Department of Legislative Services

Maryland General Assembly
2012 Session

FISCAL AND POLICY NOTE

Senate Bill 1062 (Senator Pipkin)
Budget and Taxation

Transportation - Rail Projects - Farebox Recovery Requirement

This bill prohibits the Maryland Transit Administration (MTA) from constructing, acquiring, or incurring a commitment or obligation in connection with any light rail or heavy rail transit facilities specified in a transit plan unless MTA separately recovers from fares and other operating revenues at least 35% of the total operating costs for light rail and Metro subway services in the Baltimore region.

Fiscal Summary

State Effect: To the extent MTA achieves 35% cost recovery, as required by current law, the bill does not materially affect State finances. However, to the extent MTA does not achieve 35% cost recovery, Transportation Trust Fund (TTF) expenditures decrease, potentially significantly, in FY 2013 and future years due to reducing transit expenditures. Revenues are not directly affected.

Local Effect: The bill is not expected to materially affect local operations or finances.

Small Business Effect: Minimal.

Analysis

Current Law: 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 Maryland Area Regional Commuter (MARC) train service. To achieve this requirement, MTA must adjust fare prices and other operating revenues as needed and may not reduce the level of services provided.

MTA must submit a report to the Senate Budget and Taxation, House Ways and Means, and House Appropriations committees by December 1 annually, providing specified farebox recovery ratio information.

The Budget Reconciliation and Financing Act of 2011 (Chapter 397) requires MTA to increase fares or other operating revenues to meet the 35% statutory farebox recovery requirement, prohibits MTA from reducing services to meet the farebox recovery requirement, and requires MTA to include the estimated fare prices necessary to achieve farebox recovery in its annual report.

MTA may not construct, acquire, or incur a commitment or obligation in connection with any transit facilities specified in a transit plan until the necessary funds are available or provision has been made for the funds under specified funding provisions of the Transportation Article.

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, MARC trains, and mobility/paratransit vehicles. MTA fares were last increased in fiscal 2004.

The farebox recovery ratio is the ratio of public transit operating revenues compared to operating expenditures. To the extent expenditures are not covered by fares, the operating deficit for public transit is paid from TTF. Farebox revenue is impacted by both the level of fare assessed as well as ridership. To the extent ridership growth and corresponding fare revenue do not keep pace with expenditure growth, the farebox recovery ratio declines.

As illustrated in **Exhibit 1**, MTA has not achieved 35% farebox recovery for Baltimore area services in recent years. MTA's Baltimore area services ratio decreased from 32% in fiscal 2007 to 28% in fiscal 2011. This decline is largely attributed to annual operating expenditures, for items such as labor, fuel, and equipment repair, growing faster than annual operating revenues.

For contextual purposes, MTA estimates that $18.8 million in additional revenue would be required in fiscal 2013 to achieve the 35% farebox recovery ratio for Baltimore area services currently provided.

Exhibit 1
MTA Farebox Recovery Ratio
Fiscal 2007-2012

	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012*
Baltimore Area Services	32%	29%	31%	28%	28%	28%
MARC	56%	53%	44%	48%	50%	50%

MARC: Maryland Area Regional Commuter
*Estimate
Source: Maryland Transit Administration

State Expenditures: To the extent MTA achieves 35% cost recovery, as required by current law, the bill does not materially affect State finances. However, as described above, MTA has not complied with the statutory 35% cost-recovery requirement in recent years for Baltimore area services. In fiscal 2011, MTA achieved 17% cost recovery for light rail, 26% cost recovery for Metro subway, and 30% cost recovery for local and commuter buses. Thus, to the extent MTA does not achieve 35% cost recovery for light rail and Metro subway services in the Baltimore region, TTF expenditures decrease, potentially significantly, in fiscal 2013 and future years due to reducing transit expenditures in accordance with the bill's prohibition.

Additional Comments: Because "transit plan" is not defined, the bill's impact is not clear. The phrase "light rail or heavy rail transit facilities specified in a transit plan" may refer to just large transit projects that are currently under development, such as the Red and Purple lines and Corridor Cities Transitway; however, the term may be interpreted more broadly to affect all operating and capital expenditures associated with MARC and MTA's existing light rail and Metro subway facilities. MTA advises that while the bill does not define "light rail" or "heavy rail" transit facilities, standard industry definitions of these terms exist.

Additional Information

Prior Introductions: None.

Cross File: None.

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

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Analysis by: Amanda Mock

Direct Inquiries to:
(410) 946-5510
(301) 970-5510