
February 15, 2022

The Honorable Maggie McIntosh
Chair, House Appropriations Committee
121 House Office Building
Annapolis, MD 21401

RE: Letter of Opposition – House Bill 438 – Washington Metropolitan Area Transit Authority – Funding Formulas – Alteration (WMATA Dedicated Funding Amendment Act of 2022)

Dear Chair McIntosh and Committee Members:

The Maryland Department of Transportation (MDOT) respectfully opposes House Bill 438 due to its impact to the Transportation Trust Fund (TTF) and impact to the MDOT statewide Consolidated Transportation Program (CTP) process.

House Bill 438 alters portions of the Maryland Metro/Transit Funding Act of 2018 and requires the dedicated capital funding grant paid to WMATA from Maryland, currently providing \$167 million annually, to increase by 3% per year beginning in FY 2025. House Bill 438 is contingent upon both Virginia and Washington D.C. implementing similar increases.

The provisions of the Maryland Metro/Transit Funding Act of 2018 were the product of a shared regional collaboration to the challenges facing WMATA and provided a comprehensive solution of additional funding and oversight for WMATA. The Act provided an additional \$500 million of annual funding to WMATA, allocated amongst Maryland, Virginia, and Washington D.C. This dedicated capital funding is in addition to existing annual capital grants to WMATA. In MDOT's six-year capital program, capital funding for WMATA totals \$2.9 billion, or 16% of MDOT's capital program. Over this same six-year period, MDOT also provides operating grants to WMATA totaling \$2.8 billion.

The change contemplated in House Bill 438 is not the result of a regional decision to increase funding to WMATA or even a request being made from WMATA. This is only the third year since the implementation of the dedicated capital funding and the current amount remains sufficient for WMATA to issue additional bonds to help fund its capital program. In FY 2023 alone, WMATA plans to issue nearly \$1 billion of debt backed by these dedicated capital funds to provide additional funding for WMATA's capital program.

As a result of this formula change in House Bill 438, the MDOT will have to increase its payment to WMATA via the Dedicated Capital Funding grant by a compounding 3% beginning in FY 2025. This has a fiscal impact of \$31 million over the next five years (through FY 2027). Since MDOT's capital program is already fully subscribed, this would require the MDOT to reduce funding to existing projects in MDOT's capital program to make these payments.

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Although House Bill 438 removes the mandate for a 3% increase in base capital funding, Maryland remains contractually obligated to make these payments, increasing at 3%, through FY 2027. In 2021, WMATA, Maryland, Virginia, and Washington D.C. executed a six-year capital funding agreement that provides for an aggregate 3% annual increase in the base capital funding grant amount. Maryland committed to this contractual obligation based on the requirements of the Maryland Metro/Transit Funding Act. As a result, there is no decrease in expenditures as a result of this change. Instead, the combined effect of the six-year capital funding agreement and House Bill 438 will result in the MDOT being mandated to pay a 3% annual increase on both the base capital funding amount and the dedicated funding amount.

Historically, WMATA under-performed on its capital program, spending less than 80% of the provided capital funding. With WMATA's call for increases in capital investment by the region, the jurisdictional funding partners made it known to WMATA that, if increased capital funding were to be provided, those funds would need to be expended, not simply collected. In FY 2017, WMATA reported expending 98.9% of the capital subsidies provided. However, in FY 2021, WMATA was only able to expend 88% of the public funding received of the total \$2.1 billion capital program, down from 98.2% just one year prior. While this may be explained by workforce shortages and supply chain problems as a result of the COVID-19 pandemic, the situation remains. With estimates of delivering only \$1.8 billion of its \$2.6 billion FY 2022 capital program (69.5%), WMATA's ability to drive projects to completion remains hampered.

Providing a safe and reliable transit system for the region and its riders is a priority for the State. Capital investment is critical to achieving and maintaining a state of good repair, which is why MDOT and our partners in Virginia and the District of Columbia continue to invest significant public funding in the WMATA system.

For these reasons, the Maryland Department of Transportation respectfully requests the Committee grant House Bill 438 an unfavorable report.

Respectfully submitted,

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