



Maryland Department of Transportation
The Secretary's Office

Martin O'Malley
Governor

Anthony G. Brown
Lt. Governor

James T. Smith, Jr.
Secretary

December 13, 2013

The Honorable Martin O'Malley
Governor of Maryland
State House
Annapolis MD 21401-1991

Dear Governor O'Malley:

Please see the attached report titled "*Maryland Transit Administration (MTA) Implementation of a Voucher Program for Free or Reduced Fares.*" This report was prepared in accordance with House Bill 1515, Chapter 429, Acts of 2013, which directs:

"The Department of Transportation shall:

- (1) Study the implementation of a voucher program to provide transit services at a free or reduced fare for individuals whose household income does not exceed 125% of the federal poverty guidelines; and*
- (2) On or before December 31, 2013, submit a report to the Governor and, in accordance with § 2-1246 of the State Government Article, the General Assembly that includes specific findings and recommendations on implementing a voucher program described in paragraph (1) of this subsection."*

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

Sincerely,

A handwritten signature in black ink, appearing to read "James T. Smith, Jr.", written over a large, loopy flourish.

James T. Smith, Jr.
Secretary

Attachment

cc: Mr. Robert Smith, Administrator, MTA

Maryland Transit Administration (MTA) Implementation of a Voucher Program for Free or Reduced Fares

December 2013



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Executive Summary

The Maryland Transit Administration (MTA) has studied the implementation of a voucher program to provide transit services at free or reduced (discounted) fare as requested in House Bill 1515, the “Transportation Infrastructure Investment Act of 2013”. The findings identify numerous discounted fare programs currently in place statewide that offer discounts to elderly, low income, and disabled customers. Within the MTA transit system, 31 percent of patrons are currently using some form of discounted fare or employer sponsored transit program offered through MTA’s fare program. Although the majority of discounted fare programs are tailored for disabled and elderly customers, presumably low income persons would be eligible to enroll in and benefit from the deep discounts offered by the existing programs. In addition, there is an assortment of programs in place statewide specifically designed to offer discounted fares or grants to assist low income transit customers.

The study identifies statewide by county poverty levels, transit providers, transit programs, and costs regarding program implementation. To further define the approach, an estimate of lost revenue to provide free or discounted transit to residents age 18-64 at or below 125 percent of the poverty level was calculated. Residents in the 18-64 age bracket are least likely to be participating in one of the existing discounted fare programs. The lost revenue estimate was calculated for each county and Baltimore City. Additionally a cost estimate was prepared for program implementation and ongoing program management, but this estimate is based on MTA service and does not include an estimate for Locally Operated Transit Systems (LOTS).

The MTA is designated as the State agency to disperse federal grant money to LOTS to support transit services for low income, disabled and elderly customers. In addition some of the LOTS currently offer discounted fares designed to assist low income patrons. The Department of Social Service (DSS) partners with MTA in a program to distribute bus passes to low income residents engaged in back to work programs. Quantifying the number of customers below the poverty level currently participating in one of the discounted fare programs is difficult, but what is known within the MTA system is 31 percent of patrons are using some form of discounted fare media or subsidized transit offered through various programs.

While there are obvious social benefits instituting a program targeted at assisting citizens in poverty, the study indicates the estimated costs associated with such a program in proportion to the number of potential participants is extremely high. The estimated implementation cost for the program is \$338,000 and the annual program management costs would be about \$1.3 million. Additionally, if 25 percent to 100 percent of the base fare were discounted, transit agencies would lose \$68 million to \$336 million in annual revenue, depending on the amount of discount applied to fares, if it is tasked with absorbing the transportation cost of participants in the program. The additional financial burden of adding another free or discounted fare to the existing significantly discounted fare program would result in a deterioration of MTA’s transportation service for all Maryland citizens. Therefore, the MTA recommends not proceeding further with implementing a program to provide free or discounted fares to individuals at or below 125 percent of the federal poverty guidelines.

1. Introduction:

1.1 Report

The Maryland General Assembly passed House Bill 1515 during the 2013 Legislative Session. The bill was signed by the Governor in May 2013. The bill requires the Maryland Department of Transportation (MDOT) to study the implementation of a voucher program to provide transit services at a free or reduced (discounted) fare for individuals whose household income does not exceed 125 percent of the federal poverty guidelines. “On or before December 31, 2013, submit a report to the Governor and, in accordance with § 2-1246 of the State Government Article, the General Assembly that includes specific findings and recommendations on implementing a voucher program.” The MTA has taken the lead in studying the potential implementation of a voucher program. The study identifies where residents at or below 125 percent of the poverty level reside. After determining where the highest percentage of impoverished people live, existing transit services and associated discounted fare programs were researched. Based on these findings, preliminary costs to implement a voucher program were calculated and a recommendation proposed.

1.2 Background Information

In 1961, the MTA started as the Metropolitan Transit Authority (Chapter 670, Acts of 1961). As part of MDOT, the Mass Transit Administration was created in 1971 (Chapter 526, Acts of 1970). It was renamed the Maryland Transit Administration in October 2001 (Chapter 730, Acts of 2001).

MTA is an important part of the regional transit network. MTA operates a comprehensive transit system throughout the Baltimore-Washington Metropolitan Area. The system has many connections to other transit agencies of Central Maryland: Washington Metropolitan Area Transit Authority (WMATA), Charm City Circulator, Howard Transit, Connect-A-Ride, Annapolis Transit, and TransIT. MTA has the responsibility for public transportation in Maryland, including operating and maintaining Local Bus, Metro Subway, Commuter Bus, Central Light Rail, Mobility, and the Maryland Commuter Rail Passenger Service (MARC).

MTA provides transportation to the Baltimore metropolitan area, including Anne Arundel County, Baltimore City, and Baltimore County. Commuter bus service also links Howard and Harford Counties to Baltimore City, and southern Maryland to Washington, DC. In addition, MTA gives technical and financial assistance to develop or improve LOTS in urban and rural areas throughout the State (Code Transportation Article, secs. 7-101 through 7-706).

1.3 Bus Service

MTA has a fleet of about 800 buses providing transportation to approximately 188,000 customers daily across 75 bus routes in Baltimore County, Baltimore City, Howard County and Anne Arundel County. For disabled persons unable to use any fixed-route transit service, MTA operates Mobility, a specialized door-to-door service.

1.4 Metro Subway Service

The Baltimore Metro Subway system began operations on November 21, 1983. With 14 stations, it currently covers 15.5 miles from Owings Mills in Baltimore County to Johns Hopkins Hospital in Baltimore City. The system transports on average 42,000 customers daily.

1.5 Light Rail Service

Inaugurated in 1992, the Central Light Rail system consists of electric light rail cars that provide transportation between Hunt Valley in Baltimore County and Glen Burnie in Anne Arundel County. Extensions connect the line to Baltimore-Washington Thurgood Marshall International Airport, and Penn Station in Baltimore. The system is 20 miles long and includes 33 stops. The system transports on average 24,000 customers daily.

1.6 Maryland Commuter Rail Passenger Service (MARC)

MARC is a regional rail system comprising three lines in the Baltimore-Washington Metropolitan Area. MARC operates on three lines: the Penn, Camden, and Brunswick Lines. It provides commuter service each workday along 203 rail miles, service areas include: Harford County, Baltimore City, Brunswick, Frederick, Washington D.C., and West Virginia. MARC is administered by the MTA and operated under contract by Bombardier Transportation and Amtrak. The Governor has announced weekend service to begin in December; however service is suspended or reduced on select holidays. The system transports on average 39,000 customers daily.

1.7 Commuter Bus

MTA Commuter Bus Service is a vital link that connects thousands of Maryland's suburban residents with jobs in Baltimore and Washington D.C. Commuter Bus operates weekdays during morning and evening rush hours, and is managed by private contractors with oversight from the MTA. Currently, there are 24 routes that operate under multi-year contracts. There are five service providers under contract: Atlantic Coach Charters, Dillon Bus Service, Eyre Bus Service, Keller Transportation, and Martz/Gold Line. Commuter bus transports on average 16,500 customers daily.

1.8 Mobility Service

MTA's mobility services include paratransit service and the Taxi Access program. MTA began offering paratransit service for persons with disabilities in 1978. This Mobility service is a "non-fixed route" service and consists of a fleet of specially-converted vans and sedans. Some service is contracted out to MV Transportation and Veolia Transportation, but all vehicles are owned by MTA.

A sub-service of the paratransit program is MTA's Taxi Access program. The Taxi Access program ensures that any persons with sufficient physical disabilities that consistently require paratransit service can also qualify for the Taxi Access program. The Taxi Access program allows the bearer of a Taxi Access card to take a taxicab door-to-door within the limits of anywhere MTA paratransit vans go—within 1/3 of a mile of an MTA public transit stop of any kind. Once the trip is complete, total out-of-pocket cost for the

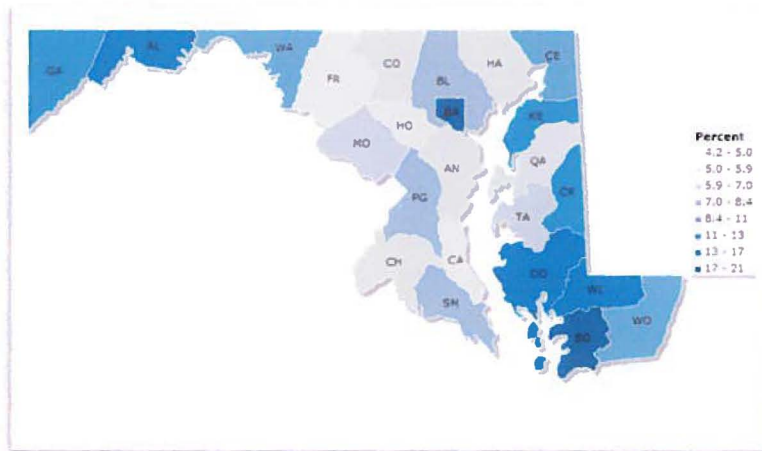
customer is \$3.00, and MTA picks up the remainder of the fare, “paying” it to the operator. Mobility provides transportation for over 5,700 customers per day.

2. Research:

2.1 Low Income Residents in Maryland

According to the 2010 Census, 12.6 percent of Maryland residents are living at or below 125 percent of the poverty level. For the purpose of this study the poverty level has been calculated at 125 percent and equates to 711,574 Maryland residents.¹

Baltimore City has the highest percentage of low income residents statewide at 29.4 percent, followed by the rural areas of the Eastern Shore and Western Maryland including the counties: Somerset, Allegany, Wicomico, Dorchester, Kent, Washington, Caroline and Garrett. These counties have higher percentages of low income residents in comparison to all the counties in Maryland. The map below presents the distribution of low income households in the state by county. Although the map is based on the national poverty guideline and not the 125 percent guideline, it is still indicative of the counties with the highest concentration of low income residents.



Percentage of Households Living in Poverty by County

2.2 Transit Service in Maryland

Baltimore City, Washington, D.C., and all 23 counties have some form of public transit. Residents in the Washington D.C. region have access to WMATA’s system and connections to neighboring county transit. Those in the Baltimore region have access to the MTA’s core services Central Light Rail, Metro Subway, Local Bus, MARC Train and Commuter Bus. The outlying rural counties are serviced by LOTS.

¹ US Census Bureau data 2011, three year average, www.factfinder2.census.gov, viewed Aug. 1.

Residents Living at 125% of Poverty – By County

County	Population	Residents at 125% Poverty²	Percentage of County Population
<i>Allegany</i>	75,087	14,781	20%
<i>Anne Arundel</i>	522,840	43,111	8.2%
<i>Baltimore City</i>	596,526	175,473	29.4%
<i>Baltimore County</i>	786,175	90,883	11.6%
<i>Calvert</i>	87,848	5,928	6.7%
<i>Caroline</i>	32,401	5,310	16.4%
<i>Carrroll</i>	163,127	11,188	6.9%
<i>Cecil</i>	99,593	12,603	12.7%
<i>Charles</i>	145,566	11,547	7.9%
<i>Dorchester</i>	32,034	6,139	19.2%
<i>Frederick</i>	229,594	17,503	7.6%
<i>Garrett</i>	29,200	4,490	15.4%
<i>Harford</i>	243,119	22,604	9.3%
<i>Howard</i>	285,763	18,318	6.4%
<i>Kent</i>	18,732	3,095	16.5%
<i>Montgomery</i>	966,251	89,439	9.3%
<i>Prince George's</i>	841,876	101,179	12.0%
<i>Queen Anne's</i>	47,434	5,081	10.7%
<i>St. Mary's</i>	102,704	11,134	10.8%
<i>Somerset</i>	19,666	4,489	22.8%
<i>Talbot</i>	37,323	4,730	12.7%
<i>Washington</i>	140,366	23,081	16.4%
<i>Wicomico</i>	94,943	21,037	22.2%
<i>Worcester</i>	50,484	8,431	16.7%

People living in or within close proximity to Baltimore City and Washington, D.C. have various transit options and easier access to fixed route public transit. In rural areas such as Maryland's Western and Southern counties, fixed route public transit service is available but due to low density and rural development patterns, access to transit may be an obstacle for low income residents. Some of Maryland's counties with the highest percentage of residents living in poverty are not adjacent to and do not benefit from the well-developed transit services provided in Washington D.C. or Baltimore City. Each transit provider in Maryland independently determines their transit system's fare structure and level of service. Two existing transit providers have a program in place for low income patrons. Delmarva Community Services (DCS) provides discounted fares for Independence Card holders living in Dorchester, Kent and Caroline counties. County Commuter in Washington County offers discounted

² Ibid

fares for Medicaid recipients. The remaining LOTS operators do not have discounted fare programs in place for low income transit customers. Two transit providers offer free rides, Annapolis Circulator Trolley and the Charm City Circulator. Within Baltimore City the Charm City Circulator provides free trips to all its customers. The Charm City Circulator has four fixed routes downtown with connections to MTA’s Light Rail, MARC train, Metro Subway and Local Bus routes. The yearly ridership on the Charm City Circulator has topped 3.9 million trips. The Annapolis Circulator Trolley system includes fixed routes serving four parking garages around the Central Business District, linking customers with historic downtown Annapolis.

Discounted Fare Programs (LOTs)

Transit Provider	Service	Type of Fare	Subsidy that Benefit Low Income	Area Served	Yearly Ridership
DCS-Delmarva Community Services	Fixed route and demand response to elderly & disabled.	Flat rate & discounted fare for seniors, disabled & low income	Discounted fare for Independence Card holders.	Dorchester, Kent & Caroline Counties	116,122
Washington County Commuter	Fixed route and demand service for elderly & disabled.	Flat rate & discounted fare for seniors, disabled and low income	Discounted fare for Medicaid card holders	Washington County	400,000
Charm City Circulator	4 routes downtown with connections to MTA MARC, Light Rail & Local Bus	Free Fare	All rides free	Baltimore City	3,982,000
Annapolis Transit-Circulator Trolley	Fixed route serving 4 parking garages, and historic downtown	Free Fare	All rides free	Downtown Annapolis (Eastport & W. Annapolis during holidays and special events)	42,092

2.3 MTA’s Discounted and Employer Transit Programs

Although MTA does not have a discounted fare program in place specifically for low income patrons, it does have a variety of discounted fares and employer transit programs that could directly assist low-income customers. These programs account for 31 percent of total ridership. It could be presumed a percentage of customers currently in the discounted fare programs are at or below 125 percent of the poverty level. MTA does not use income to qualify customers for discounted fare; therefore, we do not have income data as it relates to our patrons.

The following programs make up MTA’s 31 percent ridership currently on discounted fare or employer transit programs.

Discounted Fare & Employer Transit Program- MTA Service Only

<i>Type of Fare Media</i>	<i>% of total revenue</i>	<i>% of total ridership</i>	<i>Monthly Ridership = trips taken</i>
Senior/Disability Pass	7.8	17	1,603,512
Baltimore City Public School Students	7.2	8	791,304
Mobility Tickets	0.4	0.1	25,402
College Pass	2.1	2	205,176
Pass Purchased with Federal Transit Benefits	4.7	1	132,746
Pass Purchased with Commuter Choice MD	1.4	3	298,440
Total ³	23.6	31.1	3,056,580

2.3.1 Discounted Fares For Senior Citizens and Persons with Disabilities

In compliance with federal law and subject to MTA Policy, the MTA offers discounted fares to three groups of riders:

- Senior citizens,
- Persons with Disabilities, and
- Medicare cardholders.

The MTA has established eligibility criteria for each of these groups, which allow discounted fare travel on MTA Local Bus, Light Rail, Metro Subway, MARC Train, Commuter Bus and Neighborhood Shuttle service.

Senior Citizens To be eligible for discounted fares to ride MTA transit service, senior citizens 65+ must show:

- A valid MTA Senior photo ID card, and
- Any valid government issued photo ID showing date of birth (age 65+).

Persons with Disabilities To be eligible for discounted fares to ride MTA transit service, persons with disabilities must show:

- A valid MTA Disability photo ID card, and
- A valid disability ID from another transit agency and any government issued photo ID.

Medicare Card Holders Anyone displaying a Medicare card and any government issued photo ID is also eligible to pay discounted fares.

³ Revenue and ridership based on April 2013 MTA Treasury data

Both senior citizens and disability fare patrons receive a 75 percent discount on monthly fares, 66% discount on one way fares and 69% discount on core service day passes. And to note, Federal Transit Administration mandates a 50% fare reduction for both of these groups; MTA offers an additional reduction in fare over and above this mandate.

2.3.2 Public & Private School Students

The MTA Student Transit Identification (ID) Card is issued to students in grades K-12 by participating parochial and private schools, Baltimore County public schools, and Baltimore City public schools. Students who have been issued an MTA student ID card are eligible to pay the Student Fare of \$1.10 per trip (with transfer privileges) only when traveling to and from school during the designated school term. This equates to a 30 percent discount. The student fare is valid for travel on MTA local services only, including Local Bus, Metro Subway, and Light Rail.

Students participating in the Baltimore City Schools sponsored Student Transportation Program ride for free and are issued non-transferable monthly S-Passes valid for travel on MTA services in Baltimore City and Baltimore County only. The student to whom the S-Pass is issued is entitled to ride MTA local services on school days only between the hours of 5:00 am – 8:00 pm.

2.3.3 Mobility Tickets

In accordance with guidelines of the Americans with Disability Act (ADA) of 1990, the MTA provides Mobility/Paratransit service to people with disabilities who cannot independently access fixed-route transit systems most of the time. Mobility is an advanced scheduled, curb to curb, shared-ride transportation service for people with disabilities whose eligibility has been certified by the MTA in accordance with guidelines established by the ADA and Federal Transit Administration (FTA).

2.3.4 MTA All Access College Transit Pass

The All Access College Transit Pass is valid for one month of unlimited travel on Local Bus, Metro Subway, and Light Rail Systems. Students are required to present a valid college ID each time a College Pass is used for travel. Participating colleges receive passes which are sold at a discounted price of \$39, a 40 percent discount off the monthly full fare.

2.3.5 Federal Transit Benefit

SmartBenefits is web-based program where employers assign the dollar value of employee's monthly commuting benefit directly to the employee's smart card. Commuter Bus and MARC passengers can direct their SmartBenefits payment to their transit service provider. Employees of businesses enrolled may receive a transit subsidy of up to \$245 per month. This benefit is not income based.

2.3.6 Federal Grants

Under the Safe, Accountable, Flexible, Efficient Transportation Equity Act (SAFETEA-LU), federal funds were awarded specifically for locally developed transportation plans for persons with disabilities, the elderly and individuals with lower incomes. MTA was designated as the State agency to disperse funds through the State grant programs. There are three federal programs that fund services for these types of customers, and MTA acts as the grant administrator of the funds.

The Section 5310 Elderly Individuals and Individuals with Disabilities program was designed to supply funds to non-profit local transit providers for purchasing capital equipment. This program funding was designed for assisting persons with disabilities and the elderly. MTA is the designated recipient of the funds and administers grants to human service organizations.

The Job Access and Reverse Commute (JARC) program supplies funds for developing new or expanding existing transportation services to connect welfare recipients and other low income persons to jobs and related employment services. MTA receives the funds and provides grants to LOTS and human service organizations under the JARC program.

The New Freedom Program provides funding for capital and operating expenses to assist persons with disabilities to access transportation services including transportation to and from jobs and employment support services. MTA receives the funds and acts as grant administrator to LOTS and human service organizations.

2.3.7 Statewide Special Transportation Assistance Program (SSTAP)

This legislatively-mandated State program provides general purpose transportation for both the elderly and persons with disabilities. The funds available are appropriated annually with 60 percent shared equally among the counties and Baltimore City and 40 percent in proportion to their respective percentages of the State's combined elderly and disabled population according to Census data.

2.3.8 Senior Rides Program (SRP)

The Maryland General Assembly enacted legislation that established this program with the primary focus to award grants to applicants who primarily use volunteer drivers. The volunteer drivers use their own vehicles to provide door-to-door transportation for low-income to moderate-income seniors who have difficulty accessing or using existing transportation systems. Government, non-profit, and faith based agencies that provide transportation services are eligible to apply for SRP funding. Approximately \$100,000 is appropriated annually to support this program.

2.3.9 Maryland Commuter Tax Credit Program

The Maryland Commuter Tax Credit Program allows businesses operating in Maryland to claim a 50 percent tax credit for the cost of providing commuter benefits to its employees up to a maximum credit of \$50.00 per participating employee per month. The credit may be claimed against the financial institution franchise tax, the State income tax, or the insurance premium tax.

2.3.10 Department of Social Services

The Maryland Department of Human Resources (DHR) is the State's primary social service provider, serving over one million people annually. DHR, through its 24 local departments of social services, aggressively pursues opportunities to assist people in economic need, provide preventive services, and protect vulnerable children and adults in each of Maryland's 23 counties and Baltimore City. The local department of social services administers public assistance programs for low-income Marylanders and those suffering economic hardships. These include the *Food Supplement Program* (Food Stamps), the *Medical Assistance Program* (Medicaid), the *Maryland Energy Assistance Program*, and the *Temporary Cash Assistance Program*.

The Baltimore City Department of Social Services Office of Work Opportunities has partnered with the MTA since its inception in 1996 to provide bus passes to those customers actively engaged in work activities throughout the City and surrounding counties. Approximately 5,000 monthly and 220,000 weekly passes are distributed to Baltimore City Department of Social Services for their Temporary Cash Assistance Program.

2.4 Transit Subsidies

Transit subsidies are not mandated on the federal or State level for the low income population as are medical, food and housing. The only federal transit benefit program in place is not based on income but allows an employer to provide up to \$245 per month in tax free transportation benefits to employees. Medicaid the program for families and individuals with low income and resources, provides transit to and from medical appointments. Medicare only provides ambulatory service when needed.

Traditionally transit subsidies are strung together from a variety of agencies including federal, State and local funding sources. In Maryland local and State agencies, which receive funding for transit typically give small grant amounts to LOTS programs, but do not mandate that they be used to subsidize transit for low income residents. There are no consistencies among transit agencies, even within the same state, regarding a standard for providing free or discounted fare transit.

The Community Transportation Association of America⁴ produced a guide identifying transit systems currently providing discounted and free fare programs to low-wage earners. The guide identifies programs, transit fare structure, and various options for funding discounted fare transit, and again highlights the fact each agency is acting on its own.

⁴ Community Transportation Association, Job Links-Employment Transportation Chart, www.ctaa.org/joblinks, viewed July 25.

The report identified that the criteria for those who received transit benefits varied greatly, as did the amount of benefit. The majority of transit agencies which implemented a program piggy backed on other social service providers. Eligibility for these programs was determined by the social service provider and not the local transit agency, because transit agencies do not have access to the participant's personal information. Some small rural transit agencies also opted to use a self-certification honor system to establish eligibility for and enrollment in a discounted fare program citing the fact that the administrative costs to screen patrons for eligibility far outweigh the revenue lost due to abuse of the system and fraudulent enrollment.

Finally, separate from publicly funded and administered discounted fare programs are examples where individual companies take on the responsibility of administering and financing transit for their low income employees. In some instances employers provided a free transit pass for the first month of employment as a benefit to being hired at the company, and some companies included free or discounted transit for employees each month as part of the employees' benefit package. Human resources departments also utilized ridesharing, vanpools and carpools to provide transit to employees.

3. Program Cost & Lost Revenue

3.1 Assumptions

The MTA reviewed the results of revenue and its impacts associated with a low-income fare program based on the assumption that each low-income pass would be free or at a discounted price. In general, the lower the fare was the higher the expected participation and the greater the lost revenue. This represents money that would have otherwise been collected through regular fares. Given that fare revenue represents the second largest source for an agency, significant lost revenue will have an impact on transit a agency's ability to maintain services and MTA to meet its 35 percent fare box recovery mandate⁵. At this time, there are several variables that could affect the program and revenue cost estimate. They include:

- Source of program funding,
- Program offered statewide or MTA only,
- Participant eligibility criteria,
- Which State Agency will develop the program,
- Which State Agency will administer the program, and/or
- How many people will participate.

Our calculation of lost revenue included the number of low-income residents in the 18-64 age bracket only, who represent the group that currently may not qualify to receive any transit benefits.

⁵ House Bill 1515, Transportation Infrastructure Investment Act 2013, Article-Transportation, 7-208 (1)

3.2 Cost Estimate

The estimate has been separated into three separate sections with costs associated to each: Implementation, Ongoing Program Management, and Lost Revenue.

Implementation

Implementing or setting up the program would be a onetime effort to get the program started. It would include, but not be limited to, determining who would receive transit assistance based on pre-determined criteria for eligibility, which transit agencies would participate; what percentage of the fare is discounted; the development of a marketing plan, brochures, and personnel training; coordination with all transit agencies; creation of application process; web site development; and developing a database. This cost estimate is for MTA service only and does not include the costs each LOTS would incur.

Ongoing Program Management

The ongoing task of managing the program would include pass ordering and inventory management, database management, web site management, application processing, pass distribution, and customer service. It is estimated that eight full time employees would be required for the level of effort expected to manage a program for MTA customers, and additional staff would be necessary to manage the 23 counties and MTAs premium service for MARC Train and Commuter Bus customers. These are recurring costs and will be incurred as long as the program is available. This cost estimate is for MTA service only and does not include the costs each LOTS would incur.

Lost Revenue

The transit cost is the cost of transportation for the participant. It has not been determined what type of transit benefit would be offered. There is a wide range of pass types and associated fares for MTA and LOTS. For the purpose of the estimate, the most reasonable pass to consider at this time is the monthly pass. Most transit providers monthly or 30 day pass is priced at a discount for the patron. The lost revenue cost estimate will only include residents who are 18-64 years old as they are the group who currently may not be receiving any transit benefit. Those in K-12 grade ages 6-18 years old, during the school year receive transportation to and from school. Those 65 years old and older are qualified for a discounted fare program regardless of the transit system they ride. Presumably, the remaining age group does not fall into any existing or discounted fare program. Within Maryland the 18-64 year old age group makes up 59.6 percent of the persons at 125 percent poverty level.⁶ This equates to 424,098 people. The number of residents by county which the lost revenue cost estimate is based on is identified in the 'Age 18-64 at or below 125 percent poverty level' chart.

⁶ Ibid, pg. 5

Distribution by age of those at or below 125% poverty level: State of Maryland

Age Group	% Distribution	# People
Under 18	31.0	220,588
18-64	59.6	424,098
65+	9.4	66,888
Total	100	711,574

Age 18-64 at or below 125% poverty level: By County & Baltimore City

County	Residents at 125% poverty	18-64 year olds at 125% poverty	As a Percentage
<i>Allegany</i>	14,781	9,312	63%
<i>Anne Arundel</i>	43,111	25,004	58%
<i>Baltimore City</i>	175,473	105,283	60%
<i>Baltimore County</i>	90,883	54,530	60%
<i>Calvert</i>	5,928	3,083	52%
<i>Caroline</i>	5,310	3,186	60%
<i>Carroll</i>	11,188	5,706	51%
<i>Cecil</i>	12,603	7,436	59%
<i>Charles</i>	11,547	6,582	57%
<i>Dorchester</i>	6,139	3,254	53%
<i>Frederick</i>	17,503	9,802	56%
<i>Garrett</i>	4,490	2,290	51%
<i>Harford</i>	22,604	12,206	54%
<i>Howard</i>	18,318	10,624	58%
<i>Kent</i>	3,095	1,702	55%
<i>Montgomery</i>	89,439	52,769	59%
<i>Prince George's</i>	101,179	65,766	65%
<i>Queen Anne's</i>	5,081	2,896	57%
<i>St. Mary's</i>	11,134	6,124	55%
<i>Somerset</i>	4,489	2,963	66%
<i>Talbot</i>	4,730	2,696	57%
<i>Washington</i>	23,081	12,925	56%
<i>Wicomico</i>	21,037	13,674	65%
<i>Worcester</i>	8,431	4,806	57%
Total	711,574	424,098	

Implementation & Ongoing Program Management Costs:

MTA Service Only

Implementation Cost – One Time	
Develop qualification criteria	\$ 40,000
Develop written procedures	\$ 32,000
Create application	\$ 8,000
Instruct and train personnel	\$ 104,000
Develop database	\$ 32,000
Develop marketing plan	\$ 60,000
Create brochure & FAQs	\$ 8,000
Pass artwork	\$ 6,000
Develop website	\$ 48,000
Total	\$ 338,000
Ongoing Program Management - Annually	
Pass ordering & inventory mgmt.	\$ 48,000
Database management	\$ 384,000
Web site management	\$ 96,000
Application processing	\$ 480,000
Pass distribution	\$ 96,000
Call center	\$ 288,000
Total	\$ 1,392,000

Annual Lost Revenue by County & Baltimore City Three Levels of Discount

County	Participants 18-65 yrs.	Cost of Monthly Pass	100% Discount Annual	50% Discount Annual	25% Discount Annual
<i>Allegany *</i>	9,312	\$97.00	\$10,839,168	\$4,877,742	\$2,195,013
<i>Anne Arundel</i>	25,004	\$80.00	\$24,003,840	\$10,801,920	\$4,860,960
<i>Baltimore City</i>	105,283	\$64.00	\$80,857,344	\$36,370,560	\$16,366,848
<i>Baltimore County</i>	54,530	\$64.00	\$41,879,040	\$18,845,568	\$8,480,640
<i>Calvert *</i>	3,083	\$79.50	\$2,941,182	\$1,323,675	\$595,623
<i>Caroline</i>	3,186	\$80.00	\$3,058,560	\$1,376,640	\$619,680
<i>Carroll</i>	5,706	\$80.00	\$5,477,760	\$2,465,280	\$1,109,520
<i>Cecil *</i>	7,436	\$106.00	\$9,458,592	\$4,256,748	\$1,915,632
<i>Charles *</i>	6,582	\$106.00	\$8,372,304	\$3,767,664	\$1,695,576
<i>Dorchester</i>	3,254	\$80.00	\$3,123,840	\$1,405,920	\$632,880
<i>Frederick</i>	9,802	\$45.00	\$5,293,080	\$2,381,940	\$1,071,900
<i>Garrett *</i>	2,290	\$106.00	\$2,912,880	\$1,310,796	\$589,890
<i>Harford *</i>	12,206	\$53.00	\$7,763,016	\$3,493,548	\$1,572,192
<i>Howard</i>	10,624	\$47.00	\$5,991,936	\$2,696,484	\$1,213,446
<i>Kent</i>	1,702	\$80.00	\$1,633,920	\$735,360	\$330,960
<i>Montgomery</i>	52,769	\$45.00	\$28,495,260	\$12,823,110	\$5,770,440
<i>Prince George's *</i>	65,766	\$66.25	\$52,283,970	\$23,524,474	\$10,586,013
<i>Queen Anne's</i>	2,896	\$80.00	\$2,780,160	\$1,251,360	\$563,280
<i>St. Mary's</i>	6,124	\$40.00	\$2,939,520	\$1,322,880	\$595,320
<i>Somerset</i>	2,963	\$100.00	\$3,555,600	\$1,600,200	\$720,300
<i>Talbot</i>	2,696	\$80.00	\$2,588,160	\$1,164,960	\$524,400
<i>Washington</i>	12,925	\$50.00	\$7,755,000	\$3,489,900	\$1,570,500
<i>Wicomico</i>	13,674	\$100.00	\$16,408,800	\$7,384,200	\$3,323,100
<i>Worcester</i>	4,806	\$100.00	\$5,767,200	\$2,595,600	\$1,168,200
Lost Revenue Annually			\$336,180,132	\$151,266,529	\$68,072,313

Cost Estimate Summary

Cost Estimate Summary – Annually	100% Discount	50% Discount	25% Discount
Implementation Cost (MTA one time)	\$338,000	\$338,000	\$338,000
Program Management Cost (MTA Only)	\$1,392,000	\$1,392,000	\$1,392,000
Lost Revenue (Statewide)	\$336,180,132	\$151,266,529	\$68,072,313
Grand Total	\$337,910,132	\$152,996,529	\$69,802,313

Assumptions

The monthly lost revenue is based only on those in the 18-64 age group, at or below 125% poverty level. With each decrease in discount (100% to 50% and 50% to 25%), the number of participants is reduced by 10%. Counties which do not offer monthly passes are noted with *. The 'Cost of Monthly Pass' for those counties is based on cost of single trip fare x 53 trips, the average number of trips taken per month on a monthly pass.

4. Recommendation

The Maryland Transit Administration (MTA) recommends not proceeding further with studying or implementing any additional programs to provide free or discounted fares. Although there are social benefits to such programs, transit agencies have historically demonstrated a strong sensitivity to those in need by providing deep discounts and free passes for various programs. MTA’s mission is to provide outstanding transit services to all citizens with a goal of recovering 35 percent of its operating expenses. Considering that the current low fares do not allow us to meet our goal, the additional burden of initiating a new program with such significant financial costs would result in a deterioration of service. In addition, the associated costs to implement a program outside of Baltimore City, for MTAs premium service on MARC Train and Commuter Bus, and the financial burden passed on to the county LOTS to provide free or discounted fares would also result in a deterioration of service for all Maryland citizens.

If further consideration of the issues raised by Section 7 of HB 1515 is warranted, rather than creating a new entity within MTA and each of the counties transit providers, perhaps leveraging existing eligibility verification systems run by third-party agency partners that determine eligibility for existing benefit programs would make the most sense. Both DHR and DSS have the expertise to implement and manage such a program. MTA would welcome the opportunity to work closely with them to develop an appropriate means of providing various pass products for their clients, and the associated costs could be built into their annual budget.