

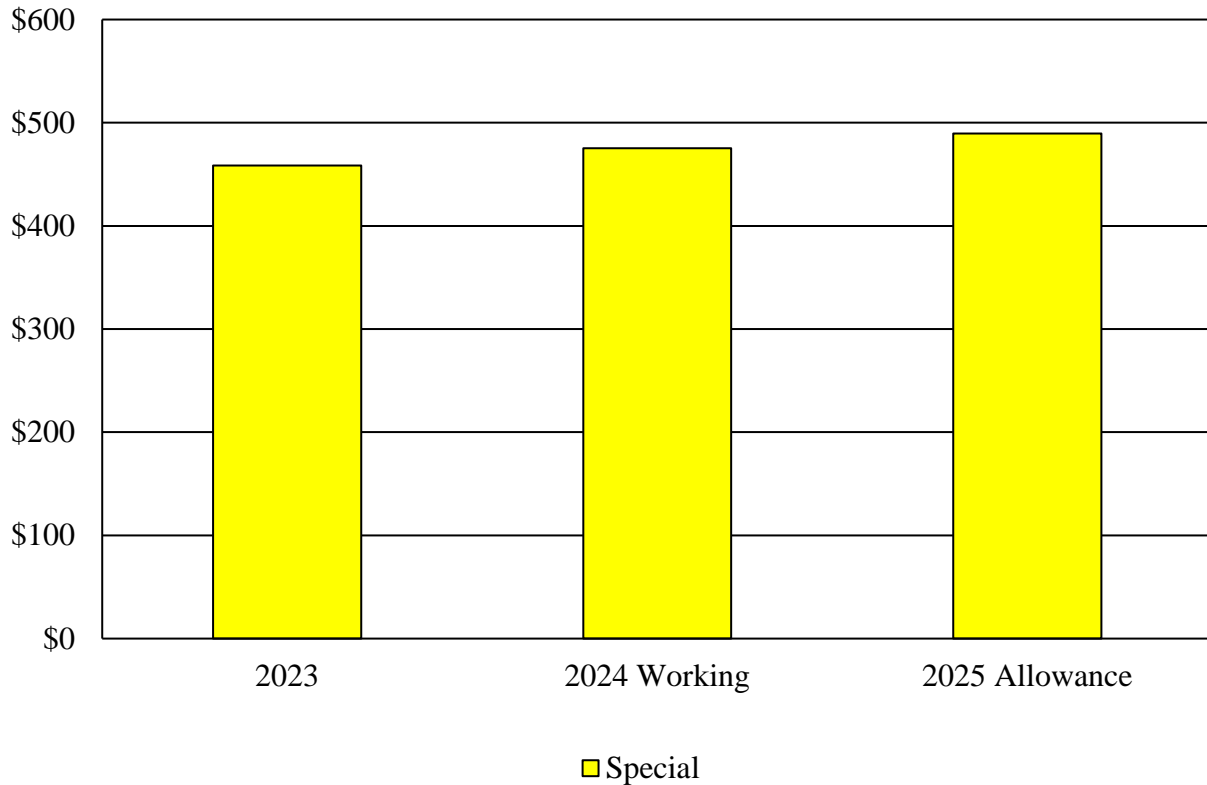
J00A0104
Washington Metropolitan Area Transit Authority
Maryland Department of Transportation

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 2025 Budget Increases \$14.2 Million, or 3.0%, to \$489.5 Million
(\$ in Millions)



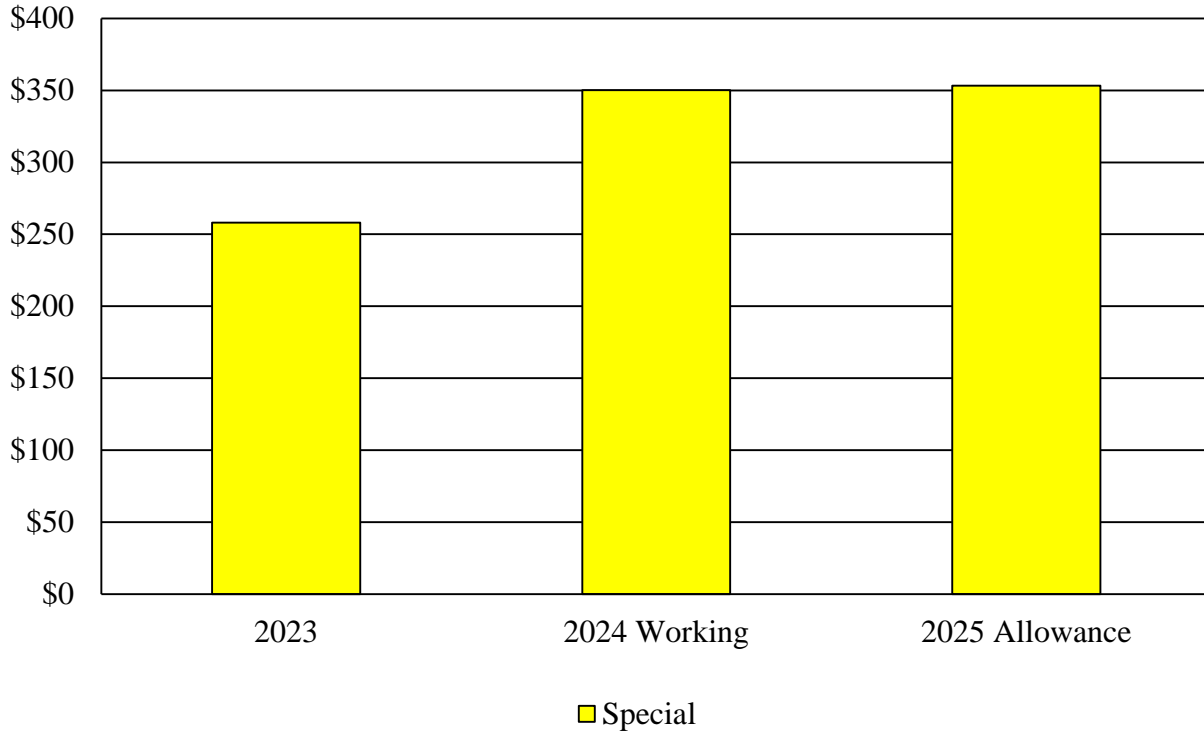
Note: This chart reflects only the State operating support for the Washington Metropolitan Area Transit Authority (WMATA), not its full funding. Fiscal 2025 does not reflect the \$150 million of general funds included in the Dedicated Purpose Account to help support WMATA’s operation because this funding will not be provided to WMATA until/unless an agreement is reached with Virginia and the District of Columbia on the level of the amount of additional operating funding each is to contribute.

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PAYGO Capital Budget Summary

**Fiscal 2025 Budget Increases \$3.0 Million, or 0.9%, to \$353.2 Million
(\$ in Millions)**



Note: This chart reflects only the State capital support for the Washington Metropolitan Area Transit Authority, not its full funding.

Key Observations

- ***Proposed Budget Balanced Using Service Reductions and Fare Increases:*** With only a small portion of the federal COVID-19 stimulus relief funding remaining to support the fiscal 2025 budget and operating subsidy increases from Maryland and Virginia capped at 3% in statute, steep service cuts and increases in fares and parking rates are proposed in the fiscal 2025 budget in order to align expenses with revenues.
- ***Funding in the Dedicated Purpose Account (DPA) Could Help Avoid Most of the Service Reductions and Fare Increases Included in WMATA’s Fiscal 2025 Proposed Budget:*** The DPA includes \$150 million in general funds to help support WMATA’s budget. Combined with proportionate additional funding support from the District of Columbia and Virginia, most of the service reductions and fare increases could be avoided.

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
Maryland Department of Transportation

Budget Analysis

Program Description

WMATA operates the third largest heavy 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 2014, the first phase of the 23.1-mile Silver Line extension to Dulles opened, adding 11.6 miles and 5 stations. The second phase, consisting of 11.5 miles and 6 stations, opened in November 2022. With the opening of an in-fill station on the Blue and Yellow Lines, named Potomac Yard, the Metrorail system comprises 128 miles of track and 98 stations. 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 wellbeing of the community.

Impact of COVID-19

From fiscal 2020 through 2024, WMATA relied on just over \$2.8 billion in federal COVID-19 stimulus funding to help mitigate the impacts of the pandemic, and the final \$95 million of this funding is included in WMATA's proposed fiscal 2025 budget. **Exhibit 1** shows this funding by year and the share of WMATA's operating budget that these funds supported. With federal COVID-19 stimulus funding having covered nearly 28% of its operating budget between fiscal 2020 and 2024, the need to backfill the loss of these federal dollars is a major component of the fiscal stress that WMATA is currently experiencing.

Exhibit 1
Federal COVID-19/Stimulus Funding and Share of WMATA Operating
Fiscal 2020-2025
(In Millions)

<u>Fiscal</u>	<u>Operating Budget</u>	<u>Federal Relief</u>	<u>Federal Relief Change from Prior Year</u>	<u>Federal Relief Share of Operating</u>
2020	\$1,927	\$221		11.5%
2021	1,880	705	484	37.5%
2022	1,870	690	-15	36.9%
2023	2,198	643	-46	29.3%
2024	2,320	561	-82	24.2%
2025	1,786	95	-466	5.3%
Total	\$11,981	\$2,915		24.3%
Fiscal 2020-2024	\$10,195	\$2,820		27.7%

WMATA: Washington Metropolitan Area Transit Authority

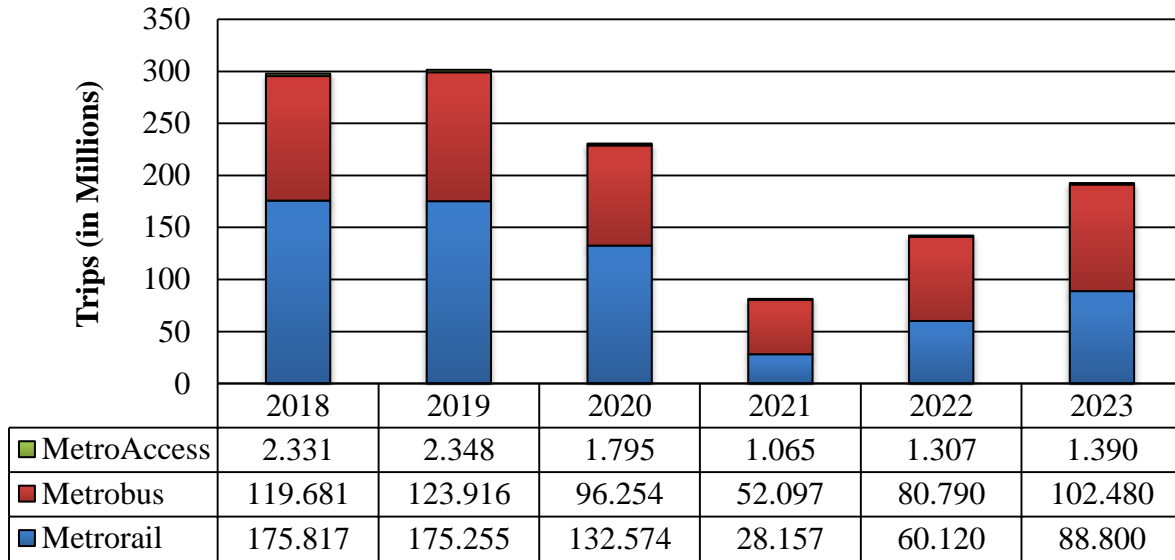
Source: WMATA, Fiscal 2023-2025 Proposed Budgets; Department of Legislative Services

Performance Analysis: Managing for Results

1. Ridership

Exhibit 2 shows ridership for the WMATA system from fiscal 2018 to 2023. Ridership increased by 35.5% in fiscal 2023, an increase of more than 50 million trips over the prior year. Even with the large increases experienced in fiscal 2022 and 2023, ridership is still almost 109 million trips lower (-36%) than in fiscal 2019, the last year unaffected by the pandemic.

**Exhibit 2
Annual Ridership
Fiscal 2018-2023**



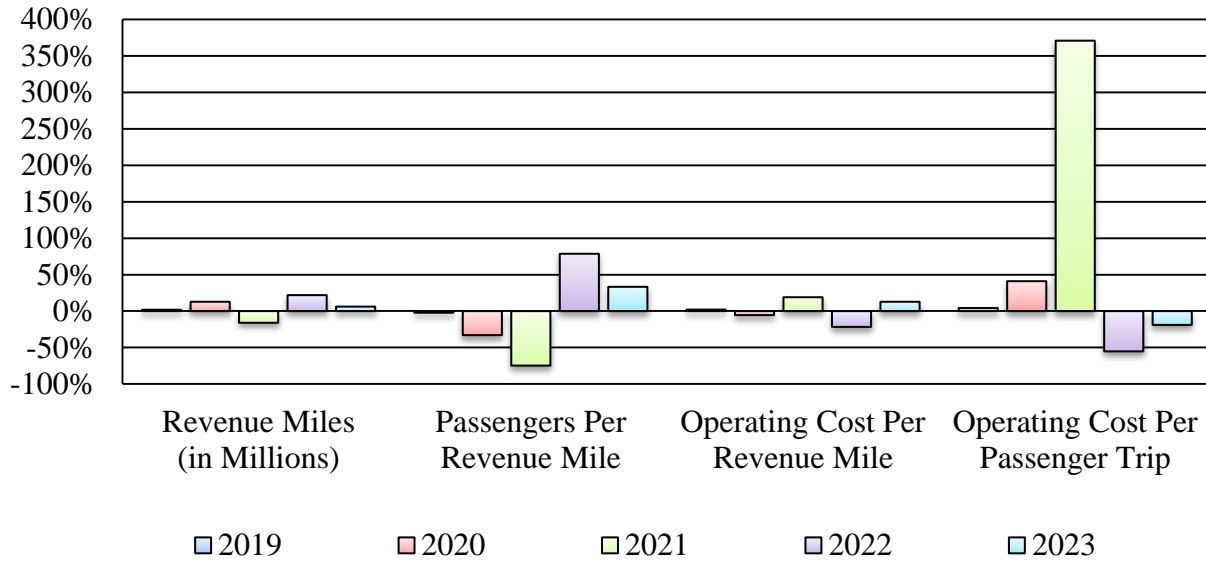
Source: Washington Metropolitan Area Transit Authority; Department of Legislative Services

2. System Performance

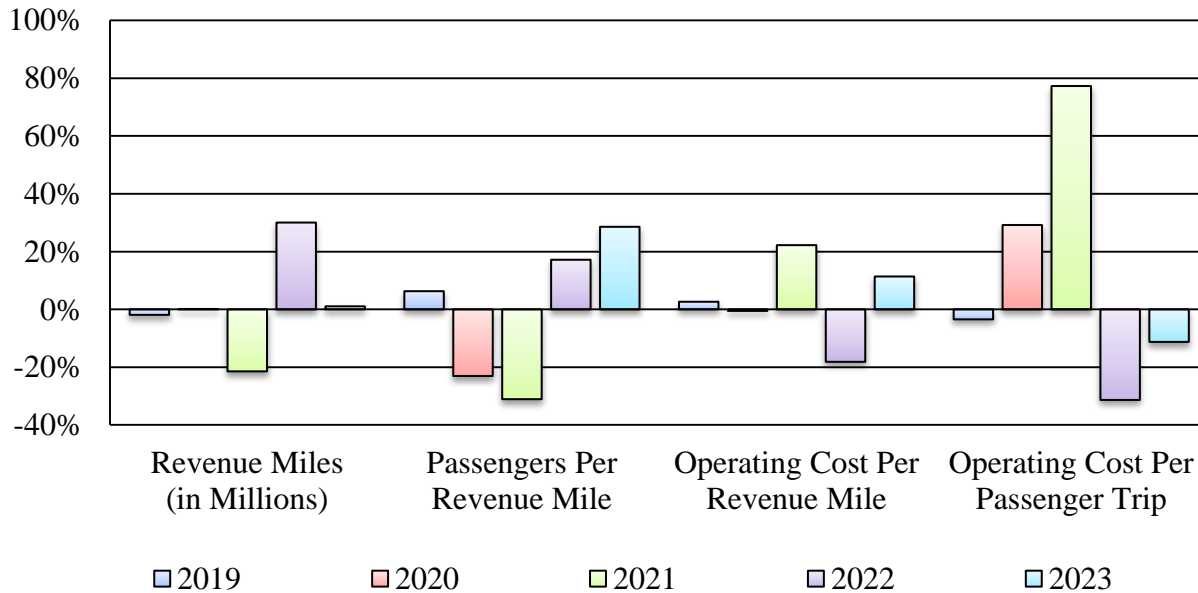
One method of measuring the performance of transit systems is to look at the relationship between the service provided and used, as measured by revenue miles and passenger trips, relative to expenditures. **Exhibit 3** shows the percentage change from the prior year for revenue miles, passengers per revenue mile, operating cost per revenue mile, and operating cost per passenger trip for both Metrorail and Metrobus service for fiscal 2019 through 2023. Fiscal 2023 showed increases in both revenue miles and in passengers per revenue mile for both Metrorail and Metrobus. Operating cost per revenue mile was higher for both services in fiscal 2023, but operating costs per passenger trip was lower for both services that year.

**Exhibit 3
Metrorail and Metrobus Performance Measures
Fiscal 2019-2023**

Metrorail



Metrobus

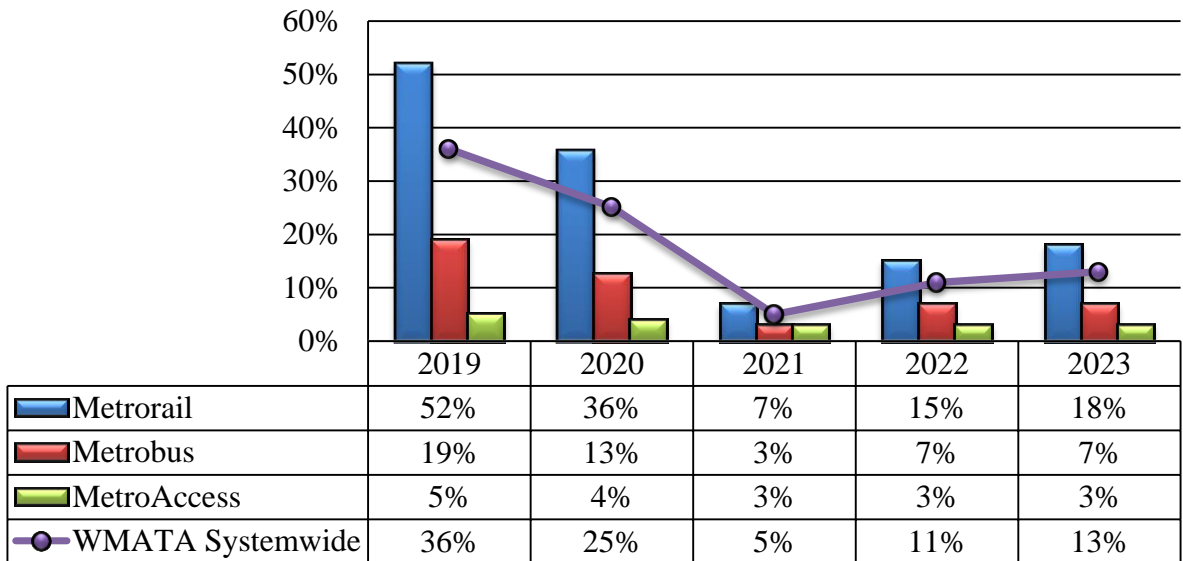


Source: Fiscal 2025 Managing for Results; Department of Legislative Services

3. Farebox Recoveries

The farebox recovery ratio measures the percentage of operating expenses that is covered by fares collected. **Exhibit 4** shows WMATA’s farebox recovery ratios from fiscal 2019 to 2023 by service and systemwide. The impact of the pandemic is clearly evident in the decreases in fiscal 2020 and 2021. Fiscal 2023 showed improvement for both Metrorail and the WMATA system as a whole and did not change between fiscal 2022 for Metrobus and Metro Access. Farebox recovery rates remain well below prepandemic levels.

Exhibit 4
Farebox Recovery Rates
Fiscal 2019-2023



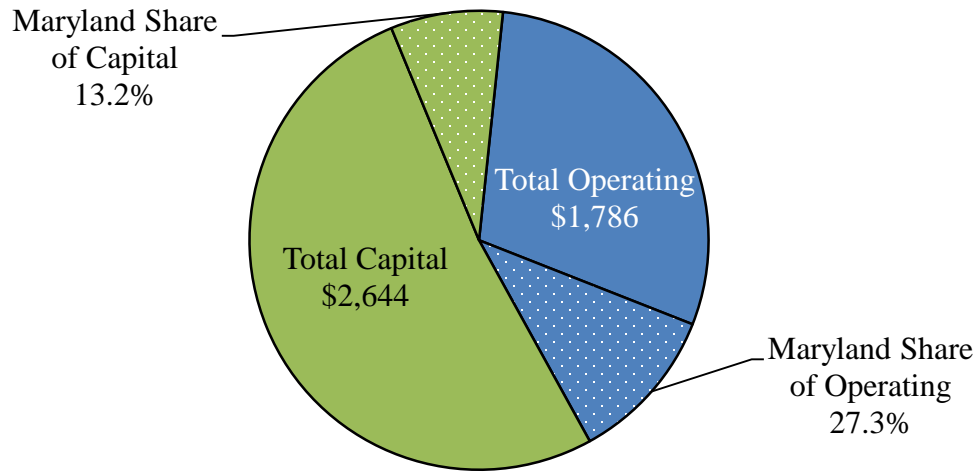
WMATA: Washington Metropolitan Area Transit Authority

Source: Fiscal 2025 Managing for Results; Department of Legislative Services

Fiscal 2025 Overview of Agency Spending

The combined operating and capital budgets for WMATA total \$4.4 billion. As shown in **Exhibit 5**, the Maryland share of WMATA’s operating and capital budgets is 27.3% and 13.2%, respectively.

Exhibit 5
Overview of Agency Spending
Fiscal 2025 Allowance
(\$ in Millions)



Total: \$4,430 Billion

Source: Washington Metropolitan Area Transit Authority, Fiscal 2025 Proposed Budget; Department of Legislative Services

Proposed Budget Change

The proposed fiscal 2025 budget assumes:

- the use of the remaining \$95 million in federal stimulus funding;
- a 3% increase in the capped subsidy amount;
- the elimination of 67 of 135 Metrobus lines and reduced service on 41 of 135 lines;
- the closure of 10 Metrorail stations, major reduction in rail service frequency, 10 p.m. system closure, and Red Line and Silver Line turnbacks;
- reduced MetroAccess service, based on changes in fixed-route service; and
- a 20% general increase in fares and parking rates.

Expenditures

As shown in **Exhibit 6**, WMATA’s proposed fiscal 2025 operating budget totals \$1.8 billion, a decrease of \$534 million (-23%) from the current year. The reductions result largely from the decreased service levels; however, savings from general cost containment efforts also contribute.

Exhibit 6
Operating Expenses by Category
Fiscal 2024-2025
(\$ in Millions)

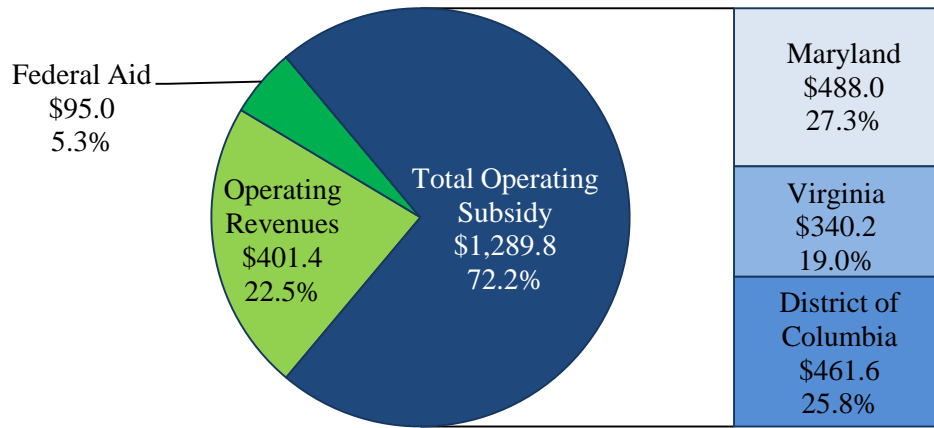
	<u>2024</u>	<u>Proposed 2025</u>	<u>\$ Change</u>	<u>% Change</u>
Personnel	\$1,568.4	\$1,197.5	-\$371.0	-23.7%
Services	419.3	339.5	-79.8	-19.0%
Materials and Supplies	121.0	69.3	-51.7	-42.7%
Fuel (Gas/Diesel/Compressed Natural Gas)	38.3	31.6	-6.8	-17.6%
Utilities and Propulsion	107.9	81.4	-26.5	-24.5%
Casualty and Liability	44.7	45.4	0.7	1.5%
Leases and Rentals	10.7	10.4	-0.3	-3.0%
Miscellaneous	9.6	11.1	1.5	15.9%
Total	\$2,320.0	\$1,786.2	-\$533.8	-23.0%

Source: Washington Metropolitan Area Transit Authority, Fiscal 2025 Proposed Budget; Department of Legislative Services

Revenues

WMATA’s operations are generally funded through operating revenues (fares being the largest source) and subsidies provided by the District of Columbia, Maryland, and Virginia. Since fiscal 2020, federal COVID-19 stimulus aid has also been used to support operations. The fiscal 2025 proposed budget includes the remaining \$95 million from this federal aid. **Exhibit 7** shows that operating revenues and federal aid will support only 27.8% of operating expenses, with the local subsidy providing the majority of the funding. The proposed fiscal 2025 WMATA budget assumes an operating grant from Maryland of \$488 million.

**Exhibit 7
Proposed Fiscal 2025 Revenues
(\$ in Millions)**



Total: \$1.79 Billion

Source: Washington Metropolitan Area Transit Authority, Fiscal 2025 Proposed Budget; 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 developed through negotiations between WMATA and its local funding partners. The current agreement ends June 30, 2027.

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 the District of Columbia and Virginia, these funds provide WMATA with \$500 million per year. Chapters 351 and 352 also contain provisions relating to reports and data that WMATA is required to annually submit, which when certified by MDOT make the base capital grant a mandated appropriation that must be 3% higher than the previous year’s grant. These requirements were met for fiscal 2025,

and the Maryland budget as introduced includes the required 3% increase over the fiscal 2024 base capital amount.

Fiscal 2024 to 2029 Consolidated Transportation Program

The Maryland *Consolidated Transportation Program* (CTP) includes five project information forms detailing the uses for the Maryland capital grant to WMATA. **Exhibit 8** shows the amounts programmed in the CTP for fiscal 2024 to 2029 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 2024-2029
(\$ in Millions)

	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>Six-year Total</u>
WMATA <i>Capital Investment Program</i>	\$259.8	\$265.1	\$274.1	\$282.4	\$290.4	\$298.3	\$1,670.0
Project Development	1.0	1.0	1.0	1.0	1.0	1.0	6.0
Matching Funding for Federal PRIIA	50.0	50.0	50.0	50.0	50.0	50.0	300.0
WMATA Debt Service	31.2	31.2	31.3	31.3	31.3	31.3	187.6
Governor's Capital Dedicated Funding	167.0	167.0	167.0	167.0	167.0	167.0	1,002.0
Total	\$509.0	\$514.3	\$523.3	\$531.7	\$539.7	\$547.6	\$3,165.6
Special Funds	\$181.8	\$186.3	\$191.0	\$195.8	\$200.7	\$205.8	\$1,161.4
Other State Funds	167.0	167.0	167.0	167.0	167.0	167.0	1,002.0
<i>Subtotal – Appropriated</i>	<i>\$348.8</i>	<i>\$353.3</i>	<i>\$358.0</i>	<i>\$362.8</i>	<i>\$367.7</i>	<i>\$372.8</i>	<i>\$2,163.4</i>
Federal Funds – WMATA*	\$160.2	\$161.0	\$165.3	\$168.9	\$172.0	\$174.8	\$1,002.2
Total	\$509.0	\$514.3	\$523.3	\$531.7	\$539.7	\$547.5	\$3,165.6
Mandated Base Capital	\$150.6	\$155.1	\$159.7	\$164.5	\$169.4	\$174.5	\$973.8
Base Capital – Percent Change		3.0%	3.0%	3.0%	3.0%	3.0%	

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

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

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

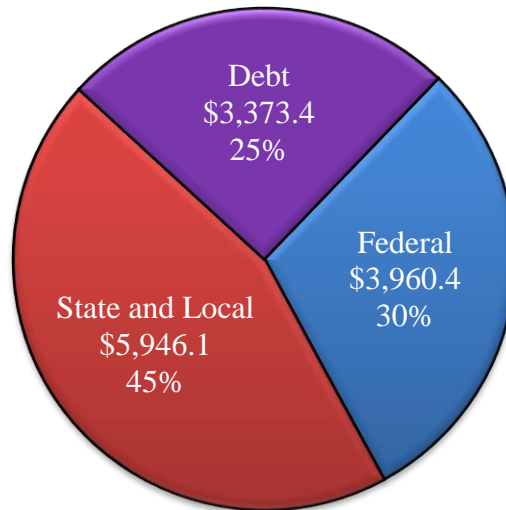
Source: Maryland Department of Transportation, 2024 *Consolidated Transportation Program*; Department of Legislative Services

Total six-year State funding for the WMATA capital grant is \$3.2 billion. Over the six-year period, special funds from the Transportation Trust Fund comprise 53.7% of State funding for the WMATA capital grant, general funds account for an additional 30.9%, and general obligation bond proceeds comprise the remaining 15.4%. The base capital grant, comprising the first three items in Exhibit 8, became a mandated appropriation beginning in fiscal 2023 and increases by 3% per year.

WMATA’s Six-year *Capital Improvement Program*

WMATA’s fiscal 2025 to 2030 *Capital Improvement Program* (CIP) totals \$13.3 billion. **Exhibit 9** shows the revenue sources supporting the capital program that are assumed in the CIP. Contributions from the funding jurisdictions and debt provide approximately 45% and 25% of the six-year funding, respectively. Federal funds comprise the remaining 30% of the six-year total.

Exhibit 9
Six-year Capital Program Funding Sources
Fiscal 2025-2030
(\$ in Millions)



Total: \$13.3 Billion

Source: Washington Metropolitan Area Transit Authority, Fiscal 2025 Proposed Budget; Department of Legislative Services

Fiscal 2025 Capital Program

WMATA’s proposed fiscal 2025 capital program totals \$2.6 billion when revenue losses from construction activity (such as station shutdowns) are included. **Exhibit 10** shows the planned spending by category.

Exhibit 10 Fiscal 2025 Capital Spending by Category (\$ in Millions)

<u>Category</u>	<u>Amount</u>
Railcar and Railcar Facilities	\$456.7
Rail Systems	386.4
Track and Structures Rehabilitation	296.7
Stations and Passenger Facilities	371.1
Bus, Bus Facilities, and Paratransit	558.3
Business and Operations Support	319.0
Subtotal	\$2,388.2
Revenue loss from capital projects	\$10.0
Debt service – Dedicated Funding	248.4
Total	\$2,646.7

Source: Washington Metropolitan Area Transit Authority, Fiscal 2025 Proposed Budget; Department of Legislative Services

Exhibit 11 shows the total funding by source for WMATA’s fiscal 2025 capital program along with the amount that Maryland is expected to contribute based on the proposed budget.

Exhibit 11
Fiscal 2025 WMATA Capital Program
Funding Sources
(\$ in Millions)

	<u>Total</u>	<u>Maryland</u>
Federal		
Federal Formula Programs	\$470	
Federal Passenger Rail Investment and Improvement Act	144	
Other Federal Grants	7	
<i>Subtotal – Federal</i>	<i>\$621</i>	
State and Local		
Federal Formula Programs Match and System Performance	\$303	\$103
Federal Passenger Rail Investment and Improvement Act Match	149	50
Dedicated Funding	500	167
<i>Subtotal – State and Local</i>	<i>\$951</i>	<i>\$319</i>
Other Sources		
Jurisdictional Reimbursable Projects	\$31	\$1
Debt	1,041	
Debt Service Payments Included in Capital Grant	0	31
<i>Subtotal – Other Sources</i>	<i>\$1,072</i>	<i>\$32</i>
Total	\$2,644	\$351

Source: Washington Metropolitan Area Transit Authority, Fiscal 2025 Proposed Budget; Department of Legislative Services

WMATA Allowance versus 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 budget as needed from Maryland. **Exhibit 12** shows the variance between the Maryland allowance and the proposed WMATA fiscal 2025 budget for both the operating and capital grants.

Exhibit 12
Variance Between Maryland and WMATA Contribution Projections
Fiscal 2024
(\$ in Millions)

	<u>WMATA Proposed Budget</u>	<u>Maryland Budget</u>	<u>Variance</u>
Operating Grant	\$488	\$488 ¹	\$0
Capital Grant	350	353	3
Total	\$838	\$841	\$3

WMATA: Washington Metropolitan Area Transit Authority

¹ Does not include the \$1,485,927 that is included in the Maryland budget to support operations of the Washington Metrorail Safety Commission.

Source: Washington Metropolitan Area Transit Authority, Fiscal 2025 Proposed Budget; Department of Legislative Services

Excess funds in the Maryland budget cancel at the end of the fiscal year. If additional funds are needed to provide the Maryland share of the approved budget, MDOT can process a budget amendment to add to the appropriation.

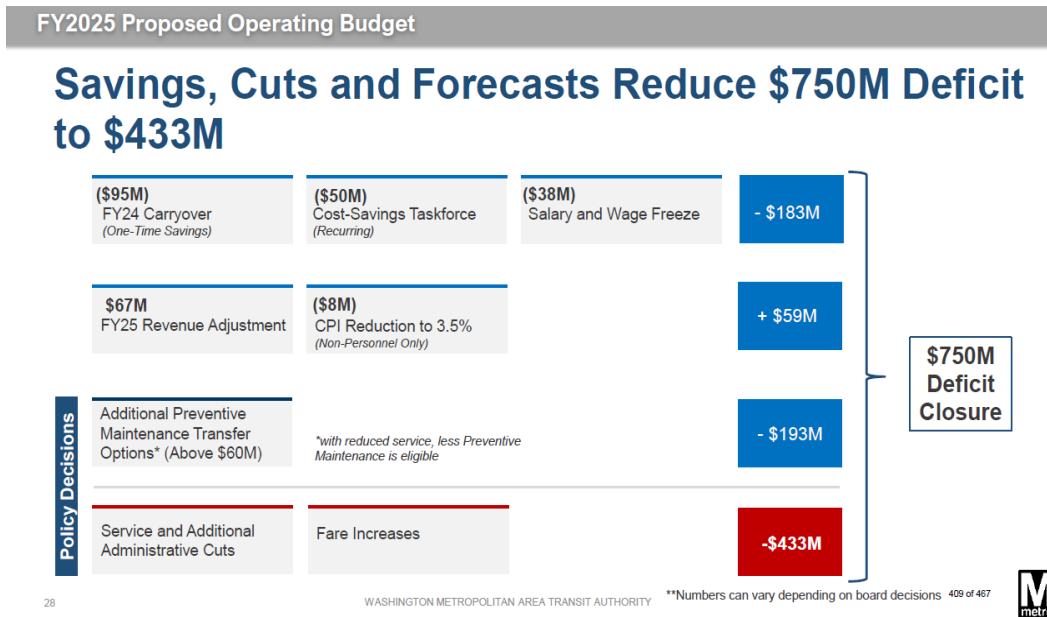
Issues

1. Funding in the Dedicated Purpose Account Could Help Avoid Most of the Service Reductions and Fare Increases That Are Included in WMATA’s Fiscal 2025 Proposed Budget

Maryland’s fiscal 2025 budget as introduced, includes \$150 million in general funds in the DPA to help support WMATA’s operations. This funding is not included in WMATA’s fiscal 2025 proposed budget, which adheres to the restriction in Maryland and Virginia law that the increase in the local operating subsidy amount from one year to the next may not exceed 3%. When combined with proportionate increases in operating support from the District of Columbia and Virginia, this additional funding could allow WMATA to avoid most of the service reductions and fare and parking rate increases assumed in its fiscal 2025 proposed budget.

As shown in **Exhibit 13**, actions taken by WMATA to balance its fiscal 2025 operating budget reduce the deficit to \$433 million before service cuts and fare increases are used to eliminate the deficit completely.

Exhibit 13 WMATA Fiscal 2025 Deficit Reduction Actions (\$ in Millions)



WMATA: Washington Metropolitan Area Transit Authority

Source: Washington Metropolitan Area Transit Authority, “GM/CEO’s FY2025 Proposed Operating And Capital Budget”, Finance and Capital Committee, Information Item IV-A, December 14, 2023.

If the District of Columbia and Virginia provide proportionate increases to Maryland's \$150 million, the combined increase of \$396.5 million is \$36.5 million less than is needed to prevent all of the service reductions and fare increases in the proposed budget. Legislation has been introduced in Maryland (SB 126/HB 198) to pause for one fiscal year the requirement that the Secretary of Transportation withhold a portion of the State's annual operating grant to WMATA in the event that WMATA's budget increases by more than 3% over the previous fiscal year. Passage of similar legislation in Virginia would also be needed to enable the additional operating support to be provided, and the District of Columbia, Maryland, and Virginia would have to agree on any terms that would be attached to the additional funding being provided.

The Secretary should brief the committees on the status of efforts to reach agreement with the District of Columbia and Virginia on avoiding or reducing the service reductions and fare increases included in WMATA's fiscal 2025 proposed budget.

2. WMATA Reports on Transit-oriented Development Efforts Inside the Capital Beltway

The 2023 *Joint Chairmen's Report* (JCR) included committee narrative requesting that WMATA submit a report summarizing its strategies for investing in transit-oriented development (TOD) inside the Capital Beltway. In its response, WMATA discussed its TOD strategy and provided a summary of its efforts at stations inside the Capital Beltway.

In the report, WMATA indicated that it promotes TOD through its joint development program and explained that joint development is a type of TOD that is defined by the Federal Transit Administration as private development on transit-authority-owned land that incorporates transit facilities. It also indicated that in April 2022, its Office of Real Estate and Development published a 10-year strategic plan for joint development that highlights the impacts of its joint development program, identifies future opportunities in WMATA's portfolio, and prioritizes stations for future solicitations based on their development readiness and presents strategies to accelerate development. **Exhibit 14** lists the WMATA stations and/or property with joint development activity inside the Capital Beltway in Maryland.

Exhibit 14
WMATA Joint Development Inside the Capital Beltway in Maryland

Montgomery County

Red Line: Silver Spring

Prince George's County

Blue Line: Capitol Heights, Morgan Boulevard

Orange Line: Landover, New Carrollton

Green Line: Southern Avenue, West Hyattsville, College Park

Other: Central Avenue Bike Trail (Addison), Solar (Southern, Naylor, Cheverly)

WMATA: Washington Metropolitan Area Transit Authority

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

WMATA should comment on whether the cost containment reductions and/or the plan to close 10 Metrorail stations included in the fiscal 2025 proposed budget would impact any of its TOD activities in Maryland.

Operating Budget Recommended Actions

1. Concur with Governor's allowance.

PAYGO Budget Recommended Actions

1. Concur with Governor's allowance.

Appendix 1
2023 Joint Chairmen’s Report Responses from Agency

The 2023 JCR requested that WMATA prepare one report. Electronic copies of the full JCR responses can be found on the Department of Legislative Services Library website.

- ***TOD Investment Strategies Inside the Capital Beltway:*** The 2023 JCR included committee narrative requesting that WMATA submit a report summarizing its strategies for investing in TOD inside the Capital Beltway. WMATA submitted the requested report, which discusses its TOD strategies and provides a summary of its efforts at stations inside the Capital Beltway. Further discussion of this data can be found in Issue 2 of this analysis.

Appendix 2
Budget Amendments for Fiscal 2024
Maryland Department of Transportation
Washington Metropolitan Area Transit Authority

Operating

<u>Status</u>	<u>Amendment</u>	<u>Fund</u>	<u>Justification</u>
Approved	\$8,350,000	Special	Conforms the grant for WMATA’s operations to the budget as approved by the WMATA board.

**Appendix 3
Fiscal Summary**

Maryland Department of Transportation – Washington Metropolitan Area Transit Authority

<u>Program/Unit</u>	<u>FY 23 Actual</u>	<u>FY 24 Wrk Approp</u>	<u>FY 25 Allowance</u>	<u>Change</u>	<u>FY 24 - FY 25 % Change</u>
04 Washington Metropolitan Area Transit –Operating	\$ 458,547,116	\$ 475,284,000	\$ 489,488,198	\$ 14,204,198	3.0%
05 Washington Metropolitan Area Transit – Capital	258,116,977	350,157,000	353,233,803	3,076,803	0.9%
Total Expenditures	\$ 716,664,093	\$ 825,441,000	\$ 842,722,001	\$ 17,281,001	2.1%
Special Fund	\$ 716,664,093	\$ 825,441,000	\$ 842,722,001	\$ 17,281,001	2.1%
Total Appropriations	\$ 716,664,093	\$ 825,441,000	\$ 842,722,001	\$ 17,281,001	2.1%

Note: The fiscal 2024 appropriation does not include deficiencies, targeted revenues, or across-the-board reductions. The fiscal 2025 allowance does not include contingent reductions or cost-of-living adjustments.