

Department of Legislative Services
Maryland General Assembly
2008 Session

FISCAL AND POLICY NOTE
Revised

House Bill 1185 (Chair, Ways and Means Committee and Chair, Appropriations Committee)
(By Request – Departmental – Transportation)

Ways and Means and Appropriations

Budget and Taxation

**Maryland Transit Administration - Public Transit Services - Efficiency and
Performance Standards**

This departmental bill alters the statutory farebox recovery ratios and extends and expands the current requirement for the Maryland Transit Administration to submit annual performance reports.

The bill takes effect July 1, 2008.

Fiscal Summary

State Effect: The bill would not materially affect State finances. The farebox recovery ratio is a metric comparing revenues and expenditures to assist in understanding how much a service is self-supporting versus being subsidized. The Transportation Trust Fund will continue to subsidize transit services, as it currently does. There is no statutory penalty for not meeting this requirement.

Local Effect: The bill is not anticipated to significantly affect local finances.

Small Business Effect: The Maryland Department of Transportation has determined that this bill has minimal or no impact on small business (attached). Legislative Services concurs with this assessment. (The attached assessment does not reflect amendments to the bill.)

Analysis

Bill Summary: The bill requires MTA to obtain 35% farebox recovery for Baltimore area transit, including bus, light rail, and Metro subway service. A separate 35% farebox

recovery ratio is required for MARC service. The bill also establishes a 35% farebox recovery goal for eligible local bus service in Montgomery and Prince George's counties.

MTA is required to report annually to the General Assembly on farebox recovery, including a discussion of its success or failure to achieve the required farebox recovery ratios and comparisons of its performance with other transit systems nationwide. The bill extends the statutory requirement for MTA to submit reports on three additional performance measures: operating expenses per revenue vehicle mile; operating expenses per passenger trip; and passenger trips per revenue vehicle mile. For each of these performance measures, MTA is required to establish its own goals each year.

The statutory mandate for an independent management audit of MTA's operational costs and revenues every four years is also extended under the bill. This audit must include an evaluation of fares and cost containment measures. The audit is to be used as a benchmark for the annual performance reports.

Finally, the bill requires MTA to report, by January 1, 2009, to the General Assembly on the number of free trips allowed on the Baltimore bus, light rail, and subway systems.

Current Law: Section 7-208 of the Transportation Article requires MTA to obtain a 50% minimum farebox recovery for Baltimore area transit services (core bus, Baltimore Commuter Bus, light rail, and Metro). Chapter 210 of 2000 lowered the required annual farebox recovery ratio from 50% to 40%, with a sunset at the end of fiscal 2004. Chapter 447 of 2004 extended the sunset to June 30, 2008, and held the requirement at 40%. Beginning July 1, 2008, the minimum farebox recovery for Baltimore area services will again be 50%, absent further statutory changes.

Section 7-902 of the Transportation Article requires MTA to maintain a separate 50% minimum farebox recovery ratio for MARC services.

Chapter 447 of 2004 also extended several reporting and auditing requirements related to transit services, including the reporting of performance indicators; the submission of farebox recovery projections; submission of an annual performance report by MTA and Prince George's and Montgomery counties on the status of the performance indicators and comparisons of those indicators to similar systems in the U.S.; provision of an independent management audit; and calculation of the service deficit. Under current law, these provisions are set to expire June 30, 2008.

The Secretary of Transportation must, under specified circumstances, make annual grants to Prince George's and Montgomery counties for eligible local bus service. Subject to specified limitations, the amount of the grants must be equal to 100% of the service deficit attributable to each county less each county's share of MDOT's annual grant to the Washington Suburban Transit District. "Service deficit" means costs less the greater of: (1) revenues; or (2) 40% of the costs and all federal operating assistance.

Background: Farebox recovery measures operating revenues compared to operating expenditures. To the extent expenditures are not covered by fares, the operating deficit is paid from the TTF. Farebox revenue is driven both by the level of the fare assessed as well as ridership. To the extent that ridership growth and corresponding fare revenue do not keep pace with expenditure growth, the farebox recovery rate will decline. Expenditure growth exceeding operating revenue growth is the driving force behind the current declining farebox recovery rate.

Exhibit 1 provides detail on each of the transit services provided that are calculated as part of the Baltimore City farebox requirement. As the table shows, Baltimore City core and commuter bus are estimated to have a farebox recovery rate of approximately 35.0% in fiscal 2008 and 2009, down from the fiscal 2004 actual level of 45.8%. Light rail is beginning to see its farebox recovery rate increase since the double tracking project was completed and is estimated to be 22.0% in fiscal 2009. Metro decreases from 34.5% in fiscal 2004 to an estimated 26.0% in fiscal 2009 as costs have increased and ridership growth has remained relatively flat.

Exhibit 1
MTA Farebox Recovery for Baltimore Area Services
Fiscal 2004-2009

	2004	2005	2006	2007	2008	2009
	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Estimated</u>	<u>Estimated</u>
Baltimore Area Services	39.9%	33.7%	33.2%	31.7%	31.7%	30.8%
Baltimore Core/Commuter Bus	45.8%	37.2%	37.2%	35.0%	35.0%	35.0%
Metro	34.5%	33.2%	30.6%	28.0%	27.0%	26.0%
Light Rail	19.0%	15.4%	16.0%	19.0%	20.0%	22.0%

Source: Maryland Transit Administration

Exhibit 2 provides a historical summary of what the actual farebox recovery has been as well as current estimates for fiscal 2008 and 2009, accounting for fiscal 2008 deficiencies and service enhancements in fiscal 2008 and 2009. As the exhibit shows, the farebox recovery ratio for Baltimore area services is expected to be 30.8% in fiscal 2009; well below the 50.0% requirement. In addition, MARC services for the first time since fiscal 1995 will not cover the 50.0% farebox requirement in fiscal 2009 as a result of operating cost growth and service enhancements.

Exhibit 2
Maryland Transit Administration – Farebox Recovery History
Baltimore Mass Transit Services and
Maryland Rail Commuter (MARC) Commuter Train

<u>Fiscal Year</u>	<u>Baltimore Core Services*</u>	<u>MARC</u> ^(a)	<u>Baltimore Core Service Modes Included or Excluded from Farebox Recovery Calculation</u>	
1984	48.5%	Not Available	All Bus and Metro included ^(b)	
1985	46.9%	Available	All Bus and Metro included	
1986	47.5%	↓	All Bus and Metro included	
1987	52.1%		All Bus and Metro included	
1988	51.0%		All Bus and Metro included	
1989	51.2%		All Bus and Metro included	
1990	50.4%		All Bus and Metro included	
1991	50.3%		All Bus and Metro included	
1992	50.2%		50.7%	All Bus and Metro included, no Light Rail included ^(c)
1993	50.6%		44.3%	All Bus and Metro included, no Light Rail included
1994	50.2%		49.8%	All Bus and Metro included, no Light Rail included
1995	51.6%		49.6%	All Bus and Metro included, no Light Rail included
1996	47.4%	54.5%	Includes all Bus, Metro, and Light Rail	
1997	48.3%	50.5%	Includes all Bus, Metro, and Light Rail	
1998	46.0%	55.7%	Excludes Light Rail that opened December 1997 ^(c)	
1999	46.4%	56.3%	Excludes Light Rail that opened December 1997	
2000	42.3%	65.7%	Excludes Governor's Transportation Initiatives ^(d)	
2001	40.2% ^(e)	58.1%	Excludes Governor's Transportation Initiatives	
2002	37.3%	56.6%	Excludes Governor's Transportation Initiatives	
2003	32.7%	54.7%	Excludes Governor's Transportation Initiatives for first 36 months	
2004	39.9%	57.7%	Excludes Governor's Transportation Initiatives for first 36 months	
2005	33.7%	59.4%	Excludes Governor's Transportation Initiatives for first 36 months	
2006	33.2%	58.9%	Excludes Hamburg Street Station on Light Rail ^(f)	
2007	31.7%	56.2%	Excludes Hamburg Street Station on Light Rail	
2008	31.7%	50.1%	Excludes Hamburg Street Station on Light Rail	
2009	30.8%	42.5%		

* Bold numbers indicate change in farebox recovery rate to 40%.

^(a) The statute governing MARC farebox recovery, Section 7-902, does not allow exclusion of costs and revenues for new services during a start-up period. The farebox recovery requirement is 50%.

^(b) Metro – the first segment opened November 21, 1983. Additional segments were opened July 20, 1987, and May 30, 1995. All segments appear to have been included in farebox recovery calculation starting on the first day of service.

^(c) Light Rail – the first segment opened May 17, 1992. Additional segments were opened August 30, 1992, April 2, 1993, May 20, 1993, and December 6, 1997.

^(d) The Governor's Transportation Initiative (GTI) provided these and other new services that were excluded during their first 36 months of operations: The Hampden Shuttle Bus, Mondawmin Shuttle Bus, restoration of Sunday Metro service that had been discontinued in the early 1990s, expanded Contract Commuter Service from Harford and Howard counties to Baltimore, major service improvements on the Core Bus 8 Line, and major improvements in the Customer Information Center. For the farebox recovery calculation, the starting date was noted for each initiative, with revenues and costs excluded for the first 36 months of each initiative.

^(e) The 50% farebox recovery was reduced to 40% in Chapter 210 of 2000 with a sunset in fiscal 2004 which was later extended to June 30, 2008, in Chapter 447 of 2004.

^(f) A dedication ceremony opening Hamburg Street Station for full-time revenue service was held on July 1, 2005. Previously, the station was open only for special events such as Ravens football games. Estimated revenues and costs for regular revenue service are excluded for fiscal 2006 through 2008.

Source: Maryland Transit Administration; Department of Legislative Services

State Fiscal Effect: Legislative Services notes that MTA finances could be indirectly affected to the extent a reduced statutory farebox recovery requirement leads to MTA implementing any additional transit services than it otherwise would. Any such impact, however, is speculative.

Although the bill modifies the definition of “service deficit” used in calculating grants provided to Montgomery and Prince George’s counties for eligible local bus service, it is unclear if this will have any impact on the amount of grants provided; however, MTA advises that any such impact would likely not be significant.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Maryland Department of Transportation, Department of Legislative Services

Fiscal Note History: First Reader - March 5, 2008
ncs/lgc Revised - House Third Reader - March 25, 2008
Revised - Enrolled Bill - May 2, 2008

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