 11

Cash Flow Changes
Fiscal 2002 through 2004



Source: Maryland Department of Transportation, 2003 *Consolidated Transportation Program*

There was a net decrease of $46.2 million in federal funds from the fiscal 2003 legislative appropriation to the fiscal 2003 working appropriation. The federal funds for the Addison Road extension that were originally included in the legislative appropriation were removed from the budgeted capital program when it was decided that these funds would flow directly to WMATA without passing through the TTF. This decrease was offset by an increase of nearly $22 million in federal funds for MTA capital projects, including an increase of more than $17 million for MTA's bus procurement project, and an increase of $8 million for the procurement of lift-equipped over-the-road coaches.

MTA Bus Purchases

- **MTA Bus Procurement:** The fiscal 2003 working appropriation for the MTA's bus purchase program has increased by more than $22 million due to a revised production schedule for the 100 buses currently on order.

- **Purchase of Lift-Equipped Over-the-Road Coaches:** The fiscal 2003 working appropriation for the procurement of over-the-road coaches used by private contractors to provide commuter bus service in the Baltimore and suburban Maryland regions increased by more than $9 million due to an increase in the total procurement from a planned 33 buses to a total of 50 buses.

- **Bus Procurement for the Neighborhood Shuttle Service:** The fiscal 2003 allowance for the procurement of neighborhood shuttle buses has been decreased by $850,000 as bus purchases planned for fiscal 2003 are being delayed due to constraints in the operating budget, which has been reduced by $11 million in the past two fiscal years.

- **Mobility Bus Procurement:** Funding for the purchase of Mobility buses has been removed from fiscal 2004. MTA had originally planned to purchase 6 buses in fiscal 2003 and 5 buses in fiscal 2004; however, MTA will now purchase all 11 buses in fiscal 2003.

MARC Station Developments and Renovations

- **Hyattsville MARC Station:** Construction of the new Hyattsville MARC station has been delayed from fiscal 2003 to 2005 due to CSX's continuing concerns about the impact of the construction of a station in Hyattsville on freight train movements in this heavily congested area. No money is budgeted in fiscal 2004 for this project.

Additional Project Changes

- **Corridor Cities Transitway:** The Corridor Cities Transitway is a proposed bus or light rail system intended to link Rockville and Clarksburg along the I-270 corridor. The total cost of developing the Final Environmental Impact Statement has increased by $2.3 million due to the need to complete design refinements required to select a locally preferred alignment alternative.

- **Owings Mills Joint Development:** Construction of a 33-acre parking lot at the Owings Mills Metro station had been delayed from fiscal 2002 to 2003. A new development team has been engaged and negotiations regarding the master development scheme are now underway. The Master Ground Lease was approved by the Board of Public Works on October 2, 2002, and a total of $4.5 million has been budgeted in fiscal 2004 for construction, planning, and engineering.

- **Implementation of SmartCard System:** MTA, WMATA, and Virginia are implementing the SmartCard technology jointly to ensure compatibility of the farecard system among all Baltimore-area and Washington-area transit systems. The SmartCard system may be rolled-out on WMATA buses as early as the spring 2003, while Baltimore buses may be equipped with the technology by summer 2003. Currently, it is planned that the cards will not be introduced on the Baltimore Metro and Light Rail systems until 2004. The total projected cost of implementing SmartCard technology has increased from $72.4 to $83.5 million due to the addition of a call center which will answer customer queries about the SmartCard and a regional clearinghouse which will handle customer accounts and distribute fare revenues to the participating transit agencies.

Issues

1. MTA Proposes Fare Increase and Service Reductions; Full Implementation of Transit Initiative Has Been Halted

MTA has proposed a fare increase to take effect July 1, 2003. As of February 5, 2003, the full details of the fare increase were still being developed; however, the increase is likely to include a $0.15 (11%) increase in the base fare for Baltimore area services (which would raise the base fare from $1.35 to $1.50) including bus, Metro, and Light Rail services. MARC, commuter bus, and paratransit fares are expected to increase by a higher amount, though the exact amount of the increase has not been finalized. Period passes (including daily, weekly, and monthly passes) would be increased in proportion to increases in base fare rates. MTA intends to hold approximately 13 public hearings (at least one in each county served by the MTA) in May to give the public a chance to comment on the proposed fare increases.

The fare increases are expected to generate an additional $5.1 million in revenue from the Baltimore area services (Metro, Light Rail, and Bus Service), and an additional $3.2 million from statewide services including MARC and commuter buses. Based on an industry-wide elasticity standard that assumes every 10% increase in fare will result in a 3% loss in ridership, MTA calculates that it is likely to lose approximately 3.5 million riders out of the approximately 102 million annual riders on its services.

Service Reductions

Together with a fare increase, MTA is proposing a number of service deferrals, changes, and eliminations to enable it to meet the statutorily required farebox recovery rate of 40%. These service alterations are described below.

MARC Service Changes

MTA is proposing to eliminate the following two MARC commuter trains:

- Train 858 (58 riders per day) – this is the last Camden-line train leaving Union Station (7:55 pm); and
- Train 859 (23 riders per day) – this is the last train leaving Camden Station (6:30 pm).

Bus Service Changes

MTA is also proposing the following changes in its bus services:

- ***Service Elimination:*** Eliminate the 86 line – Towson to Social Security (10% farebox recovery); eliminate the "Beat the Beltway Blues" portion of the 921 commuter line – New Carrollton to Bethesda (9% farebox recovery); and eliminate the 210 commuter line – Kent Island/Annapolis (8%

farebox recovery).

- ***Service Changes:*** The 310 commuter line (Columbia to Baltimore) will no longer provide service within the Columbia community – the line will run only from the park and ride lots; and service on the 15 line (Downtown Baltimore to Overlea via Belair Road) has been streamlined through scheduling changes that eliminated two unnecessary trips. These changes should be transparent to passengers.

- ***Service Deferrals:*** The South Baltimore shuttle was scheduled to begin in January 2003 as part of the Transit Initiative; initiation of this service is to be deferred until at least fiscal 2005.

Without the proposed fare increase, the farebox recovery rate for fiscal 2004 would be approximately 37.5% for the Baltimore area services; even with the fare increase and with a combined reduction of $3.7 million in the allowances for bus and rail operations, the farebox recovery rate is projected to be just barely above the statutorily required 40% rate at 40.4% – and is projected to again fall below the 40% rate to 39.3% in fiscal 2005. Further, even with the proposed service reductions and alterations described above, the MTA will still be operating 12 Baltimore-area buses with farebox recovery rates below 20% (21.8% of the MTA's 55 total bus routes), including 7 routes with farebox recovery rates below 15% (12.7% of the MTA's total bus routes). MTA will also be operating 3 commuter bus routes with farebox recovery rates below 20%, including one with a farebox recovery rate below 15%.

The Department of Legislative Services (DLS) is concerned that MTA services are over-extended in an effort to provide coverage beyond what is economically viable. DLS recommends that the MTA brief the committees on steps that can be taken to reduce the overall operating costs of the Baltimore area services, including the consolidation of routes and reduction of services.

DLS also recommends that the committees add budget language requiring the elimination of MTA bus routes with farebox recovery rates below 15%.

Chapter 568, Acts of 2001 (known as the "Transit Initiative") covers the period of fiscal 2002 to fiscal 2007. MTA's MFR measures currently include the goal of doubling transit ridership over the next twenty years. To that end, several provisions of the Transit Initiative have been implemented during the previous fiscal year, including the introduction of free transit to State employees, the introduction of Sunday Metro service, and the implementation of several local shuttle bus services such as the Mondawmin shuttle. However, the implementation of additional components of the Transit Initiative – including the expressed intention of the Maryland General Assembly that fares should not be increased until at least 2006 – appears to have been abandoned with the current policy directions taken by MTA, including its decisions to raise fares in fiscal 2004 (which is expected to result in a decrease in annual ridership), eliminate some under-performing routes, and delay implementation of other planned shuttle services.

DLS recommends that MTA brief the committees on the current status of the Transit Initiative. DLS also recommends that MTA's performance measures be amended to reflect changed goals for ridership levels among all MTA modes as current goals appear to be unrealistic.

DLS also recommends that the committees adopt budget bill language eliminating the provision of free transit on MTA services for State employees.

2. WMATA Proposes Fare Increase but May Still Require Additional Operating Subsidies from Maryland

WMATA is expecting to recover approximately $24 million of its budget shortfall through a fare increase. As of February 3, 2003, WMATA's Board of Directors have proposed the following fare changes:

- increase the base Metrorail peak fare by $.30 (from $1.10 to $1.40);
- increase the maximum peak Metrorail by as much as $.60;
- increase the off-peak Metrorail fare by as much as $.30;
- increase the Metrobus fare by as much as $.20 (from $1.10 to $1.30);
- increase the daily parking rate of $2.25 by an increase ranging from $.25 to $1;
- increase the monthly reserved parking rate of $45 by an amount ranging from $5 to $20; and
- modify the MetroAccess fare from double the base fare (resulting in a MetroAccess fare of $2.20) to double the nearest fixed route (bus or rail) service which would result in fares ranging from $2.20 to $7.00 depending on the route and time traveled.

WMATA has scheduled nine public hearings between February 24, 2003, and March 13, 2003, to provide the public in all WMATA jurisdictions an opportunity to comment on these proposed fare increases. Any fare changes approved by the WMATA Board of Directors would take effect on July 1, 2003.

In the event that fare changes are not approved – or that fare changes are adopted that would not result in recovery of the entire $24 million budget shortfall – this budget shortfall will have to be met by increased subsidies from the jurisdictions that participate in WMATA. Maryland's share of the $24 million shortfall would be approximately $8.5 million.

Additional Operating Subsidies May Be Required

The administration's fiscal 2004 allowance is based on early drafts of the WMATA budget. As of February 12, 2003, the proposed fiscal 2004 WMATA budget that is currently being considered by WMATA's Board of Directors may require an additional $6.6 million subsidy from the State above the $142,915,000 included in the allowance. This additional subsidy would be required even if a fare increase is approved. The $6.6 million figure, which is comprised of an additional $3.6 million in paratransit costs and a total increase of $3 million in subsidies for Metrorail and Metrobus based on increases in the Maryland census figures and in Maryland ridership, would raise the total subsidy provided by the State by

$20 million. The total amount of any additional subsidy owed by the State will not be known until the WMATA Board approves the WMATA fiscal 2004 budget, which is expected to be done early in June 2003.

DLS recommends that MDOT brief the committees on options for reducing subsidy shortfalls in the event that a fare increase is not approved and/or that the increased budget is approved by WMATA's Board.

3. Safety Issues Continue to Plague the MTA

Several years ago, the MTA began a new effort to focus on safety after a study that compared safety procedures at the MTA to other transit properties found that the MTA was lacking in safety procedures, written standards, and sufficient staffing in safety-related positions.

As of February 1, 2003, a total of 5 safety management positions at the MTA were vacant, including:

- Director of Safety and Risk Management (actively recruiting);
- Chief Safety Officer (new fiscal 2003 position, actively recruiting);
- System Safety Officer (new fiscal 2003 position, actively recruiting);
- Document Control Officer (new fiscal 2003 position, actively recruiting); and
- Metro Safety Officer (actively recruiting).

In addition to these safety management positions, several other high-level positions with important safety-related functions are vacant or are occupied by incumbents who are on long-term leave, including the Director of Operations (on leave) and the Acting Manager of Bus Operations (on leave). MTA had been granted an exemption from the hiring freeze to fill the Manager of Bus Operations position with a new permanent Manager; however, the exemption was rescinded following a change in DBM's policy. A new Deputy Administrator for Transit Operations was hired in January 2003, and a new Manager of Contract Administration was hired in December 2002.

Two recent safety incidents have highlighted ongoing shortcomings in safety procedures at the MTA. These incidents are described below.

MTA Bus Wheel Failures

In May 2002, the Secretary's Office (TSO) of the Maryland Department of Transportation assembled a Team of senior staff members from MDOT and the Washington Metropolitan Area Transit Authority to

investigate the 30 instances of wheel failures[1] that occurred on buses operated by MTA between August 2001 and the end of May 2002. This team produced a comprehensive report that examined (1) the technical causes of the wheel failures; (2) MTA's compliance with operational regulations established by federal authorities and industry standards established by trade groups; and (3) the characteristics of MTA's organizational response to the bus wheel incidents. Presented below is a brief overview of the team's findings and recommendations in each of these three areas.

Technical Causes of Wheel Failures

There is little disagreement among investigators that the immediate cause of the wheel failures was the failure of the studs on which the wheels were mounted. It is likely that multiple factors contributed to the stud failures. The MDOT team supports the view that the stud failures were due to loss of clamping force in the wheel assembly, which may in turn have been caused due to the failure of pieces of the wheel assembly and/or errors in assembling these pieces (e.g., nuts were clamped too tightly and/or studs were not seated properly in wheel assemblies). The following factors may also have contributed to the wheel failures:

- continued use of wheel separators may have contributed to the loss of clamping force, may have produced improper torque in the final assembly, and/or may have led to improper seating of the hub, drum, and/or wheel (continued use of wheel separators even after the MTA's conversion in the mid-1990s to an all aluminum wheel fleet made them unnecessary exemplifies how the MTA's lack of up-to-date repair procedures and guidelines may also have contributed to the wheel failures);

- lack of a stud replacement schedule and lack of a system for tracking the length of use of each stud may have led to the use of studs that were weakened or damaged;

- use of multiple types of wheel assembly parts (four types of hubs, two types of wheels, two types of brake drums, and four types of studs) may have led to the use of wheel assemblies whose components were not fully compatible with each other; and

- inadequate care taken in assembly of the wheels and inadequate training of MTA mechanics on the proper procedures for maintaining wheel assemblies may have exacerbated problems with assembly parts.

The team concludes that the specific degree to which each factor contributed to each incident will never be known with certainty because only a limited amount of information was collected from each incident.

[1] For the purposes of its report, the MDOT Team defined "wheel failure" to include instances in which a wheel actually came off a bus as well as instances of broken studs or loose nuts that could have caused a wheel to come off a bus.

Corrective Action Program (CAP)

To solve the wheel failure problem, a CAP was initiated on May 9, 2002. The CAP called for the following:

- replacement of all rear wheel studs and proper torquing of all lug nuts;
- elimination of use of wheel separators;
- use of only one type of wheel assembly in the entire fleet;
- provision of detailed guidance and training to mechanics and supervisors involved in rear wheel operations; and
- examination of products received for use in the CAP to ensure that they met quality standards.

Early in its investigation, the MDOT team found that documentation of the use of proper procedures has been lacking throughout this campaign. Further, the team feels that there is insufficient assurance that buses that were retrofitted in the early stages of the CAP have been properly retrofitted (one bus that was retrofitted in May lost wheels in June and was found to still have a wheel separator).

MTA's Compliance with Operational Standards Established by Federal Authorities and Industry Trade Groups

The MDOT team reviewed the Federal Transit Administration (FTA) and the American Public Transportation Association (APTA) regulations and industry best practices regarding bus fleet operations and maintenance. The MDOT team then assessed MTA's System Safety Program Plan (SSPP) to measure its compliance with these regulations and best practices. In general, MTA's operating procedures and SSPP were found to be in compliance with current regulations and industry standards. However, notable areas for improvement were identified as detailed below.

- The team concurs with the findings of an APTA audit (conducted in April 2002) and recommends that MTA (1) implement an internal audit program to monitor compliance with its SSPP; and (2) develop a hazard analysis program.
- APTA recommends that each transit operation maintain a configuration management system that ensures that the configuration of all system property, equipment, system design elements, etc. is documented so that (1) changes can be recorded and addressed in training course, maintenance manuals, and operational procedures; and (2) specific mechanical problems can be thoroughly investigated and parts and processes involved in the failures can be documented. Such a system – which could have prevented the combined use of incompatible hubs, drums, wheels, and studs – is not in place in MTA. The team recommends that MTA develop a configuration management system.

- The team also recommends that MTA develop standard procedures for documenting safety critical system activities and that it adopt a computer-based reporting system capable of conducting failure trend analysis.

MTA's Organizational Response to the Bus Wheel Incidents

The MDOT team also investigated how MTA responded to the bus wheel incidents. Over the course of this investigation, the team developed a chronology of events and then analyzed MTA's standard operation and maintenance procedures. On the basis of these assessments, the team recommends that MTA:

- develop and implement a system for identifying safety trends;

- streamline its processes for identifying maintenance requirements and for sharing this information (currently, fuelers, starters, dispatchers, operators, and mechanics all play roles in identifying and reporting maintenance needs using a variety of forms that are not computerized);

- review and strengthen parts distribution and inventory control systems; and

- strengthen the organizational relationship between procurement offices in MTA.

The team also concluded that the MTA's response to the bus wheel incidents was slow, and that there "was a lack of communication and leadership in mobilizing to respond and a lack of teamwork in utilizing the full resources of the agency (including consultant and contractor assistance) in addressing what has proven to be a complex issue."

Metro Subway Train Hits Maintenance Vehicle

On January 26, 2003, Metro Subway Train #4 collided with a maintenance truck on a closed track. Eleven people sustained minor injuries in this incident, including two MTA employees, and the crash resulted in property damage valued at between $50,000 and $100,000.

Standard operating procedures specify that upon completion of maintenance work, the maintenance vehicle is to be given a signal by operators to proceed out of the maintenance area. Protective measures that prevent trains from entering a repair area are then to be removed; finally, power is to be restored to the third rail. In this case, the protective measures were removed at about the same time as power was restored to the third rail – and both steps were taken before the maintenance vehicle was given a signal to clear the area. As a result, Train #4 was able to proceed into the work zone while the maintenance vehicle was still there. Additional safety procedures require that the first train that enters a work zone must travel at a speed of 20 miles per hour or less while the operator checks the area to be sure that it is free of track obstructions. The MTA's investigation has revealed that Train #4 did not enter the area as an inspection train, and was traveling at more than 25 miles per hour when the crash occurred.

As a result of this incident, MTA is requiring that:

- train controllers receive formalized, refresher training to ensure that procedures are fully understood and consistently followed; and

- a re-certification program for control room personnel be developed and implemented.

Maintenance procedures will also be reviewed and re-written.

DLS believes that recent safety incidents in MTA bus and Metro subway services have identified an extensive need within MTA for the development and codification of new safety procedures and for the re-training of administration employees in safety procedures. DLS recommends that the committees direct MTA to report on the steps it is taking to assess, prioritize, and implement new comprehensive safety procedures and safety management systems to address systemic shortcomings in safety management.

Such a report should:

- **identify the steps that MTA is taking to fill the five safety management positions that are vacant in the Administration, including Director of Safety and Risk Management, Chief Safety Officer, System Safety Officer, Document Control Officer, and Metro Safety Officer, as well as the Manager of Bus Operations position and thus to ensure that MTA has an experienced team in place that can guide the development of a comprehensive safety improvement program and improve organizational responses to safety incidents;**

- **identify the steps MTA is taking to introduce systems and procedures recommended in the "Final Report on Wheel Failures on Buses Operated by the Maryland Transit Administration" (e.g., introducing configuration management systems and comprehensive mechanic training programs, adopting a computer-based safety incident analysis system, conducting audits to ensure compliance with the SSPP, and developing a hazard analysis program, etc.), including providing a timeline and action plan for implementing these systems; and**

- **identify the costs associated with implementing new systems and procedures.**

MTA should also brief the committees on the steps it is taking to ensure that proper procedures are used and documented throughout the implementation of the CAP to ensure that bus wheel retro-fittings are conducted properly. Finally, MTA should brief the committees on the anticipated increases in spending for spare bus parts necessary to ensure that all parts are compatible and are replaced regularly within the timeline recommended by manufacturers.

4. Parity Analysis

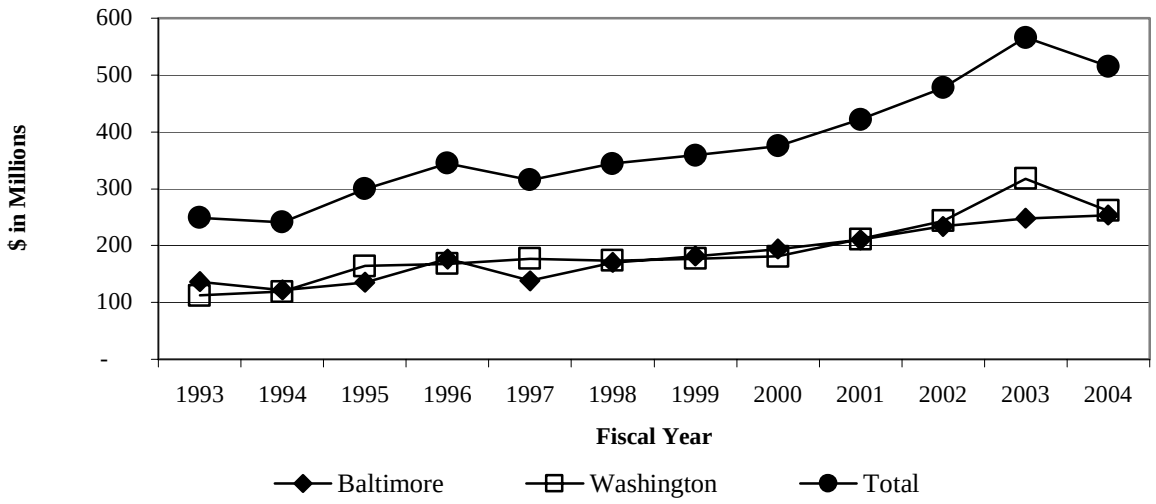
MTA was authorized in 1969 to operate mass transit in Baltimore, including the bus service acquired by the State with the purchase of the Baltimore Transit Company. Chapter 160, Acts of 1969 requires a

"parity benefit in the allocation of State funds" supporting transit facilities in the political subdivisions of the Washington Suburban Transit District and in Baltimore City.

Although the law requires a parity benefit, it does not define what constitutes a parity allocation, and it appears that many different and reasonable interpretations of financial parity are possible. In the past, parity has been defined as the relative special fund subsidy to transit in the Baltimore and Washington, DC regions. These subsidies have been computed as net operating and capital expenses not covered by operating revenues or federal funds. Also, since the analysis focuses on Baltimore and Washington, statewide services such as MARC and locally operated transit systems (other than Montgomery County and Prince George's County services) are excluded. **Exhibit 12** displays the difference in total funding (including capital and operating subsidies) in the two regions from fiscal 1993 through 2004.

Exhibit 12

Total Capital and Operating Subsidy in the Baltimore and Washington Regions
Fiscal 1993 through 2004



1. Statewide programs, including local grants and the MARC service, are not shown in this chart.
2. Costs are net of operating revenues and federal funds.
3. Baltimore services include bus, Metro, Light Rail, and paratransit.
4. Washington services include WMATA bus and metro operations in Maryland plus bus services operated by Montgomery County ("Ride-On") and Prince George's County ("the Bus").
5. The Maryland operating subsidy provided to the Washington region is limited to operating costs less:
    a. the greater of operating revenues or 50% of operating costs; and
    b. all federal operating assistance.

Source: Maryland Transit Administration

Total Subsidy

The total amount of special funds provided in fiscal 2004 to the Washington region is $261 million, while the total amount provided to the Baltimore region is $254 million. In fiscal 2000, the total subsidy provided to the Baltimore region exceeded the amount provided to the Washington region by $13 million. However, the total subsidy provided to the Baltimore region has shown an average annual increase of 6.97% from fiscal 2000 through fiscal 2004, while the subsidy provided to the Washington region has shown an average annual increase of 9.58% in that time period.

Capital Subsidy

During the five-year time period from fiscal 2000 to 2004, the capital subsidy provided by Maryland to the Washington region has shown an average annual increase of 18.58%, while the capital subsidy provided by the State to the Baltimore region has shown an average annual increase of 20.81%.

Operating Subsidy

However, during that same five-year period, the operating subsidy provided by Maryland to the Washington region has shown an average annual increase of 9.28%, while the operating subsidy provided to the Baltimore region has shown an average annual increase of only 1.32%. In fiscal 2004, the total amount of the operating subsidy provided by Maryland to the Washington region will exceed the subsidy provided to Baltimore region by $18 million.

Given the lack of clarity in the definition of parity benefit in the allocation of State funds, it is difficult to determine if parity has been achieved during the time period under analysis. Further, financial parity (defined as total amount of operating and capital subsidies provided to the two regions) is only one possible measure of parity benefit.

DLS recommends that MDOT brief the committees on why, under these financial measures of parity, there has been a significant difference in the rates of increase of the operating subsidies provided to the Baltimore and Washington regions.

5. Transit Projects Must Be Submitted for Authorization under the Reauthorization of Federal Transportation Spending

The current six-year federal authorization act for federal transportation spending (TEA-21), which is the source of federal funding for transit projects across the United States, will expire on September 30, 2003. TEA-21 authorized a total of $41.25 billion for transit programs, including just over $8 billion for transit "new starts." It is expected that a new TEA-21 will be introduced and potentially authorized before the current TEA-21 expires.

As of February 11, 2003, neither the Bush Administration nor members of Congress had introduced legislation for the new TEA-21. Nonetheless, the budget detail included with the Bush Administration's budget request for fiscal 2004 (which was introduced on February 3, 2003) offers some hints of provisions that may be discussed during the reauthorization process and potentially adopted into the new transportation spending authorization legislation. For example, the 2004 budget request included a 6% increase in highway spending for fiscal 2004; however, there was no requested increase for transit programs. The budget detail does suggest a $1.5 billion increase in money for transit "new starts" but indicates that the Administration will seek to lower the federal share for "new starts" from the current 80% to 50% (while keeping the federal share of highway new starts at 80%). Under the budget proposals, the "new starts" program would also expand project eligibility to include bus rapid transit systems as well as fixed guideway systems.

As with TEA-21, to receive funding under the new transportation authorization a "new start" project must be named in the authorizing legislation; the project must then receive an appropriation in an annual transportation appropriation bill during the multi-year period covered by the authorizing legislation. In addition to major highway projects such as the Inter County Connector, there are at present three major transit projects that might be submitted for authorization under the new authorization. These three transit projects are described below.

Purple Line

The "Inner" Purple Line is a proposed double-tracked, light rail line that would run between Bethesda and New Carrollton on a 14-mile alignment located inside the Capital Beltway (I-495 Loop). The Bethesda-Silver Spring portion of the alignment would run 3.3 miles within the Georgetown Branch right-of-way and 1.1 miles along the CSX Metropolitan Branch rail line. This portion of the alignment would run at-grade and would include a parallel hiker/biker trail; it could be operational by 2008. The Silver Spring-New Carrollton portion of the Purple Line, which would run in tunnels for much of its length, would connect the Metrorail Silver Spring station with the College Park/University of Maryland and New Carrollton stations. This portion of the line could be operational by 2012. The total estimated cost of the "Inner" Purple Line is $1.4 to $1.7 billion. The Montgomery County Council has voted 7 - 2 to support this alignment, and the Prince George's County Council has unanimously approved it.

A variety of other alignments for the Purple Line have been proposed.

- ***Alternative Purple Line:*** The "Alternative" Purple Line is a proposed alignment that would run along a suspended rail from Silver Spring to Cedar Lane and then run underground to the Medical Center Metrorail station. It is estimated that this alignment for the Bethesda-Silver Spring portion of the Purple Line might cost approximately $600 million – more than $200 million above the cost of the original alignment.

- ***Outer Purple Line:*** The "Outer" Purple Line is a proposed alignment that would run outside the Capital Beltway, connecting Grosvenor, Wheaton, White Oak, College Park, and New Carrollton through an underground heavy rail system. This alignment is estimated to cost approximately

$5 billion.

- ***Jones Bridge Alignment:*** As required by the 2002 *Joint Chairman's Report*, the MTA released a study of an alignment for the Purple Line that would run from Silver Spring to Bethesda in a cut-and-cover tunnel under the Jones Bridge Road to the Medical Center Metrorail station. The MTA estimated that construction of this alignment on the Bethesda-Silver Spring portion of the Purple Line would cost approximately $610 million – nearly $240 million more than construction of the light rail line along the Georgetown Branch right-of-way.

Baltimore Region Rail System Plan

Developed by the Baltimore Region Rail Advisory Committee, the Baltimore Region Rail System Plan outlines a pipeline of system expansion projects to be implemented over the next 40 years. If implemented as planned, these projects would create six rail service lines, 66 miles of new physical rail lines, and 68 new stations. Phase I of this plan includes the construction of a light rail "Red Line" between Social Security and Fells Point; construction of a light rail "Green Line" between Johns Hopkins Medical Campus and Morgan State University; and construction of a "Purple Line" between Madison Square and Martin State Airport.

Corridor Cities Transitway

The Corridor Cities Transitway is a proposed link between Clarksburg and Rockville. The Transitway is currently planned to begin at Shady Grove and connect to the King Farm neighborhood in Rockville and then proceed to Gaithersburg, where it will connect with MARC service. The Transitway will pass through Germantown Town Center and finally end in Clarksburg. The draft Environmental Impact Statement for this route was completed in summer 2002. The total estimated cost of the project is currently projected to be approximately $800 million, depending on what type of service (light rail or bus rapid transit) is chosen for the route.

DLS recommends that MDOT discuss with the committees which transit projects it intends to submit for authorization under the new federal transportation authorization. MDOT should also discuss the impact on transit new starts if the federal share is reduced to 50%.

6. Task Force Evaluating Development and Construction of a Prototype Magnetic Levitation System Reports Findings

Chapter 573, Acts of 2002 created a 27-member task force to evaluate the development and construction of a prototype Magnetic Levitation (Maglev) transportation system between Baltimore and Washington, DC. Given a scope of work that required the task force to examine and make recommendations about meeting the organizational, financial, and technical challenges associated with the construction of a Maglev system, the task force has made no recommendation for or against the continued implementation of the project. Instead, the task force has identified three general challenges that it believes require extensive continued study before the development of the Maglev system could proceed.

These challenges are described briefly below using information from the draft final report that was available as of February 12, 2003 (the final report is expected to be issued February 28, 2003).

- **Institutional Challenges:** There is currently no existing public or private institution that has all of the powers and expertise necessary to implement this project. Any entity that would be created to manage this project – whether private or public, multi-jurisdictional or single-jurisdictional – would need to be able to maximize the security of bondholders and would therefore need to be endowed with some type of authority (eminent domain or even quick-take) that would enable it to acquire real estate in an expedited manner to ensure that prolonged property-related lawsuits did not delay the sale of revenue bonds. Ratification of State and federal legislation would be necessary to establish the new entity. Federal legislation would also be required to ratify any interstate compact.

- **Procurement Challenges:** Two aspects of procurement are unique to the Maglev project. First, the Maglev technology proposed for use in this project is owned by a single corporate entity; therefore, a unique contracting vehicle would be required to manage the relationship with this sole-source technology provider and to achieve the federal intent of transferring the Maglev technology to the United States. Second, the task force notes that the "design-build-operate-maintain" procurement regime appears to offer the greatest opportunity for managing the extensive risks associated with this project; however, this procurement method engenders additional risks due to lack of competition and lack of experience in any firm in successfully developing a Maglev project in this country. In addition, this procurement vehicle may result in higher costs.

- **Financial Challenges:** The total cost of the Maglev project is estimated to be approximately $4.4 billion. The Maglev plan is viable only if the Baltimore-Washington project is chosen to receive the $950 million in federal funding for a prototype project authorized under the TEA-21 Act. However, this Act must be reauthorized by Congress next year, and the provisions of the Act that apply to Maglev may be re-drafted (or even excluded), and the funding provided could be equal to, less than, or more than the amount authorized under the current TEA-21. Even with the federal equity contribution, the project will still be required to raise approximately $2 billion through revenue bonds. The project will also require approximately $975 million in Transportation Infrastructure Finance and Innovation Act (TIFIA) financing, which is financing provided by the U.S. Department of Transportation at market rate. Finally, the project will require at least $500 million in financing from local jurisdictions to cover early project costs, including right-of-way acquisition. It is not clear what level of contribution the District of Columbia is prepared to make to support the Maglev project; if the District did not provide financing, Maryland would be required to provide the entire $500 million contribution. In order to adhere to the proposed construction schedule, this contribution would need to be authorized and appropriated no later than the 2004 legislative session for use in early 2005.

While the task force has made no formal recommendation about whether to proceed with the Maglev project, it has noted that this project would require the expenditure of "considerable public funds" for a project whose "benefits have not been quantified." Therefore, the task force has recommended that this project, which is competing with many other transit and highway projects for limited transportation funding, be subjected to a "rigorous economic benefit-cost analysis" to be conducted by a qualified economics firm with experience in such studies.

DLS recommends that the committees adopt the budget bill language prohibiting the

expenditure of funds for a Maglev system.

Operating Budget Recommended Actions

		Amount Reduction	
1.	Reduce funding for office assistance in Rail Operations to fiscal 2002 actual expenditures plus a 10% increase.	$ 25,361	SF
2.	Delete funding for replacement of two automobiles in Bus Operations. One of the vehicles to be replaced is a 1997 model Dodge Caravan that will exceed the required replacement mileage (100,000 miles) by only 2,547 miles by the end of fiscal 2004. The other vehicle to be replaced is a 1997 model GMC truck that will exceed the replacement mileage requirement by only 2,520 miles. Replacement of these vehicles should be deferred for one year.	18,209	SF
3.	Delete funding for replacement of two trucks in Rail Operations. The fiscal 2004 allowance includes funding for the replacement of 21 trucks in Rail Operations. One of the trucks to be replaced is a 2001 model Ford Econoline truck that will exceed the replacement mileage requirement (100,000 miles) by only 5,137 miles in fiscal 2004. Another of the trucks to be replaced is a 1997 model Ford Expedition that will exceed the replacement mileage requirement by only 5,152 miles. Replacement of these trucks should be deferred by one year.	13,995	SF
4.	Delete funding for replacement of one truck in Transit Administration. The vehicle to be replaced is a 1997 model truck that will exceed the replacement mileage requirement (100,000 miles) by only 3,092 miles by the end of fiscal 2004. This purchase should, therefore, be deferred for one year.	12,233	SF

5. Add the following language:

Provided that the Maryland Transit Administration (MTA) shall provide a report to the budget committees by October 15, 2003, which (1) identifies the steps that MTA is taking to fill the high-level security management and security-related positions that are currently vacant in the Administration, including Director of Safety and Risk Management, Chief Safety Officer, System Safety Officer, Document Control Officer, Metro Safety Officer, and Manager of Bus Operations and thus to ensure that MTA has an experienced team in place that can guide the development and implementation of a comprehensive safety improvement program; (2) identifies the steps MTA is taking to introduce systems and procedures recommended in the "Final Report on Wheel Failures on Buses Operated by the Maryland Transit Administration" (e.g., introducing configuration management systems and comprehensive mechanic training programs, adopting a computer-based safety incident analysis system, conducting regular audits to ensure compliance with the provisions of the System Safety Program Plan, and developing a hazard analysis program etc.); and (3) identifies the costs associated with implementing these new systems and procedures. The budget committees shall have 45 days to review and comment on the report from the date of its receipt.

Explanation: The General Assembly believes that recent safety incidents in MTA bus and metro services have identified an extensive need within the MTA for the development and codification of new safety procedures and for the re-training of administration employees in safety procedures. The General Assembly, therefore, directs the MTA to report on the steps it is taking to assess, prioritize, and implement new comprehensive safety procedures and safety management systems to address systemic shortcomings in safety management.

Information Request	**Author**	**Due Date**
Report on steps MTA is taking to prioritize and introduce comprehensive safety systems and procedures	MTA	October 15, 2003

6. Add the following language:

Provided that by October 1, 2003, the Maryland Transit Administration (MTA) shall eliminate bus routes with annual farebox recovery rates below 15%. The MTA shall submit a report to the budget committees by August 15, 2003, which lists the routes to be abolished and the farebox recovery rates of those routes. The budget committees shall have 45 days to review and comment on the report from the date of its receipt.

Explanation: Even with service reductions already proposed by the MTA as of February 22, 2003, the MTA will still be operating 7 Baltimore-area bus routes with farebox recovery rates below 15% (12.7% of the MTA's total number of bus routes). This language requires the elimination of those under-performing routes; the language also requires the MTA to submit a report on the routes to be abolished.

Information Request	**Author**	**Due Date**
Report on Baltimore-area bus routes to be eliminated by the MTA	MTA	August 15, 2003

7. Add the following language:

Provided that as of July 1, 2003, free transportation on MTA buses, express buses, Light Rail, Metro subway, and commuter buses shall no longer be provided to State employees.

Explanation: This language eliminates the transit benefit that provided free transportation on MTA services to State employees (excluding employees of the judiciary, legislature, or higher education institutions). State agencies had covered the cost of these services in fiscal 2002 by transferring funds from their budgets to the Transportation Trust Fund (TTF) based on a sliding 3-tier scale of costs pro-rated according to where an employee works. The fiscal 2003 cost containment action reflects the reversion of appropriations to support free transit ridership for State employees, contingent upon enactment of a provision in the Budget Reconciliation and Financing Act of 2003. Despite the elimination of the reimbursement, State employees are still receiving free transportation, requiring the TTF to cover the $2.6 million annual cost of the transportation services provided to State employees. This language will eliminate the provision of free transit to State employees and require employees to pay their own transportation costs.

Total Special Fund Reductions **$ 69,798**

Capital Budget Recommended Actions

		Amount Reduction	
1.	Delete funds for the Maglev System Study. In addition to the $950 million authorized under the TEA-21 Act, the Maglev project would require $2 billion in revenue bonds, $975 million in Transportation Infrastructure Finance and Innovation Act financing from the U.S. Department of Transportation, and possibly as much as $500 million from the State (which would need to be authorized and appropriated no later than the 2004 legislative session). The Task Force Evaluating Development and Construction of a Prototype Magnetic Levitation System has recommended in its draft final report that the Maglev project would require the expenditure of "considerable public funds" for a project whose "benefits have not been quantified". Given the current financial position of the State and the unproven benefits of the project, study of the Maglev project should not be continued at this time.	$ 1,017,000 $ 2,137,000	SF FF

2. Add the following language:

Provided that no funds may be expended for the purpose of studying, developing, or constructing a Maglev system.

Explanation: The General Assembly does not believe that construction of a Maglev system between Baltimore and Washington is feasible at this time. This language prohibits the Maryland Department of Transportation from spending any funds to support continued study of the Maglev system.

3. Add the following language:

Provided that the Maryland Department of Transportation (MDOT) shall identify on each Project Information Form included in the *Consolidated Transportation Program* (CTP) the exact amount of funds to be provided by each source, including identifying special funds, federal funds that pass through the Transportation Trust Fund (TTF), and federal funds provided to the project's implementing agency (e.g., the Washington Metropolitan Area Transit Authority) that do not pass through the TTF.

Explanation: This language will require MDOT to specify clearly for each project included in the CTP the amount of money provided by each funding source. Currently, the CTP project sheets show the combined amount of federal funds that pass through the TTF and federal funds that do not pass through the TTF.

Total Reductions	**$ 3,154,000**
Total Special Fund Reductions	**$ 1,017,000**
Total Federal Fund Reductions	**$ 2,137,000**

Updates

1. Annual Performance Audit for Montgomery and Prince George's County Transit Systems

Chapter 211, Acts of 2000 reduced the farebox recovery requirement from 50% to 40% for the Baltimore bus, Light Rail, and Metro systems and required MTA (1) to conduct an independent management audit of the operational costs and revenues of transit services every four years, and (2) to provide annual reports on performance indicators that track service efficiency in the Montgomery County "Ride-On" Bus service, and the Prince George's County "the Bus" service. Specific information on ridership for the "Ride-On" Bus Service and the Prince George's County "the Bus" service are presented below, followed by a comparison of each service to "peer" services (chosen on the basis of mix of services, size of property, and fleet size).

Annual Ridership
"Ride-On" Bus Service and "the Bus" Service
Fiscal 2000 through 2004
(In Thousands)

Service	FY 00 Actual	FY 01 Actual	FY 02 Actual	FY 03 Estimated	FY 04 Estimated
Montgomery County – "Ride-On" Bus Service	20,568	21,100	22,934	23,500	23,740
Prince George's County – "the Bus" Service	1,281	1,550	1,995	2,100	2,300

Comparison of Montgomery County's "Ride-On" Bus Service to Similar Transit Systems Nationwide
Fiscal 2001

	Operating Expenses per Vehicle Mile	Operating Expenses per Passenger Trip	Passenger Trips per Vehicle Mile
Montgomery County "Ride-On" Bus	$5.61	$2.43	2.3
Fort Worth, Texas	$5.52	$3.86	1.4
Suburban Chicago, Illinois	$5.00	$2.96	1.7
Suburban Detroit, Michigan	$5.70	$5.71	1.0
Long Island, New York	$8.02	$2.60	3.1
Fort Lauderdale, Florida	$4.87	$1.96	2.4

These statistics indicate that when compared to its peers, the Montgomery County "Ride-On" Bus service ranks third in cost efficiency and second in cost effectiveness. In fiscal 2003, MTA is projected to provide an operating grant to the "Ride-On" Bus service of approximately $22.2 million (a total of 45% of the service's operating assistance).

Comparison of Prince George's County's "the Bus" Service to Similar Transit Systems Nationwide
Fiscal 2001

	Operating Expenses per Vehicle Mile	Operating Expenses per Passenger Trip	Passenger Trips per Vehicle Mile
Prince George's County "the Bus"	$3.56	$2.85	1.3
Fairfax County, Virginia	$3.79	$1.93	2.0
Champaign-Urbana, Illinois	$5.02	$1.25	4.0
San Diego, California	$4.33	$3.26	1.3
Contra Cost, California	$5.37	$4.27	1.3
Cobb County, Georgia	$3.57	$2.54	1.4

These statistics indicate that when compared to its peers, the Prince George's County "the Bus" service ranks fifth in cost efficiency and fourth in cost effectiveness. The service is one of three in its peer groups carrying only 1.3 passengers per vehicle mile – the lowest level in the group. In fiscal 2003, the MTA is projected to provide an operating grant to "the Bus" of $7 million (approximately 85% of the service's operating assistance).

2. Status of the Paratransit System

Mobility Paratransit Needs Assessment and Action Plan

As requested by the 2002 *Joint Chairmen's Report*, MTA submitted a report assessing how well MTA's Mobility paratransit services are meeting users' needs. The report draws on the findings of an independent evaluation of Mobility conducted in the summer of 2002 by Planners Collaborative, Inc., on behalf of the Federal Transit Administration (FTA); the final report was released in early 2003.

FTA conducts regular assessments of transit systems that receive FTA grant funding to ensure that the systems meet Americans with Disabilities Act (ADA) regulations requiring that paratransit systems operate without "capacity constraints," which are defined as any restriction that limits service to an eligible individual (e.g., waiting lists for services, limits on number of trips provided to an eligible individual, substantial numbers of significantly late trips, substantial numbers of trip denials or missed trips, or substantial numbers of trips that are excessively long etc.). Summaries of the assessment's findings and of MTA's responses to these findings are presented below.

ADA Eligibility Determinations: MTA's process for determining user eligibility were found to be in compliance with ADA regulations; applicants who were denied eligibility appeared to have been appropriately denied eligibility. However, some applicants appear to have been denied eligibility because they live outside the paratransit service area even though individuals may be eligible for trips taken *within* the service area. The report also found that while some applicants may have been misinformed about their rights to appeal eligibility decisions, appeals were generally addressed effectively at the earlier steps of the appeal process.

> ***MTA Response:*** MTA will reword portions of its materials to ensure that clear, accurate information is provided to customers on eligibility, rights to appeal, and other issues. MTA also assures that it does not use location of residence to determine eligibility for paratransit services. The Administration has reviewed all applications and found that none were rejected on the basis of location of residence. MTA has clarified its eligibility appeals procedures to the FTA to show that it is in compliance with current guidelines.

Telephone Access: Due to the increase in the number of call takers in May 2002, telephone performance appears to have improved significantly by the time the on-site assessment was conducted. Phone hold times on the trip request line were seen to be almost always under one to two minutes (previously, hold times of 10 to 20 minutes were common during peak calling times).

> ***MTA Response:*** MTA is adjusting its dispatch office staff shifts to ensure better coverage during periods when hold times were somewhat long.

Service Performance: Based on a sample of trips, the assessment found that 76% of pick-ups on both MTA-operated and contractor-operated services were on-time, and approximately 88% of all trips were completed in less than 60 minutes. At the time of the assessment, MTA did not appear to have clear or consistent procedures for defining and categorizing missed trips. The assessment found that 25% to 30% of trips recorded as customer "no shows" were actually driver "no shows." MTA reports indicate that customer "no shows" is 9% of scheduled trips; however, most paratransit services report no-show rates of 3% to 5%. MTA's rate may be impacted by lack of adequate efforts to verify that the customer is a "no show" while the driver is at the pick-up location. Further, MTA appears to have no procedure for notifying customers when a vehicle arrives early.

> ***MTA Response:*** MTA is working with its contractor to define missed trips and ensure proper data collection and reporting. These changes will enable MTA to better monitor on-time performance and to accurately account for all trips.

Trip Requests: MTA does not appear to (1) deny any trip requests, (2) schedule trips more than one hour from the customer's requested pick-up time, or (3) limit requests based on trip purpose. As a result MTA appears to meet the ADA regulations for these items. The assessment noted some types of call taker

errors were prevalent, e.g., call takers did not always record complete address and telephone information

for customers, and call takers did not always confirm trip information with customers or remind them of the 30-minute on-time window.

MTA Response: MTA has implemented the improvements suggested by the assessment, including training call takers to remind all customers of the on-time pick-up window.

Scheduling: The report noted that a number of scheduling procedures appear to contribute to the incidence of missed and late trips. Many scheduling difficulties arise due to differences in scheduling procedures between the MTA and MTA's contractor. Thus, the assessment notes that MTA's contractor reschedules its assigned trips (after they have already been scheduled by the MTA) so it can mix Mobility passengers with those from its other contracts; this practice can result in delays and impede the preparation of coordinated schedules. In addition, the contractor uses scheduling parameters that are different from those used by the MTA and may result in tighter schedules. Finally, the assessment found that the MTA's schedules do not seem to review vehicle schedules for quality issues, and there is little opportunity for dispatchers and drivers to review and adjust schedules for illogical trip sequencing or overloaded runs.

MTA Response: MTA prepared and released in December 2002 a new request for proposal for paratransit services contractors. This contract will require that contractor(s) provide dedicated services to MTA (rather than transport MTA paratransit riders with patrons from other services) and will provide penalties and incentives related to on-time performance. It is anticipated that MTA will contract with more than one single provider for paratransit services through this contract. In addition, MTA is scheduling more group trips and scheduling in real time. MTA also assures that ongoing practices allow drivers to check their schedules prior to pull-out to ensure that they are reasonable.

Service Provision: MTA's contractor leaves several trips unassigned each weekday so that these can be added to scheduled runs to fill-in for late cancellations. This practice makes it difficult to ensure that such unassigned trips are performed on time. The contractor's dispatchers also wait too long to find reasonable options to serve trips that will likely be late. Further, there are not enough scheduled 'floater' vehicles to provide flexible capacity to meet daily needs.

MTA Response: The contractor is implementing a dispatching procedure whereby all unscheduled trips must be assigned before the start of the 30-minute on-time window. In addition, the contractor has set a goal of reducing unscheduled trips from the current level of approximately 9% to 11% to a goal of 5% to 7% by June 2003. MTA is also working with the contractor to increase its dedicated taxi standby fleet from 10 to 20 vehicles to increase capacity during peak times. MTA is also exploring procedures to improve communication with customers in an effort to reduce "no shows," and drivers have also been instructed to notify dispatch before marking a customer as a "no show."

Resources: The assessment found that the number of vehicles and drivers appears to be adequate to address current scheduled runs; however, to serve all requested trips and reduce late trips, it appears that additional runs are needed. The turnover rate among call takers is high. Further, the contractor's dispatch office staffing appears inadequate to proactively monitor and adjust runs during the service day.

MTA Response: As of September 24, 2002, a four-member "extra driver board" (i.e., standby drivers) was fully staffed. Further, four additional vehicles have been added by the contractor since the on-site assessment to increase capacity. However, MTA faces contractual and budget constraints that impact its ability to increase the number of vehicles and drivers in service.

Implementation of SmartCard Technology in the Paratransit System

The use of SmartCard technology in the paratransit system constitutes a demonstration project that is intended to troubleshoot the use of the new technology while enabling the paratransit system to collect data that can be used to address recurrent problems in service delivery. As requested by the 2002 *Joint Chairmen's Report*, MTA submitted a report on the use of SmartCard technology in the paratransit system during the period of February to August 2002 (a report on the first entire year of service is to be submitted on May 1, 2003).

Mobile Data Computers have been installed in 25 MTA vehicles and in 105 vehicles operated by Yellow Van Services, Inc., MTA's current paratransit contractor. A total of 1,319 cards were issued during the reporting period (cards will continue to be issued to patrons as they are newly certified for paratransit eligibility or as they renew certification every five years).

Appendix 1

Current and Prior Year Operating Budgets

Current and Prior Year Operating Budgets
MDOT – Transit Overview
($ in Thousands)

	General Fund	Special Fund	Federal Fund	Reimb. Fund	Total
Fiscal 2002					
Legislative Appropriation	$0	$469,639	$13,910	$0	$483,549
Deficiency Appropriation	0	-1,140	0	0	1,140
Budget Amendments	0	-$5,789	$17,053	0	$11,264
Reversions and Cancellations	0	-$5,682	-$849	0	-$6,531
Actual Expenditures	**$0**	**$459,308**	**$30,114**	**$0**	**$489,422**
Fiscal 2003					
Legislative Appropriation	$0	$467,168	$45,027	$0	$512,195
Budget Amendments	0	16,841	2,550	0	$19,390
Working Appropriation	**$0**	**$484,009**	**$47,577**	**$0**	**$531,586**

Note: Numbers may not sum to total due to rounding.

Fiscal 2002

Major Changes in Prior Year Appropriations

The fiscal 2002 appropriation for MTA experienced a net increase of $5.9 million (approximately 1%).

The special fund appropriation decreased by a net total of approximately $10.3 million (2%). The special fund appropriation was increased by a deficiency appropriation of $1.1 million that provided funding for security activities after the September 11, 2001, terrorist attacks. In addition to a net total of $5.8 million withdrawn through budget amendments, $4.8 million was withdrawn as part of cost containment measures. Of this figure, nearly $2.9 million was withdrawn from allocations for Transit Administration, Bus Operations, Rail Operations, and Statewide Programs Operations. These withdrawals had the following effects on MTA programs:

- computer software and hardware projects were delayed ($496,000);
- deployment of the Montgomery County Community College shuttle was delayed from January 2002 until September 2002 ($450,000);
- the deployment of additional commuter buses was delayed ($338,000);
- equipment, supplies and materials purchases, and vehicle replacements were delayed or deferred ($521,000);
- noncapital asset related travel, training, advertising, and marketing were delayed or cancelled ($351,000); and
- implementation of safety audits and the composition of Safety "Standard Operating Procedures" were delayed ($115,000).

The remaining $1.895 million in cost containment was withdrawn from the WMATA operating budget; this withdrawal had no effect and was made because the final budget approved by the WMATA board required less money from Maryland than had been appropriated by the Legislature.

Approximately $890,000 in special funds were cancelled and returned to the TTF from MTA's budget. A total of $760,500 was cancelled from operating grants given to the Montgomery County bus system and the Prince George's County paratransit service because actual operating costs were less than expected. The remaining $130,000 in cancelled funds represent savings accumulated throughout the year from the delay or deferral of nonessential expenditures.

The special fund appropriation was increased by $10.0 million allocated to support the Transit Initiative and to meet increased expenses for union health benefits and salaries. A total of $275,000 was also appropriated to fund the reconstruction of rail roadbeds and the inspection of railcars following the CSX tunnel fire.

The legislative federal fund appropriation of approximately $14 million increased by 123% due to the appropriation of approximately $17.1 million in Federal Transit Capital and Operating Assistance Formula Grants to fund bus and rail maintenance operations. This increase in the federal fund appropriation was offset by a decrease of $16 million from the special fund appropriation for bus maintenance.

Fiscal 2003

The MTA's fiscal 2003 working appropriation shows increases of $19.4 million over the legislative appropriation through budget amendments. A total of $2,846 was provided through a budget amendment to cover police overtime charges associated with the provision of 24-hour security at each of the MTA's operating divisions ($1.517 million) and increased insurance premiums for railcars, bus equipment, and buildings following the September 11 attacks.

MTA's fiscal 2003 working appropriation includes an additional amendment adding $14.75 million to the legislative appropriation and removing transferring $750,000 from the WMATA legislative appropriation to MTA's budget to pay operating costs associated with a commuter bus route. These amendments have not yet been approved by the committees or signed by the Governor.

Object/Fund Difference Report
MDOT - Transit Overview

Object/Fund	FY 02 Actual	FY 03 Working Appropriation	FY 04 Allowance	FY 03 – FY 04 Amount Change	Percent Change
Positions					
01 Regular	2,996.00	2,972.00	2,972.00	0	0%
02 Contractual	34.00	34.00	34.00	0	0%
Total Positions	**3,030.00**	**3,006.00**	**3,006.00**	**0**	**0%**
Objects					
01 Salaries and Wages	$ 189,970,551	$ 206,639,835	$ 203,819,034	-$ 2,820,801	-1.4%
02 Technical & Spec Fees	1,049,417	1,330,256	1,379,641	49,385	3.7%
03 Communication	1,931,693	1,366,593	1,147,060	-219,533	-16.1%
04 Travel	294,079	166,339	166,339	0	0%
06 Fuel & Utilities	7,138,167	8,034,223	7,986,234	-47,989	-0.6%
07 Motor Vehicles	26,092,045	26,445,617	25,632,227	-813,390	-3.1%
08 Contractual Services	81,129,392	90,511,479	89,862,474	-649,005	-0.7%
09 Supplies & Materials	5,655,912	5,615,426	4,745,356	-870,070	-15.5%
10 Equip - Replacement	228,397	434,506	997,454	562,948	129.6%
11 Equip - Additional	629,236	619,321	389,503	-229,818	-37.1%
12 Grants, Subsidies, Contr	170,970,204	185,248,343	200,975,451	15,727,108	8.5%
13 Fixed Charges	4,326,628	5,174,059	6,471,222	1,297,163	25.1%
14 Land & Structures	5,509	0	0	0	0.0%
Total Objects	**$ 489,421,230**	**$ 531,585,997**	**$ 543,571,995**	**$ 11,985,998**	**2.3%**
Funds					
03 Special Fund	$ 459,307,688	$ 484,009,080	$ 491,965,775	$ 7,956,695	1.6%
05 Federal Fund	30,113,542	47,576,917	51,606,220	4,029,303	8.5%
Total Funds	**$ 489,421,230**	**$ 531,585,997**	**$ 543,571,995**	**$ 11,985,998**	**2.3%**

Note: Fiscal 2003 appropriations and fiscal 2004 allowance do not include cost containment and contingent reductions.

Fiscal Summary
MDOT - Transit Overview

Unit/Program	FY 02 Actual	FY 03 Legislative Appropriation	FY 03 Working Appropriation	FY 02 – FY 03 % Change	FY 04 Allowance	FY 03 – FY 04 % Change
04 Washington Metropolitan Area Transit-Operating	$ 123,700,911	$ 129,665,000	$ 128,915,000	4.2%	$ 142,915,000	10.9%
05 Washington Metropolitan Area Transit-Capital	88,392,347	221,237,000	163,548,000	85.0%	92,594,000	-43.4%
01 Transit Administration	37,905,707	34,629,415	36,828,541	-2.8%	37,579,982	2.0%
02 Bus Operations	153,789,390	158,750,837	167,347,493	8.8%	165,572,958	-1.1%
04 Rail Operations	116,049,814	120,749,439	127,187,582	9.6%	125,266,566	-1.5%
05 Facilities and Capital Equipment	193,713,208	194,997,614	223,259,000	15.3%	236,683,000	6.0%
06 Statewide Programs Operations	57,975,408	68,400,381	71,307,381	23.0%	72,237,489	1.3%
08 Major IT Development Projects	11,777,000	0	15,781,000	34.0%	17,801,000	12.8%
Total Expenditures	**$ 783,303,785**	**$ 928,429,686**	**$ 934,173,997**	**19.3%**	**$ 890,649,995**	**-4.7%**
Special Fund	$ 627,521,815	$ 678,828,774	$ 728,196,080	16.0%	$ 681,553,775	-6.4%
Federal Fund	155,781,970	249,600,912	205,977,917	32.2%	209,096,220	1.5%
Total Appropriations	**$ 783,303,785**	**$ 928,429,686**	**$ 934,173,997**	**19.3%**	**$ 890,649,995**	**-4.7%**

Note: Fiscal 2003 appropriations and fiscal 2004 allowance do not include cost containment and contingent reductions.

Appendix 4

Budget Amendments for Fiscal 2003

Maryland Department of Transportation
Maryland Transit Overview

Status	Amendment	Fund	Justification
Approved (1)	$2,845,613	SF Oper	Security - Provide additional security at bus & rail storage facilities and provide funding for the increased cost of liability insurance.
Approved (2)	$0		Funding for major IT project development is being transferred ($12,451,000) from existing programs to the new programs as required by Senate Bill 491 which was adopted during the 2002 legislative session.
Approved (3)	$2,342,000 $5,727,000 $8,069,000	SF Cap FF Cap	Allows MDOT's appropriation for major IT projects to match the cash flow projections reflected in the Draft Consolidated Transportation Program (CTP).
Pending (4)	$14,745,307 $2,550,005 $17,295,312	SF Oper FF Oper	Provides funding for items such as new union contracts ($4,720,999); increased union health care costs ($1,962,664); CTIPP ($304,225), Bus Wheel Corrective actions ($3,000,000); Cromwell maintenance facility ($491,005); paratransit contract ($822,571); police union contract annualization ($274,884); MARC contracts; commuter bus ($700,000), Federal RTAP funds ($157,000); and Federal Jobs Access funds ($2,000,000).
Projected (5)	$(5,000,000) $5,000,000 $0	SF Oper FF Cap	Special fund cost containment. Advance Federal funds to allow for special fund cost containment in FY 2003
Projected (6)	$20,253,386 $15,720,000 $35,973,386	SF Cap FF Cap	Adjusts the amended appropriation to agree with the anticipated expenditures for the current year as reflected in the FY 2003 - FY 2008 Final CTP.
Projected (7)	$(2,635,233) $(70,449) $(2,705,682)	SF Oper SF Cap	FY 2003 Cost containment consisting of various reductions that should not impact existing service. Public hearings are needed for service reductions so those will not begin until FY 2004.

Source: Maryland Department of Transportation

Appendix 5

Budget Amendments for Fiscal 2003

Maryland Department of Transportation
Washington Metropolitan Area Transit

Status	Amendment	Fund	Justification
Pending (1)	$(750,000)	SF Oper	Transfer funds to MTA for continuation of a Washington area bus service that is being operated via Maryland Transit Administration contracts with service providers.
Projected (2)	$9,931,000	SF Cap	Adjusts the amended appropriation to agree with the anticipated expenditures for the current year as reflected in the FY 2003 - FY 2008 Final CTP.
	$(67,620,000)	FF Cap	
	$(57,689,000)		

Source: Maryland Department of Transportation