

Department of Legislative Services
Maryland General Assembly
2014 Session

FISCAL AND POLICY NOTE
Revised

House Bill 636
Ways and Means

(Delegate Arora, *et al.*)

Finance

Maryland Transit Administration - Commuter Benefits Program

The bill requires the Maryland Transit Administration (MTA) to prepare transit plans to make improvements to fare payment systems that will (1) allow for the processing of fare media in electronic form and (2) provide electronic fare media for distribution to employees as part of a commuter benefits program.

Fiscal Summary

State Effect: MTA can prepare the required plans, and review and revise them periodically, with existing budgeted resources. Although the bill does not require MTA to implement the plans, Transportation Trust Fund expenditures may increase significantly if MTA chooses to do so. Revenues are not directly affected.

Local Effect: The bill does not materially affect local governmental operations or finances.

Small Business Effect: None. The bill does not directly affect small businesses.

Analysis

Current Law: MTA is responsible for preparing transit plans to meet the transit needs of the Metropolitan Transit District and other areas where railroad service is provided by contract with MTA or railroad facilities are owned by MTA. These plans must be reviewed and revised periodically by MTA and must include information related to transit facility construction and location, capital costs, operating expenses and revenues, areas of service, fares and charges for service, and any other information that MTA considers relevant.

A proposed plan, revision, or amendment to an existing plan is not effective and cannot be implemented until it has been adopted by the Secretary of Transportation. The Secretary may only approve or adopt the location of specified facilities once the locations have been approved by the appropriate legislative body of the political subdivision. MTA must hold a public hearing on the proposed plan, revision, or amendment and must send the proposed plan, revision, or amendment to specified entities for comment.

Background: Transportation benefits are fringe benefits that may be provided to employees by an employer and that can be administered directly through the employer or managed by a third-party administrator. Commonly known as commuter benefits programs, these programs allow employees to reduce expenses for mass transit, vanpooling, and work-related parking costs up to a certain amount each month, thereby encouraging the use of these commuting options. Additionally, any money used by an employee for transit expenses under a commuting benefits program is pre-tax for the purposes of the federal income tax. In addition to direct savings for employees, employers may save through the Maryland Commuter Tax Credit, which equals 50% of the provided benefit up to a maximum credit of \$50 per participating employee per month, and by paying less in payroll tax because the benefits are considered a tax-free fringe benefit rather than a wage or salary.

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, Maryland Area Regional Commuter trains, and mobility/paratransit vehicles. MTA sells physical passes to riders for transit service and allows certain types of electronic fare media for fare payment. Electronic fare media includes rechargeable magnetic cards, such as the Washington Metropolitan Area Transit Authority SmarTrip card or the MTA Charmcard, and may include programs that allow fare purchase or proof of purchase through a portable electronic device such as a smartphone.

State Expenditures: Because the bill does not require MTA to implement fare system enhancements, the bill's requirements can be handled with existing budgeted resources. If and when MTA chooses to implement such enhancements, TTF expenditures likely increase, potentially significantly to upgrade MTA's existing Automatic Fare Collection System.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of Budget and Management; Comptroller's Office; Judiciary (Administrative Office of the Courts); Maryland Department of Transportation; University System of Maryland; Baltimore, Howard, and Montgomery counties; Internal Revenue Service; Department of Legislative Services

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