



**Maryland Department of Transportation**  
The Secretary's Office

**Martin O'Malley**  
Governor

**Anthony G. Brown**  
Lt. Governor

**James T. Smith, Jr.**  
Secretary

January 8, 2015

The Honorable Edward J. Kasemeyer  
Chair  
Senate Budget and Taxation Committee  
3 West Miller Senate Office Building  
Annapolis MD 21401-1991

The Honorable Maggie McIntosh  
Chair  
House Appropriations Committee  
121 House Office Building  
Annapolis MD 21401-1991

The Honorable Sheila Hixson  
Chair  
House Ways and Means Committee  
131 House Office Building  
Annapolis MD 21401-1991

Dear Chair Kasemeyer, Chair McIntosh, and Chair Hixson:

Please see the attached report prepared by the Maryland Transit Administration (MTA) concerning *MTA's Farebox Recovery Ratios*. This report was prepared to meet the requirements set forth in the Budget Reconciliation and Financing Act (Chapter 397, Acts of 2011). The Transportation Article, § 7-208 language requires:

- “(b)(1) For fiscal year 2009 and each fiscal year thereafter, the Administration shall separately recover from fares and other operating revenues at least 35 percent of the total operating costs for:*
- (i) The Administration's bus, light rail, and Metro subway services in the Baltimore region; and*
  - (ii) All passenger railroad services under the Administration's control.*
- (2) The Administration shall submit, in accordance with § 2-1246 of the State Government Article, an annual report to the Senate Budget and Taxation Committee, House Ways and Means Committee, and House Appropriations Committee by December 1 of each year that includes:*
- (i) Separate farebox recovery ratios for the prior fiscal year for:*
    - 1. Bus, light rail, and Metro subway services provided by the Administration in the Baltimore region;*
    - 2. Commuter bus service provided under contract to the Administration in the Baltimore region; and*
    - 3. Maryland Area Rail Commuter (MARC) service provided under contract to the Administration;*
  - (ii) A discussion of the success or failure to achieve the farebox recovery requirement established in paragraph (1) of this subsection; and*

The Honorable Edward J. Kasemeyer  
The Honorable Maggie McIntosh  
The Honorable Sheila Hixson  
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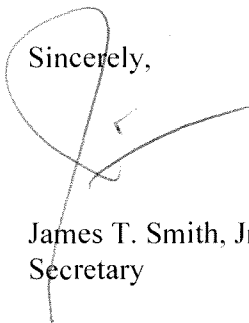
- (iii) *Comparisons of farebox recovery ratios for the Administration's mass transit services and other similar transit systems nationwide; and*
- (iv) *The estimated fare prices necessary to achieve the farebox recovery requirement established in paragraph (1) of this subsection for the next fiscal year."*

For your information, the Baltimore-area Commuter Bus data is provided by MTA from contractor invoices showing costs minus revenue collected for service. As farebox recovery is typically calculated using the ratio of revenue compared to cost, MTA's data cannot be verified by Financial Management Information System (FMIS) data, which uses the costs figure only with no reference to the revenue collected. In the past, this was problematic when the Department of Legislative Services attempted to verify MTA's numbers. For the purposes of this report and using the costs minus revenue collected for service methodology, the MTA estimates the current farebox recovery ratio is approximately 35 percent.

As it has done in the past, the MTA planned to include comparisons to similar nationwide systems in their Annual Performance Indicators (API) report, which is prepared separately from the farebox recovery report. Due to delays in processing data submitted by transit systems nationwide to the Federal Transit Administration's (FTA's) National Transit Database (NTD), the NTD still does not contain FY 2013 farebox recovery rate information. Without the FY 2013 NTD data, MTA would essentially be resubmitting last year's report, which would not provide any meaningful new information. MTA continues to monitor the NTD daily. Once the NTD data is received, MTA will complete and submit the API report as required.

If you have any questions concerning this report, please do not hesitate to contact Mr. Robert Smith, MTA Administrator, at 410-767-3943. Of course, you should always feel free to contact me directly.

Sincerely,



James T. Smith, Jr.  
Secretary

cc: The Honorable Thomas V. "Mike" Miller, Jr., President, Maryland Senate  
The Honorable Michael E. Busch, Speaker, Maryland House of Delegates  
Members of the Senate Budget and Taxation Committee  
Members of the House Appropriations Committee  
Members of the House Ways and Means Committee  
Mr. Robert Smith, Administrator, MTA

A Report to the Maryland General Assembly

Senate Budget and Taxation Committee,

House Appropriations Committee, and

House Ways & Means Committee

regarding

Farebox Recovery –  
Attainment and Operational Requirements  
(Transportation Article, § 7-208(b)(2))

Maryland Transit Administration  
The Maryland Department of Transportation

December 2014

# Farebox Recovery – Attainment and Operational Requirements (Transportation Article §7-208(b)(2))

## Introduction

This report was prepared to meet the requirements set forth in Transportation Article § 7-208(b)(2), which directs:

*“(b)(1) For fiscal year 2009 and each fiscal year thereafter, the Administration shall separately recover from fares and other operating revenues at least 35 percent of the total operating costs for:*

*(i) The Administration’s bus, light rail, and Metro subway services in the Baltimore region; and*

*(ii) All passenger railroad services under the Administration’s control.*

*(2) The Administration shall submit, in accordance with § 2-1246 of the State Government Article, an annual report to the Senate Budget and Taxation Committee, House Ways and Means Committee, and House Appropriations Committee by December 1 of each year that includes:*

*(i) Separate farebox recovery ratios for the prior fiscal year for:*  
*1. Bus, light rail, and Metro subway services provided by the Administration in the Baltimore region;*

*2. Commuter bus service provided under contract to the Administration in the Baltimore Region; and*

*3. Maryland Area Rail Commuter (MARC) service provided under contract to the Administration;*

*(ii) A discussion of the success or failure to achieve the farebox recovery requirement established in paragraph (1) of this subsection;*

*(iii) Comparisons of farebox recovery ratios for the Administration’s mass transit services and other similar transit systems nationwide;<sup>1</sup> and*

*(iv) The estimated fare prices necessary to achieve the farebox recovery requirement established in paragraph (1) of this subsection for the next fiscal year.”*

## Background

Historically, the Maryland Transit Administration (MTA) has been subject to requirements that a certain percentage of operating expenses for its system be recovered from farebox revenue.

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<sup>1</sup> MTA usually includes farebox recovery comparisons to similar systems nationwide in its Annual Performance Indicators (API) report, which is prepared separately from the farebox recovery report. Unfortunately, the API report cannot be completed as it requires the MTA to use data from the Federal Transit Administration’s (FTA) National Transit Database (NTD). The FTA has been delayed from updating the NTD with the transition to a new database platform. As of December 3, 2014, the NTD still does not contain FY2013 data. Without the FY2013 NTD data, MTA cannot make meaningful comparisons with peer systems. MTA continues to check the NTD for updated data on a daily basis.

## Farebox Recovery – Attainment and Operational Requirements (Transportation Article §7-208(b)(2))

Chapter 684, Acts of 2008 (HB 1185), amended the farebox recovery requirement to 35 percent and explicitly added farebox recovery data to MTA’s annual performance report.

Chapter 397, Acts of 2011 (HB 72), provided MTA “may not reduce the level of services provided by the administration for the purpose of achieving the farebox recovery requirement.”

Chapter 429, Acts of 2013 (HB 1515), required the Maryland Transit Administration to increase base fare prices and the cost of multiuse passes to the nearest 10 cents for all transit services, except for commuter rail and commuter bus service, by the same percentage as the biennial increase in the Consumer Price Index for all urban customers, as determined from January 1, 2012 to December 31, 2013, and each subsequent 2-year period for which the amount is being calculated. HB 1515 also requires MTA, every five years, to increase one-way zone fare prices and the cost of multiuse passes to the nearest dollar for commuter rail and commuter bus service by at least the same percentage as the 5-year increase in the Consumer Price Index as determined from January 1, 2009 to December 31, 2013 and each subsequent five-year period for which the amount is being calculated. Finally, HB 1515 allows the MTA, when increasing commuter bus and rail fares, to consider other factors affecting commuting costs applicable to the jurisdictions in which the Administration provides commuter service, including: monthly parking fees, the retail price per gallon of motor fuel, the amount of any federal subsidy, fare prices for intercity rail service and any other relevant commuting costs. These “additional costs” can be used to determine the amount of a commuter bus or rail fare increase over and above the amount of the five-year increase in consumer prices.

### **Measurement**

The farebox recovery ratio is the ratio of gross revenue to adjusted expenses and measures only the subsidy level of transit service operated, not efficiency or cost-effectiveness. The numerator of the ratio is gross revenue, which is the total of fare revenue plus an allocated share of certain non-passenger operating revenue. The denominator is adjusted expense, which is the gross expense less certain capital and in addition to allocated administrative costs. Tables 1 and 2 summarize the revenue and expense components of the measure.

**Table 1: Expense inclusions & exclusions, MTA farebox recovery**

Include	Exclude
Insurance	Paratransit and commuter rail service expenses
Changes in inventory levels	Past pension service liabilities
Pro-rated share of administrative costs	New services for the first 36 months of service
	Capital costs, including 20 percent of revenue vehicle maintenance costs

## Farebox Recovery – Attainment and Operational Requirements (Transportation Article §7-208(b)(2))

**Table 2: Revenue inclusions & exclusions, MTA farebox recovery**

Include	Exclude
Passenger fare revenues	Paratransit and commuter rail revenues
Advertising revenues	New services revenues for the first 36 months
Lease and rental income	

### **Factors in Revenue and Expenditure Growth**

MTA’s operating revenue is a function of ridership, which itself is a function of the level of service provided and economic factors, such as employment levels and gas prices. In terms of influences on expense, MTA relies heavily on three factors to operate and maintain transit service:

- 1) *Union labor*: Approximately 75 percent of MTA’s workforce is represented by unions and works under the terms of collective bargaining agreements, which set wages, hours, conditions of employment, and fringe benefit arrangements. In April 2014, MTA settled contracts with two of its unions-American Federation of State, County and Municipal Employees (AFSCME) Local 1859 and Office and Professional Employees International Union (OPEIU) Local 2. MTA’s third union-Amalgamated Transit Union (ATU) Local 1300, representing approximately 2,500 MTA operations employees including all operators and mechanics, is currently in negotiations for contract renewal. The current contract was ratified in May 2013 covering a period of July 1, 2012 through June 30, 2014.

Table 3 illustrates the increasing share of MTA’s budget attributable to union wage and benefit costs. The May 2013 ATU contract settlement provided union members with a 2.5 percent salary increase in Fiscal Year (FY) 2013, which was paid out in FY 2014, and a 2.5 percent salary increase in FY 2014. Additional labor costs may be incurred in FY 2015 as a result of the current negotiations with ATU, which is not currently factored into the projections.

**Table 3: MTA Union Labor as Share of Operating Expense (\$000)**

	FY 2011	FY 2012	FY 2013	FY 2014	Projected FY 2015
Union Labor Cost	\$236,676	\$238,184	\$237,817	\$269,329	\$268,434
Annual Growth	10.1%	0.6%	-0.2%	13.3%	-0.3%
Total Operating Expense	\$621,917	\$646,795	\$665,844	\$751,801	\$729,385
Annual Growth	1.9%	4.0%	3.0%	13.0%	-3.0%
Union % Of Total	38.1%	36.8%	35.7%	35.8%	36.8%

## Farebox Recovery – Attainment and Operational Requirements (Transportation Article §7-208(b)(2))

2) *Diesel fuel:* MTA is the largest purchaser of diesel fuel in State government, and the second largest purchaser in the State. In FY 2014, MTA purchased approximately 9.6 million gallons of diesel fuel, costing a total of \$29.9 million. MTA has begun to move its fleet to hybrid-electric buses and increase the use of biodiesel to improve fuel efficiency, but fluctuations in service levels and per gallon prices still present a large cost to MTA. While diesel prices dropped from FY 2008 through FY 2010, they began to increase from FY 2011 through FY 2013. While the average cost per gallon slightly decreased in FY 2014, there were wide fluctuations in the monthly prices ranging from a low of \$3.04 to a high of \$3.35 throughout the fiscal year. MTA’s price per gallon for diesel fuel increased 47 percent from FY 2010 to FY 2014. Table 4 below shows diesel fuel price fluctuations in recent years.

**Table 4: MTA Diesel Fuel, Average Price per Gallon, FY 2009-14**

	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>
Jul	\$3.96	\$1.81	\$2.16	\$3.20	\$2.96	\$3.08
Aug	3.42	2.01	2.23	3.12	3.26	3.15
Sep	3.32	1.92	2.24	3.15	3.34	3.15
Oct	2.93	2.05	2.41	3.04	3.32	3.08
Nov	2.17	2.14	2.49	3.22	3.33	3.04
Dec	1.66	2.10	2.65	3.09	3.26	3.14
Jan	1.58	2.23	2.77	3.18	3.21	3.12
Feb	1.48	2.16	2.94	3.28	3.40	3.35
Mar	1.37	2.28	3.22	3.42	3.17	3.23
Apr	1.58	2.37	3.40	3.36	3.00	3.09
May	1.60	2.32	3.23	3.20	2.99	3.03
Jun	1.90	2.19	3.12	2.85	2.97	3.04
Annual	\$2.25	\$2.13	\$2.74	\$3.18	\$3.18	\$3.13

## Farebox Recovery – Attainment and Operational Requirements (Transportation Article §7-208(b)(2))

- 3) *Repair parts:* MTA's bus fleet has an average age of 7.63 years and traveled in excess of 24 million miles throughout FY 2014. The most-used buses in the fleet cover approximately 67,000 miles per year on average. MTA's Light Rail fleet is over 20 years old, and the Metro subway fleet was purchased and put in service 30 years ago. Both rail fleets increase total mileage annually, and all MTA fleets operate in the full spectrum of weather conditions. The annual mileage accumulated by MTA's aging fleet requires a regular maintenance regimen and a significant inventory of spare parts, many of which have to be re-engineered, since several parts manufacturers have gone out of business. The cost of these parts escalates each year, and newer, more sophisticated buses and trains often require more expensive parts.

Because these three cost elements increase annually due to inflation and market factors, the cost to provide the same level of service in the Baltimore area from year-to-year increases automatically. Fuel costs declined 1.6 percent from FY 2013 to FY 2014, but historically the cost of fuel has increased annually.

The revenue side of the farebox recovery equation is dependent on ridership and fare prices. Ridership is a function of service provision and quality, employment, population, and economic factors including gas and parking costs. Research has established that ridership increases are driven first by service availability and quality, and secondly by economic factors such as the relative cost of transit compared to other modes of travel.

Maintaining a *constant* farebox recovery ratio means that ridership (and thus fare revenues) must *increase at the same rate as expenses* each year. To *improve* farebox recovery, ridership and revenue growth must *exceed* the rate of growth in spending, or spending growth must be lower than ridership and revenue growth. Because of the spending factors cited above, MTA would typically need a 4-6 percent annual increase in Baltimore-area ridership to keep farebox recovery *constant at current levels*. In order to accommodate the 4-6 percent ridership increase, a corresponding increase in capital and operating funds would also be required for purchase of new vehicles and manpower to operate the additional service, equating to an additional \$8-10 million annually. This growth in costs is typical of the transit industry, and properties nation-wide face the same issues in providing consistent, quality service while trying to attain sufficient revenues.

Historical farebox recovery expense and revenue totals for Baltimore local service and MARC are shown in Table 5.<sup>2</sup> FY 2010 saw record snowstorms that decreased revenues along with the arbitrators' ruling on the previous ATU 1300 contract, which significantly increased costs and resulted in a lower farebox recovery. There was a recovery in ridership in FY 2011 and MTA

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<sup>2</sup> The farebox recovery rate for the Baltimore-area Commuter Bus is not included in this report, as it has not been for the last several years. The reason for this is that, although the MTA has a rough estimate of farebox recovery for this service (approximately 35 percent), the data on which the ratio is based cannot be verified through the State's Financial management Information System (FMIS) due to the way the Commuter Bus contractors invoice MTA for their services. Currently and in prior years, Commuter Bus contractors invoice MTA by sending a document that shows gross costs minus revenue collected. This has been problematic in the past because the amount shown in FMIS makes no reference to the revenue collected.



## Farebox Recovery – Attainment and Operational Requirements (Transportation Article §7-208(b)(2))

continued to manage costs resulting in a slight increase in farebox recovery. There was an increase in ridership in FY 2013 even though the Baltimore Metropolitan area suffered flooding and storm damage from Hurricane Sandy. Fare revenue increased in FY 2014 while ridership decreased slightly due to the federal government shutdown in fall 2013 and multiple severe winter storms.

**Table 5: MTA  
Farebox Recovery  
Expense and Revenue,  
FY 2010-14 (\$000)**

	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
<b>Baltimore-area local service</b>					
Total farebox expense	282,798	272,639	309,923	303,582	319,024
Annual increase	2%	-4%	14%	-2%	5%
Total farebox revenue	80,060	79,960	84,452	82,123	83,107
Annual increase	-6%	0%	6%	-3%	1%
Farebox recovery ratio	28%	29%	27%	27%	26%
<b>MARC service</b>					
Total farebox expense	91,557	76,085	74,974	78,996	88,659
Annual increase	8%	-1%	-1%	5%	12%
Total farebox revenue	43,840	42,001	43,183	40,576	44,373
Annual increase	18%	-1%	3%	-6%	9%
Farebox recovery ratio	48%	55%	58%	51%	50%

### Current Projections

MTA's latest estimate of farebox recovery is shown in Table 6. FY 2015 projections include the anticipated revenues as a result of fare increases mandated by Chapter 429, Acts of 2013 (HB 1515). Farebox recovery ratios for Baltimore-area service decreased from 29 percent in FY11 to 26 percent in FY14. MARC farebox recovery is projected to remain above the 50 percent requirement specified in the Transportation Article, §7-208 through FY 2015.

**Table 6: Farebox recovery ratios, FY 2013 - 2016 (Est.)**

	Actual FY 2013	Actual FY 2014	Estimated FY 2015	Estimated FY 2016 <sup>1</sup>
Baltimore area service	27%	26%	33%	36%
MARC	51%	50%	57%	61%

<sup>1</sup> Assumes fare structure in accordance with Chapter 429, Acts of 2013 (HB 1515) will be implemented on January 1, 2015.

## **Farebox Recovery – Attainment and Operational Requirements (Transportation Article §7-208(b)(2))**

MARC expense is driven by the level of service and the contracts MTA holds with Amtrak and Bombardier Transportation Services, who operate MARC service using MTA-owned rail equipment. Previously, CSX provided operations of trains and stations along their tracks but requested MTA provide this service. In FY 2013 Bombardier replaced CSX as the third party operator of the Camden and Brunswick lines. Amtrak operates the Penn Line and is responsible for the operations of trains and stations along their tracks. Additionally, weekend service on the Penn Line was introduced in December 2013 bringing more than 200,000 riders throughout FY 2014. Track access fees typically escalate annually, however in FY 2012 and FY 2013 the increase in the Association of American Railroads (AAR) index was lower than previous fiscal years resulting in an increase in farebox recovery. The increase for the FY 2015 AAR index is expected to be 2-6 percent above the FY 2014 index, which would add expense without increasing service.

Because of this imbalance in expense and revenue growth, farebox recovery on MARC service is projected to decline through FY 2014, though it will remain well above the statutory requirement of 50 percent.

### Attaining Required Farebox Recovery Ratios

Tables 7, 8, and 9 outline the actions required to meet the 35 percent Baltimore-area farebox recovery mandate through either fare increases or cuts to existing service levels beginning in FY 2015 and continuing through FY 2019. Prior to implementing fare or service changes, public hearings and input for both fare increases and service adjustments are required, taking approximately six months to implement.

Chapter 429, Acts of 2013 (HB 1515) requires the MTA to increase base fare prices and the cost of multiuse passes to the nearest 10 cents for all transit services, except for commuter rail and commuter bus service, by the same percentage as the biennial increase in the Consumer Price Index for all urban customers in FY 2015 and on a biennial basis. As such, there must be a minimum fare increase in FY 2015 of ten cents. A ten-cent increase would be insufficient to achieve the mandated farebox recovery of 35 percent for core service.

Assuming a minimum ten-cent increase is imposed during FY 2015 to comply with the provisions of Chapter 429, Acts of 2013 and that no additional variables affect the cost of service, reaching the prescribed farebox recovery ratio would require an additional fare increase to \$2.20 (+38 percent). Subsequent fare increases in future years would be necessary to maintain the 35 percent farebox recovery level. Fare and revenue amounts shown below are rounded and are based on the proposed scenario currently under consideration.

## Farebox Recovery – Attainment and Operational Requirements (Transportation Article §7-208(b)(2))

**Table 7: Fare increases required to meet the 35% farebox recovery ratio - Baltimore core service (\$000) <sup>1</sup>**

	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Core riders (projected)	100,298	100,270	97,462	100,145	97,347	100,033
% increase previous year	1.8%	0.0%	-2.8%	2.8%	-2.8%	2.8%
Core expense (projected)	\$312,921	\$315,869	\$325,282	\$334,976	\$344,958	\$355,238
% increase previous year	-1.9%	0.9%	3.0%	3.0%	3.0%	3.0%
Fares @ 35% Fare Box Recovery (FBR)	\$109,523	\$110,554	\$113,849	\$117,242	\$120,735	\$124,333
<b>New fare required</b>	<b>\$2.20</b>	<b>\$2.40</b>	<b>\$2.40</b>	<b>\$2.40</b>	<b>\$2.50</b>	<b>\$2.50</b>
Required annual increase	38%	9%	0%	0%	4%	0%

<sup>1</sup> Proposed fares do not include any additional costs for the union contracts which expire in FY 2014 and are currently under negotiations.

Estimated service cuts to meet the 35 percent farebox recovery level are shown in Table 8. The size of the required service cut shown in Table 8 would necessitate layoffs of both union and management employees, as well as the sale or retirement of large portions of MTA's bus fleet in advance of their useful life cycle, requiring repayment of federal funds to the Federal Transit Administration. Table 8 assumes all costs are variable for demonstration purposes.

**Table 8: Service cuts required to meet the 35% farebox ratio – Baltimore core service (\$000) <sup>1</sup>**

	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Core riders (projected)	100,298	100,270	97,462	100,145	97,347	100,033
Fare revenue (projected)	\$81,920	\$90,5621	\$105,287	\$106,624	\$115,740	\$119,300
Projected expense	\$312,921	\$315,869	\$325,282	\$334,976	\$344,958	\$355,238
Expense @ 35% FBR	\$234,056	\$258,748	\$300,819	\$304,640	\$330,686	\$340,858
Required annual service cuts to meet FBR	-25%	-18%	-8%	-9%	-4%	-4%

<sup>1</sup> Assumes fare structure in accordance with Chapter 429, Acts of 2013 (HB 1515) will be implemented on January 1, 2015.

It is an understatement to say that a 25 percent reduction in service would affect MTA's customer base and the future success of Baltimore-area transit operations. Fully 55 percent of MTA's Baltimore-area riders are dependent on transit as their primary mode of transportation. Reducing service and reliability so extensively would virtually guarantee that riders would be driven away from transit options, reducing revenue and requiring further cuts to meet the farebox

## Farebox Recovery – Attainment and Operational Requirements (Transportation Article §7-208(b)(2))

recovery ratio. This “vicious cycle” of declining service and declining ridership should be avoided at all costs.

Table 9, below, shows the impact on the Transportation Trust Fund (TTF) of both the fare increase and service reduction options.

**Table 9: Impacts to the Transportation Trust Fund, FY 2015-20 (\$000)**

	FY 2015	FY 2016	FY2017	FY2018	FY2019	FY2020
<b>MTA fare increases 1</b>						
Revenue to TTF	\$27,602	\$19,992	\$8,562	\$10,617	\$4,995	\$5,033
<b>MTA service reductions</b>						
Savings to TTF	\$78,864	\$57,121	\$24,463	\$30,335	\$14,272	\$14,380

<sup>1</sup> Assumes fare structure in accordance with Chapter 429, Acts of 2013 (HB 1515) will be implemented on January 1, 2015

MTA has made great strides in increasing the efficiency, cost-effectiveness, and productivity of its operations in the last four years. In FY 2014, 95 percent of MTA’s operating budget went directly to operating statewide transit service. Recent efforts to make MTA more cost-effective include reducing overtime use, implementing a new absenteeism policy, and developing internal systems to track MTA’s efficiency and productivity with regular reviews of data and results. In FY 2014, MTA began implementing the first phase of the Baltimore Network Improvement Project which will analyze ridership and regional land use to provide the groundwork for a multi-phase plan to update and improve MTA’s local bus system.

Additionally, MTA has reduced its management workforce by 15 percent and deferred system-wide service expansions since FY 2009. Because of the large fixed cost of operations as well as MTA’s commitment to maximizing ridership and available service, gains from efficiency are not sufficient enough to impact significantly the farebox recovery ratio.

### Conclusion

MTA’s farebox recovery ratio is to a large extent affected by external factors that the MTA cannot influence. The current statutory requirement reflects the collective wisdom of the legislature in recognizing that an arbitrarily high recovery rate could lead to fare increases that would disproportionately affect transit-dependent persons and lower-income individuals. These individuals cannot easily adjust their personal budgets to accommodate higher transportation costs.

**Farebox Recovery – Attainment and Operational Requirements  
(Transportation Article §7-208(b)(2))**

Farebox recovery provides a good snapshot of changes to MTA's revenue in comparison to expenses, but should only be used to evaluate the MTA's effectiveness and efficiency in the broader context of the performance measures MTA reports annually to the General Assembly and of the MTA's overall mission. MTA was created to meet the need for a public service that could no longer be provided profitably by private enterprise. With that mission, the MTA works continuously to strike the delicate balance between reducing expenses and providing high quality transit service to attract a growing number of riders. MTA is committed to acting as a prudent steward of the taxpayers' resources that provide the majority of its funding, at a time when demand for transit service and the associated stress on the existing system continues to rise.