Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE
Revised

Senate Bill 557 (Senator Jimeno, et al.)
Finance and Budget and Taxation | Referred to Appropriations

Mass Transit - Fares and Other Revenues and Security

This amended bill authorizes the Mass Transit Administration (MTA) to exclude up to 2% (1% in the first year) of total operating costs for mass transit bus service that has been in operation for less than 18 months when determining fare rates necessary to recover 50% of operating costs. The bill also authorizes MTA to exclude the operating costs of new rail service for up to 18 months when determining the fare rates necessary to recover 50% of operating costs.

The bill provides that the Department of Transportation (DOT) will provide funding for 100% of operating costs for the Washington Metropolitan Area Transit Authority (WMATA) mass transit bus service that has been in operation for less than 18 months. Such expenditures are limited to 1% of total operating costs in fiscal 1997 and 2% in fiscal 1998 and 1999. Further, the bill provides that DOT will fund 100% of the costs for new WMATA rail services. DOT funding for WMATA bus and rail services remains capped at 50% of total operating costs.

The bill also prohibits the annual costs of mass transit bus and rail service from exceeding the budget appropriation in any given fiscal year. The bill provides that no more than $3.5 million may be used annually to offset reductions in revenues as a result of this bill. The bill requires MTA to install and maintain a video monitoring system on all light rail transit vehicles. The bill authorizes the value of monthly passes provided to qualified participants in State-sponsored medical or social service programs to be included as revenue for farebox recovery purposes. The bill sunsets June 30, 1999.

Fiscal Summary

State Effect: Special fund revenues could increase by up to $250,000, and special fund expenditures could increase by $336,000 in FY 1997. Out-year estimates reflect the impact of the bill as fully phased-in.

($ in thousands)	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001
SF Revenues	$250	($2,500)	($1,625)	$0	$0
SF Expenditures	336	420	704	0	0
Net Effect	($86)	($2,920)	($2,329)	$0	$0

Note: ( ) - decrease; GF - general funds; FF - federal funds; SF - special funds

Local Effect: None.

Fiscal Analysis

State Revenues:

Mass Transit Administration

New light rail service will be exempted under the bill for an 18 month period. This applies only to the planned June 1997 opening of light rail extensions to Hunt Valley, Penn Station, and the BWI Airport. The current light rail system operates between Cromwell Station and Timonium, with trains running every 15 minutes. The MTA plans to operate two lines of service. The first line would operate between Cromwell Station and Hunt Valley, with the portion from Timonium to Hunt Valley exempted from farebox calculations. A second line would run from Penn Station to BWI, with the entire line exempted. From a rider's standpoint, trains would run every 7.5 minutes between Cromwell Station and University of Baltimore-Mt. Royal Avenue near the State office complex. The additional cost of the new service on the Penn Station to BWI Airport is estimated at $9.0 million annually. If the 50% farebox policy was in effect, this line would have to generate revenues of $4.5 million. Assuming that ridership generates only a 25% farebox recovery, the MTA will be providing a $2,250,000 additional fare subsidy for this line. It should be noted that some of the passenger revenue that will be credited to the Penn Station-BWI Airport line may be a diversion of revenues currently collected on the Timonium-Cromwell Station line. This aspect has not been included in the calculations.

Exemptions for new bus service are limited to 1% of the total bus budget in fiscal 1997 ($1.0 million), and 2% in fiscal 1998 and 1999 ($2.0 million total in each year). However, the agency must stay within the legislative appropriation each year. For fiscal 1997 the agency plans to reduce operating expenses by $1.0 million to implement new bus service. This would increase the overall farebox recovery rate from 51.2% to 51.1%, while bringing in an estimated $250,000 in revenue assuming a 25% recovery rate. In fiscal 1998 and 1999, it is assumed that new service up to $2.0 million will be requested in the allowance. Again, assuming a 25% farebox recovery, additional trust fund subsidies would total $250,000 in fiscal 1998 and $500,000 in fiscal 1999.

State Expenditures:

Washington Metropolitan Area Transit Authority

Section 10-205 of the Transportation Article provides that the State shall pay up to 50% of the operating costs of the metrorail and metrobus systems attributable to Maryland. The apportionment of metrorail costs is based on the number of stations, passengers, and population in the State. Funds for metrobus are based on the number of bus miles and bus hours of operation in Maryland. The WMATA system does not have a statutory farebox requirement, but due to strong metrorail ridership is able to maintain a 53% recovery rate. Maryland's subsidy funds the remaining 47% ($108.7 million in fiscal 1997). If the farebox recovery falls below 50%, Montgomery and Prince George's counties are responsible for paying the additional operating costs.

Under the legislation, Maryland would pay the additional subsidy associated with any new service for an 18 month period. The identical restrictions which are on the MTA budget for bus service also apply to the Washington system. WMATA does not currently plan to add any new metrobus service over the next five years. However, this does not preclude the agency from requesting new service in the future based on the assumption that this legislation is enacted. One metrorail extension would be added during fiscal 1999, from Wheaton to Glenmont. The agency estimates a 40% farebox recovery for the extension, therefore additional State expenditures of $200,000 could be required. If this legislation was not enacted, Maryland would still be obligated to pay this cost as the current fare recovery rate is above 50%. It is important to note that additional State expenditures would only be required if the overall farebox recovery were to fall below 50%. At the current recovery rate of 53%, the new metrorail service and additional bus services probably could be absorbed during this three year period without the overall rate falling below 50%.

Transitional Emergency and Medical Housing Assistance (TEMHA)

Last year the administration abolished the Disability Assistance and Loan Program (DALP) which was later replaced by TEMHA. In September 1995 the Governor requested the MTA to provide monthly passes for TEMHA participants. Passes were subsidized with funds from the transportation trust fund and were counted by the MTA as farebox revenue. The Attorney General has advised that trust fund revenues may not be counted as farebox revenue. The bill would allow the trust fund subsidy to be counted as farebox revenue. It should be noted if the passes were funded by general funds, the amount would qualify as farebox revenue. As of April 1996 approximately 600 TEMHA participants were receiving monthly passes. On an annualized basis this would cost the trust fund $100,800. For purposes of this analysis it is assumed that as many as 2,000 of the 15,000 TEMHA recipients could request free monthly passes. This number could increase to 2,500 in fiscal 1998 and 3,000 in fiscal 1999. Under the assumption the annual cost could total $336,000 to $504,000. If the number of passes varied from the estimates the costs would increase or decrease.

Information Source(s): Department of Transportation (Mass Transit Administration), Department of Fiscal Services

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