WAMU Explains: What's Next For Metro Funding?

Martin Di Caro - September 20, 2017

Metro general manager Paul Wiedefeld says the transit system needs $15 billion over the next decade, but Metro does not know where $7 billion of that total will come from.

Metro is the only major subway system in the country without a predictable, dedicated source of revenue. The transit system's quest to finally obtain dedicated funding will spark heated public debates for the rest of the year.

Keeping track of the competing proposals can be confusing. But it doesn't have to be. And there's a lot at stake for riders and taxpayers in the outcome. Here are some key questions and answers to help make sense of it all.

How much money does Metro say it needs?

Plenty. Metro general manager Paul Wiedefeld says the transit system needs $15 billion over the next decade to maintain a state of good repair and ensure a safe, reliable system. But based on calculations Wiedefeld made public on Sept. 14, Metro does not know where $7 billion of that total will come from. The rest is expected from the usual sources: local contributions from the Metro jurisdictions and federal grants, although it remains unclear whether Congress will reauthorize a ten-year grant program that expires in September 2019. The program has provided Metro $150 million annually.

What would that $15 billion pay for?

The fundamentals: maintaining track and structures (bridges and tunnels); rebuilding platforms; buying new trains, buses and paratransit vehicles, and constructing new bus garages. Wiedefeld's wish list does not include major expansion projects, like a new tunnel at Rosslyn for the Blue Line that would relieve the Silver/Orange/Blue bottleneck on the western side of the system.

Why is dedicated funding so important?

Dedicated revenue is predictable – much more so than fare revenue and what local governments decide to give from year to year. Even more importantly, it can be borrowed against, allowing WMATA to spread out the cost of big ticket items over the course of many years. Metro says it needs an additional $500 million per year in dedicated revenue over the next decade, allowing it to increase its annual capital budget from the current $1 billion to $1.5 billion.

What's the solution?

If there were an easy answer to this question, we still wouldn't be asking it after all these years. A task force of financial officials from the region's local governments recommended a one-percent sales tax increase in April. The group said a regional sales tax would be simple, fair and generate more than enough revenue for WMATA. But that was immediately rejected by some elected officials in Virginia because their state would wind up paying more than its fair share, nearly fifty percent of the revenue, under the current formula. A sales tax increase is also unpopular with Maryland officials.

If not a sales tax, what's next?

Stay tuned. A "Metro Strategy Group" at the Council of Governments, led by the chair of the Fairfax County Board of Supervisors Sharon Bulova, is supposed to issue a recommendation in October or November. But the legislatures in Richmond, Annapolis, and D.C. are not required to follow it. However, it has become clear that each of the three main jurisdictions will be allowed to decide for themselves how to come up with the money, as opposed to a regionally imposed tax increase. But the District and the two states also have to agree on how much revenue to raise and how to divide it fairly. It is not as simple as taking $500 million (Metro's request) and dividing it by three.

What's wrong with simply dividing by three?

It comes down to the long-established Metro funding formula. Each jurisdiction pays based on the number of rail stations it has, weekday ridership, and other factors. So, under this formula, some jurisdictions are supposed to pay less, such as Virginia, which has fewer stations than the District.

Who has the final say over a regional solution to dedicated funding?

Ultimately it will be up to the legislatures and governors in Maryland and Virginia as well as the mayor and D.C. council in Washington. In Virginia, Richmond would have to give the Northern Virginia suburbs permission to tax themselves to pay for Metro. In Maryland, observers say the same dynamic will probably apply to any move by Prince George's and Montgomery Counties to raise taxes – if those counties even decide to go that way.

What about Maryland Gov. Larry Hogan's solution?

Hogan threw a curveball at his fellow regional leaders this month when he offered to provide Metro $500 million over the next four years, if D.C., Virginia, and the federal government matched it. The proposal was based on his view that the region would not agree to a dedicated funding source by the time legislative sessions began in January. That's serious money: $2 billion total to get Wiedefeld through the next four years of capital budgets. But there doesn't seem to be enough support across the Potomac to turn Hogan's idea into reality.

Can anyone bring the various jurisdictions together?

That question has been asked for decades. Virginia gave it another go when it recently hired former Transportation Secretary Ray LaHood to develop a regional consensus on the long-term funding issue. He's expected to release his highly-anticipated report on Metro's labor costs and capital needs this fall.

So far LaHood is recommending that the current Metro board of directors voluntarily step aside in favor of a temporary, five-member reform board. That idea is going nowhere.

Why the emphasis on the WMATA board?

Some lawmakers are reluctant to give Metro more money unless its governing structure is overhauled.

What happens if Metro does not receive dedicated funds?

Without a new source of revenue, Wiedefeld intends to submit his request for increased capital dollars to Metro's eight city and county jurisdictions – the same way Metro has done business for decades. But the situation is reaching a breaking point. The jurisdictions have budget issues of their own to deal with, i.e. schools, roads, and police, and the sums Metro is asking for outstrip their ability to pay.

What are the jurisdictions?

Metro's eight city and county jurisdictions are Arlington and Fairfax Counties and the cities of Alexandria, Falls Church, and Fairfax in Virginia; the District of Columbia; and Montgomery and Prince George's Counties. However, in Maryland the state's transportation trust fund covers the two counties' Metro bills. Loudoun County will soon be the ninth jurisdiction.

How does Metro pay for things?

Metro has in effect two budgets. Its operating budget (day-to-day expenses like fuel, wages, benefits, etc.) of $1.8 billion is funded by fares and jurisdictional subsidies. As fare revenues have dropped, the subsidies have gone up. Subsidies = local tax dollars. Thus, even if someone never rides Metro their tax money pays for it locally.

The other budget covers capital expenses. It's about $1 billion per year, funded by federal grants and local contributions, plus some limited borrowing. The money Wiedefeld is asking for (an additional $500 million per year) would go toward capital expenses only. The general manager's next budget proposal will come out this fall and take effect July 1, 2018.

Any predictions?

You can rule out a regional sales tax to pay for Metro. Some form of dedicated funding looks more of a long shot with each passing week, but it would be wrong to entirely dismiss the chances with three months left in the year. There is more pressure on public officials today than at any time in recent memory to solve the Metro funding problem, and, as Wiedefeld has said, elected officials understand that the transit system has enormous needs. It's just a matter of getting an agreement.

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