

Department of Legislative Services
Maryland General Assembly
2017 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

House Bill 271

(Delegate Lierman, *et al.*)

Appropriations and Environment and
Transportation

Budget and Taxation

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 makes conforming changes to current law and MTA's reporting requirements.

The bill takes effect July 1, 2017.

Fiscal Summary

State Effect: Transportation Trust Fund (TTF) revenues are not affected by the bill's repeal of the farebox recovery rate; MTA is required to regularly increase fares under Chapter 429 of 2013, and it is unlikely that MTA would increase fares beyond what is required by Chapter 429 absent the bill, as discussed below. TTF expenditures are not affected.

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

Small Business Effect: Minimal.

Analysis

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 Consumer Price Index 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 2012 and 2016.

Exhibit 1
MTA's Farebox Recovery Ratio by Transit Type
Fiscal 2012-2016

	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>
Core Bus & Contract Bus	29%	30%	28%	28%	29%
Metro	28%	26%	24%	21%	23%
Light Rail	16%	16%	16%	16%	18%
Baltimore Area Services*	27%	27%	28%	25%	26%
Washington Contract Bus	28%	25%	33%	30%	34%
MARC	56%	55%	50%	44%	44%

MTA: Maryland Transit Administration

MARC: Maryland Area Regional Commuter

*Baltimore Area Services does not include mobility paratransit.

Source: Department of Budget and Management: Managing for Results Statistics

State Revenues: The bill leaves in place the fare increases mandated by Chapter 429; in the absence of the bill, MTA may have increased fares by more than is mandated in order to meet the required 35% farebox recovery ratio. However, MTA has historically resisted fare increases and did not raise them high enough to meet the ratio with the first mandated increase in 2015. Therefore, it is not anticipated that it would have done so in 2017 either, even if the 35% threshold remained in statute. Accordingly, it is assumed that repealing the farebox recovery requirement has no effect on MTA's revenues.

Additional Information

Prior Introductions: None.

Cross File: SB 484 (Senator Madaleno, *et al.*) – Budget and Taxation.

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

Fiscal Note History: First Reader - February 3, 2017
mm/mcr Third Reader - March 20, 2017
Revised - Amendment(s) - March 20, 2017

Analysis by: Richard L. Duncan

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