SB 834

Department of Legislative Services

Maryland General Assembly
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FISCAL AND POLICY NOTE

Senate Bill 834 (Senator Pipkin)
Budget and Taxation

Transit Facilities - Farebox Recovery Deficiency - Payment by Political Subdivisions to State

This bill requires a political subdivision that receives Maryland Transit Administration (MTA) transit services to remit a payment to the State if MTA fails to achieve 35% farebox recovery in that subdivision. A political subdivision must pay an amount equivalent to the difference between (1) 35% of the total operating costs for transit services in that subdivision; and (2) the recovery from fares and operating revenues in that subdivision. If a transit facility provides service across more than one political subdivision, the payment amount must be apportioned among the subdivisions in shares that are proportional to the length of the transit facility segment within each subdivision.

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) revenues increase, potentially significantly, in FY 2013 and future years due to transit payments from local jurisdictions. Expenditures are not affected.

Local Effect: To the extent MTA does not achieve 35% cost recovery, local expenditures increase, potentially significantly, in FY 2013 and future years due to transit payments to the State. Revenues are not affected. **This bill may impose a mandate on a unit of local government**.

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 must hold a public hearing on all proposed transit plans or proposed revisions or amendments to existing plans.

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.

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 Revenues: To the extent MTA achieves 35% cost recovery in accordance with 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. Thus, to the extent MTA does not achieve 35% cost recovery, TTF revenues increase, potentially significantly, in fiscal 2013 and future years due to receiving payments from local jurisdictions.

For illustrative purposes, MTA estimates that $18.8 million in additional revenue would be required in fiscal 2013 to achieve the 35% farebox recovery ratio.

Local Fiscal Effect: To the extent MTA does not achieve 35% cost recovery, local expenditures increase, potentially significantly, in fiscal 2013 and future years to make transit payments to the State. Because MTA’s bus, light rail, and Metro subway services are located in the Baltimore region, the bill primarily affects Baltimore City and Anne Arundel, Baltimore, and Howard counties.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Baltimore City, Howard and Montgomery counties, Maryland Department of Transportation, Department of Legislative Services

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mc/lgc

Analysis by: Amanda Mock

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