

Department of Legislative Services
Maryland General Assembly
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FISCAL AND POLICY NOTE
First Reader

House Bill 891
Appropriations

(Delegate Lierman, *et al.*)

Maryland Transit Administration - Farebox Recovery Rate - Repeal

This bill repeals the requirement that the Maryland Transit Administration (MTA) must recover at least 35% of its total operating costs from fares and other operating revenues derived from its bus, light rail, and metro subway services in the Baltimore region, as well as other railroad services under its control. The bill also repeals provisions that require MTA to increase fare prices as specified and makes conforming changes related to an annual report that MTA must provide to specified legislative committees.

Fiscal Summary

State Effect: Transportation Trust Fund (TTF) revenues may decrease significantly to the extent that MTA chooses not to increase its fares as a result of the bill; however, TTF revenues are not affected if MTA continues to increase fares as it would under current law. Thus, the fiscal impact of the bill cannot be reliably estimated at this time. TTF expenditures are not directly affected.

Local Effect: The bill does not directly affect local government operations or finances.

Small Business Effect: Minimal.

Analysis

Bill Summary: The bill repeals the following requirements related to fare increases by MTA:

- every two years, MTA must increase fare prices for all transit services except commuter rail and commuter bus service in a specified manner and based on the Consumer Price Index (CPI) for all urban consumers;
- every five years, MTA must increase one-way zone fare prices in a specified manner for commuter rail and commuter bus service based on numerous factors, including the CPI for all urban consumers and other specified factors that may affect commuting costs (such as monthly parking fees, the retail price per gallon of motor fuel, the amount of any monthly federal commuting subsidy, and fare prices for intercity rail service);
- for an increase in fare prices by the minimum amount required based on the CPI increase described above, MTA is not required to hold a public hearing about the increase;
- MTA may not increase fares beyond what is required based on the CPI increase and other factors discussed above; and
- MTA may not increase fares if there is a decline or no growth in the CPI.

Current Law/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, Maryland Area Regional Commuter (MARC) trains, and mobility/paratransit vehicles.

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 MARC service. This requirement is known as the farebox recovery ratio. MTA may not reduce the level of services provided to meet the farebox recovery ratio. In order to meet the recovery ratio, the Transportation Infrastructure Investment Act of 2013 (Chapter 429), among other things, requires MTA to increase base fare prices beginning in fiscal 2015; the first required increase took place in June 2015, and the next fare increase is expected to take place in June 2017. Chapter 429 requires the fares to be adjusted every two years and every five years based on the annual CPI increase and other factors. Prior to the enactment of Chapter 429, MTA fares had not been increased since fiscal 2004.

MTA must submit a report to the Senate Budget and Taxation, House Ways and Means, and House Appropriations committees by December 1 each year related to the farebox recovery ratio. Among other things, the report must include a discussion of the success or

failure to achieve the farebox recovery requirement and the estimated fare prices necessary to achieve the requirement.

MTA must hold a public hearing on all proposed transit plans or proposed revisions or amendments to existing plans, including when it seeks to fix or revise any fare or rate charged to the general public.

As shown in **Exhibit 1**, MTA's MARC train service is the only transit service that consistently met the 35% farebox recovery ratio between fiscal 2011 and 2015.

Exhibit 1
MTA's Farebox Recovery Ratio by Transit Type
Fiscal 2011-2015

	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>
Core Bus & Contract Bus	29%	29%	30%	28%	31%
Metro	25%	28%	26%	24%	21%
Light Rail	17%	16%	16%	16%	16%
Baltimore Area Services*	28%	27%	27%	28%	25%
Washington Contract Bus	33%	28%	25%	33%	30%
MARC	55%	56%	55%	50%	44%

*Baltimore Area Services does not include mobility paratransit.

Source: Maryland Department of Transportation

State Revenues: Repealing the farebox recovery requirement and the automatic fare increases that are required under current law does not necessarily have a direct effect on MTA's TTF revenues. The bill's fiscal impact depends on if and how MTA changes its fare rates under the discretion it is granted under the bill. Numerous factors may influence MTA's decision to increase, decrease, or maintain its fare rates in any given year, including ridership levels, public input, and available TTF funding. However, it is assumed that MTA does not increase its fares by *more* than what would have been required under Chapter 429 of 2013. As noted above, prior to the enactment of Chapter 429, MTA had not increased fare rates since 2004.

Therefore, under the bill, MTA is likely to either (1) continue to increase its fares based on the CPI, even though the requirement to do so is repealed by the bill, resulting in no impact on TTF or (2) maintain its current fare rates in future years, resulting in a revenue loss for TTF. From the fare increases required by Chapter 429, MTA anticipates increased revenues of \$20.0 million in fiscal 2017, \$21.0 million in fiscal 2018, \$22.0 million in

fiscal 2019, \$23.0 million in fiscal 2020, and \$33.0 million in fiscal 2021. The Department of Legislative Services notes, however, that in addition to the future fare increases required by Chapter 429 that are repealed by the bill, MTA's estimates also reflect the fiscal 2015 increase that has already occurred as well as changing ridership levels. Therefore, if MTA maintains its current fare rates in future years as a result of the bill, much, but not all, of the increases noted above are not realized.

Additional Information

Prior Introductions: None.

Cross File: Although designated as a cross file, SB 1035 (Senator Madaleno, *et al.* - Budget and Taxation) is not identical.

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

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