

**Department of Legislative Services**  
 Maryland General Assembly  
 2008 Session

**FISCAL AND POLICY NOTE**

House Bill 135 (Delegate Nathan-Pulliam, *et al.*)  
 Environmental Matters

**Transportation - Free Public Transportation During Off-Peak Hours for Senior Citizens**

This bill requires the Maryland Department of Transportation (MDOT) to issue free annual transit passes to senior citizens (age 62 and older). The passes would be valid for local bus, light rail, or metro subway service provided during off-peak hours by the Maryland Transit Administration or by a transit service operated by a local government. MDOT must adopt regulations to implement the bill.

**Fiscal Summary**

**State Effect:** Transportation Trust Fund revenues from fares could decrease by an estimated \$2.0 million in FY 2009. Future year revenue losses reflect ridership growth and annualization. TTF expenditures would increase by an estimated \$1.0 million in FY 2009 for the purchase of software.

(in dollars)	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
SF Revenue	(\$1,968,800)	(\$2,677,500)	(\$2,731,100)	(\$2,785,700)	(\$2,841,400)
SF Expenditure	1,000,000	0	0	0	0
Net Effect	(\$2,968,800)	(\$2,677,500)	(\$2,731,100)	(\$2,785,700)	(\$2,841,400)

*Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect*

**Local Effect:** Potential significant reduction in local transit fare revenues. **The bill may impose a mandate on a unit of local government.**

**Small Business Effect:** None.

## Analysis

**Current Law:** The Transportation Trust Fund was created in 1971 as a dedicated fund to pay for MDOT's activities. Bus and rail fares are one of the revenue sources of the TTF. All department expenditures are made through the TTF and may be used for any lawful purpose related to the department's rights, powers, duties, and obligations subject to the appropriation limits approved within the annual State budget. A portion of the revenues credited to the TTF is shared with local governments and other State agencies.

MTA is responsible for public transportation and operates and maintains the public bus, subway, and rail systems. MTA operates and maintains the Baltimore Metro subway system, the Central Light Rail Line, and the Maryland Commuter (MARC) Rail passenger service. MTA also provides transportation to the Baltimore metropolitan area. The Baltimore area system consists of bus and rail elements providing intra-city transportation and linking the city to points in suburban counties, including Anne Arundel County and Baltimore County. Commuter bus service also links Howard and Harford counties to Baltimore City, and southern Maryland to Washington, DC.

Section 7-208 of the Transportation Article requires MTA to obtain a 40% 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 in fiscal 2009, the minimum farebox recovery for Baltimore area services will be 50% unless legislation is introduced extending the 40% farebox recovery requirement.

**Background:** Changes in public transportation use by seniors can include disability, lack of car ownership, retirement from the work force, and reduced income. The Transportation Research Board of the National Academies reports that nearly 70% of all persons over age 65 live in the suburban areas of large metropolitan areas, and people aged 65 and over are expected to use transportation systems in a manner similar to their younger counterparts.

**State Fiscal Effect:** Transportation Trust Fund revenues could decrease by an estimated \$2.0 million in fiscal 2009 due to a reduction in fares collected. This estimate, which reflects the bill's October 1, 2008 effective date, is based on the following information and assumptions:

- in fiscal 2007, MTA collected \$5.5 million in fares from senior and disabled customers;
- seniors comprise an estimated 75% of these revenues;

- senior ridership levels are evenly distributed between on- and off-peak periods; and
- an estimated 112,500 smart cards are issued to seniors annually (\$5 per card).

Future year revenue losses are annualized and assume a 2% annual growth in ridership. The current statutory minimum requirement for farebox recovery is 40% which MTA has not achieved. Beginning in fiscal 2009, the current minimum farebox recovery ratio will sunset and 50% will be required. DLS estimates that TTF revenue decreases of an estimated \$2.0 million could result in an estimated 1.9% reduction of farebox recovery for Baltimore area services and MARC. This estimate reflects the analysis presented above and the \$109.5 million in passenger revenues that are included as a component of MTA's farebox recovery budget appropriation for fiscal 2007.

Lost farebox revenues will result in a diversion of other TTF expenditures to pay for the transit service affected by the bill. TTF expenditures could also increase by \$1.0 million in fiscal 2009 to purchase software capable of tracking seniors separately from other riders and tracking on- and off-peak senior ridership.

**Local Fiscal Effect:** However, Legislative Services notes that the Governor's proposed fiscal 2009 budget includes \$1.4 million in special funds from the TTF to support Locally Operated Transit Systems (LOTS) grants, which MTA provides to local jurisdictions to support local transit. LOTS grants may act to reduce the loss in revenues incurred by local jurisdictions by this bill.

Local government revenues from transit fares would decrease as a result of the bill's changes. Local governments typically collect fees from seniors for transit services, which can include fixed route bus service and curb-to-curb service. Although the total amount local jurisdictions currently collect from senior riders during off-peak hours is unknown, based on information provided by Anne Arundel County, the bill's impact could be significant for some local jurisdictions. Although Anne Arundel County itself does not charge seniors for curb-to-curb service, the county advises that it knows of no other county in the State that provides free transit services to seniors.

The extent to which local jurisdictions will offset any revenue loss by reducing transit services, increasing rates for other riders during off-peak hours, or increasing rates for all riders during peak hours is unknown.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** Anne Arundel County, Howard County, Montgomery County, Maryland Department of Transportation, Department of Legislative Services

**Fiscal Note History:** First Reader - February 4, 2008  
mll/lgc

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