

A Report to the Maryland General Assembly

Senate Budget and Taxation Committee,

House Appropriations Committee, and

House Ways & Means Committee

regarding

**Farebox Recovery Ratios for the
Maryland Department of Transportation
Maryland Transit Administration
Transportation Article §7-208(b)**

MSAR 11173

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The Maryland Department of Transportation

Farebox Recovery Ratios for the
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Transportation Article §7-208(b)

Introduction

This report was prepared to meet the requirements of §7-208 of the Transportation Article, Maryland Annotated Code; which directs:

“(b) 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:

- (1) Separate farebox recovery ratios for the prior fiscal year for:
 - (i) Bus, light rail, and Metro subway services provided by the Administration in the Baltimore region;*
 - (ii) Commuter bus service provided under contract to the Administration in the Baltimore region; and*
 - (iii) Maryland Area Rail Commuter (MARC) service provided under contract to the Administration; and**
- (2) Comparisons of farebox recovery ratios for the Administration's mass transit services and other similar transit systems nationwide.*

The statute requires a similar report for the transit systems operated by Montgomery County and Prince George’s County. Montgomery and Prince George’s counties will file their reports separately.

Background

Historically, the Maryland Department of Transportation Maryland Transit Administration (MDOT MTA) has been subject to requirements that a certain percentage of operating expenses for its system be recovered from farebox revenue. During the 2017 legislative session, the Maryland General Assembly passed legislation (Ch. 16 and Ch. 24) that was allowed to become law without the Governor’s signature repealing the MDOT MTA’s then 35% mandated fare recovery ratio. This legislation left in place the requirement for MDOT MTA to report to the General Assembly on its farebox recovery ratios by transit mode, and to compare its ratios to those of comparable transit agencies across the country.

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Farebox Recovery Results

Table 1 shows Farebox Recovery for MDOT MTA and Peer Properties by Transit Mode using FY 2016 National Transit Database (NTD) data.

Table 1- MDOT MTA (FY 2016) and Peer Transit Properties (FY 2016)

FY 2016 NTD Data	Bus	Light Rail	Heavy Rail (Subway)	Commuter Rail	Total Operating Expense (\$millions)
NYC (NYC Transit)	32.8%	N/A	63.7%	N/A	7,862.8
Seattle (King County)	30.2%	N/A	N/A	N/A	454.3
Atlanta (MARTA)	29.4%	N/A	36.7%	N/A	429.7
Pittsburgh (PAAC)	27.8%	20.8%	N/A	N/A	340.0
Washington D.C. (WMATA)	23.4%	N/A	63.7%	N/A	1,609.7
Baltimore (MDOT MTA)	21.8%	18.7%	26.1%	36.0%	517.2
Peer Average	21.5%	18.7%	46.8%	29.1%	1,252.5
Salt Lake (Utah Transit)	15.4%	37.1%	N/A	18.0%	202.2
Dallas (DART)	13.2%	15.7%	N/A	39.1%	425.8
San Jose (VTA)	12.8%	12.4%	N/A	N/A	321.8
Houston (Harris County)	9.7%	9.5%	N/A	N/A	361.0

The NTD basis of calculating farebox recovery differs from the state method used to calculate farebox recovery as reported within the MDOT MTA Managing For Results (MFR) statement each year.

For NTD reporting, the MDOT MTA uses the NTD Reporting Policy Manual. Operating costs are divided per mode into four categories: (1) Vehicle Operations, (2) Vehicle Maintenance, (3) Non-Vehicle Maintenance, and (4) General Administration. For the General Administration category, administrative costs are allocated across all modes per the proportional size of that mode. The NTD provides definitions of what costs should and should not be included in these categories. Unlike the State method, operating-to-capital costs are included in the overall expenses and are part of the General Administration category.

For State reporting, the MDOT MTA uses gross expenses by mode and adjusts the expenses by including insurance, changes in inventory levels, pro-rated share of administrative costs per the proportional size of that mode, and excludes paratransit expenses, past pension service liabilities, new services for the first 36 months of service, and capital costs. As a consequence, NTD basis farebox recovery for MDOT MTA may result in a different farebox recovery rate than reported in the MFR statement. The MDOT MTA believes that including these additional factors when calculating farebox recovery is more accurate in measuring

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total subsidy for individual MDOT MTA services. However, Transportation Article §7-208 requires that MDOT MTA farebox recovery be compared to peer properties, for which only NTD spending and revenue data is available.

Both MDOT MTA ratios are shown below in Table 2 for reference.

Table 2 – MDOT MTA Farebox Recovery

FY 2016	NTD Basis	Budgetary Basis
Bus*	21.8%	30.0%
Light Rail	18.7%	17.7%
Metro Subway	26.1%	22.8%
Core Service**	23.7%	26.8%
MARC	36.0%	44.0%

* Baltimore commuter bus service is included in the Bus recovery ratio under the budgetary basis

** Core service is Baltimore Local and Commuter Bus, Light Rail and Metro Subway.

** Revenue is apportioned between modes based on overall ridership which may not accurately reflect true farebox recovery.

Table 1 shows that MDOT MTA is near average when compared with other transit systems in recovering Local Bus and Light Rail operating expenses through farebox revenues. When MDOT MTA is compared to D.C.’s WMATA, NYC Transit, and Atlanta’s MARTA heavy rail metro system and their recovery rates, Baltimore’s recovery rate falls significantly below those transit systems with significantly higher passenger volumes.