

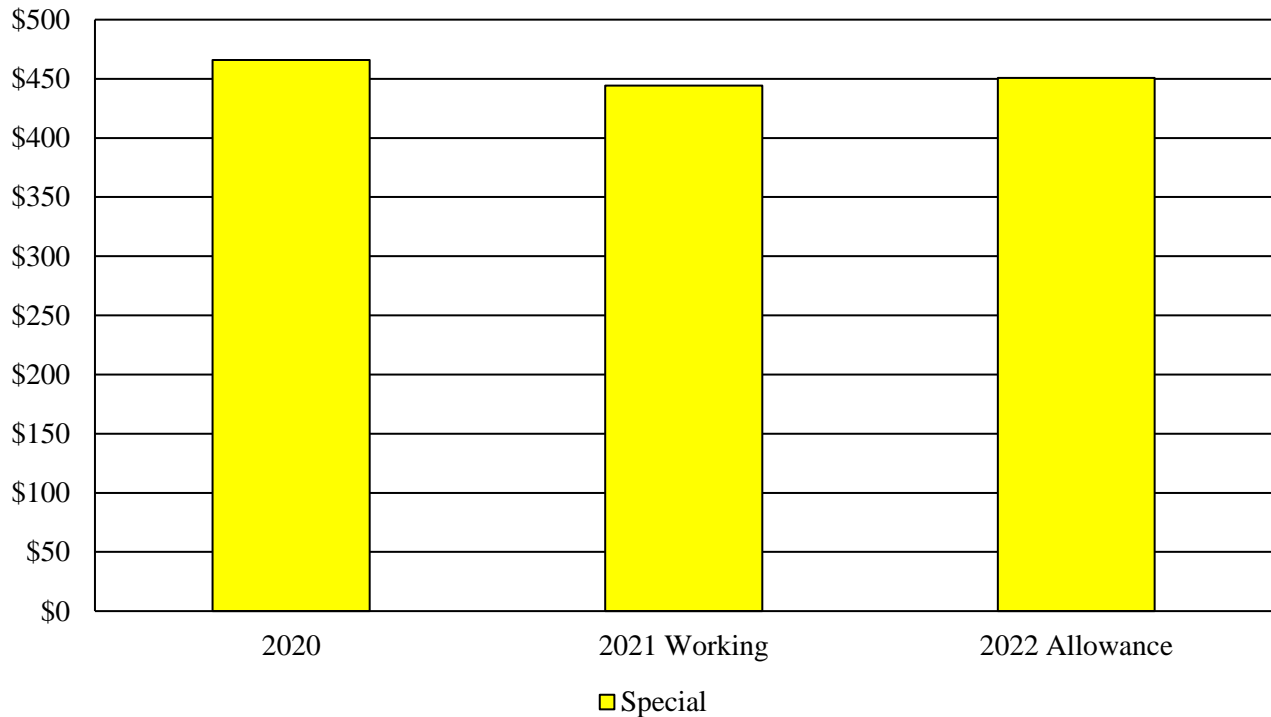
J00A0104
Washington Metropolitan Area Transit Authority
Maryland Department of Transportation

Executive Summary

The Washington Metropolitan Area Transit Authority (WMATA) provides bus, rail, and paratransit service for the Washington, DC metropolitan area. This analysis discusses WMATA's operating and capital budgets and the Maryland contribution toward each budget.

Operating Budget Summary

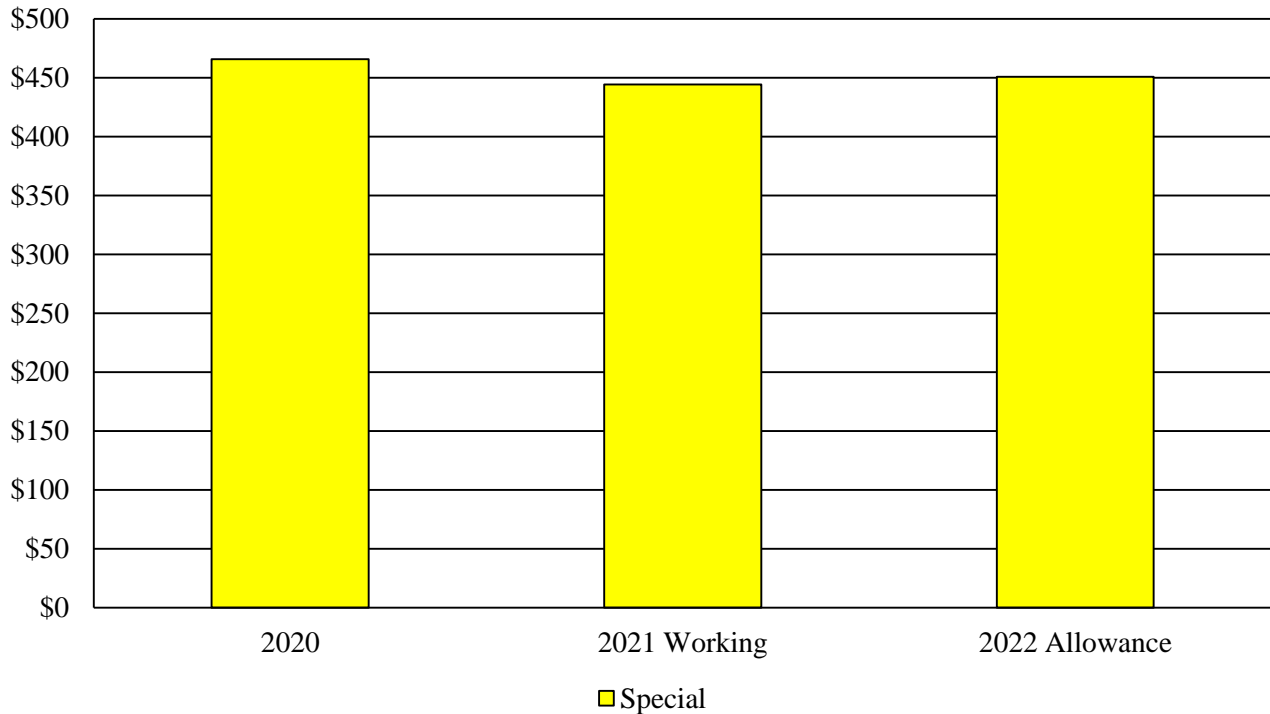
Fiscal 2022 Budget Increases \$6.4 Million, or 1.4%, to \$450.7 Million
(\$ in Millions)



Note: The fiscal 2021 appropriation includes deficiencies, planned reversions, and a general salary increase. The fiscal 2022 allowance includes contingent reductions and annualization of the fiscal 2021 general salary increase.

PAYGO Capital Budget Summary

**Fiscal 2022 Budget Increases \$4.3 Million, or 1.3%, to \$344.1 Million
(\$ in Millions)**



Note: The fiscal 2021 appropriation includes deficiencies, planned reversions, and a general salary increase. The fiscal 2022 allowance includes contingent reductions and annualization of the fiscal 2021 general salary increase.

Key Observations

- The COVID-19 pandemic has had a significant impact on WMATA’s ridership, revenues, and budget.
- WMATA’s fiscal 2022 proposed budget assumes drastically reduced service levels for the last six months of the fiscal year (January 2022 to June 2022). Additional federal aid will be needed to avoid these service level reductions.

Operating Budget Recommended Actions

1. Concur with Governor's allowance.

PAYGO Budget Recommended Actions

1. Concur with Governor's allowance.

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Washington Metropolitan Area Transit Authority
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Budget Analysis

Program Description

The Washington Metropolitan Area Transit Authority (WMATA) operates the third largest rail transit system and the sixth 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. Each signatory jurisdiction provides two directors to WMATA's eight-member board. Construction of WMATA's originally planned 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. The second phase, consisting of 11.5 miles and 6 stations, is scheduled to open on July 1, 2021. The system now serves 26 stations in Maryland.

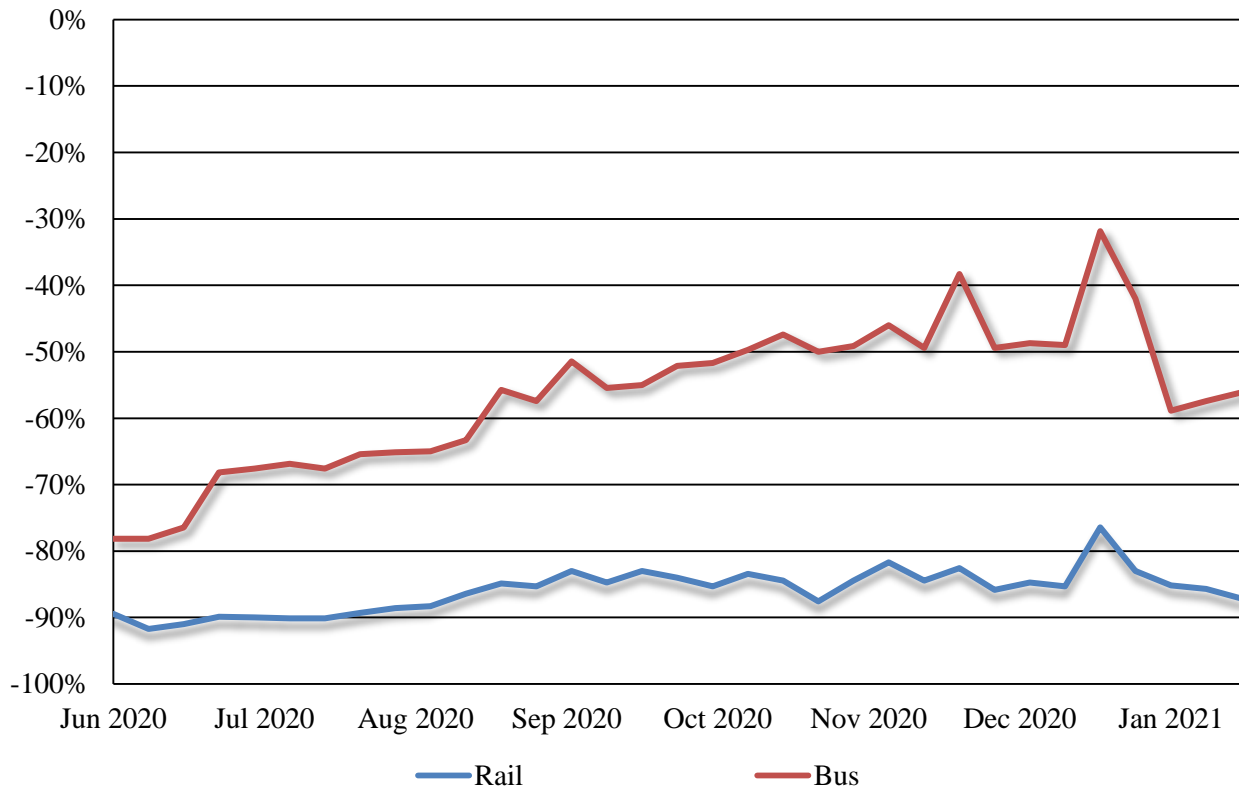
Maryland provides an annual operating grant to the Washington Suburban Transit Commission (WSTC) through the Maryland Department of Transportation's (MDOT) Secretary's Office budget. WSTC authorizes MDOT to provide funding to WMATA for the operation of the Metrorail, Metrobus, and MetroAccess programs. 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 the community.

Impact of COVID-19

The COVID-19 pandemic has caused steep declines in WMATA's ridership and revenues and added to operating expenses relating to enhanced cleaning protocols and the provision of personal protective equipment. **Exhibit 1** shows the change in ridership for Metrorail and Metrobus compared to the same week the prior year. Early in the pandemic, Metrorail ridership was 92% lower than the same period in 2019, and Metrobus ridership was down 78%. Metrobus ridership trended upward for most of calendar 2020, while Metrorail ridership has seen only slight improvement. As will be discussed, WMATA has addressed the budget gaps caused by the declines in revenues and increases in expenses through modifications to service levels, implementation of cost reductions, and the use of federal aid provided through the Coronavirus Aid, Relief, and Economic Security (CARES) Act and the Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act.

Exhibit 1
Percent Change in Ridership Compared to Prior Year
June 2020 to January 2021



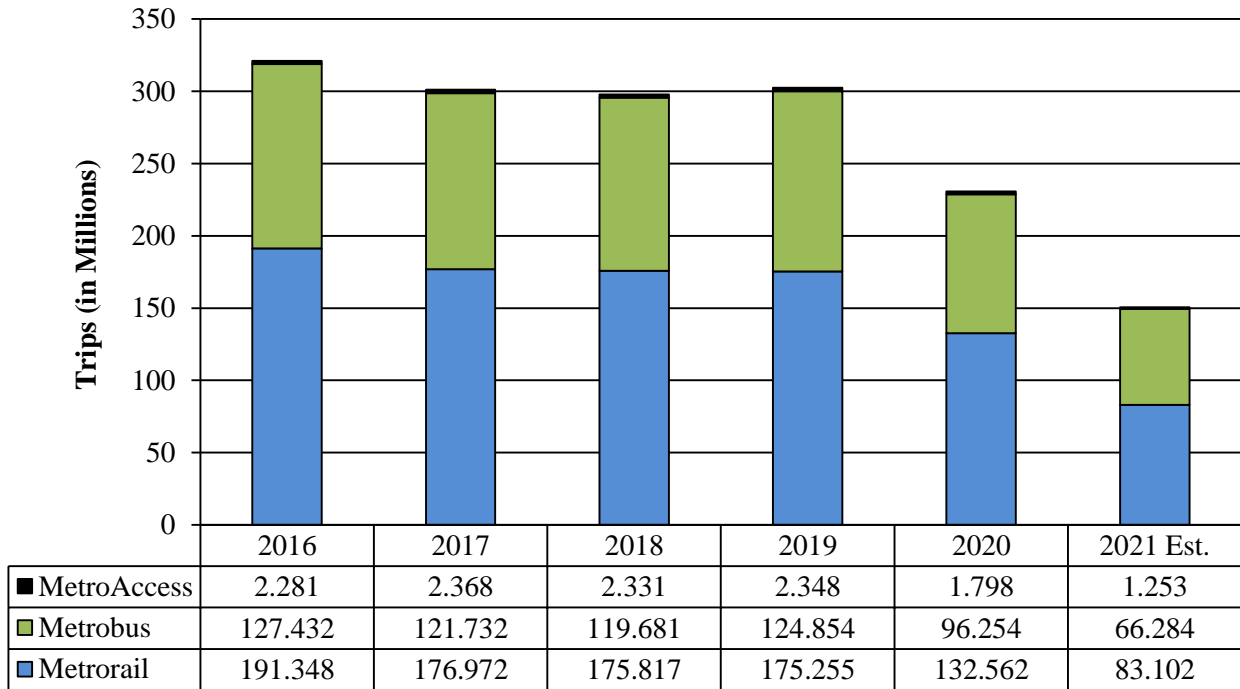
Source: Washington Metropolitan Area Transit Authority; Department of Legislative Services

Performance Analysis: Managing for Results

1. Ridership

Exhibit 2 shows ridership for the WMATA system from fiscal 2016 to 2021 estimated. Ridership in fiscal 2020 decreased by 71.8 million trips (-23.8%) from the prior year with the decline due to the COVID-19 pandemic starting prior to the beginning of the last quarter of the fiscal year. Ridership in fiscal 2021 is expected to fall a further 34.7%, or nearly 80 million trips, with the pandemic impacting travel for the entire fiscal year.

**Exhibit 2
Annual Ridership
Fiscal 2016-2021 Est.**



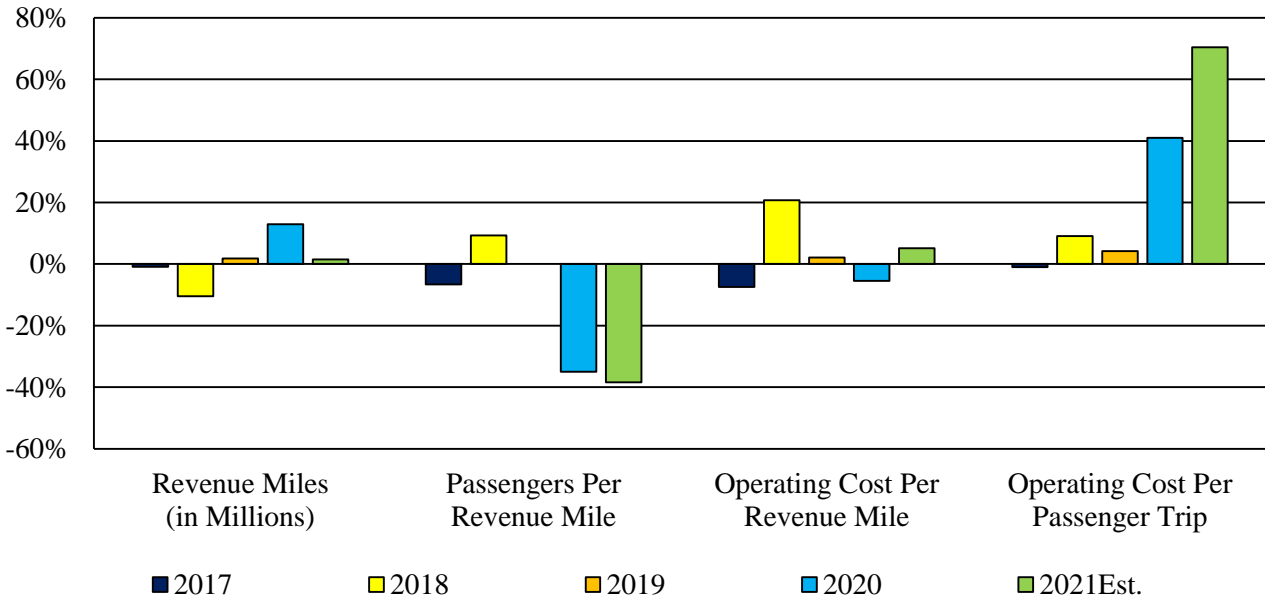
Source: Governor’s Fiscal 2022 Budget Books; Department of Legislative Services

2. System Performance Measures

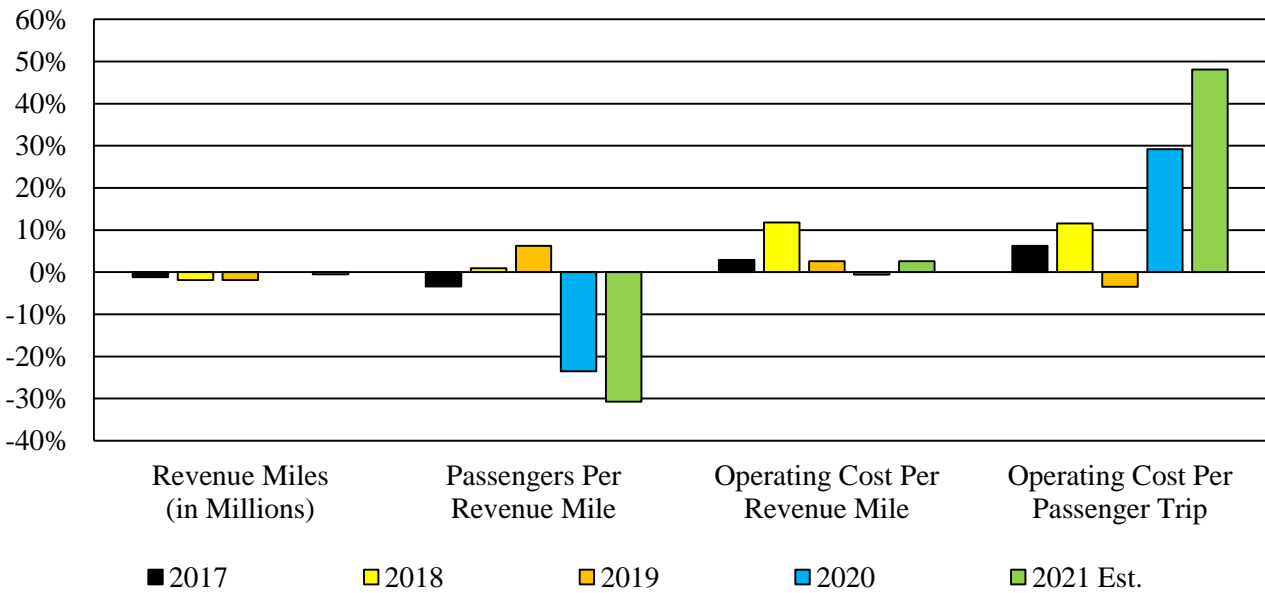
One method of measuring the performance of transit systems is to look at the relationship between the service provided and used, as measured by revenue miles and passenger trips, relative to expenditures. **Exhibit 3** shows the percent change from the prior year for revenue miles, passengers per revenue mile, operating cost per revenue mile, and operating cost per passenger trip for both Metrorail and Metrobus service for fiscal 2017 through 2021 estimated. The sharp decline in passengers per revenue mile for both rail and bus service in fiscal 2020 and 2021 directly contributes to the large increases in the operating cost per passenger trip for those two years.

**Exhibit 3
Metrorail and Metrobus Performance Measures
Fiscal 2017-2021 Est.**

Metrorail



Metrobus

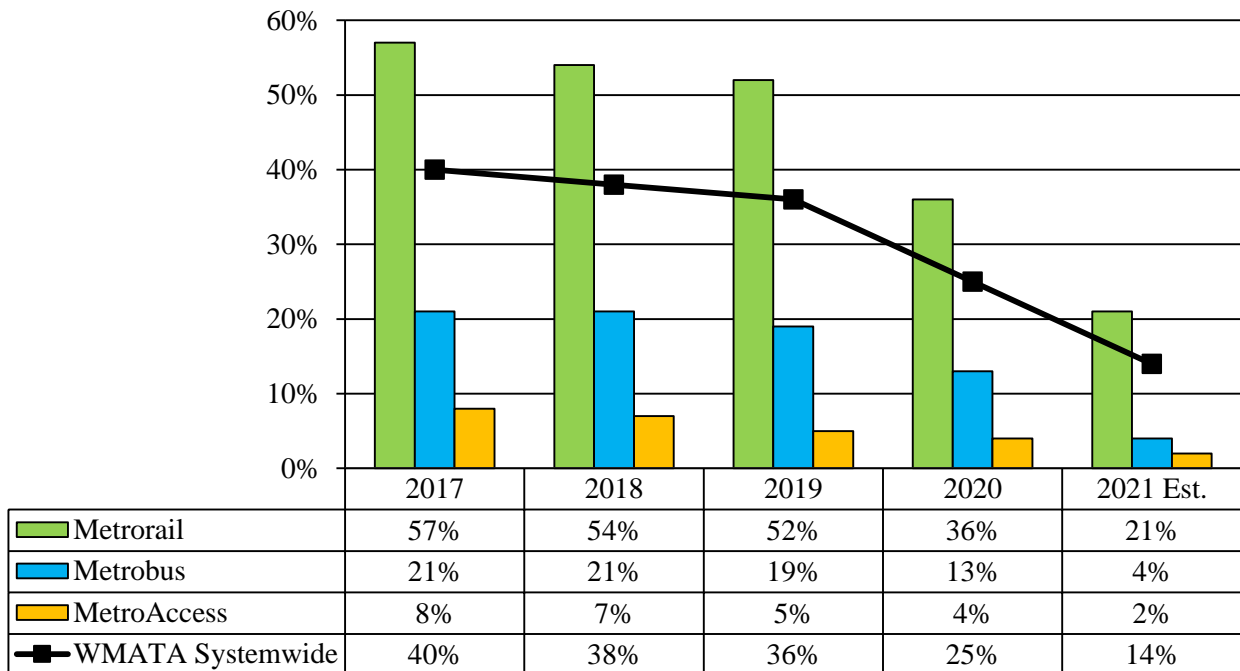


Source: Governor’s Fiscal 2022 Budget Books; Department of Legislative Services

3. Farebox Recoveries

The farebox recovery ratio measures the percent of operating expenses covered by fares collected. **Exhibit 4** shows WMATA’s farebox recovery ratios from fiscal 2017 to 2021 estimated by service and systemwide. While the rates generally declined from fiscal 2017 to 2019, the decline in ridership and operational changes related to the pandemic caused significant reductions in these measures.

Exhibit 4
Farebox Recovery Rates
Fiscal 2017-2021 Est.



WMATA: Washington Metropolitan Area Transit Authority

Source: Governor’s Fiscal 2022 Budget Books; Department of Legislative Services

Fiscal 2020

Maryland Budget

Included in the fiscal 2020 cost containment reductions made by the Board of Public Works (BPW) in May 2020 was a \$35 million reduction to the \$110 million general fund appropriation in the Dedicated Purpose Account (DPA) intended to support the dedicated capital grant to WMATA. This reduction was backfilled from special funds from the Transportation Trust Fund (TTF).

WMATA Budget

To address pandemic-related increases in expenses totaling \$31 million and reductions in operating revenues totaling \$238 million, WMATA utilized \$221.4 million of CARES Act funding and implemented \$47.7 million in cost containment reductions.

Fiscal 2021

Proposed Deficiency

A deficiency appropriation reduces funding for the WMATA operating grant by \$19.8 million to reflect the amended budget approved by the WMATA board.

Cost Containment

Maryland Budget

Included in the fiscal 2021 cost containment reductions made by BPW in July 2020 was a \$28 million reduction to the \$125 million general fund appropriation in the DPA intended to support the dedicated capital grant to WMATA. This reduction was backfilled from special funds from the TTF.

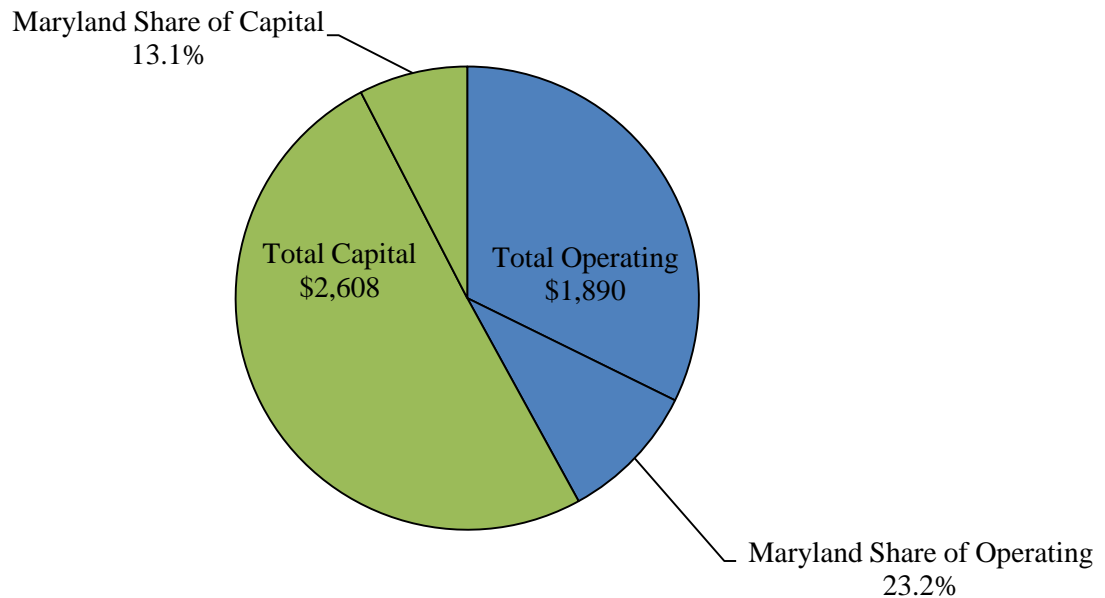
WMATA Budget

WMATA allocated \$545.3 million of its CARES Act funding to its fiscal 2021 budget to address pandemic-related increases in expenses totaling \$19 million and reductions in operating revenues estimated to be \$438 million and to provide Maryland, Virginia, and the District of Columbia with subsidy credits totaling \$135 million in recognition of the budgetary issues that each jurisdiction was facing due to the pandemic. Maryland's share of the subsidy credit was almost \$51.7 million. WMATA is also using \$95.6 million of its CRRSA Act funding in fiscal 2021 to address a funding gap that it had intended to address through layoffs and other cost containment reductions.

Fiscal 2022 Overview of Agency Spending

The combined operating and capital budgets for WMATA total \$4.5 billion. As shown in **Exhibit 5**, the Maryland share of the operating budget is 23.2%, and the Maryland share of the capital budget is 13.1%.

Exhibit 5 Maryland Support of WMATA's Operating and Capital Budgets



Total: \$4.5 Billion

WMATA: Washington Metropolitan Area Transit Authority

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

Proposed Budget

The proposed fiscal 2022 budget assumes:

- use of \$514.5 million in CRRSA Act funding;
- no increase in the capped subsidy amount that is allowed to increase up to 3% under the funding changes adopted in 2018;

- beginning of service on the second phase of the Silver Line, which adds \$36.5 million to the operating subsidy requirements (Maryland’s share equals \$12.1 million); and
- that service levels continue at approximately 80% of prepandemic levels for the first six months of fiscal 2022, with rail service dropping to 30% of the prepandemic level beginning January 2022 and bus service reduced to 50% of the prepandemic level for the last six months of the fiscal year.

WMATA hopes that additional federal aid will become available to mitigate or avoid the January 2022 service reductions.

Expenditures

As shown in **Exhibit 6**, WMATA’s proposed fiscal 2022 operating budget totals \$1,889.6 million, a decrease of \$44.5 million from the fiscal 2021 budget. Personnel expenses, which account for almost 69% of the operating budget, decrease by \$74.5 million, with this decrease partially offset by a net increase of \$30 million in nonpersonnel expenses.

Exhibit 6
Operating Expenses by Category
Fiscal 2021-2022
(\$ in Millions)

	<u>2021</u>	<u>Proposed 2022</u>	<u>Change</u>	<u>Percent Change</u>
Personnel	\$1,374.5	\$1,300.0	-\$74.5	-5.4%
Services	369.6	390.9	21.3	5.8%
Materials and Supplies	91.9	103.7	11.8	12.8%
Fuel (Gas/Diesel/CNG)	29.5	25.8	-3.7	-12.5%
Utilities and Propulsion	86.0	81.3	-4.7	-5.5%
Casualty and Liability	31.7	32.5	0.8	2.5%
Leases and Rentals	10.5	10.3	-0.2	-1.9%
Miscellaneous	4.2	9.1	4.9	116.7%
Capital Allocation	-63.8	-64.0	-0.2	0.3%
Total	\$1,934.1	\$1,889.6	-\$44.5	-2.3%

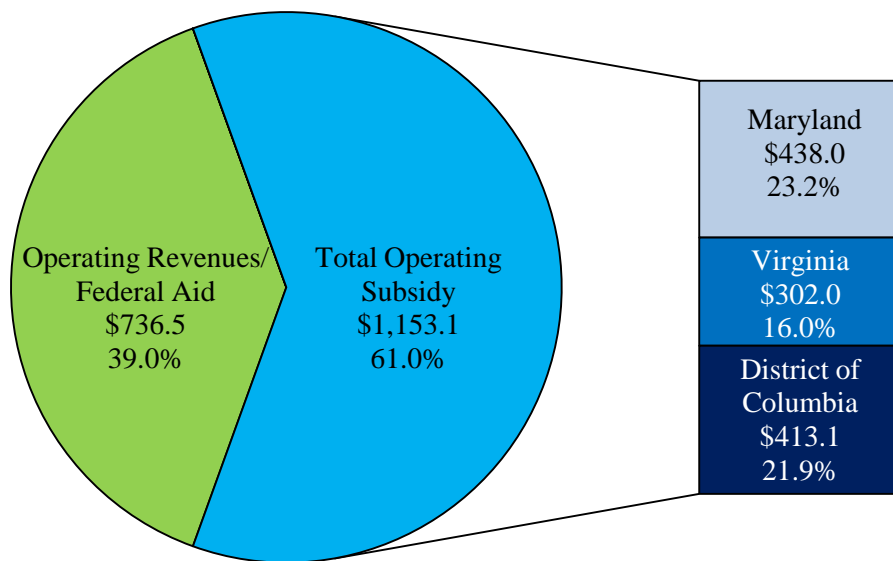
CNG: compressed natural gas

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

Revenues

WMATA’s operations are generally funded through operating revenues (fares being the largest source) and subsidies provided by Maryland, Virginia, and the District of Columbia. To help address revenue declines caused by the COVID-19 pandemic, the fiscal 2022 budget continues to rely on federal pandemic-related aid to support operations. **Exhibit 7** shows that operating revenues and federal aid will support only 39% of operating expenses, with the local subsidy providing the majority of the funding. The WMATA proposed fiscal 2022 budget assumes an operating grant from Maryland of \$438 million.

Exhibit 7
Proposed Fiscal 2022 Revenues
(\$ in Millions)



Total: \$1.9 Billion

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

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, Metrobus, and MetroAccess systems and debt service for bonds issued in lieu of a larger upfront capital grant. General parameters on capital funding levels are typically established in a six-year Capital Funding Agreement (CFA) developed through negotiations between WMATA and its local funding partners. However, the last six-year agreement expired on June 30, 2016, and capital funding levels have been negotiated on a year-to-year basis since that time. WMATA expects a multi-year CFA to be executed by the end of fiscal 2021.

Chapters 351 and 352 of 2018 require the Governor to include an appropriation of \$167 million in the budget as a dedicated capital grant that is in addition to the base capital grant that the State provides each year. Combined with similar mandated appropriations in Virginia and the District of Columbia, these funds provide WMATA with \$500 million per year to address a projected need for \$15.5 billion in additional capital funding at the time that these mandates were enacted.

Fiscal 2021 to 2026 Consolidated Transportation Program

The Maryland *Consolidated Transportation Program* (CTP) includes six project information forms detailing the uses for which the Maryland capital grant to WMATA are put. **Exhibit 8** shows the amounts programmed in the CTP for fiscal 2021 to 2026 and the fund sources that support the grant. For informational purposes, the CTP shows federal funds received directly by WMATA that are not included in the MDOT budget.

Exhibit 8
Capital Grant Components
Fiscal 2021-2026
(\$ in Millions)

	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>Six-year Total</u>
WMATA Capital							
Investment Program	\$190.5	\$194.7	\$199.1	\$203.6	\$208.2	\$213.0	\$1,209.1
Project Development	1.0	1.0	1.0	1.0	1.0	1.0	6.0
Matching Funding for PRIIA of 2008	50.0	50.0	50.0	50.0	50.0	50.0	300.0
Metro Matters Program							
Debt Service	9.4	9.4	9.9	9.9	9.9	9.9	58.4
Series 2017B and 2018							
Debt Service	21.8	21.8	21.3	21.3	21.3	21.3	128.8
Governor’s Capital							
Dedicated Funding	167.0	167.0	167.0	167.0	167.0	167.0	1,002.0
Total	\$439.7	\$443.9	\$448.3	\$452.8	\$457.5	\$462.2	\$2,704.3
Special Funds	\$242.8	\$219.1	\$181.4	\$185.9	\$190.6	\$195.4	\$1,215.2
General Funds Dedicated	97.0	124.9	167.0	167.0	167.0	167.0	889.8
Subtotal – Appropriated	\$339.8	\$344.0	\$348.4	\$352.9	\$357.6	\$362.4	\$2,105.0
Federal Funds – WMATA*	\$99.9	\$99.9	\$99.9	\$99.9	\$99.9	\$99.9	\$599.4
Total	\$439.7	\$443.9	\$448.3	\$452.8	\$457.5	\$462.2	\$2,704.4

PRIIA: Passenger Rail Investment and Improvement Act
 WMATA: Washington Metropolitan Area Transit Authority

*Federal funds received directly by WMATA and not included in the Maryland Department of Transportation budget.

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

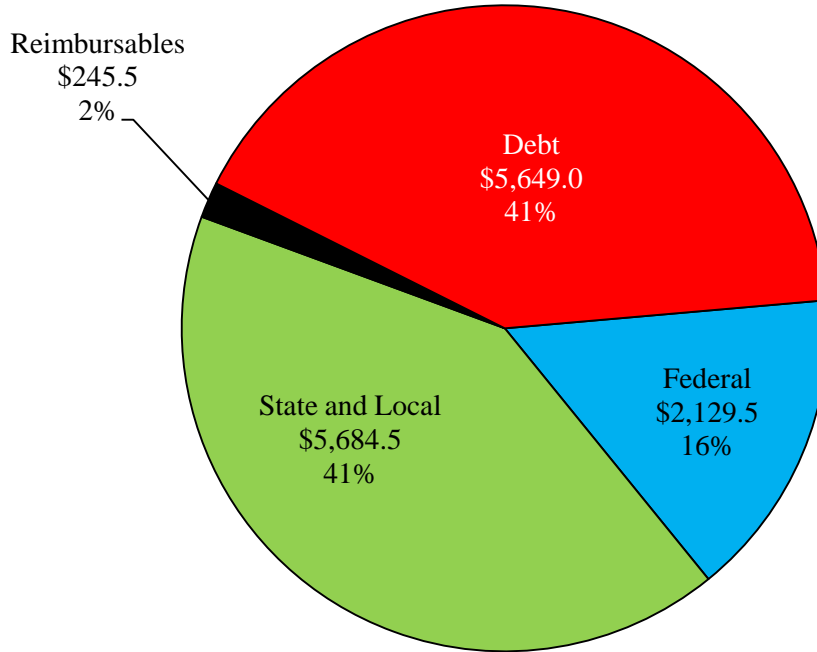
Source: 2021-2026 *Consolidated Transportation Program*, Maryland Department of Transportation

Total six-year State funding programmed for the WMATA capital grant is \$2,704.4 million, which includes general obligation bond premium funding of \$250 million and general funds totaling \$639.8 million over the six-year program. Over the six-year period, TTF special funds comprise 57.7% of State funding for the WMATA capital grant, general funds account for an additional 30.4% of State support, and bond premiums comprise 11.9%.

WMATA’s Six-year Capital Improvement Program

WMATA’S fiscal 2022 to 2027 Capital Improvement Program (CIP) totals \$13.7 billion. **Exhibit 9** shows the revenue sources assumed in the CIP. Contributions from the funding jurisdictions and debt are each projected to provide approximately 41% of six-year total funding with federal funds contributing 16% of total funding. The use of debt more than doubles from the \$2.2 billion assumed in the prior year CIP to \$5.6 billion in the current CIP. This reflects the leveraging of the annual \$500 million in dedicated capital grant funding.

Exhibit 9
Six-year Capital Program Funding Sources
Fiscal 2022-2027
(\$ in Millions)



Total: \$13.7 Billion

Source: Washington Metropolitan Area Transit Authority, Fiscal 2022 Proposed Budget; Department of Legislative Services

The CIP assumes that the federal Passenger Rail Investment and Improvement Act (PRIIA), through which WMATA annually received \$150 million in capital funding for safety and state of good repair projects over a 10-year period, will not be reauthorized. The local match to the PRIIA, totaling \$148.5 million per year, is assumed to continue even if the federal program is not extended or replaced.

Fiscal 2022 Capital Program

WMATA’s proposed fiscal 2022 capital program totals \$2.6 billion when the revenue loss resulting from construction activity (such as station shutdowns) is included. **Exhibit 10** shows the planned spending by category.

Exhibit 10 **Fiscal 2022 Capital Spending by Category** **(\$ in Millions)**

Category

Railcar	\$342
Rail Systems	273
Track and Structures Rehabilitation	343
Stations and Passenger Facilities	792
Bus and Paratransit	294
Business Support	546
<i>Subtotal</i>	\$2,591
Revenue Loss from Capital Projects	\$17
Total	\$2,608

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

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

Exhibit 11 shows the total funding by source for WMATA’s fiscal 2022 capital program along with the amount that Maryland is expected to contribute based on the proposed budget.

Exhibit 11
Sources of Funding for the Fiscal 2022 WMATA Capital Program
(\$ in Millions)

	<u>Total</u>	<u>Maryland</u>
Federal		
Federal Formula Programs	\$337	
Federal Passenger Rail Investment and Improvement Act	149	
Subtotal – Federal	\$486	
State and Local		
Federal Formula Programs Match and System Performance	\$278	\$95
Federal Passenger Rail Investment and Improvement Act Match	149	50
Dedicated Funding	500	167
Subtotal – State and Local	\$926	\$311
Other Sources		
Jurisdictional Reimbursable Projects	\$157	
Metropolitan Washington Airports Authority	13	
Debt	1,027	
Debt Service Included in Capital Grant	0	\$31
Subtotal – Other Sources	\$1,197	\$31
Total	\$2,608	\$341
Maryland Allowance for WMATA Capital Grant		\$344
Variance		3

WMATA: Washington Metropolitan Area Transit Authority

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

WMATA Allowance vs. WMATA Proposed Budget

Because the Maryland and WMATA budget preparation timelines do not precisely coincide, the appropriations included for the WMATA operating and capital grants in the Governor’s allowance generally vary slightly from the amounts identified in the WMATA proposed budgets as needed from Maryland. **Exhibit 12** shows the variance between the Maryland appropriations in the budget as introduced and the proposed WMATA fiscal 2022 budget for both the operating and capital grant.

Exhibit 12
Variance between Maryland and WMATA Contribution Projections
Fiscal 2022
(\$ in Millions)

	<u>WMATA Proposed Budget</u>	<u>Maryland Budget</u>	<u>Variance</u>
Operating Grant	\$438	\$451	\$13
Capital Grant	341	344	3
Total	\$779	\$795	\$16

WMATA: Washington Metropolitan Area Transit Authority

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

WMATA's proposed budget is not approved by its board until after the Maryland legislative session has ended. If additional funding is needed to meet Maryland's operating subsidy, MDOT can process a budget amendment to increase the appropriation. Excess appropriations will cancel at the end of the fiscal year or may be reduced by budget amendment during the year.

Issues

1. Safety Agency Audit Raises Concerns Over Rail Operations Control Center Workplace Culture and Environment

In September 2020, the Washington Metrorail Safety Commission (WMSC) released an audit citing 21 findings in 11 areas of concern related to issues of safety culture, workplace environment, staffing, training, and policies and procedures of Metrorail’s Rail Operations Control Center (ROCC). **Exhibit 13** lists each area of concern identified in the audit and the number of findings that apply to each area.

Exhibit 13 Audit Areas of Concern

<u>Area of Concern</u>	<u>Findings</u>
Lack of Safety Culture	3
Harassment, Threats	2
Investigative Interference	2
Deficient Reporting	1
Emergency Communications Failures	4
Excessive Duties	2
Rail Controller Fatigue	1
Staffing Shortfall	2
Training Deficiencies	4
Other Outdated Procedures	4
Ride Alongs	3

Note: Some findings apply to more than one area of concern.

Source: The Washington Metrorail Safety Commission, *Safety Audit of the Washington Metropolitan Area Transit Authority: Audit of the Department of Rail Transportation: Rail Operations Control Center* (Final Report: September 8, 2020); Department of Legislative Services

WMATA reports that it developed and has received WMSC approval of 21 Corrective Action Plans (CAP) to address the 21 findings from the audit. The 21 CAPs have a total of 116 action items for ROCC and other parts of WMATA to complete. Since November 2020, WMATA has completed 17 action items and expects to complete an additional 25 items by June 30, 2021.

WMATA should update the committees on the actions being taken to address the audit findings and the expected timeline for completing all action items.

Operating Budget Recommended Actions

1. Concur with Governor's allowance.

PAYGO Budget Recommended Actions

1. Concur with Governor's allowance.

Appendix 1
Budget Amendments for Fiscal 2021
Maryland Department of Transportation
WMATA – Capital

<u>Status</u>	<u>Amendment</u>	<u>Fund</u>	<u>Justification</u>
Approved	\$97,000,000	Special	Transfers funding for WMATA from the general fund Dedicated Purpose Account.
Pending	23,663,000	Special	Adjusts the amended appropriation to agree with the fiscal 2021-2026 <i>Consolidated Transportation Program</i> .

WMATA: Washington Metropolitan Area Transit Authority

**Appendix 2
Fiscal Summary**

Maryland Department of Transportation – Washington Metropolitan Area Transit Authority

<u>Program/Unit</u>	<u>FY 20 Actual</u>	<u>FY 21 Wrk Approp</u>	<u>FY 22 Allowance</u>	<u>Change</u>	<u>FY 21 - FY 22 % Change</u>
04 Washington Metropolitan Area Transit – Operating	\$ 465,893,574	\$ 444,275,701	\$ 450,723,423	\$ 6,447,722	1.5%
05 Washington Metropolitan Area Transit – Capital	304,193,931	339,814,000	344,062,000	4,248,000	1.3%
Total Expenditures	\$ 770,087,505	\$ 784,089,701	\$ 794,785,423	\$ 10,695,722	1.4%
Special Fund	\$ 770,087,505	\$ 784,089,701	\$ 794,785,423	\$ 10,695,722	1.4%
Total Appropriations	\$ 770,087,505	\$ 784,089,701	\$ 794,785,423	\$ 10,695,722	1.4%

Note: The fiscal 2021 appropriation does not include deficiencies, targeted revenues, or across-the-board reductions. The fiscal 2022 allowance does not include contingent reductions or cost-of-living adjustments.