

Department of Legislative Services
Maryland General Assembly
2000 Session

FISCAL NOTE

House Bill 1238 (Delegate Mitchell. *et al.*)

Ways and Means

**Mass Transit Administration - Reduction of Fare Recovery Ratio - Plan to Offset
Reduced Revenues**

This bill requires the Mass Transit Administration (MTA), if the Maryland Department of Transportation (MDOT) or the MTA proposes a reduction of the 50% fare recovery requirement, to provide the appropriate committees of the General Assembly with a detailed proposal for offsetting any reduction in revenues from fares and other operating revenues with revenues from sources other than motor fuel taxes, vehicle titling taxes, and vehicle registration fees.

The bill is effective July 1, 2000.

Fiscal Summary

State Effect: The MTA could perform the requirements of the bill with existing resources.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: The MTA is required to recover at least 50% of eligible net operating expenses of the bus and rail lines (Metro subway and light rail) under its jurisdiction through fares and other operating revenues. Current law also mandates a separate 50% farebox requirement for MARC train service. There are no specific reporting requirements for proposals to change the farebox recovery requirement.

Background: The first farebox recovery requirement for the bus system was enacted in 1982 (Chapter 238). MDOT advises that the mandate was introduced to provide funding

equity with highway users and to ensure that transit operations would be operated efficiently. The 50% recovery level was chosen because the Baltimore bus service had historically recovered about 50% of costs. Since 1982, the farebox recovery law has been updated to include new services. Baltimore Metro services and light rail were later added to the farebox requirement. Initially, the new services were excluded from the farebox calculation, so that ridership could be developed. The subway exclusion expired in 1988 and the light rail exclusion expired in 1996.

In December 1998, MDOT estimated that Metro would either need to reduce costs (most likely through service reductions given the high level of fixed costs) by 24% (\$9.8 million) or increase average daily ridership by 50% to 69,000 at the current fare structure to achieve farebox recovery. Similarly, light rail expenditures would need to be reduced by 40% (\$6.1 million) or ridership would need to increase by 120% to 57,000 daily trips. In sum, achieving a 50% farebox recovery from the rail systems would require substantial service reductions, ridership increases, or fare increases.

The goal to double transit ridership was set by the Transit Advisory Panel in its February 1999 report. The report noted that to achieve this, State law requiring that farebox revenues recover 50% of costs might need to be changed. Recently, the Commission on Transportation Investment has recommended that the 50% farebox recovery requirement be replaced with performance indicators and management audits.

Additional Information

Prior Introductions: None.

Cross File: None.

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

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