

**J00A0104**  
**Washington Metropolitan Area Transit Authority**  
**Maryland Department of Transportation**

***Operating Budget Data***

(\$ in Thousands)

	<u>FY 15</u> <u>Actual</u>	<u>FY 16</u> <u>Working</u>	<u>FY 17</u> <u>Allowance</u>	<u>FY 16-17</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
Special Fund	\$284,844	\$320,422	\$323,422	\$3,000	0.9%
Deficiencies and Reductions	0	0	0	0	
<b>Adjusted Special Fund</b>	<b>\$284,844</b>	<b>\$320,422</b>	<b>\$323,422</b>	<b>\$3,000</b>	<b>0.9%</b>
<b>Adjusted Grand Total</b>	<b>\$284,844</b>	<b>\$320,422</b>	<b>\$323,422</b>	<b>\$3,000</b>	<b>0.9%</b>

- The fiscal 2017 allowance increases by \$3 million (0.9%) from the current year working appropriation. This appropriation represents Maryland’s share of the operating subsidy to the Washington Metropolitan Area Transit Authority (WMATA).
- Based on WMATA’s proposed fiscal 2017 budget, Maryland’s share of the operating subsidy is projected at \$321.5 million or \$1.9 million less than the fiscal 2017 allowance. If the WMATA budget as approved remains less than the allowance, the excess amount will cancel at the end of the fiscal year.

***PAYGO Capital Budget Data***

(\$ in Thousands)

	<u>Fiscal 2015</u> <u>Actual</u>	<u>Fiscal 2016</u>		<u>Fiscal 2017</u> <u>Allowance</u>
		<u>Legislative</u>	<u>Working</u>	
Special	\$157,120	\$132,091	\$130,715	\$153,567
<b>Total</b>	<b>\$157,120</b>	<b>\$132,091</b>	<b>\$130,715</b>	<b>\$153,567</b>

Note: Numbers may not sum to total due to rounding.

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- The fiscal 2016 working appropriation is \$1,376,000 lower than the legislative appropriation and reflects the Maryland share of the estimated level of capital spending to occur in fiscal 2016.
- The fiscal 2017 allowance of \$153.6 million is an increase of \$22.9 million over the current year working appropriation and represents the estimated cash flow needs for Maryland's share of the WMATA fiscal 2017 capital program.

## ***Analysis in Brief***

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### **Major Trends**

***Ridership:*** Ridership in fiscal 2015 increased by almost a million trips over the prior year but was still substantially lower than in fiscal 2012.

***System Performance Measures:*** Relative to fiscal 2014, revenue miles and operating cost per passenger trip both increased for Metrorail while the number of passengers per revenue mile and operating cost per revenue mile both decreased. For Metrobus, both revenue miles and passengers per revenue mile decreased compared to fiscal 2014 and operating cost per revenue mile and per passenger trip increased.

***Farebox Recoveries:*** The fiscal 2011 to 2015 systemwide five-year average farebox recovery rate was 48%. Farebox recovery increased in fiscal 2015 compared to the prior year for Metrorail and MetroAccess and remained unchanged for Metrobus.

### **Issues**

***Safety Concerns Lead to Direct Federal Transit Administration Oversight of the Safety of WMATA Rail System:*** Following a series of incidents the Federal Transit Administration (FTA) initiated a Safety Management Inspection to comprehensively examine WMATA's safety practices and procedures and on October 9, 2015, FTA assumed direct oversight of the safety of the WMATA rail system from the Tri-state Oversight Committee, the body responsible for ensuring the safe operations of the transit system. FTA direct oversight of the safety of the WMATA rail system will continue until a State Safety Oversight Agency that complies with federal regulations is established. **The Maryland Department of Transportation should brief the committee on the status of efforts to develop compact legislation establishing the new State Safety Oversight Agency.**

***Progress Made in Resolving Financial Management Issues but Restrictions on Drawdown of Federal Grant Funds Remain in Place:*** An FTA Financial Management Oversight (FMO) audit of WMATA identified material weaknesses and deficiencies in internal controls, and concluded that WMATA did not maintain effective internal control over its compliance with FTA's financial management system requirements. As a result, beginning March 2014, FTA required WMATA to manually submit comprehensive documentation in support of draws on its federal grants instead of

using the automated electronic application FTA grantees normally use to request payments from their grant awards. WMATA has submitted documentation on all FMO corrective action plan items and is working to meet all deliverable expectations of the Testing and Validation Plan to allow FTA to verify that WMATA’s internal controls and processes support proper grant reimbursements. **WMATA should brief the committees on when it expects the Testing and Validation phase to be complete and when it expects to be able to resume use of the FTA automated electronic grant drawdown system.**

### **Operating Budget Recommended Actions**

1. Concur with Governor’s allowance.

### **PAYGO Budget Recommended Actions**

	<u><b>Funds</b></u>
1. Reduce funding for capital grant to reflect the Maryland share of the Washington Metropolitan Area Transit Authority’s fiscal 2017 proposed budget.	\$ 26,000,000
<b>Total Reductions</b>	<b>\$ 26,000,000</b>

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**Washington Metropolitan Area Transit Authority**  
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## ***Budget Analysis***

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### **Program Description**

The Washington Metropolitan Area Transit Authority (WMATA) operates the second largest rail transit system and the fifth largest bus network in the United States. WMATA was created in 1967 by an interstate compact in which Maryland, Virginia, and Washington, DC participate. Subsequently, two federal representatives were added to the Board of Directors (board). Each signatory jurisdiction provides two directors to WMATA's eight-member board. Construction of WMATA's 103-mile Metrorail system began in 1969 and was completed in 2001. In 2004, the system was expanded to 86 stations and 106 miles with the opening of the Blue Line extension to Largo Town Center and the New York Avenue\Florida Avenue\Gallaudet University station on the Red Line. In 2009, construction started on a 23.1-mile rail extension to Dulles, Virginia dubbed the Silver Line. The first 11.6 miles with 5 stations opened in July 2014. Construction of the second phase, consisting of 11.5 miles and 6 stations, is scheduled for completion in calendar 2019. The system now serves 26 stations in Maryland.

Maryland provides an annual operating grant to the Washington Suburban Transit Commission (WSTC) through the Maryland Department of Transportation's (MDOT) Secretary's Office budget. WSTC authorizes MDOT to provide funding to WMATA for the operation of the Metrorail, Metrobus, and MetroAccess programs. These operating grants are based on numerous factors, including miles of service, number of stations, number of passengers, and population density in each jurisdiction and are offset by the fare revenues generated by each service.

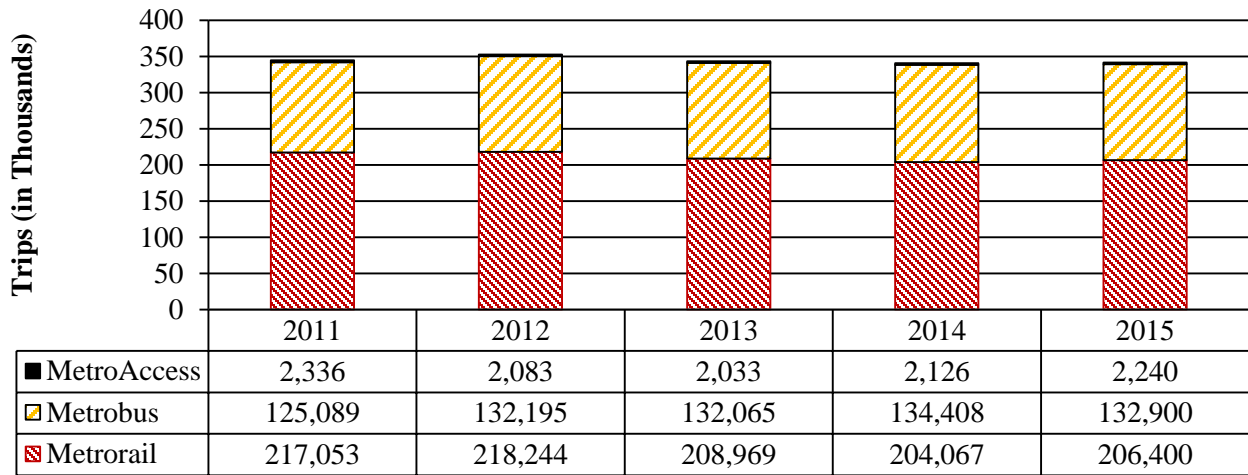
WMATA's mission is to ensure the best in safe, reliable, cost-effective, and responsive transit services by promoting regional mobility and contributing toward the social, economic, and environmental well-being of our community.

### **Performance Analysis: Managing for Results**

#### **1. Ridership**

**Exhibit 1** shows ridership for the WMATA system from fiscal 2011 to 2015. Ridership in fiscal 2015 increased by almost a million trips over the prior year but was still substantially lower than in fiscal 2012. A decline of 1.5 million trips on Metrobus was more than offset by the 2.3 million increase in Metrorail trips.

**Exhibit 1**  
**WMATA Annual Ridership**  
**Fiscal 2011-2015**  
**(Trips in Thousands)**



WMATA: Washington Metropolitan Area Transit Authority

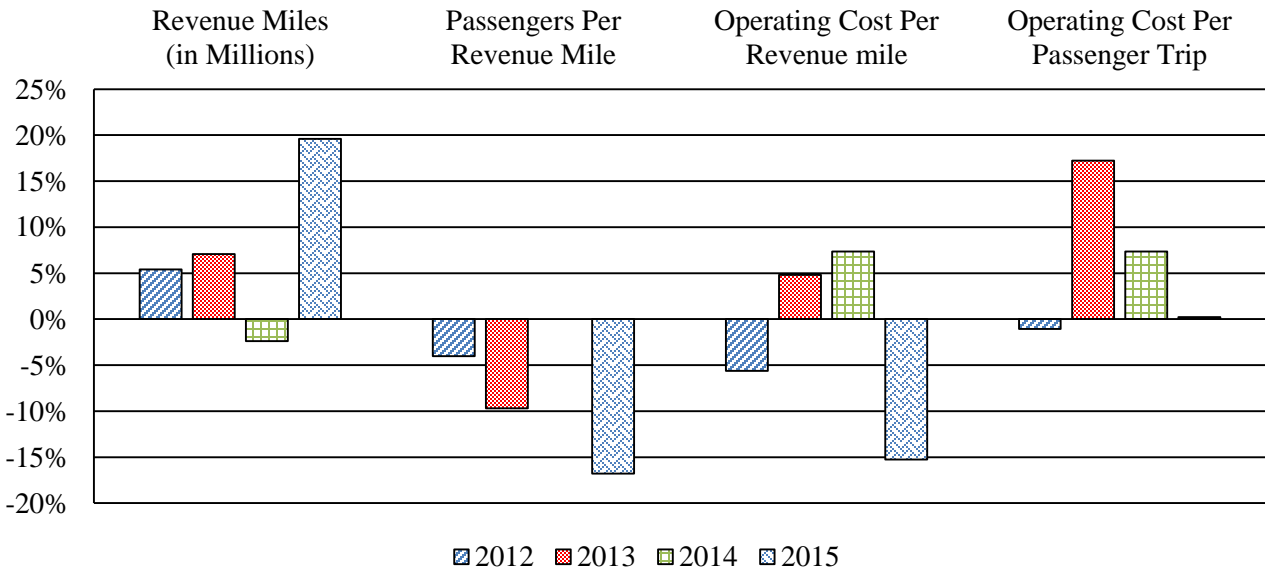
Source: Department of Budget and Management

## 2. System Performance Measures

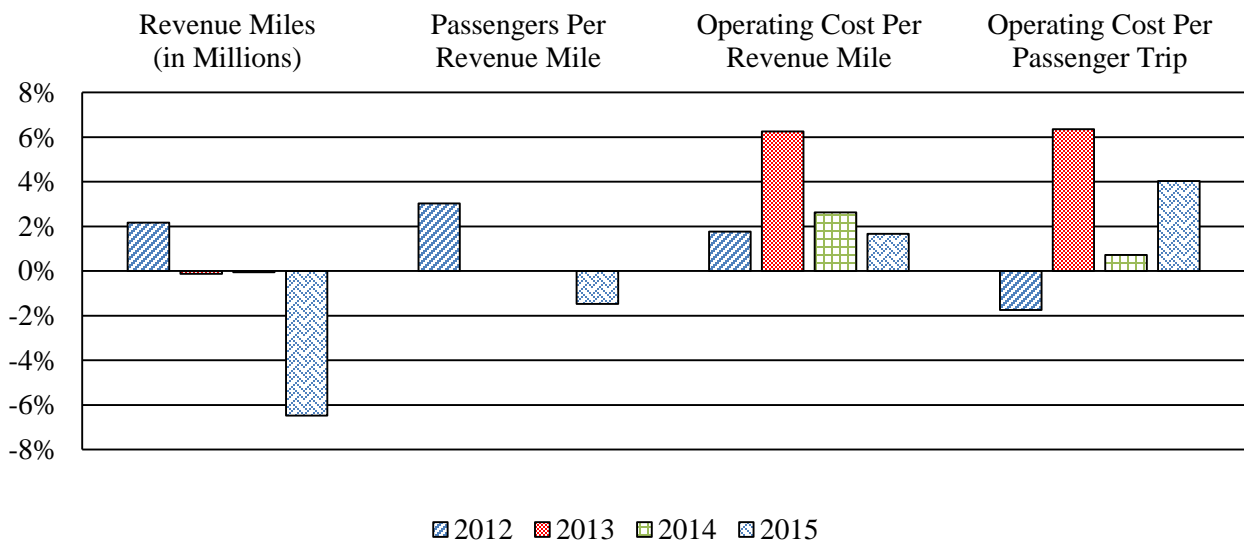
One method of measuring the performance of transit systems is to look at the relationship between the service provided and used, as measured by revenue miles and passenger trips, relative to expenditures. **Exhibit 2** shows the percent change from the prior year for revenue miles, passengers per revenue mile, operating cost per revenue mile, and operating cost per passenger trip for both Metrorail and Metrobus service for fiscal 2012 through 2015.

**Exhibit 2**  
**Metrorail and Metrobus Performance Measures**  
**Percent Change from the Prior Year**  
**Fiscal 2012-2015**

**Metrorail**



**Metrobus**



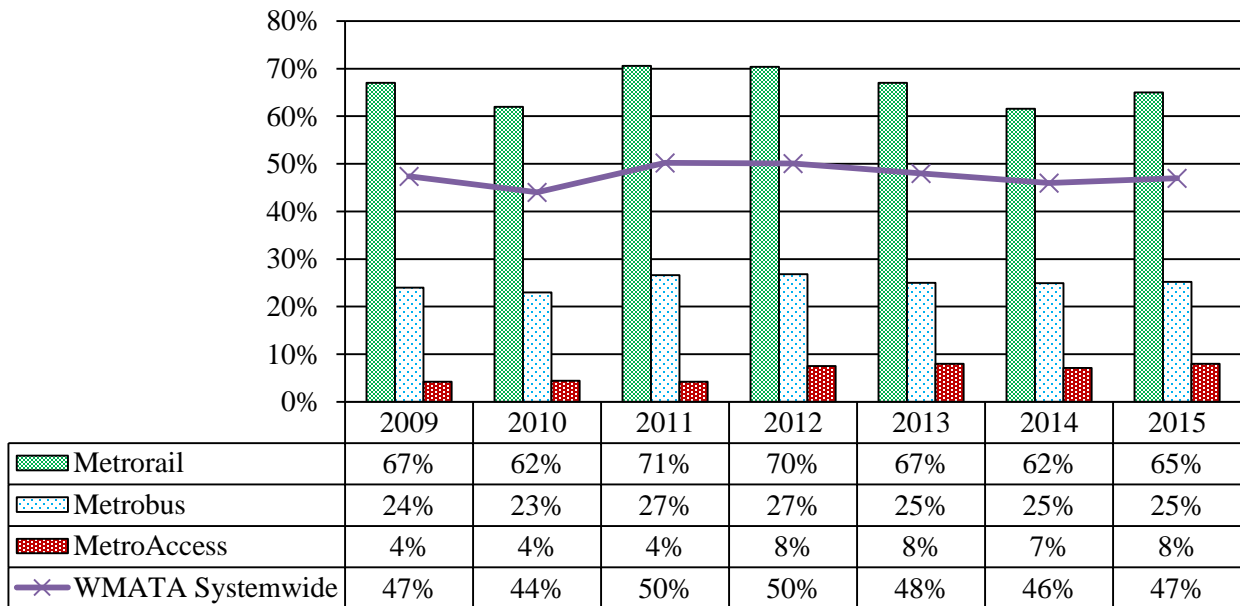
Source: Department of Budget and Management

For Metrorail, relative to fiscal 2014, revenue miles and operating cost per passenger trip both increased while the number of passengers per revenue mile and operating cost per revenue mile both decreased. For Metrobus, both revenue miles and passengers per revenue mile decreased compared to fiscal 2014 and operating cost per revenue mile and per passenger trip increased.

### 3. Farebox Recoveries

**Exhibit 3** provides information on WMATA’s farebox recovery ratio from fiscal 2009 to 2015. The fiscal 2011 to 2015 systemwide five-year average farebox recovery rate was 48%. Farebox recovery increased in fiscal 2015 compared to the prior year for Metrorail and MetroAccess and remained unchanged for Metrobus.

**Exhibit 3  
WMATA Farebox Recovery Rates  
Fiscal 2009-2015**



WMATA: Washington Metropolitan Area Transit Authority

Source: Department of Budget and Management



## **Proposed Budget**

### **Expenditures**

WMATA's proposed fiscal 2017 operating budget totals \$1,735.3 million, a decrease of \$78.7 million or 4.3% from the approved fiscal 2016 budget. The majority of the decrease is achieved by shifting expenses that qualify under Federal Transit Administration (FTA) guidelines for federal grant spending related to preventative maintenance and heavy rail overhaul to the capital budget.

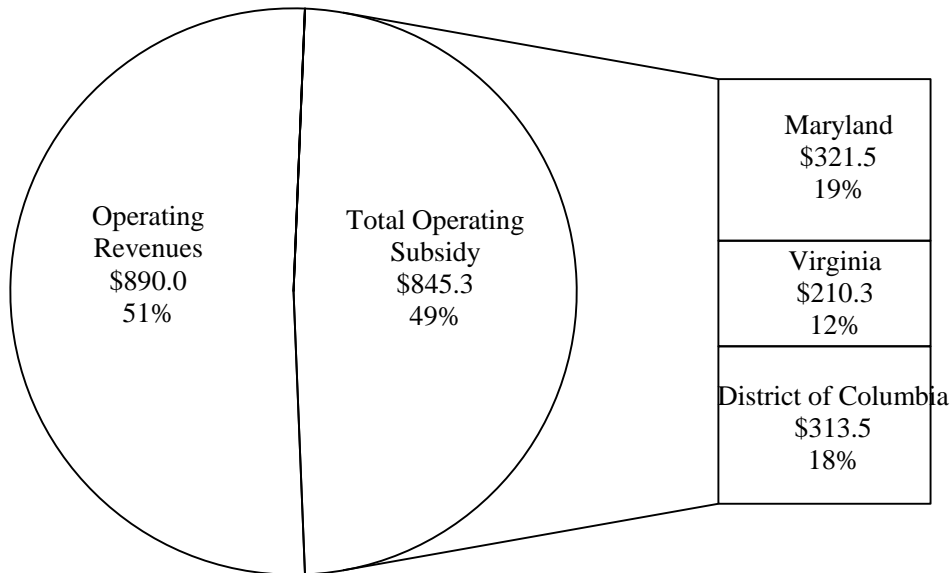
The proposed budget assumes no increase in fares, no reduction in service, and no net increase in support from Maryland, Virginia, and the District of Columbia, although the Maryland share increases by \$3 million. It includes 62 new positions required to implement the corrective action plan items identified by the federal Safety Management Inspection (SMI) (see Issue 1).

Costs are constrained in the fiscal 2017 budget through assumed implementation of findings from the WMATA Board of Director's efficiency work plan (\$20.0 million) reductions in retirement costs associated with the new employee retirement contribution requirements (\$4.5 million) and not including a contribution to the Other Postemployment Benefits Trust (\$11.0 million). The retirement savings amount represents savings across the entire agency – operating and capital.

### **Revenues**

WMATA's operations are funded through operating revenues and subsidies provided by Maryland, Virginia, and the District of Columbia. **Exhibit 4** shows that 51.0% of the operating budget will be supported by WMATA's operating revenues. Passenger revenue, in particular Metrorail, accounts for approximately 86.0% of all operating revenue. Projected fiscal 2017 operating revenues decline by over 4.6% from the current year. WMATA attributes the decrease in passenger revenue to a number of factors including lower gas prices, stagnant federal employment in the region, increased teleworking, and the reduced service reliability over the past year.

**Exhibit 4**  
**WMATA Proposed Fiscal 2017 Revenues**  
**(\$ in Millions)**



**Total Revenues = \$1.7 Billion**

WMATA: Washington Metropolitan Area Transit Authority

Note: Excludes debt service.

Source: Washington Metropolitan Area Transit Authority, *Proposed Fiscal 2017 Budget*

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The local subsidy fills the gap between operating revenues and expenditures. In fiscal 2017, the local subsidy supports 49% of operating spending. The local subsidy is projected to remain unchanged from the current year as shown in **Exhibit 5**.

**Exhibit 5**  
**WMATA Operating Budget Resources**  
**Maryland Operating Subsidy**  
**Fiscal 2014-2017**  
**(\$ in Millions)**

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>\$ Change</u> <u>2016-2017</u>	<u>% Change</u> <u>2016-2017</u>
Revenue	\$853.4	\$907.2	\$938.0	\$890.0	-\$48.0	-5.1%
Local Subsidy	755.4	723.4	845.3	845.3	0.0	0.0%
Preventive Maintenance/Other	30.7	30.7	30.7	0.0	-30.7	-100.0%
<b>Total</b>	<b>\$1,639.6</b>	<b>\$1,661.2</b>	<b>\$1,814.0</b>	<b>\$1,735.3</b>	<b>-\$78.7</b>	<b>-4.3%</b>
Maryland Share of Operating Subsidy						
Maryland Budget	\$268.3	\$284.8	\$320.4	\$323.4	\$3.0	0.9%
WMATA Projection				321.5	\$1.1	0.3%
Maryland Surplus/(Shortfall)				1.9		

WMATA: Washington Metropolitan Area Transit Authority

Note: Numbers may not sum due to rounding. Excludes debt service.

Source: Washington Metropolitan Area Transit Authority; Maryland State Budget; Department of Legislative Services

Exhibit 5 also shows that the amount included in the Maryland budget for WMATA operations is \$1.9 million more than the estimated requirement based on WMATA’s proposed budget. If the amount appropriated is greater than needed, the difference will cancel at the year-end closeout. Conversely, if a greater contribution is required based on the budget as approved by the WMATA Board, MDOT will submit a budget amendment to add additional funds. **Appendix 4** provides an estimated allocation of the State operating and capital subsidies by local jurisdiction.

## **PAYGO Capital Program**

### **Program Description**

MDOT’s Office of the Secretary provides a grant to support WMATA’s capital program including the design, construction, and rehabilitation of the Metrorail and Metrobus systems. General parameters on capital funding levels are established in a six-year Capital Funding Agreement developed through negotiations between WMATA and its local funding partners. The current agreement expires June 30, 2016.

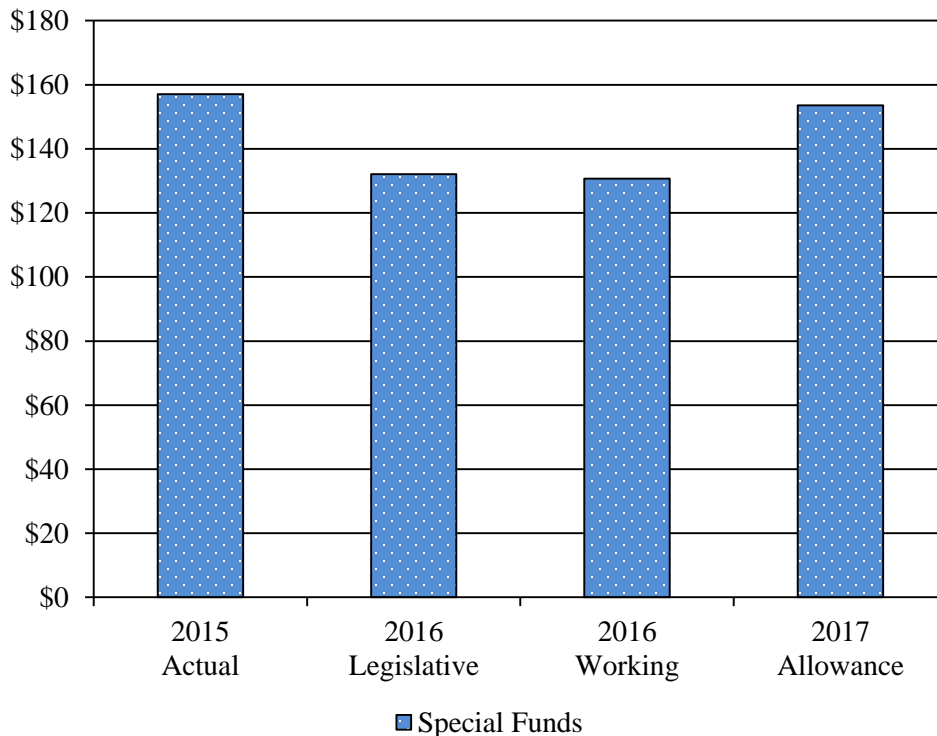
**Fiscal 2016 to 2021 Consolidated Transportation Program**

Total six-year spending programmed for the WMATA capital grant in the Maryland Consolidated Transportation Program (CIP) is \$963.4 million. The majority of this funding is focused on safety, infrastructure rehabilitation and replacement, and maintaining the system in a state of good repair.

**Fiscal 2016 and 2017 Cash Flow Analysis**

As shown in **Exhibit 6**, the fiscal 2016 working appropriation decreased by \$1.4 million from the legislative appropriation reflecting the fiscal 2016 WMATA capital budget as approved. The fiscal 2017 allowance increases by \$22.9 million over the current year working appropriation reflecting projected cash flow needs in the coming year.

**Exhibit 6**  
**Cash Flow Changes**  
**Fiscal 2015-2017**  
**(\$ in Millions)**



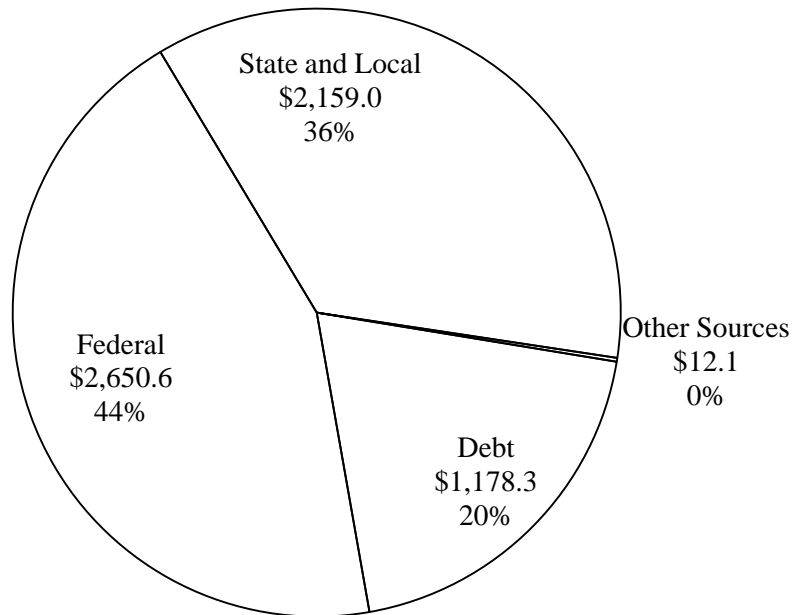
Source: Maryland State Budget, Fiscal 2017

### WMATA Six-year Capital Program

WMATA’s fiscal 2017 through 2022 CIP totals \$6 billion. As shown in **Exhibit 7**, federal funds comprise 44% of planned funding; State and local contributions comprise 36%; and debt and other sources comprise the remaining 20%.

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**Exhibit 7**  
**WMATA Six-year Capital Program**  
**Fiscal 2017-2022**  
**(\$ in Millions)**



WMATA: Washington Metropolitan Area Transit Authority

Source: Washington Metropolitan Area Transit Authority, Fiscal 2017 Proposed Budget

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The six-year CIP proposes more than \$1 billion in safety-related funding including full funding of all current National Transportation Safety Board (NTSB) recommendations and FTA SMI requirements. The proposed fiscal 2017 budget includes \$302 million for safety-related projects including:

- continuation of the replacement of 300 1000-series railcars with the new 7000-series;

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- completion of design work for the above ground elements of the new 700-megahertz radio system and completion of installation of cable trays along the Red Line;
- completion of the project to replace all Generation 2 track circuits in the rail system (an NTSB recommendation and an SMI corrective action);
- installation of event recorders and reliability improvements to the Vehicle Monitoring Systems on legacy fleets; and
- development of automated processes to record maintenance and inspection activities for tunnel ventilation systems, drainage pumping stations, and other critical systems.

The CIP also proposes almost \$5 billion to repair and replace assets to bring them into a state of good repair including:

- ongoing rehabilitation and replacement of track and rail structures;
- replacement, rehabilitation, and repair of railcars (in addition to the NTSB-directed replacement of the 1000-series railcars);
  - replacement of 4000-series railcars (100);
  - replacement of 5000-series railcars (192);
  - purchase of additional 7000-series railcars (28); and
  - initiation of the replacement of the 2000/3000-series railcars;
- continuation of scheduled railcar preventative maintenance and component replacement;
- replacement, rehabilitation, and repair of buses;
  - replacement of approximately 85 buses per year;
  - rehabilitation of approximately 100 buses per year; and
  - continuous scheduled preventative maintenance on the entire bus fleet;
- procurement of approximately 175 MetroAccess vehicles per year;
- replacement, rehabilitation, and repair of escalators and elevators;

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- replacement of approximately 96 escalators;
- rehabilitation of approximately 144 escalators; and
- rehabilitation of approximately 104 elevators;
- replacement/refurbishment of fare gates and fareboxes; and
- commencement of phase two of the Red Line rehabilitation effort and completion of the Orange/Blue line rehabilitation effort.

In fiscal 2017, \$825 million is proposed for state of good repair projects including:

- continued rail line rehabilitation on the Orange/Blue Lines;
- increased funding for the railcar rehabilitation program to rebuild railcar components to improve reliability;
- continued rehabilitation of Alexandria, Brentwood, and New Carrollton rail yards;
- full rehabilitation of 12 Metro stations and smaller scale rehabilitations of another 12 Metro stations;
- replacement of 22 escalators and rehabilitation of an additional 10 escalators;
- rehabilitation of 15 elevators;
- replacement of 150 buses and rehabilitation of another 100 buses;
- advance replacement of Southern Avenue and Royal Street bus garages with new facilities at Andrews Federal Campus and Cinder Bed Road; and
- commencement of the implementation phase of fare collection equipment replacement/refurbishment.

**Fiscal 2017 Capital Program**

WMATA's proposed fiscal 2017 capital program totals \$1.1 billion. **Exhibit 8** shows planned spending by category.

**Exhibit 8**  
**Fiscal 2017 Capital Spending by Category**  
**(\$ in Millions)**

**Category**

Vehicles/Vehicle Parts	\$497.7
Rail System Infrastructure Rehabilitation	86.7
Maintenance Facilities	120.4
Systems and Technology	139.2
Track and Structures	77.6
Passenger Facilities	124.8
Maintenance Equipment	55.0
Other Facilities	5.6
Project Management and Support	21.2
<b>Total</b>	<b>\$1,128.2</b>

Source: Washington Metropolitan Area Transit Authority, Fiscal 2017 Proposed Budget

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**Exhibit 9** shows the total funding by source for WMATA’s fiscal 2017 capital program along with the amount Maryland is expected to contribute based on the proposed budget. The variance between the Maryland contribution assumed in WMATA’s CIP and the amount included in the Maryland fiscal 2017 allowance will be reconciled based on the WMATA budget as approved by its Board of Directors and will reflect the cash flow needs as the year progresses. Should the full amount of funding included in the Maryland budget not be required, remaining funds will cancel at the year-end closeout. Conversely, should additional funding be required, MDOT would add funds by budget amendment.



**Exhibit 9**  
**Sources of Funding for the Fiscal 2017 Capital Program**  
(\$ in Millions)

	<u>Total</u>	<u>Maryland</u>
<b>Federal</b>		
Federal formula programs	\$285.6	
Federal Passenger Rail Investment and Improvement Act	170.0	
Resiliency grant	12.2	
Other federal grants	1.7	
<b><i>Subtotal – Federal</i></b>	<b><i>\$469.5</i></b>	
<b>State and Local</b>		
Federal formula programs match	\$71.4	\$24.8
Federal Passenger Rail Investment and Improvement Act match	148.5	49.5
State and Local carry-over	21.5	7.2
System performance (locally funded only)	118.1	41.1
Other State and local	0.2	
<b><i>Subtotal – State and Local</i></b>	<b><i>\$359.6</i></b>	<b><i>\$122.6</i></b>
<b>Other Sources</b>		
Insurance Proceeds	\$2.5	
Miscellaneous	4.1	
<b><i>Subtotal – Other Sources</i></b>	<b><i>\$6.6</i></b>	
Planned long-term financing	\$287.7	
Metro 2025 (locally funded only)	5.0	\$1.67
<b>Total</b>	<b>\$1,128.3</b>	<b>\$124.2</b>
Maryland fiscal 2016 allowance for WMATA capital grant		\$153.6
Variance		29.3

WMATA: Washington Metropolitan Area Transit Authority

Note: Numbers may not sum due to rounding. The WMATA proposed fiscal 2017 budget document shows a lump sum for the Maryland contribution of matching funds for the federal formula programs and for the locally funded system performance funding. The allocation shown above is based on Maryland’s percentage of total local funding for these items.

Source: Washington Metropolitan Area Transit Authority, Fiscal 2017 Proposed Budget; Department of Legislative Services

## ***Issues***

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### **1. Safety Concerns Lead to Direct Federal Transit Administration Oversight of the Safety of WMATA Rail System**

Over the last decade, WMATA has had several serious accidents including the June 22, 2009 collision of two Red Line trains near Fort Totten station in which 9 people were killed and 52 other people were injured and the January 12, 2015 Yellow Line train incident near L'Enfant Plaza station in which an electrical fire filled the tunnel with smoke which sickened scores of riders one of whom died.

Following the Yellow Line incident, FTA initiated an SMI to comprehensively examine WMATA's safety practices and procedures. On June 17, 2015, FTA reported the results of the SMI and issued Safety Directive 15-1 requiring WMATA to address the SMI findings. The Safety Directive identified 91 corrective actions (78 related to Metrorail, 13 related to Metrobus) that WMATA needed to take to resolve the safety findings. In September 2015, FTA approved the Corrective Action Plan submitted by WMATA to address the SMI findings.

Further safety lapses, including the August 6, 2015 early morning derailment of an empty train on its way to the start of revenue service, led FTA to announce on October 9, 2015, in Safety Directive 16-1, that it was assuming direct oversight of the safety of the WMATA rail system from the Tri-state Oversight Committee (TOC), the body responsible for ensuring the safe operations of the transit system. It also issued Safety Directive 16-2 requiring WMATA to take corrective action to resolve open safety findings (some dating to 2008) previously issued by TOC.

#### **Tri-state Oversight Committee**

TOC was established in 1997 through a Memorandum of Understanding among the District of Columbia, State of Maryland, and Commonwealth of Virginia to comply with an FTA regulation requiring states with a defined rail transit system not under the jurisdiction of the Federal Railroad Administration to develop and maintain a State Safety Oversight (SSO) agency.

The FTA regulation required SSO agencies to develop a program standard for the transit system's safety and security plans; approve these plans; investigate accidents and hazardous conditions; require the transit system to develop corrective action plans to address safety deficiencies; approve the corrective action plans; and conduct independent reviews of the implementation of the safety and security plans on at least a triennial basis. SSO agencies, however, have no authority under FTA regulations to enforce their findings with fines, civil actions, or other penalties. This lack of enforcement ability resulted in numerous TSO safety findings remaining open for years.

#### **MAP-21 Increases State Oversight Responsibilities**

In order to strengthen state oversight of transit safety, provisions were included in the federal Moving Ahead for Progress in the 21st Century Act (MAP-21) of 2012 directing states to establish an

SSO agency that is legally and financially independent of the rail transit agency it oversees, and one that has investigative and enforcement authority to ensure its safety findings are addressed. The states are required to be in compliance with these provisions within three years of publication of final regulations (expected in early 2016 according to FTA).

## **Metro Safety Commission under Development**

In early 2010, Maryland, Virginia, and the District of Columbia published a white paper outlining potential issues that would need to be addressed to establish a Metro Safety Committee (MSC). In early 2014, the Governors and Mayor signed a letter providing that the jurisdictions would move forward with creation of the MSC to replace the TOC. The work plan for this effort was approved by FTA in May 2014.

In response to increasing pressure from the U.S. Department of Transportation (USDOT) and FTA, the three jurisdictions designated executive level staff in the summer of 2015 to negotiate key issues and initiate the drafting of potential compact legislation. This executive policy group requested legal support services through the Washington Metropolitan Council of Governments (COG), which serves as the administrative agent for federal grant funds authorized for the SSO program. COG is procuring the requested services through a Request for Proposal. These services are expected to commence by the end of February 2016.

By letter dated February 8, 2016, FTA notified the three jurisdictions that TOC's SSO program was inadequate and that within one year the jurisdictions must receive FTA certification of a new SSO program compliant with federal regulations or face potential withholding of federal transit capital grant funds. MDOT advises this could equate to a reduction of up to \$8.2 million. By a separate letter, also dated February 8, 2016, USDOT Secretary Anthony Foxx expressed disappointment that the three jurisdictions would not be pursuing final legislation during 2016 to establish a federally compliant SSO agency. In remarks to the COG Board in November 2015, the FTA Acting Administrator noted that states do not need to wait for publication of the final regulations relating to MAP-21 compliant SSO agencies since they will be substantially the same as the proposed regulations.

Under the current schedule for establishing the MSC, the District of Columbia would consider the compact legislation in June 2016 with Maryland and Virginia following suit in early 2017. This schedule will not meet the one-year FTA deadline.

## **Conclusion**

FTA direct oversight of the safety of the WMATA rail system will continue until MSC is established. The one-year deadline imposed by FTA makes it clear that the federal government does not wish to provide this oversight any longer than necessary. **MDOT should brief the committee on the status of efforts to develop compact legislation establishing the MSC.**

## **2. Progress Made in Resolving Financial Management Issues but Restrictions on Drawdown of Federal Grant Funds Remain in Place**

An FTA Financial Management Oversight (FMO) audit of WMATA identified material weaknesses and deficiencies in internal controls, and concluded that WMATA did not maintain effective internal control over its compliance with FTA’s financial management system requirements. As a result, beginning March 2014, FTA required WMATA to manually submit comprehensive documentation in support of draws on its federal grants instead of using the automated electronic application FTA grantees normally use to request payments from their grant awards. As a result of this change, WMATA experienced cash flow difficulties which led it to rely on a series of short-term debt instruments.

As of June 30, 2015, WMATA had submitted documentation on all 65 FMO corrective action plan items. FTA has indicated that the items would remain open, and the manual drawdown procedures would remain in place, until FTA verifies that WMATA’s internal controls and processes support proper grant reimbursements. To that end, on September 30, 2015, FTA provided to WMATA a Testing and Validation Plan. WMATA reported that as of December 31, 2015, it continued to work with FTA and the FMO Contractor to timely meet all deliverable expectations of the Testing and Validation Plan with the next set of deliverables due to FTA in March 2016.

**WMATA should brief the committees on when it expects the Testing and Validation phase to be complete and when it expects to be able to resume use of the FTA automated electronic grant drawdown system.**

## ***Operating Budget Recommended Actions***

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1. Concur with Governor's allowance.

***PAYGO Budget Recommended Actions***

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	<b><u>Amount Reduction</u></b>	
1. Reduce funding for capital grant to reflect the Maryland share of the Washington Metropolitan Area Transit Authority’s fiscal 2017 proposed budget.	\$ 26,000,000	SF
<b>Total Special Fund Reductions</b>	<b>\$ 26,000,000</b>	

***Current and Prior Year Budgets***

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**Current and Prior Year Budgets**  
**MDOT – Washington Metropolitan Area Transit Authority**  
 (\$ in Thousands)

	<b><u>General</u></b> <b><u>Fund</u></b>	<b><u>Special</u></b> <b><u>Fund</u></b>	<b><u>Federal</u></b> <b><u>Fund</u></b>	<b><u>Reimb.</u></b> <b><u>Fund</u></b>	<b><u>Total</u></b>
<b>Fiscal 2015</b>					
Legislative Appropriation	\$0	\$285,621	\$0	\$0	\$285,621
Deficiency Appropriation	0	0	0	0	0
Cost Containment	0	0	0	0	0
Budget Amendments	0	0	0	0	0
Reversions and Cancellations	0	-777	0	0	-777
<b>Actual</b> <b>Expenditures</b>	<b>\$0</b>	<b>\$284,844</b>	<b>\$0</b>	<b>\$0</b>	<b>\$284,844</b>
<b>Fiscal 2016</b>					
Legislative Appropriation	\$0	\$320,422	\$0	\$0	\$320,422
Budget Amendments	0	0	0	0	0
<b>Working</b> <b>Appropriation</b>	<b>\$0</b>	<b>\$320,422</b>	<b>\$0</b>	<b>\$0</b>	<b>\$320,422</b>

Note: The fiscal 2016 working appropriation does not include deficiencies or reversions. Numbers may not sum to total due to rounding.

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**Fiscal 2015**

The fiscal 2015 budget for the WMATA operating grant closed out \$777,207 lower than the legislative appropriation due to an audit adjustment to funding from a prior year (\$709,000) and use of an available balance from prior years (\$68,207).

**Fiscal 2016**

The fiscal 2016 legislative appropriation remains unchanged.



**Fiscal Summary**  
**MDOT– Washington Metropolitan Area Transit Authority – Operating Budget**

<u>Program/Unit</u>	<u>FY 15</u> <u>Actual</u>	<u>FY 16</u> <u>Wrk Approp</u>	<u>FY 17</u> <u>Allowance</u>	<u>Change</u>	<u>FY 16 - FY 17</u> <u>% Change</u>
04 Washington Metropolitan Area Transit – Operating	\$ 284,843,793	\$ 320,422,000	\$ 323,422,000	\$ 3,000,000	0.9%
05 Washington Metropolitan Area Transit – Capital	157,119,828	130,715,000	153,567,000	22,852,000	17.5%
<b>Total Expenditures</b>	<b>\$ 441,963,621</b>	<b>\$ 451,137,000</b>	<b>\$ 476,989,000</b>	<b>\$ 25,852,000</b>	<b>5.7%</b>
Special Fund	\$ 441,963,621	\$ 451,137,000	\$ 476,989,000	\$ 25,852,000	5.7%
<b>Total Appropriations</b>	<b>\$ 441,963,621</b>	<b>\$ 451,137,000</b>	<b>\$ 476,989,000</b>	<b>\$ 25,852,000</b>	<b>5.7%</b>

Note: The fiscal 2016 working appropriation does not include deficiencies or reversions. The fiscal 2017 allowance does not include contingent reductions.

**Budget Amendments for Fiscal 2016**  
**Maryland Department of Transportation**  
**Washington Metropolitan Area Transit Authority – Capital**

<u>Status</u>	<u>Amendment</u>	<u>Fund</u>	<u>Justification</u>
Pending	-\$1,376,000	Special	Adjusts the grant to WMATA to reflect the Maryland share of the estimated level of capital spending.

WMATA: Washington Metropolitan Area Transit Authority

Source: Maryland Department of Transportation

**Maryland’s WMATA Operating and Capital Subsidies  
Allocated by Jurisdiction  
WMATA Proposed Fiscal 2017 Budget  
(\$ in Millions)**

	<u>Montgomery County</u>	<u>Prince George’s County</u>	<u>Total</u>
<b>Operating Subsidy</b>			
Metrobus Operating Subsidy			
Regional bus subsidy	\$57.7	\$69.0	\$126.7
Non-regional bus subsidy	9.6	23.8	33.4
<b>Subtotal – Metrobus Operating Subsidy</b>	<b>\$67.3</b>	<b>\$92.8</b>	<b>\$160.1</b>
Metrorail Operating Subsidy			
Base allocation	\$44.9	\$39.6	\$84.5
Max fare subsidy	3.2	1.5	4.7
<b>Subtotal – Metrorail Operating Subsidy</b>	<b>\$48.1</b>	<b>\$41.1</b>	<b>\$89.2</b>
MetroAccess Subsidy	\$22.9	\$49.4	\$72.3
<b>Total Operating Subsidy</b>	<b>\$138.3</b>	<b>\$183.3</b>	<b>\$321.5</b>
<b>Capital Subsidy</b>			
Formula Match and System Performance	\$32.3	\$33.6	\$65.9
Passenger Rail Investment and Improvement Act <sup>1</sup>	24.5	32.2	56.7
Metro 2025 Investment <sup>1</sup>	0.7	1.0	1.7
Debt Service	4.9	5.5	10.5
<b>Total Capital Subsidy</b>	<b>\$62.4</b>	<b>\$72.3</b>	<b>\$134.8</b>
<b>Grand Total Subsidy – Operating and Capital</b>	<b>\$200.7</b>	<b>\$255.6</b>	<b>\$456.3</b>

WMATA: Washington Metropolitan Area Transit Authority

<sup>1</sup>WMATA allocates these matching funds to Maryland as a lump sum. The allocations shown here are calculated using the proportionate amounts of the operating subsidy for each county.

Note: Numbers may not sum due to rounding. The State of Maryland pays the entire operating and capital subsidies to WMATA. These allocations show the share of the subsidies based on the facilities located in each county.

Source: Washington Metropolitan Area Transit Authority; Department of Legislative Services