

Department of Legislative Services
Maryland General Assembly
2022 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

Senate Bill 463

(Senator Feldman)

Budget and Taxation

Appropriations

**Washington Metropolitan Area Transit Authority – Funding Formulas –
Alteration (WMATA Dedicated Funding Amendment Act of 2022)**

This bill modifies the formulas by which the State provides capital funding grants to the Washington Metropolitan Area Transit Authority (WMATA) beginning in fiscal 2027. **The bill takes effect June 1, 2022; however, specified provisions are contingent on similar acts being enacted by the Commonwealth of Virginia and the District of Columbia, as specified.**

Fiscal Summary

State Effect: The bill has no effect over the five-year period addressed by this fiscal and policy note; however, assuming the contingency is met, the bill significantly affects the annual capital grant funding provided to WMATA beginning in FY 2028, as discussed below. Revenues are not affected. **This bill decreases a mandated appropriation beginning in FY 2027 and increases a mandated appropriation beginning in FY 2028.**

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

Small Business Effect: None.

Analysis

Bill Summary: As discussed below, the State is required to provide capital funding to WMATA from the Transportation Trust Fund (TTF) in two ways. The bill modifies the formula used to calculate both of these funding mechanisms.

First, the bill requires the base capital grant to WMATA to equal at least the amount appropriated in fiscal 2026; the requirement that the base capital grant increase by 3% each year is repealed. Second, and instead, the bill requires the additional capital grant established by the Maryland Metro/Transit Funding Act (Chapters 351 and 352 of 2018) to (1) equal \$167.0 million for fiscal 2027 (which is the same as current law) and (2) annually increase by 3% over the appropriation for the preceding fiscal year. Absent the bill, the additional capital grant must equal \$167.0 million each year.

Current Law: WMATA was established in 1967 through an interstate compact among Maryland, Virginia, and the District of Columbia. The original purpose was construction and operation of a rapid rail transit system for the Washington metropolitan area. In 1973, WMATA purchased the assets of four major private bus companies operating in the area. Maryland's overall participation in the Washington metropolitan transit system consists of the provision of annual funding to WMATA for capital and operating costs of the Metrorail, Metrobus, and MetroAccess systems. WMATA's operations are funded through operating revenues and subsidies provided by the compact signatories: Maryland, Virginia, and the District of Columbia. General parameters on capital funding levels are typically established in a six-year Capital Funding Agreement developed through negotiations between WMATA and its local funding partners.

Passed in response to financial difficulties experienced by WMATA, the Maryland Metro/Transit Funding Act (enacted by Chapters 351 and 352 of 2018) mandates additional capital funding for WMATA in two ways. First, the Act requires the State's existing capital subsidy to WMATA to increase by 3% annually over the previous fiscal year once specified reporting requirements are met. Second, the Act requires the Governor to include in the State budget an additional appropriation of \$167.0 million from the funds available in the State capital program in TTF.

State Expenditures: The bill's changes do not affect TTF expenditures over the five-year period covered by this fiscal and policy note; however, beginning in fiscal 2028, the bill affects the distribution of funds from the State's capital program in two ways: (1) by repealing the requirement that the base capital grant to WMATA increase by 3% annually; and (2) by instead requiring the additional capital grant to WMATA to increase by 3% annually (beginning in fiscal 2028, and contingent on similar legislation being enacted by Virginia and Washington, DC).

Even though the bill repeals the requirement to increase the base capital grant by 3% annually, MDOT advises that it has a contractual agreement with Virginia and Washington, DC, to provide increased funding to WMATA consistent with current law through fiscal 2027. Thus, this change has no effect on MDOT's capital funding until fiscal 2028. At that time, MDOT must renegotiate its agreement and, under the bill, the funding could be as low as the amount provided in fiscal 2026.

A precise estimate of the impact at that time cannot be reliably estimated because MDOT has not yet finalized plans for the capital program in fiscal 2028, and the ultimate impact of the bill depends on the bill's contingency and the contract negotiated by MDOT. *For illustrative purposes only*, if MDOT is able to negotiate a reduction in the base grant to fiscal 2026 funding levels, then the State's total capital grants to WMATA *decrease* by \$1.4 million in fiscal 2028 and *increase* in subsequent fiscal years. Conversely, if MDOT continues to provide an increase in the base grant, then the State's total capital grants to WMATA *increase* by \$5.0 million in fiscal 2028 and *continue to increase* in subsequent fiscal years.

Additional Information

Prior Introductions: None.

Designated Cross File: HB 438 (Delegate Korman) - Appropriations.

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

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Analysis by: Richard L. Duncan

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