HB 1026

Department of Legislative Services

Maryland General Assembly
2016 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 1026 (Delegate Lam, *et al.*)
Environment and Transportation

Maryland Transit Administration - Fares - Calculation and Public Comment

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This bill prohibits the Maryland Transit Administration (MTA) from increasing its fares based on the Consumer Price Index (CPI) unless the calculation to determine how much the fares must increase is computed and rounded in a specified manner. MTA may not interpret existing provisions related to fare increases based on CPI to require (1) fares to be increased by at least $0.10 every two years for general transit services or (2) fares to be increased by at least $1 every five years for commuter rail and bus. The bill also requires MTA to (1) hold hearings whenever it proposes to increase fares based on CPI; (2) give notice of any proposal to fix or revise a fare or rate at least six months before implementing the proposal; and (3) prominently display such a notice on its website.

The bill takes effect July 1, 2016.

Fiscal Summary

State Effect: Transportation Trust Fund (TTF) revenues decrease significantly to the extent that the bill results in MTA not increasing fares when it otherwise would have. TTF expenditures increase minimally to conduct additional hearings, as required by the bill. MTA can implement the bill's notice provisions with existing resources.

Local Effect: The bill does not directly affect local operations or finances.

Small Business Effect: Minimal.

Analysis

Bill Summary: MTA may not increase its fares based on the increase in CPI unless the existing fare multiplied by the unrounded percentage increase in the CPI produces an unrounded product that, when added to any unrounded amount that would have occurred in the absence of rounding to the nearest $0.10 or the nearest $1, is properly rounded up to the nearest $0.10 or the nearest $1.

Current Law/Background: MTA operates a comprehensive transit system throughout the Baltimore-Washington metropolitan area, including more than 50 local bus lines in Baltimore and other services such as the light rail, metro subway, commuter buses, Maryland Area Regional Commuter (MARC) trains, and mobility/paratransit vehicles.

MTA must separately recover from fares and other operating revenues at least 35% of the total operating costs for bus, light rail, and metro subway services in the Baltimore region and for passenger railroad services under MTA's control, such as MARC service. This requirement is known as the farebox recovery ratio. MTA may not reduce the level of services provided to meet the farebox recovery ratio.

In order to meet the recovery ratio, the Transportation Infrastructure Investment Act of 2013 (Chapter 429), among other things, requires MTA to increase base fare prices beginning in fiscal 2015; the first required increase took place in June 2015, and the next fare increase is expected to take place in June 2017. Chapter 429 requires the fares to be increased every two years and every five years based on the annual CPI increase and other factors; however, MTA may not increase fares if there is a decline or no growth in CPI. Specifically:

- every two years, MTA must increase base fare prices and the cost of multiuse passes to the nearest 10 cents for all transit services, except commuter rail and commuter bus service, by the same percentage as the biennial increase in CPI for all urban consumers; and
- every five years, MTA must increase one-way zone fare prices and the cost of multiuse passes to the nearest dollar for commuter rail and commuter bus service by at least the same percentage as the five-year increase in CPI for all urban consumers and any additional amount MTA determines is necessary based on other specified factors.

MTA must submit a report to the Senate Budget and Taxation, House Ways and Means, and House Appropriations committees, by December 1 each year, related to the farebox recovery ratio. Among other things, the report must include a discussion of the success or failure to achieve the farebox recovery requirement and the estimated fare prices necessary to achieve the requirement.

MTA must hold a public hearing on all proposed transit plans or proposed revisions or amendments to existing plans, including when it seeks to fix or revise any fare or rate charged to the general public. However, MTA is not required to hold a hearing if it is only increasing its fare prices by the minimum amount required by Chapter 429. Prior to the enactment of Chapter 429, MTA fares had not been increased since fiscal 2004.

State Revenues: MTA advises that, based on what is currently known about the CPI, it is likely that, under the bill, fares are not increased in fiscal 2017, as they would be under current law. Thus, the increase in TTF revenues that is anticipated to result from the fare increase are not realized under the bill.

From the fare increases required by Chapter 429, MTA anticipates increased revenues of $20.0 million in fiscal 2017, $21.0 million in fiscal 2018, $22.0 million in fiscal 2019, $23.0 million in fiscal 2020, and $33.0 million in fiscal 2021. The Department of Legislative Services notes, however, that in addition to the future fare increases required by Chapter 429 that might not occur under the bill, MTA's estimates also reflect the fiscal 2015 increase that has already occurred as well as changing ridership levels. Therefore, much, but not all, of the fiscal 2017 increase noted above is foregone as a result of the bill. If MTA is also unable to increase its fares based on CPI in future years beyond fiscal 2017, TTF revenues further decrease. Pursuant to Chapter 429, additional fare increases based on CPI are required in fiscal 2019 and 2020.

Additional Information

Prior Introductions: None.

Cross File: None.

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

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