
Maryland Transit Fiscal 2005 Budget Overview

**Department of Legislative Services
Office of Policy Analysis
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Note: Numbers may not sum to total due to rounding.

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Analysis of the FY 2005 Maryland Executive Budget, 2004

Analysis in Brief

Recommended Actions

1. Add language requiring the submission of performance measures for the Washington Metropolitan Area Transit Administration.

Updates

MDOT Submits Report on Parity in Transit Funding: The issue of parity in the allocation of State resources between the Washington and Baltimore regional transit systems is treated in several different sections of the Transportation Article; however, these statutes do not provide clear direction on what constitutes parity in transportation funding or how parity is to be measured. The Maryland Department of Transportation (MDOT) submitted two reports that assess the history and nature of the parity requirement. These reports conclude that parity in the provision of State resources to the two metropolitan transit systems operating in the State is a goal – not a mandate – and that funding should continue to be provided to the two systems on the basis of changing regional needs and State priorities.

J00AH Maryland Transit Overview

Operating 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 directly operates bus, Metro, and light rail transit services and some paratransit services provided in the Baltimore metropolitan region; MTA contracts with private carriers to provide additional paratransit services in Baltimore and commuter bus services that link Baltimore and Washington, DC, to surrounding counties. MTA also manages the Maryland Rail Commuter (MARC) system (which is operated by CSX and Amtrak) and provides assistance to the Maryland and Delaware Railroad to support the maintenance of State-owned rail lines. Finally, MTA provides technical assistance and operating grants to transit services operated by local jurisdictions throughout Maryland, including Montgomery County's "Ride-On" and Prince George's County "the Bus" services.

MDOT provides annual operating grants to the Washington Suburban Transit Commission (WSTC) in the Secretary's Office, which then provides funding to WMATA for operation of the Metrorail, Metrobus, and MetroAccess systems.

Transit Ridership in Maryland

The U.S. Census Bureau has made available some statistics pertaining to transportation in Maryland drawn from the most recent (2000) census; among those statistics that are available are those pertaining to "travel to work" among workers over the age of 16. Data from the Census Transportation Planning package pertaining to travel to work in the State of Maryland is presented in **Exhibit 1**.

Analysis of this data shows that in 1990, 69.8% of Marylanders drove to work alone while 8.1% took public transportation to work. By 2000, the number of Marylanders driving to work alone had increased to 73.7% while the number using public transportation had fallen to 7.2%. As we will see, this decline in transit ridership among workers reflects an overall decline in transit ridership on the MTA system and slower growth in ridership on the WMATA system.

Exhibit 1
**Mode of Travel to Work Among Workers Over 16 Years of Age
in the State of Maryland**

<u>Mode of Travel to Work</u>	1990 Census Figures		2000 Census Figures	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Drove Alone	1,732,837	69.8%	1,910,917	73.7%
Carpooled	376,449	15.2%	320,992	12.4%
Public Transportation	202,169	8.1%	187,246	7.2%
Bicycle or Walk	88,132	3.6%	69,695	2.7%
Motorcycle or Other Mode Not Previously Cited	18,040	.7%	16,117	.6%
Worked at Home	64,835	2.6%	86,703	3.3%

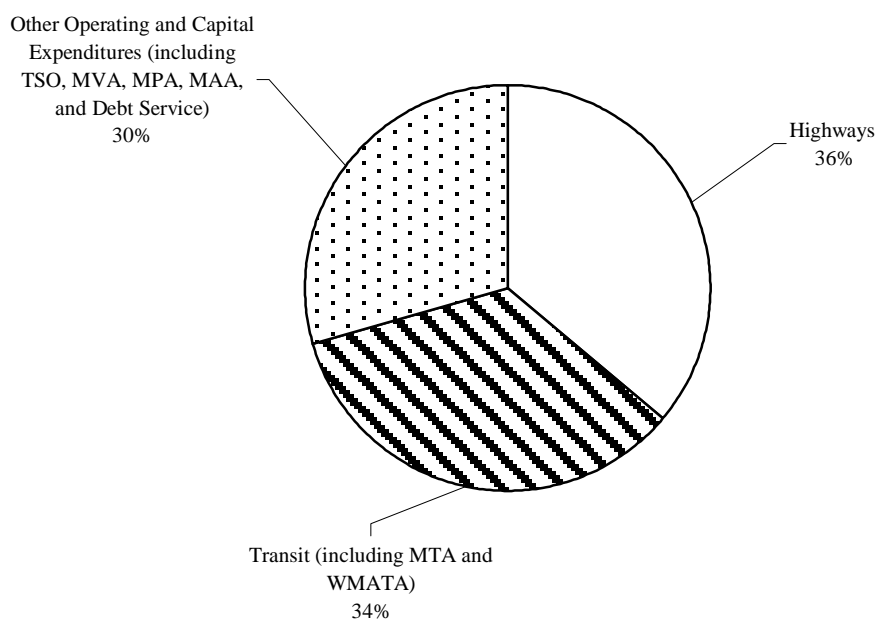
Source: U.S. Census Bureau

In Maryland, as in most U.S. states, transit ridership is predominantly concentrated in major urban areas. Thus, the U.S. Census reports that in 1990, 36.6% of workers in Washington, DC, utilized public transit to travel to work, which ranked Washington fourth among major U.S. cities in transit usage for travel to work. In Baltimore, 22% of workers utilized public transportation to travel to work, which ranked the city 14th among major U.S. cities in the use of transit for travel to work. Comparable data on major U.S. cities have not yet been made available by the U.S. Census Bureau from the 2000 census.

Expenditures on Transit in Maryland

The Governor's fiscal 2005 allowance from all fund sources for capital and operating expenditures at MTA is \$673.0 million. The combined allowance from all fund sources for the grants given to WMATA for all capital and operating expenditures and to Montgomery and Prince George's counties for their local transit systems is \$288.1 million. As illustrated in **Exhibit 2**, in fiscal 2005 these allowances for transit expenditures, including all capital and operating expenditures and all State-sourced and federal funds for all modes, constitute 34% of the total fiscal 2005 transportation allowance.

Exhibit 2
Expenditures on Transit as a Percentage of the Total Fiscal 2005 Allowance
Total Fiscal 2005 Allowance: \$2.8 Billion



TSO = The Secretary's Office
MVA = Motor Vehicle Administration
MPA = Maryland Port Administration
MAA = Maryland Aviation Administration

Notes:

- Allowance figure excludes local highway user revenues.
- Transit expenditures include \$110 million in estimated farebox revenues generated by the MTA.
- Figures shown for all agencies have been adjusted to reflect the anticipated deletion of State deferred compensation match funds.

Source: Maryland State Budget

Total State Spending on Transit

Exhibit 3 shows that in fiscal 2004, the State's expenditures on transit operating and capital expenses constitute 33% of total special fund expenditures on transportation while expenditures on highways constitute 30% of total special fund expenditures on transportation¹. In fiscal 2005, transit will continue to receive 33% of all State-sourced transportation expenditures while expenditures on highways will be reduced to 27% of all expenditures.

¹ The transit expenditures are net of farebox revenues, and highway user revenues have been excluded from calculations of total transportation expenditures.

Exhibit 3
Highway and Transit Spending as a Percentage of Total Special Fund Spending
Fiscal 2000 – 2005
(\$ in Millions)

<u>Mode</u>	<u>FY 2000</u>	<u>% of</u>	<u>FY 2001</u>	<u>% of</u>	<u>FY 2002</u>	<u>% of</u>	<u>FY 2003</u>	<u>% of</u>	<u>Annual %</u>	<u>FY 2004</u>	<u>% of</u>	<u>FY 2005</u>	<u>% of</u>
	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>	<u>Change 00-03</u>	<u>Approp.</u>	<u>Budget</u>	<u>Allow.</u>	<u>Budget</u>
SHA Operating	\$182.3		\$180.8		\$175.2		\$217.0		6.0%	\$169.0		\$171.7	
SHA Capital	270.7		316.0		352.2		339.1		7.8%	438.1		349.4	
Subtotal	\$453.0	31%	\$496.8	31%	\$527.4	31%	\$556.1	29%	7.1%	\$607.1	30%	\$521.1	27%
MTA Operating	171.9		201.3		210.9		224.4		9.3%	212.0		226.8	
MTA Capital	54.8		53.4		78.3		100.2		22.3%	116.8		151.4	
WMATA Operating	122.2		136.6		151.4		159.4		9.3%	177.5		181	
WMATA Capital	59.2		73.1		89.8		159.4		39.1%	154.2		90.2	
Subtotal	\$408.1	28%	\$464.4	29%	\$530.4	31%	\$643.4	34%	16.4%	\$660.5	33%	\$649.4	33%
Other Operating	330.1		353.9		357.8		380.3		4.8%	537.8		585.0	
Other Capital	255.2		306.1		298.0		308.6		6.5%	224.0		194.5	
Subtotal	\$585.3	40%	\$660.0	41%	\$655.8	38%	\$688.9	36%	5.6%	\$761.8	38%	\$779.5	40%
Total	\$1,446.4	100%	\$1,621.2	100%	\$1,713.6	100%	\$1,888.4	100%	9.3%	\$2,029.4	100%	\$1,950.0	100%
Highway User Revenues	414.4		434.8		440.5		431.5		1.4%	365.7		381.9	
MTA Farebox Revenues	102.0		96.0		97.0		98.2		-1.3%	106.0		110.0	
Total Transportation Program	\$1,962.8		\$2,152.0		\$2,251.1		\$2,418.1		\$7.2	\$2,501.1		\$2,441.9	

SHA = State Highway Administration
 MTA = Maryland Transit Administration
 WMATA = Washington Metropolitan Transit Administration

- Transit operating appropriations are net of farebox revenues; WMATA appropriations include appropriations for the WMATA system and for bus service in Prince George's and Montgomery counties.
- Figures shown for all agencies have been adjusted to reflect the anticipated deletion of State deferred compensation match funds.
- "Other" includes debt service, MdTA payback, Maryland Aviation Administration, Maryland Port Administration, The Secretary's Office, and Motor Vehicle Administration.
- SHA figures exclude highway user revenues passed through to local jurisdictions.
- Highway User Revenues shown in fiscal 2003 and 2004 are net of withdrawals taken from these grants and diverted to the General Fund. The amount shown in fiscal 2005 is net of a withdrawal of \$51.2 million made through the Budget Reconciliation and Financing Act of 2003 and the Administration's planned transfer of an additional \$51.2 million.

Source: Maryland State Budget

Expenditures on Transit Operating and Capital Budgets

Exhibit 4 shows State-sourced operating and capital expenditures on transit (including both expenditures by MTA and the subsidies provided by Maryland to WMATA) as percentages of each of the State’s total operating and capital expenditures on transportation (excluding farebox revenues and highway user revenues). Operating expenditures on transit from fiscal 2001 to 2005 have ranged between a low of 35% and a high of 40.5% of the State’s special fund expenditures on transportation operating expenses. Capital expenditures on transit have ranged between a low of 16.9% and a high of 30.8% of the State’s special fund expenditures on transportation capital projects.

Exhibit 4
Highway and Transit Spending
Special Fund Operating and Capital Expenditures
As a Percentage of Total Expenditures
Fiscal 2001 – 2005

Operating Expenditures						Capital Expenditures					
<u>Mode</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>Mode</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Transit	38.7%	40.5%	39.1%	35.5%	35.0%	Transit	16.9%	21%	28.6%	29%	30.8%
Highways	20.7%	19.6%	22.1%	15.4%	14.7%	Highways	42.2%	43%	37.4%	47%	44.5%
Other	40.6%	39.9%	38.8%	49.1%	50.3%	Other	40.9%	36%	34%	24%	24.7%
Total	100%	100%	100%	100%	100%	Total	100%	100%	100%	100%	100%

Notes:

- Transit figures are net of farebox revenues.
- Total operating expenditures and total capital expenditures exclude highway user revenues.
- “Other” includes debt service, Maryland Aviation Administration, Maryland Port Administration, and Motor Vehicle Administration.

Source: Maryland State Budget

Performance Measures for the Maryland Transit Administration: A System in Decline

Exhibit 5 details the MTA’s budget, ridership, and revenues for fiscal 2002 to 2005.

Exhibit 5 MTA’s Budget, Ridership, and Revenues Fiscal 2002 through 2005 (\$ and Passengers in Millions)

	FY 2002 <u>Actual</u>	FY 2003 Leg. <u>Approp.</u>	FY 2003 <u>Actual</u>	Change 03 Leg. Approp. to 03 Actual	% <u>Change</u>	FY 2004 Working <u>Approp.</u>	FY 2005 <u>Allow.</u>	Change from 02 Actual to 05 <u>Allow.</u>	% Change 02 Actual to 05 <u>Allow.</u>
Special Funds	\$335.6	\$337.5	\$352.9	\$15.4	4.6%	\$349.1	\$367.9	\$32.3	9.6%
Federal Funds	30.1	45.0	51.9	6.9	15.3%	51.6	53.4	23.2	77.1%
Total Funds	365.7	382.5	404.8	22.3	5.8%	400.7	421.3	55.6	15.2%
Baltimore-Area Ridership	92.9	95.9	87.3	-5.6	-6.0%	84.5	85.9	-7.0	-7.5%
MTA Revenues	\$71.3	N/A	\$68.8	-\$2.5	-3.5%	\$76.8	\$79.7	\$8.4	11.7%

Source: Maryland Department of Transportation; Maryland Budget Book

Analysis of the data presented in this exhibit reveals the following:

- **MTA’s Budget Grows 15% Between Fiscal 2002 Actual Expenditures and the Fiscal 2005 Allowance:** The fiscal 2003 legislative appropriation grew by less than 1% over fiscal 2002 actual expenditures; however, a net total of \$22.3 million (including \$15.4 million in special funds) was added to MTA’s fiscal 2003 budget through amendments, which increased that year’s expenditures by more than 6% over fiscal 2002 expenditures. The fiscal 2004 working appropriation shows a decrease of \$4.1 million below fiscal 2003 actual expenditures; however, MTA projects the need for amendments in fiscal 2004 totaling \$18.4 million (although many of these amendments are for expenses that are not included in calculations of MTA’s farebox recovery rate, such as paratransit expenses and MARC expenses). Further, the fiscal 2005 allowance increases by \$20.5 million over the current fiscal 2004 working appropriation (an increase of 5%).

From fiscal 2002 to 2005, special funds are projected to show an increase of 10%. However, during that time period, federal funds are projected to have grown by 77% (\$23.2 million). MTA, like all transit systems in cities with populations of greater than 200,000, is not eligible to use any federal funds for operating expenses; however, it is allowed to use federal formula funds for some

Analysis of the FY 2005 Maryland Executive Budget, 2004

J00AH – Maryland Transit Overview

types of preventative maintenance. Thus, the increase in federal funds observed in MTA's operating budget indicates that it is using federal funds that would otherwise be expended on capital projects for preventative maintenance; if federal funds were not being utilized to meet these preventative maintenance costs, the increase in the special fund allowance would be even steeper than it is projected to be.

- **MTA's Baltimore Area Ridership Shows a Decline of 7.5% Between Actual Fiscal 2002 Ridership and Projected Fiscal 2005 Ridership:** In its legislative appropriation for fiscal 2003, MTA projected that ridership on Baltimore area services would grow by 3 million riders (3.2%) over ridership in fiscal 2002. In fact, during that time period, MTA's Baltimore area services experienced a decline in ridership of 6%. Ridership is projected to decline again in fiscal 2004 (due in large measure to the fare increase introduced at the start of fiscal 2004) before increasing slightly in fiscal 2005. Even with the increase projected in fiscal 2005, however, ridership in that year is still projected to be 7.5% below ridership levels in fiscal 2002. Ridership is discussed in more detail later in this analysis.
- **MTA's Revenues Are Projected to Increase in Fiscal 2004 and 2005 Due to Fare Increase:** From fiscal 2002 to 2003 MTA's revenues decreased by \$2.5 million (3.5%) due in large part to the decline in ridership experienced in that time period. MTA's revenues are projected to increase by \$8 million from fiscal 2003 to 2004 due to the fare increase instituted in fiscal 2004.

MTA Performance Measures

The impact that the significant changes in MTA's budget, ridership, and revenues have had on its service performance – including its farebox recovery rate and its operating costs per passenger and per vehicle mile – are discussed in more detail below.

Farebox Recovery Rates

As part of the Transit Initiative, MTA's required farebox recovery rate for Baltimore area services (including the bus system, light rail system, and Metro) was reduced from 50% to 40% by Chapters 210/211, Acts of 2000. However, this required farebox recovery rate was last achieved in fiscal 2001 (when the rate was 40.2%). As shown in **Exhibit 6**, MTA's farebox recovery rate has been steadily decreasing in the last five years, falling from 46.4% in fiscal 1999 to only 32.7% in fiscal 2003 – a figure that is far below the required recovery rate of 40%.

In fiscal 2003, budget amendments added \$15.4 million to MTA's operating budget above the legislative appropriation (an increase of 5%); at the same time, as was discussed above, ridership was dropping by 6%. Due in large part to the institution of a fare increase at the start of fiscal 2004 (which increased fares by approximately 20%), the farebox recovery rate is projected to increase to 39.2% in this year; however, this rate would still be below the required 40% rate, and the projection assumes that budget amendments will not substantially increase the MTA's budget. Even with the increased fares, MTA projects that the farebox recovery rate for fiscal 2005 will fall to 37.5%.

Analysis of the FY 2005 Maryland Executive Budget, 2004

Exhibit 6
MTA Farebox Recovery by Year
Fiscal 1999 through 2005

<u>Fiscal Year</u>	<u>Bus</u>	<u>Light Rail</u>	<u>Metro</u>	<u>Baltimore Area Overall</u>	<u>MARC</u>
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	42.3%	21.6%	34.4%	37.3%	56.6%
2003*	34.8%	19.7%	29.7%	32.7%	54.5%
2004**	45.3%	21.7%	31.5%	39.2%	62.0%
2005	44.0%	22.4%	31.9%	37.5%	62.8%

Notes: Calculations of the MARC farebox recovery rate exclude approximately three-quarters of the total amount of access charges 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.

* Fiscal 2003 expenses reflect cost containment reductions. Fiscal 2003 revenues exclude \$2.6 million in reimbursements for State employees riding fare-free. No reimbursements were provided after fiscal 2003.

** Fiscal 2004 expenses reflect additional cost containment, reduced services, and fare increases.

Source: Maryland Transit Administration

DLS recommends that the Maryland Transit Administration brief the budget committees on why it projects it will be unable to make the required 40% farebox recovery rate in fiscal 2004 even with the fare increase introduced at the start of fiscal 2004, and what actions it will take to increase the recovery rate to the statutorily required level.

Comparing Baltimore's Farebox Recovery Rate to Rates in Similar Transit Systems

A survey of other major urban transit systems undertaken by Booz, Allen, Hamilton in 2000 found that there are significant differences in the methodologies utilized by transit systems to calculate farebox recovery rates, making comparisons among systems difficult. The National Transit Database (NTD) does, however, collect information on farebox recovery rates using a standardized ratio that ensures comparability of data. The ratio utilized by the NTD does not exclude certain categories of expenses (such as paratransit operating expenses and expenses associated with capital

assets funded in operating budgets) that are often excluded from farebox recovery calculations made by transit systems themselves, including those made by MTA. Instead, the NTD simply calculates the percent of a transit system's total operating expenses that are met by its total farebox revenues. Under the NTD's ratio, MTA's farebox recovery rate in fiscal 2001 was 31% (versus 42% reported under MTA's calculation method). The fiscal 2001 farebox recovery ratios reported in the NTD for five of MTA's peer systems are presented in **Exhibit 7**.

Exhibit 7
Fiscal 2001 Farebox Recovery Rates for MTA and Five Peer Systems
As Reported in the National Transit Database

<u>Peer Transit Agency</u>	<u>Fiscal 2001 Farebox Recovery Rate</u>
Washington, DC (WMATA Service)	43%
Philadelphia	40%
Baltimore (MTA Service)	31%
Boston	31%
Los Angeles	30%
Cleveland	18%

Source: National Transit Database

In its study, Booz, Allen, Hamilton also researched farebox recovery requirements for other large urban transit systems. As shown in **Exhibit 8**, required farebox recovery rates among transit systems range from 51% (Chicago) down to 20% (San Diego).

Exhibit 8
Farebox Recovery Requirements Among Urban Transit Systems

<u>System</u>	<u>Required Farebox Recovery Rate</u>
Chicago (Rail)	51%
Philadelphia (Bus and Rail)	50%
Pittsburgh (Bus and Rail)	46%
Chicago (Bus)	45%
San Francisco (Rail)	40%
Los Angeles (Bus and Rail)	38%
Atlanta (Bus and Rail)	35%
San Francisco (Bus)	33%
Denver (Bus)	30%
Sacramento (Bus and Rail)	28%
San Diego (Rail)	20%

Source: National Transit Database

Baltimore Area Ridership

The last time ridership on Baltimore area transit systems increased was in fiscal 2002, when ridership increased by 646,000 (0.7%) over fiscal 2001. As shown in **Exhibit 9**, Baltimore area ridership decreased by 5.6 million boardings (6%) from fiscal 2002 to fiscal 2003 – prior to the introduction of the fare increase. It is estimated that a decrease of 1.8 million boardings in fiscal 2003 is attributable to the snowstorm that occurred in February 2003 (32% of the entire ridership decline); when the ridership loss attributable to the snowstorm is taken out of consideration, ridership on Baltimore area services is estimated to have decreased by 4.1% in fiscal 2003. This decrease is attributed in part to the decline in the local economy, which contributed to a loss of jobs in the Baltimore region.

Exhibit 9
MTA Ridership
Fiscal 2001 through 2005
(\$ in Thousands)

	<u>FY 01</u>	<u>FY 02</u>	<u>FY 03</u>	<u>FY01-03</u>	<u>FY 04</u>	<u>FY 05</u>	<u>FY 01-05</u>
	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Annual</u>	<u>Projected</u>	<u>Projected</u>	<u>Annual</u>
				<u>Change</u>			<u>Change</u>
Bus	70,154	70,128	66,736	-2.5%	64,407	65,236	-1.8%
Metro	13,597	14,240	13,196	-1.5%	12,986	13,278	-0.6%
Light Rail	8,519	8,548	7,387	-6.9%	7,108	7,392	-3.5%
Baltimore Area Ridership	92,270	92,916	87,319	-2.7%	84,501	85,906	-1.8%
Annual Percent Change		0.7%	-6.0%		-3.2%	1.7%	
Paratransit	573	571	564	-0.8%	566	594	0.9%
MARC	5,700	6,063	6,327	5.4%	6,125	6,370	2.8%
Contracted Commuter Bus Service	1,826	2,170	2,562	18.5%	2,675	2,943	12.7%
Total Ridership	100,369	101,720	96,772	-1.8%	93,867	95,813	-1.2%
Annual Percent Change		1.3%	-4.9%		-3.0%	2.1%	

Source: Maryland Transit Administration

The fare increase that took effect at the start of fiscal 2004 is expected to contribute to an additional decrease of approximately 3.2% in total ridership in the Baltimore area from fiscal 2003 to 2004. However, current MTA projections estimate that ridership will increase by 1.4 million boardings (1.7%) from fiscal 2004 to 2005. It is unclear, however, what circumstances would bring about this projected increase in ridership. As shown in **Exhibit 10**, while the population of the Baltimore Metropolitan Area has been increasing in recent years, this has not translated into an increase in transit ridership since fiscal 2002. Instead, transit ridership – like the population of Baltimore City itself – has been decreasing.

**Exhibit 10
Population of Baltimore, Maryland**

	July 1, <u>2002</u>	July 1, <u>2003</u>	July 1, <u>2004</u>	July 1, <u>2005</u>	July 1, <u>2006</u>	02 – 06 Average Annual <u>% Change</u>
Population of Greater Baltimore Metropolitan Area	2,559,155	2,577,400	2,595,600	2,614,000	2,632,300	0.7%
Population of Baltimore City	638,614	633,100	627,500	621,900	616,200	-0.9%

Source: U.S. Census Bureau, April 2003

Given that Baltimore area transit ridership began trending downward in fiscal 2003 and that fares in fiscal 2005 are expected to remain at the level to which they were raised in fiscal 2004, MTA should explain why it projects that ridership on Baltimore area services will increase in fiscal 2005. In particular, MTA should discuss what changes in its service or in the Baltimore region are expected to occur in fiscal 2005 that could lead to an increase in ridership.

Ridership Outside the Baltimore Area

As shown in Exhibit 9, ridership on the MARC service experienced a 5.4% annual increase from fiscal 2001 to 2003, while ridership on the commuter bus service experienced an 18.5% annual increase in the same time period. However, MTA is projecting that MARC ridership will decline by 202,000 boardings (3.2%) from fiscal 2003 to 2004 due to the fare increase. Continued growth is projected in ridership on commuter bus services; ridership is projected to increase by 113,000 riders (4.4%) from fiscal 2003 to 2004 and by 268,000 (just over 10%) from fiscal 2004 to 2005 due to strong growth in Washington's job market.

MTA Service Efficiency

Cost efficiency in transit service is the measure of operating expenses per vehicle mile. **Exhibit 11** presents the current performance data on MTA's service efficiency.

Exhibit 11
MTA Service Efficiency
(Operating Cost per Vehicle Mile)
Fiscal 2001 through 2005

	<u>FY 01</u>	<u>FY 02</u>	<u>FY 03</u>	<u>FY 04</u>	<u>FY 05</u>	<u>Annual %</u>
	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Projected</u>	<u>Projected</u>	<u>Growth</u>
Bus	\$8.72	\$8.53	\$9.72	\$8.84	\$9.09	1.0%
Metro	8.78	8.59	9.00	9.29	9.26	1.3%
Light Rail	11.67	12.16	12.39	13.01	12.99	2.7%
Paratransit	2.47	3.21	3.58	3.67	3.67	10.4%
MARC	11.08	11.69	12.76	12.96	13.39	4.9%
Contracted Commuter Bus Service	5.69	5.44	5.33	5.72	6.51	3.4%
Weighted Average*	\$8.10	\$8.26	\$9.03	\$8.76	\$9.01	2.7%
Annual Percentage Growth	5.3%	2.0%	9.3%	-3.0%	2.9%	

* Total is weighted by the number of miles traveled in each mode.

Source: Maryland Transit Administration

As shown in the exhibit, operating costs per vehicle mile increased by more than 9% from fiscal 2002 to 2003. This increase was due to the increase in MTA's budget from fiscal 2002 to 2003. Operating costs per vehicle mile are expected to decline slightly in fiscal 2004 under the amount incurred in fiscal 2003 due to the slight decline in the fiscal 2004 budget. However, operating costs per vehicle mile in fiscal 2004 are still projected to be \$.50 higher per mile than in fiscal 2002. Operating costs per vehicle mile are projected to increase in fiscal 2005 by nearly 3% over the costs in fiscal 2004; this increase is due to the growth in the MTA's fiscal 2005 budget allowance.

MTA Service Effectiveness

The cost effectiveness of a transit service is the measure of operating expenses per passenger trip. **Exhibit 12** presents the current performance data on MTA's service effectiveness.

Exhibit 12
MTA Service Effectiveness
(Operating Cost per Passenger)
Fiscal 2001 through 2005

	FY 01	FY 02	FY 03	FY 04	FY 05	Annual %
	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Projected</u>	<u>Projected</u>	<u>Growth</u>
Bus	\$2.01	\$1.99	\$2.16	\$2.16	\$2.22	2.5%
Metro	2.68	2.76	3.25	3.25	3.22	4.7%
Light Rail	4.15	3.64	5.19	5.19	5.08	5.2%
Paratransit	20.19	23.12	25.70	25.70	29.59	10.0%
MARC	8.45	9.00	10.13	10.13	10.08	4.5%
Contracted Commuter Bus Service	8.06	9.28	8.95	8.95	9.25	3.5%
Total	\$2.79	\$2.81	\$3.24	3.25	3.34	4.6%
Annual Percentage Growth	12.5%	0.7%	15.3%	0.3%	2.8%	

Source: Maryland Transit Administration

Mirroring the increases in operating costs per vehicle mile, MTA's operating costs per passenger grew by 15.3% from fiscal 2002 to 2003 because the system was costing more to operate but was moving fewer passengers. Operating costs per passenger are projected to increase by less than 1% from fiscal 2003 to 2004 (while the fiscal 2004 working allowance has decreased slightly, the number of passengers is also projected to decrease, thereby yielding a slight increase in operating costs per vehicle mile). Operating costs per passenger are then projected to increase again nearly 3% from fiscal 2004 to 2005.

Passengers Per Vehicle Revenue Mile

Exhibit 13 shows passengers per vehicle revenue mile on all MTA services. Mirroring declines in the other performance indicators, the number of passengers per revenue mile declined from fiscal 2002 to 2003 (in keeping with the steep ridership decline experienced in fiscal 2003). The number of passengers per revenue mile is projected to decrease in fiscal 2004 by nearly 3% under the fiscal 2003 level (which would be 8.2% below the fiscal 2002 level). The number of passengers per revenue mile is projected to show a slight increase in fiscal 2005 (nearly 2% above fiscal 2004 levels); however,

Analysis of the FY 2005 Maryland Executive Budget, 2004

this number of passengers per vehicle mile would still be far below the number seen in fiscal 2002 and 2001.

Exhibit 13
Passengers per Vehicle Revenue Mile
Fiscal 2001 through 2005

	<u>FY 01</u> <u>Actual</u>	<u>FY 02</u> <u>Actual</u>	<u>FY 03</u> <u>Actual</u>	<u>FY 04</u> <u>Projected</u>	<u>FY 05</u> <u>Projected</u>	<u>Annual %</u> <u>Growth</u>
Bus	4.33	4.29	4.24	4.09	4.15	-1.06%
Metro	3.28	3.11	2.91	2.86	2.92	-2.9%
Light Rail	2.81	3.34	2.60	2.50	2.60	-1.9%
Paratransit	0.12	0.14	0.14	0.14	0.15	5.7%
MARC	1.31	1.30	1.32	1.28	1.33	0.4%
Contracted Commuter Bus Service	0.71	0.59	0.61	0.64	0.70	-1.3%
Total	2.90	2.94	2.78	2.70	2.75	-1.3%
Annual Percentage Growth	N/A	1.4%	-5.4%	-2.9%	1.9%	

Source: Maryland Transit Administration

Comparing MTA and Its Peer Systems

Exhibit 14 compares MTA's operating performance measures from fiscal 2001 and 2002 with those reported by five transit systems identified by Booz, Allen, Hamilton, and the MTA as the peer services of MTA on the basis of such factors as mix of service, fleet size, and property size.

Exhibit 14
Comparison of the MTA’s Baltimore Area Service Efficiency and Effectiveness
Measures to Similar Transit Systems Nationwide
(Fiscal 2001 and 2002)

<u>Peer Transit Agency</u>	<u>Operating Expenses per Vehicle Mile</u>		<u>Operating Expenses per Passenger</u>		<u>Passengers per Vehicle Trip</u>	
	<u>2001</u>	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>	<u>2002</u>
Baltimore (MTA Service)	\$8.10	\$8.26	\$2.79	\$2.81	2.9	2.9
Boston	\$8.84	\$9.12	\$2.04	\$2.00	4.3	4.6
Cleveland	\$8.03	\$8.36	\$3.81	\$3.76	2.1	2.2
Los Angeles	\$8.24	\$8.61	\$1.87	\$1.94	4.4	4.4
Philadelphia	\$9.02	\$9.03	\$2.21	\$2.39	4.1	3.8
Washington, DC	\$8.58	\$8.95	\$2.12	\$2.12	4.0	4.0

Source: National Transit Database

Compared to five peer systems, in fiscal 2002 (the most recent year for which comparable data are available), MTA’s Baltimore region service ranked:

- **first in cost efficiency of service** (measured as operating expenses per vehicle mile), which was an improvement over its second place ranking in fiscal 2001 – and it experienced the second lowest increase in operating costs per vehicle mile from fiscal 2001 to fiscal 2002 of 16¢;
- **fifth in cost effectiveness of service** (measured as operating expenses per passenger), which was unchanged from its ranking in fiscal 2001; however, its operating costs per passenger increased by 2¢, while two services experienced reductions in operating costs per passenger and one service (WMATA) was unchanged; and
- **fifth in number of passengers per vehicle trip** – only Cleveland continued to carry fewer passengers per vehicle trip than did the MTA’s Baltimore region service.

Peer comparison data from fiscal 2003 is not yet available. The discussion of fiscal 2001 and 2002 data presented here provides a snapshot comparing the MTA’s service performance in those years to the performance of other systems. However, as was discussed above, in fiscal 2003 MTA’s budget increased and ridership declined, causing significant declines in the MTA’s operating efficiency and effectiveness. These declines are likely to have had a negative impact on MTA’s performance relative to that of its peer systems.

MTA’s Operating Performance

In general terms, MTA’s operating budget has been growing while its ridership has been declining. A fare increase introduced at the start of fiscal 2004 is projected to increase MTA’s revenues in that year; however, this fare increase is projected to contribute to a continued decline in the system’s ridership. A slight increase in ridership is projected in fiscal 2005; however, MTA’s allowance in that year shows a significant increase over the fiscal 2004 working appropriation. Not surprisingly, this combination of budget increases and ridership declines has significantly reduced MTA’s overall performance by raising operating costs per vehicle mile and per passenger. Together, the budget information and performance measures examined here paint a picture of a transit system in need of revitalization.

DLS recommends that MTA brief the committees on the steps it is taking to improve its service performance. In particular, MTA should brief the committees on the steps it is taking to reduce its operating budget and to grow its ridership at least to the level seen in fiscal 2002. Further, MTA should discuss efforts to identify and utilize new sources of revenue.

Performance Measures for the Washington Metropolitan Area Transit Authority

Exhibit 15 presents information on WMATA’s farebox recovery rates for fiscal 2002 through 2005. The overall farebox recovery rate for the WMATA system was 54.6%. The farebox recovery rate is projected to have declined slightly to 54.2% in fiscal 2003; however, with the fare increase introduced in the WMATA system at the beginning of fiscal 2004, the farebox recovery rate for that year is projected to increase to 55.9%.

Exhibit 15
WMATA Farebox Recovery Rates
Fiscal 2002 through 2004

	Fiscal 2002 <u>Actual</u>	Fiscal 2003 <u>Projected</u>	Fiscal 2004 <u>Projected</u>	Fiscal 2005 <u>Proposed Budget</u>
Metrorail	70.9%	70.1%	73.8%	71.5%
Metrobus	35.1%	35.9%	35.0%	33.9%
MetroAccess	6.5%	4.1%	6.0%	7.0%
Total	54.6%	54.2%	55.9%	53.8%

Source: Washington Metropolitan Area Transit Authority

J00AH – Maryland Transit Overview

Exhibit 16 presents information on WMATA's ridership from fiscal 2000 to 2005. These data indicate that WMATA's annual growth rate is continuing to slow. Prior to September 11, 2001, WMATA's annual ridership was growing at an average rate of approximately 5% per annum. From fiscal 2000 through 2003, ridership on both Metrorail and Metrobus experienced average annual growth near or above 4%, while the system as a whole showed annual average growth of 4.3%. However, projections show that from fiscal 2003 to 2005, average annual growth on the Metrorail system will slow to 1.8%, while the Metrobus system will actually experience an average annual decline in ridership of 1.1%. Consequently, the average annual growth in the Metro system as a whole will have slowed to less than 1% during that time period. This steep reduction in the rate of annual ridership growth is contributing to the continuing budget shortfalls currently being experienced by the Metro system.

Exhibit 16
WMATA Total Annual Ridership
Fiscal 2000 through 2005
(Riders in Thousands)

<u>Service</u>	<u>FY 00</u> <u>Actual</u>	<u>FY 01</u> <u>Actual</u>	<u>FY 02</u> <u>Actual</u>	<u>FY 03</u> <u>Est.</u>	<u>FY 00-03</u> <u>Annual</u> <u>%Change</u>	<u>FY 04</u> <u>Est.</u>	<u>FY 05</u> <u>Est.</u>	<u>FY 03-05</u> <u>Annual</u> <u>%Change</u>
Metrorail	163,274	177,269	180,573	187,509	4.7%	189,175	194,400	1.8%
Metrobus	138,544	145,539	147,771	154,512	3.7%	149,638	151,000	-1.1%
MetroAccess	454	557	738	972	28.9%	1,150	1,440	21.7%
Total	302,272	323,365	329,082	342,993	4.3%	339,963	346,840	0.6%

Source: Washington Metropolitan Area Transit Authority

J00AH – Maryland Transit Overview

The trends that are observed in total ridership on the WMATA system are mirrored in the ridership levels on the WMATA system in Maryland as illustrated in **Exhibit 17**.

Exhibit 17
Ridership on the WMATA System in Maryland
Fiscal 2000 through 2005
(Riders in Thousands)

<u>Service</u>	<u>FY 00</u>	<u>FY 01</u>	<u>FY 02</u>	<u>FY 03</u>	<u>FY 00-03</u>	<u>FY 04</u>	<u>FY 05</u>	<u>FY 03-05</u>
	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Est.</u>	<u>Annual %Change</u>	<u>Est.</u>	<u>Est.</u>	<u>Annual %Change</u>
Metrorail	56,746	62,292	65,550	67,342	5.9%	70,084	72,019	3.4%
Metrobus	41,541	45,483	46,286	49,730	6.2%	49,882	50,336	0.6%
Total	98,287	107,775	111,836	117,072	6.0%	119,966	122,355	2.2%

Source: Maryland Department of Transportation

Neither the farebox recovery information nor the ridership information provided by WMATA include final fiscal 2003 actual information; in addition, the fiscal 2005 performance data do not reflect the estimated impact of the fare increase that has been proposed for that year. Further, the performance data provided for fiscal 2005 are estimates and are not directly tied to a specific budget proposal. As of February 17, 2004, WMATA had not published a budget book.

Reliable performance information that is based on WMATA’s projected budget should be available to the General Assembly during its legislative session. Such information is necessary to enable comparisons of service performance to be made between WMATA and MTA and to enable the State’s subsidy amount to be examined in the context of WMATA’s projected fiscal year budget. DLS therefore recommends that the General Assembly adopt budget language requiring MDOT to submit performance measures for the WMATA system in a timely fashion.

Recommended Actions

1. Add the following language:

The Maryland Department of Transportation (MDOT) shall submit a report to the budget committees on performance measures that track the efficiency of the Washington Metropolitan Area Transit Authority (WMATA) service by February 1, 2005. The measures that shall be reported shall include the following:

- (1) farebox recovery rates for Metrobus, Metrorail, MetroAccess, and for the WMATA system as a whole;
- (2) total ridership on Metrobus, Metrorail, and MetroAccess in both the entire WMATA system and in the State of Maryland;
- (3) operating expenses per vehicle mile;
- (4) operating expenses per passenger trip; and
- (5) passenger trips per vehicle mile.

Actual information shall be reported for fiscal year 2004 and projections shall be provided for fiscal 2005 and 2006.

Explanation: The Maryland Transit Administration (MTA) is required to submit a report to the budget committees that includes information on various performance measures. To enable comparisons of the performance of the MTA system and the WMATA system to be made, WMATA should provide comparable data at the time the Governor’s budget allowance is submitted.

Information Request	Author	Due Date
Performance Measures for the WMATA system	MDOT	February 1, 2005

Updates

1. MDOT Submits Report on Parity in Transit Funding

Statutory Requirements of Parity in the Allocation of State Resources between the Washington and Baltimore Regions

The issue of parity in the allocation of State resources between the Washington and Baltimore regional transit systems is treated in several different sections of the Transportation Article, as described below.

- Section 7-102.1 of the Transportation Article states that “Adequate provisions should be made for assuring that, if allocation of State financial resources for the benefit of this regional system [meaning the Baltimore regional system] is made, it will be accompanied by a parity allocation for the benefit of taxpayers supporting transit facilities in the political subdivisions of the Washington Suburban Transit District.”
- Section 10-205 (a) of the Transportation Article requires that “if there is substantial State financial support for the planned rapid rail mass transit system in one metropolitan area of this State, there should be substantial State financial support for the planned rapid rail mass transit system in the other metropolitan area of this State.” Part (d) of the same Section further requires that in regard to grants for capital equipment replacement, “if there is substantial State financial support for rapid rail and bus transit capital replacement costs in one metropolitan area of this State, there should be substantial State financial support for the costs of similar needs in the other metropolitan area of this State.”

Unresolved Issues Regarding Statutory Requirements of Parity

While parity in the allocation of State resources between the transit systems in the two metropolitan regions of the State is supported by statute, there are several central issues that are not addressed by these statutes and that therefore make it difficult to assess whether the statutory requirements regarding parity have been fulfilled. These unresolved issues include the following:

- the statutes do not define what constitutes parity or a “parity benefit”;
- no measures for assessing whether parity is achieved in the allocation of resources are identified; and
- while Sections 10-205 (a) and (d) indicate that there should be parity in the support of planned rapid rail mass transit and in the capital support for bus and rail replacement costs, there seems to be no direct requirement for parity in planned bus system expansion; similarly, it is not clear if the parity “benefit” required by Section 7-102.1 is required for capital costs, operating costs, or both.

Findings of the Transit Policy Panel on the Parity Issue

Chapters 210 and 211, Acts of 2000 established a Transit Policy Panel to examine a variety of transit-related policy issues, including unresolved issues regarding parity treatment between the Washington and Baltimore regional transit systems. This panel did not attempt to define how to measure the achievement of parity; rather, it identified and assessed the unique characteristics that create different financial demands among the transit services operating in each region around the State, including such factors as mix of services in each metropolitan system (rail vs. bus), ridership, population density, median household income, jobs per square mile, and traffic congestion levels.

MDOT's 2003 Reports on Parity

Initial MDOT Parity Report

MDOT was required by the 2003 *Joint Chairmen's Report* to report on "Parity in the Allocation of State Resources Among Transit Systems." In its initial report, MDOT stated it would remain consistent with the approach to parity taken by the Transit Policy Panel of 2000 by recommending that regional funding allocations should continue to be made on the basis of the unique characteristics and needs of each system because "attempting to provide comparable facilities and service to each region neglects the clear fact that the character and needs of each are different." Therefore, the report recommended that the allocations of State resources to each region should:

- vary by region, taking into consideration traffic congestion, population density, employment, opportunity for economic development, and the size of the transit dependent population (including number of elderly and persons with disabilities);
- vary from year to year depending on established priorities for the provision of efficient and effective service; and
- provide a balance between system preservation and expansion to keep pace with projected growth in each region.

The budget committees found this initial report to be deficient because it did not identify measures that could be used to assess whether parity is achieved in the allocation of State resources and because it did not discuss whether the terms of the statutes governing parity are still valid. In response to these criticisms, MDOT submitted a second parity report.

Second MDOT Parity Report

In its second report, MDOT discussed parity in the context of the history of the statutes pertaining to it. The key findings of this report are noted below:

J00AH – Maryland Transit Overview

- At the time Section 7-102.1 was enacted (in 1969), Prince George’s and Montgomery counties were responsible under the compact that created WMATA for funding their own share of the construction and acquisition of WMATA’s transit facilities and for the operation of these facilities. Thus, at the time that Section 7-102.1 was enacted, the taxpayers of Prince George’s and Montgomery counties had sole responsibility for financing transit in their metropolitan region.
- The language contained in Section 7-102.1 does not express a mandate; instead it expresses a policy goal that requires that “adequate provision should be made” to ensure that if there is an allocation of financial resources for the Baltimore regional transit system, there should be a parity allocation for the benefit of the taxpayers in the Washington region (who were supporting transit in their region at the time Section 7-102.1 was enacted).
- Section 10-205, which dates to 1972, was enacted at the same time legislation was enacted requiring MDOT to make grants on behalf of Prince George’s and Montgomery counties to the WMATA system for the counties’ share of WMATA’s capital costs for certain fiscal years. Subsequent legislation assigned to MDOT an increasing share of both the capital and eventually the operating costs of the WMATA system; MDOT is now currently responsible for 100% of the State’s share of WMATA’s operating and capital costs. As the State had funded all of MTA’s operating and capital costs since the creation of MTA (and its precursors) as an administrative department of MDOT in 1971, the re-assignment of increasing portions of WMATA’s operating and capital costs to MDOT (and away from Prince George’s and Montgomery counties) has brought the State increasingly closer to the goal of parity in the allocation of State resources as first expressed in Section 7-102.1.

On the basis of its review of the history of Sections 7-102 and 10-205, MDOT argued persuasively that the use of specific quantitative measures or formulas that are more detailed than the general policy principles of the existing statutes would undermine the legislative intent of giving to MDOT the flexibility of exercising judgment in providing funding for both major metropolitan transit systems on the basis of changing regional needs and State priorities.