

MALCOLM AUGUSTINE
Legislative District 47
Prince George's County

PRESIDENT PRO TEMPORE

Executive Nominations Committee

Education, Energy and the
Environment Committee



THE SENATE OF MARYLAND
ANNAPOLIS, MARYLAND 21401

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January 25, 2024

Senate Bill 126 - Transportation – WMATA Operating Assistance – Alteration (Maryland Metro Funding Act of 2024)

Dear Colleagues,

I am pleased to present **Senate Bill 126 - Transportation – WMATA Operating Assistance – Alteration (Maryland Metro Funding Act of 2024)**, which aims to repeal the requirement that the Secretary of Transportation withhold a certain percentage of the State's share of annual operating grants for the Washington Suburban Transit District (WSTC) under specific conditions.

It is no secret that Metro is currently grappling with a substantial operating budget gap, primarily driven by three factors: first, escalating operating costs due to inflation; second, ridership figures still below pre-pandemic levels, resulting in reduced fare revenue; and third, budget credits—refunds—issued to Maryland and other jurisdictions early in the COVID era, leading to a reduction in the baseline budget. As part of the Washington Metropolitan Area Transit Authority (WMATA) Compact that brought Metro into existence, Maryland holds a pivotal role as a funding jurisdiction, participating in discussions to address these challenges.

The Maryland Metro Funding Act of 2024 does not allocate additional funds but seeks to rectify a legal issue associated with Metro's operating subsidy cap, hindering our ability to infuse more funds should you find it appropriate through your budgetary process. In 2018, when the legislature established dedicated funding for Metro, an operating subsidy cap of 3% increases per year was instituted, albeit with various exceptions. However, this cap has not functioned precisely as intended due to several reasons, including significant COVID-related inflation and the impact of credits back to jurisdictions during the pandemic, resulting in permissible increases calculated from artificially low levels.

The Maryland Department of Transportation, in its revised draft transportation budget released in December and included in the budget submitted in January, proposed WMATA operating increases for fiscal years 2025 and 2026 of \$150 million each and fiscal year 2027 of \$250 million. However, these increases, though urgently needed, run afoul of the statutory operating cap.

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Amendments are ordered regarding a date change for rebasing to 2028 and specific measures outlining the triggering of fund withholding. Additionally, an amendment similar to the turnback provision ensures that no stations will be permanently closed. The Maryland Metro Funding Act of 2024, marking another step in addressing Metro's operating funding challenges, proposes shifting the new baseline for the cap to Fiscal Year 2026, aligning with the legislature's original intent when dedicated funding was passed. While the bill was drafted before the Administration's announcement of a stepped increase plan, adjustments to the fiscal year will be necessary.

Metro serves as a vital resource for millions of Marylanders who rely on its services daily. Its importance has been underscored during the COVID-19 pandemic, where Metro's service proved essential in maintaining operations. As we navigate Metro's recovery from the pandemic, ensuring that the dedicated funding stream is sufficient to meet the system's future needs becomes imperative. In the face of Metro's broader fiscal challenges, it is incumbent upon the legislature to address the issues surrounding Metro's operating subsidy cap, providing the system with enhanced clarity and stability regarding its annual funding expectations.

Thank you for your attention to this critical matter. I urge the committee to give a **favorable** report for **Senate Bill 126 - Transportation – WMATA Operating Assistance – Alteration (Maryland Metro Funding Act of 2024)**.

Sincerely,

A handwritten signature in cursive script that reads "Malcolm Augustine".

Senator Malcolm Augustine