

Department of Legislative Services
 Maryland General Assembly
 2024 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

House Bill 198
 Appropriations

(Delegates Korman and J. Lewis)

Budget and Taxation

Transportation - WMATA Operating Assistance - Alteration (Maryland Metro Funding Act of 2024)

This bill temporarily pauses – for three fiscal years – the requirement that the Secretary of Transportation withhold a portion of the State’s annual operating grant to the Washington Metropolitan Area Transit Authority (WMATA) when WMATA’s budget increases by more than 3% over the previous fiscal year. The bill also requires the Secretary of Transportation to withhold a portion of the State’s annual operating grant to WMATA under other specified circumstances. **The bill takes effect July 1, 2024.**

Fiscal Summary

State Effect: State expenditures increase by an estimated \$223.7 million in FY 2025 (\$150.0 million in general funds and \$73.7 million in Transportation Trust Fund (TTF) special funds) because, absent the bill, the Maryland Department of Transportation (MDOT) is required to withhold a portion of its operating grant to WMATA. As discussed below, the FY 2025 budget as passed by the General Assembly includes an additional \$150.0 million in general funds for WMATA. State expenditures may also increase in FY 2026 and 2027, as discussed below. Revenues are not affected.

(\$ in millions)	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	150.0	-	-	0	0
SF Expenditure	73.7	-	-	0	0
Net Effect	(\$223.7)	(-)	(-)	\$0.0	\$0.0

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: The existing requirement that the Secretary of Transportation withhold 35% of the State's operating grant to WMATA when WMATA's budget increases by more than 3% over the previous fiscal year does not apply for fiscal 2025 through 2027 and applies again beginning in fiscal 2028.

Additionally, the Secretary of Transportation must withhold 35% of the State's operating grant to WMATA for any fiscal year in which:

- the chairman of the WMATA Board of Directors has served as chairman for at least two prior years or represents the same jurisdiction as the member who served as chairman for the two immediately preceding years; or
- the Purple Line (defined as the light rail transit line between Bethesda in Montgomery County and New Carrollton in Prince George's County) is in service and is not included on the maps posted at WMATA stations.

Current law: WMATA was established in 1967 through an interstate compact among Maryland, Virginia, and the District of Columbia. The original purpose was construction and operation of a rapid rail transit system for the Washington metropolitan area. Maryland's overall participation in the Washington metropolitan transit system consists of the provision of annual funding to WMATA for capital and operating costs of the Metrorail, Metrobus, and MetroAccess systems. WMATA's operations are funded through operating revenues and subsidies provided by the compact signatories: Maryland, Virginia, and the District of Columbia. 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.

In response to financial difficulties experienced by WMATA, the Maryland Metro/Transit Funding Act (originally enacted by Chapters 351 and 352 of 2018 and modified by Chapter 22 of 2021) mandates additional funding for WMATA. Specifically, the State provides an operating grant to WMATA based on its operating deficit; however, if WMATA's operating budget increases by more than 3% over the prior fiscal year (calculated in a specified manner), the Secretary must withhold 35% of the State's operating grant to WMATA.

State Expenditures:

Withholding Due to Budgetary Reasons

Fiscal 2025: The State's operating grant to WMATA in fiscal 2024 was \$475.0 million, and the fiscal 2025 budget as passed by the General Assembly includes \$489.0 million for

the WMATA operating grant from TTF, a 3% increase over fiscal 2024. However, WMATA's operating budget is anticipated to increase substantially more than 3%, resulting in the withholding of 35% of MDOT's operating grant to WMATA, as required by current law (absent the bill). An analysis by MDOT estimated that WMATA would need an additional \$150.0 million from the State (totaling \$639.0 million, reflecting a 34.5% increase over fiscal 2024). As a result, to help ensure WMATA remains operational, the fiscal 2025 budget as passed by the General Assembly includes an additional \$150.0 million in general funds from the Dedicated Purpose Account for WMATA.

Absent the bill, MDOT is *required* to withhold 35% of the State's \$639.0 million operating grant to WMATA, or \$223.7 million. Therefore, repealing the withholding provision for fiscal 2025 increases State expenditures by \$223.7 million in fiscal 2025 (\$150.0 million in general funds, which, as noted above, has been included in the fiscal 2025 budget as passed by the General Assembly, and \$73.7 million in TTF special funds).

Fiscal 2026 and 2027: Similar to the effect discussed above for fiscal 2025, the bill may increase State expenditures in fiscal 2026 and/or 2027 if WMATA's operating budget increases by more than 3% over the previous fiscal year in either of those fiscal years because, absent the bill, any such increase would result in the withholding of 35% of MDOT's operating grant to WMATA. Any such impact, however, cannot be reliably estimated at this time, as it is unclear how much WMATA's operating budget will increase in those fiscal years.

Withholding Due to Other Reasons

The bill also requires the Secretary of Transportation to withhold 35% of the State's operating grant to WMATA for any fiscal year in which (1) the chairman of the WMATA Board of Directors has served as chairman for at least two prior years or represents the same jurisdiction as the member who served as chairman for the two immediately preceding years or (2) the Purple Line is in service and is not included on the maps posted at WMATA stations.

Neither MDOT nor the Department or Legislative Services anticipates that this provision has any effect on State finances; it is assumed that WMATA will take the necessary actions to avoid any loss of funding from the State. Nevertheless, should WMATA not take such actions and this withholding provision is triggered in any given year, State expenditures (most likely TTF, but potentially also general fund expenditures) decrease significantly as the required portion of the operating grant is withheld.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: SB 126 (Senators Augustine and Feldman) - Budget and Taxation.

Information Source(s): Maryland Department of Transportation; Department of Legislative Services

Fiscal Note History: First Reader - January 18, 2024
rh/lgc Revised - Updated Information - January 19, 2024
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