
January 24, 2024

The Honorable Guy Guzzone
Chair, Senate Budget and Taxation Committee
3 West, Miller Senate Office Building
Annapolis, MD 21401

***RE: Letter of Support with Amendment – Senate Bill 126 – Transportation – WMATA
Operating Assistance – Alteration (Maryland Metro Funding Act of 2024)***

Dear Chair Guzzone and Committee Members:

The Maryland Department of Transportation (MDOT) supports Senate Bill 126 as a required mechanism for addressing the Washington Metropolitan Area Transit Authority's (WMATA) Fiscal Year (FY) 2025 fiscal cliff.

Senate Bill 126 resets the 3% WMATA operating budget subsidy cap in FY 2026. Doing so will allow MDOT to implement the additional subsidy level proposed in the Governor's Budget, while retaining the 3% cap as a useful budget management tool for future fiscal years.

In FY 2025, WMATA faces a \$750 million fiscal cliff as a result of the exhaustion of federal COVID-19 funding support, increased operating costs, previous subsidy credits to funding jurisdictions including Maryland, and a new post-pandemic ridership landscape. This context is similar to what is seen at transit agencies across the country, including the Maryland Transit Administration (MTA).

To address the fiscal cliff, the Governor's Budget proposes a \$150 million increase in Maryland's operating budget subsidy. If comparatively matched by other funding jurisdictions, this increased subsidy will help to fill the FY 2025 budget gap alongside modifications to fares, service levels, and fiscal management policies including administrative costs.

Existing law only permits a 3% increase in the operating subsidy annually, with a set of statutory exemptions that allow for larger increases. This legislation is required to set a new baseline for the operating subsidy consistent with the proposed budget.

The consequences of not taking action are substantial. The WMATA General Manager's Proposed Budget, which articulates the necessary service cuts if operating subsidies are not increased, indicates large-scale service reductions. These reductions would include the loss of 67 bus routes and substantial deterioration of rail service frequency. Thousands of WMATA employees, the large majority of whom live in Maryland, would be threatened with layoffs. The Governor's commitment of the additional needed subsidy alongside this legislation can avert those devastating impacts.

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MDOT also recommends that the legislation be amended to reflect current WMATA operating budget policy and to standardize with current law for MTA. Section 10-205(b) of the Transportation Article currently caps the WMATA operating subsidy at 50 percent of the operating costs. Chapter 16 of 2017 repealed the farebox recovery requirement for the MTA. MDOT recommends a similar repeal of the farebox recovery requirement for the WMATA operating subsidy.

MDOT looks forward to further collaboration with the sponsor and respectfully requests the Committee grant House Bill 198 a favorable report with the proposed amendment.

Respectfully submitted,

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