Testimony to the Chairman, Sub-Committee on Federal Workforce, Postal Service & District of Columbia,

Committee on Oversight & Government Reform, U.S. House of Representatives

Amalgamated Transit Union Local 689

ATU Local 689

April 2009

Issues Related to Funding for the Washington Metropolitan Area Transit Authority

Introduction:

Amalgamated Transit Union (ATU) Local 689 is a labor union that represents approximately 7,700 members at the Washington Metropolitan Area Transit Authority. ATU Local 689 represents bus operators, train operators, station managers, bus & rail mechanics, track repair, custodial & cleaning, facilities maintenance and a number of clerical workers. ATU Local 689 was organized in Washington, DC in 1916 and now has its headquarters in Forestville, Maryland.

Background:

The Washington Metropolitan Area Transit Authority (WMATA) is an interstate compact formed in 1967 and provides bus and rail service in the Washington, D.C. metropolitan area, including the District of Columbia, Alexandria City, Falls Church City, Fairfax City, Arlington County, Fairfax County, Montgomery County and Prince George's County. Loudoun County is within the WMATA transit zone but makes no contributions to WMATA because no service is currently provided.

The signatories (Maryland, District of Columbia & Virginia) set forth the purpose of the compact "…to create a regional instrumentality, as a common agency of each signatory party, empowered, in the manner hereinafter set forth, (1) to plan, develop, finance and cause to be operated improved transit facilities, in coordination with transportation and general development planning for the Zone, as part of a balanced regional system of transportation, utilizing to their best advantage the various modes of transportation, (2) to coordinate the operation of the public and privately owned or controlled transit facilities, to the fullest extent practicable, into a unified regional transit system without unnecessary duplicating service, and (3) to serve such other regional purposes and to perform such other regional functions as the signatories may authorize by appropriate legislation."[1]

Financing History Highlights

<u>The WMATA Compact</u> provided that commitments or financing in Virginia would be done by contract or agreement with the Northern Virginia Transportation District. In Maryland it was to be done with the Washington Suburban Transit District. The District of Columbia and the federal government were to be done by appropriation.[2]

<u>Public Law 96-184</u>: In 1980, federal legislation required that for WMATA to receive additional funding for construction of the Metrorail system, the WMATA Compact jurisdictions had to demonstrate that they had "stable and reliable" sources of revenue sufficient to pay for the principal and interest on bonds and the local share of the operating and maintenance costs of the transit system.[3]

The District of Columbia, Maryland, and Virginia took the following actions to comply with the requirement:

[1] WMATA Compact, 1967
[2] WMATA Compact, 1967
[3] Public Law 96-184

- District of Columbia. The city adopted a law in 1982 to earmark funds for WMATA by establishing a Metrorail/Metrobus account within its general fund. The account was supported by earmarking existing revenues that came from sales taxes on hotels, meals, and gasoline, as well as vehicle registration fees and parking meter fees. The earmarked revenues were sufficient to cover the District of Columbia's share of WMATA's operating, debt service, and capital expenses. This account is no longer the source of WMATA payments.

- Maryland. The state enacted legislation in 1980 to require the Maryland Transportation Trust Fund to assume a portion of the costs WMATA allocated to Montgomery and Prince George's Counties. The legislation also provided the trust fund with new sources of revenue, including motor vehicle fuel taxes, a portion of the corporate income tax, and all revenues of the state motor vehicle administration. The trust fund was used to pay all of Montgomery and Prince George's Counties' share of WMATA's capital costs, and 75 percent of the counties' share of operating costs and debt service. Montgomery County provided for the balance of its obligation to WMATA through a property tax earmarked for mass transit, and Prince George's County met the remainder of its obligation by establishing the Mass Transit Special Revenue Fund and earmarking revenues from the state real property tax grant program in the event that county appropriations to the fund fell short. State legislation in 1992 and 1998 made the state's transportation trust fund the source of all payments to WMATA.

- Virginia: In 1980, the state enacted a 2 percent sales tax on the retail price of gasoline within the Northern Virginia counties and cities in the WMATA service area and dedicated the proceeds of the new tax to WMATA, effective in July 1982. The state also increased its biennial appropriation to NVTC, increasing the amount of state money available for payment to WMATA. At the same time, the Northern Virginia counties and cities enacted local ordinances stating their intention to fund WMATA's debt service and operating assistance on an annual basis and designating their general fund revenues as the source of funding for what the gasoline tax and state aid did not cover. [4]

<u>Regional Mobility Panel</u>: Bus service began fragmenting in the late 1980s and early 1990s as local county services began assuming Metrobus service. The effect of these "takeovers" was that both operating and capital costs were shifted to jurisdictions that did not take over Metrobus service.

A panel composed of local government, federal government, business, labor and citizen representatives investigated and published a report whose recommendations were forwarded to the House and Senate Appropriations Committees and adopted by the WMATA Board of Directors.

The panel recommended that WMATA bus routes be divided into two categories: those that were regionally significant (crossed a jurisdictional boundary or met two of three

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[4] Mass Transit, Issues Related to Providing Dedicated Funding for the Washington Metropolitan Area Transit Authority, GAO, May, 2006

criteria—major arterial, serving regionally significant activity center and/or has 30 passenger boardings per hour) and local bus service that would be run at the discretion of local jurisdictions by either WMATA, privately contracted service or directly by the local government.

A new formula allocating regional bus costs among all jurisdictions was adopted that is similar in some ways to the Metrorail subsidy formula. Non-regional service would be paid for by the jurisdictions in which it operated.

A subcommittee was established to recommend ways to fund regional bus service and capital improvements.[5]

<u>Metro Matters Financing</u>: On October 21, 2004, the WMATA Board adopted the Metro Matters Program and a long-term financial agreement with the jurisdictions for critical capital priorities for FY 2005-2010.[6] This was done in response to an analysis that WMATA's capital investments were deteriorating. Metro Matters changed the financing from an obligation on the part of a jurisdiction to WMATA to expense-based system where specific amounts of financing for capital needs were agreed to.

<u>Current Funding</u>: Each jurisdiction funds WMATA subsidy by different means. The following is a summary of current funding methods:

- Maryland: Payments to WMATA for Montgomery and Prince George's counties are made from the Maryland Transportation Trust Fund. The trust fund's revenue sources include a gas tax, vehicle title tax, and other motor vehicle taxes and fees, along with other sources such as federal aid. Trust fund revenues are also used for operating and capital expenses for various modes of transportation in the state including transit, ports, and aviation, as well as for local road construction. Maryland is required by state law to make payments for the share of WMATA's operating expenses, capital equipment replacement, and debt service for which Montgomery and Prince George's Counties are responsible.

- Virginia. The individual cities and counties are responsible for making payments to WMATA. A portion of these localities' payments are made through the Northern Virginia Transportation Commission (NVTC). NVTC holds, in trust, funds from a variety of sources that are used to pay for its members' public transit systems—including WMATA and local bus systems such as the Alexandria ART, Fairfax Connector and Alexandria's DASH bus. Sources include a two percent Northern Virginia retail motor vehicle fuel tax and state sources such as transit assistance grants and state bonds issued for WMATA. NVTC sources account for about two-thirds of payments to WMATA from Northern Virginia counties and cities. The portion of the localities' obligation to WMATA that is not covered by NVTC sources is usually paid directly by the localities from their general funds.

- District of Columbia. Payments to WMATA are provided by the District's Department of Transportation every quarter. Operating costs are paid for from the

[5] Report of the Regional Mobility Panel to the Committees on Appropriation, 1997
[6] Metro Matters Capital Budget Review, WMATA, April 2009

District of Columbia's general fund and capital costs are funded by general obligation bonds.[7]

Current Efforts for Financing Long Term Capital Needs

In October 2008, the U.S. Congress passed Public Law 110-432 authorizing up to $1.5 billion in federal funds for WMATA capital and preventive maintenance improvements over 10 years, beginning in fiscal 2009. However, this federal law was made contingent upon the passage of amendments to the WMATA Compact by Maryland, Virginia, and the District of Columbia prior to distribution of federal funds. The amendments require federal representation on the WMATA board of directors, creation of an Office of the Inspector General, and identification of local, dedicated funding sources to match federal funds.[8]

Maryland and Virginia have enacted similar law that provides the Compact revisions required by Congress. The District has passed a dissimilar law, but press reports indicate that they are re-considering and may enact legislation identical to Maryland and Virginia.[9] Their provisions for dedicated funding are as follows:

- MD: Maryland Transportation Trust Fund
- VA: Requires local jurisdictions in transit zone to provide dedicated funding not subject to appropriation
- DC: "….derived from sources of funding that are earmarked or required under the law of the signatory to be used to match such federal appropriations."

Analysis of Effects of Current Financing

WMATA has been a generally well-run but under-financed agency that provides critical regional mass transit mobility throughout the Washington metropolitan area.

The over-reliance on general fund revenues by the states, counties and other jurisdictions that fund WMATA has resulted in a number of problems over time. One of the principal problems is that there is no counterbalance to local jurisdictions' individual interests.

Existing Operations: WMATA's existing operations have been threatened by the inability or unwillingness by WMATA's partner jurisdictions to fund critical bus service. The WMATA board of directors has made a proposal that each jurisdiction close its share of the FY 2010 operating budget (bus and rail) by deciding on service reductions within their own jurisdiction—including bus routes designated as "regional" because of their service crosses jurisdictional boundaries or runs on major arterials serving major activity centers—including federal locations. The result was uneven bus cutbacks throughout the region that had no semblance of a comprehensive plan. The plan directly impacts the

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[7] Mass Transit, Issues Related to Providing Dedicated Funding for the Washington Metropolitan Area Transit Authority, GAO, May, 2006
[8] Fiscal Note for SB 915, Maryland Department of Legislative Services, 2009
[9] "Metro chairman to try again for $150M in federal cash," Kytja Weir, Washington Examiner, April 23, 2009

federal government which has no say over what regional or local bus routes are cut (see Appendix A).

Maryland proposed cutting service on both regional routes and local bus routes. This elimination of service on segments of regional Metrobus lines includes lines with the heaviest loads, completely eliminating other regional lines, cutting service hours on others and widening headways. The proposed cutbacks are particularly severe in Maryland where nearly $10 million of the $13.6 million in Metrobus cutbacks is proposed.[10]

Arlington has proposed to take over a regional bus route (against the agreement adopted by the WMATA board and reported to Congress under the Regional Mobility Panel). Alexandria has proposed reducing service on regional bus lines. The District of Columbia proposes to eliminate a regional bus line and reduce service on eight others. Nearly one-third of all bus riders in the District of Columbia will be affected by the service reductions on these lines.

Another problem with bus financing is fares. While WMATA rail fares have generally kept pace with inflation, WMATA's bus fares have not. One analysis shows that fares would be about 20 cents per ride higher than today if they had kept pace with inflation.[11] It may be a prudent decision to keep bus fares low since a disproportionate number of bus riders fall into lower income categories. However, the jurisdictions have not made a conscious decision as to how to subsidize the potentially lost revenue.

The proposal to shift the burden for WMATA's deficit also calls into focus questions of class and race. The proposal put the entire burden of WMATA's deficit on the Metrobus system where 41% of riders were African American compared to 15% of Metrorail riders. About 50% of Metrobus riders have college degrees compared to 76% of Metrorail riders.[12]

<u>New Rail Projects</u>: WMATA's role in continuing to plan and construct and operate a regional transit system has been diminishing for some years. After completion of the 103 mile initial rail system, the only extension planned and constructed by WMATA has been a two station extension to Largo.

New heavy, light and streetcar rail projects are all being planned and constructed by local jurisdictions. While these projects receive nominal review by the Council of Governments Transportation Planning Board, they are uncoordinated and don't necessarily represent projects that would be regional priorities.

Projects such as the Maryland Department of Transportation "Purple Line," Metropolitan Washington Airport Authority "Silver Line," The Arlington/Fairfax Columbia Pike streetcar, Washington, DC Anacostia light rail demonstration project were all conceived and largely planned by local jurisdictions. In many cases, there has not been a lot of

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[10] Continued Review of 2010 Expense & Revenue, WMATA, March 26, 2009
[11] Metrobus, Metro Access fares have declined with inflation, Michael Perkins, Greater Greater Washington, March 9, 2009
[12] Media Guide 2008, WMATA

thought about how they integrate into the existing WMATA system. For example, the current station design for the MTA "Purple Line" at Silver Spring would have Purple Line trains coming in on a third level, passengers exiting to the first level and then re-entering WMATA fare gates to proceed to the 2nd level in order to transfer.

It may be possible to reduce some capital and operating costs of these projects by utilizing some of WMATA's existing capacity such as WMATA railcar overhaul facilities and track equipment shops. There may be a benefit to modifying the planned WMATA rail car testing facility to utilize for testing light rail and street cars before introducing to service. There may be existing WMATA heavy track equipment that could be utilized on these systems. There may be some operational advantage in some situations to integrating the systems—passenger convenience, reduction of personnel required such as station managers and custodians. Unfortunately there has been little to no discussion about this.

There has also been little discussion at the regional level as to how the operating costs of these expansion systems will impact other transportation needs and how financing will be accomplished.

<u>Improving Bus Service</u>: WMATA's ability to provide bus service in major corridors un-served by Metrorail or commuter rail has been hampered by the lack of expansion funds. The Metro Matters agreement had been amended to purchase 175 buses for expansion, but only 25 were purchased under the agreement—and these were intended for replacement of existing buses.[13]

Investment in bus capacity is critical but there are only the preliminary discussions taking place at the regional level. Although no decisions have been made, each jurisdiction seems to be throwing in a "pet" local project of questionable regional significance.

One of the major cost drivers of bus service is congestion—let us utilize an example that assumes a route takes 35 minutes one way and requires four buses to maintain a ten minute headway. If five years later congestion causes the route to take 40 minutes, this requires adding a bus to maintain the ten minute headway—a 25% increase in cost.

Investment in bus priority measures on existing regional corridors can mean significant operational cost savings. These include utilizing limited or express buses to equalize passenger load and bring about time savings, signal synchronization, bus priority signals, queue jumper lanes, bus priority lanes and pre-boarding stations at major locations. Some of these measures, however, require capital funds--although at a much lower amount than rail expansion.

WMATA's current measures to upgrade the service on Richmond Highway & Columbia Pike in Virginia and the "30," "70," & "S" lines in the District are examples of "low-hanging fruit" in this regard. These measures required little to no capital investment beyond some newer and differently painted buses and a redistribution of passenger load through the use of limited stop or express buses. However, because of lack of funding,

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[13] Metro Matters Capital Budget Review, WMATA, April 2009

even these “low-hanging fruit” improvements are stretched out over several years. Greater savings can be achieved through larger capital investment.

Regional bus expansion will be necessary to serve growing areas and this service will need both capital and operating funds.

Under-capitalization of rail: Specifically funds for aging infrastructure on the rail, including stations, rail cars, track equipment, maintenance and storage facilities have not kept pace with need. WMATA has been run on a “pay as you go” system that does not budget adequately for long-term capital needs. The adoption of WMATA Compact amendments to comply with federal Public Law 110-432 and subsequent appropriations by Congress and dedicated funds from local governments will be a large step forward but still leave WMATA short on its capital needs

Under-capitalization of bus system: Aging bus garages in close-in locations directly affect productivity as it relates to operating costs. Maintenance costs are affected by older garage facilities and equipment. Operating costs for suburban areas are driven in part by the non-revenue time it takes a bus to reach revenue service. Steps have been taken to alleviate some of this problem but much more remains to be done. The average bus fleet age (around 8 years) is still higher than the target age and this too affects productivity. While WMATA’s bus maintenance costs are lower than industry averages, they could be lower still if garages were modernized and fleet age lowered.

Metro Access: Metro Access is the regional paratransit service required residents based on the Americans with Disabilities Act (ADA) of 1990. Costs have risen dramatically and usage is expected to grow. Demand for the service could grow anywhere from 50 to 100 percent by 2013. Ridership is already up 20 percent on average in the first quarter of FY 2009. Last year, ridership was 16 percent higher than the previous year.[14] There is no funding strategy in place to meet current or future demand.

Discussion of Current Funding Issues

WMATA will continue to struggle to provide adequate service until local jurisdictions agree to some form of long term truly dedicated funding to WMATA for capital and operating needs.

ATU Local 689 believes that the current capital funding agreement provides the best practical model where a financial target is established and each jurisdiction establishes its own dedicated (not subject to annual appropriation) source of funding to meet that financial target. Such a target would have to take into account current operating needs, current and future capital needs, future expansion and inflation in order to be successful. Locally established “dedicated” funds would need to be relatively stable in order to avoid severe fluctuations in the amount of revenue.

[14] Metro Access Ridership Expected to Grow Substantially During Next 5 Years, WMATA Press Release, Dec. 4, 2008

Dedicated funding of this type would not only alleviate WMATA's financial problems, but would also remove some of the incentive for local jurisdictions to put their own localized desires first ahead of regional interests.

Federal Role & Interest in Financing of WMATA

The federal government paid for approximately 60% of the cost to build the Metrorail system. It also paid the bulk of the cost to purchase the assets of the four formerly private bus companies that formed the basis of the Metrobus system. In the past several years, the federal government has paid about 40% of the capital costs of the Metrorail system and funded much of bus garage improvements and buses.[15]

In addition, nearly half the Metrorail stations serve federal facilities and it is estimated that nearly half of peak Metrobus & rail riders are federal employees.[16]

Appropriations that may result from Public Law 110-432 may increase that percentage further. It is anticipated that the District of Columbia will enact WMATA Compact amendments identical to the Maryland and Virginia, making WMATA eligible for $1.5 billion in federal funds matched by local dedicated funds over a ten year period.

ATU Local 689 welcomes an increased federal role within WMATA. While the capital funds are certainly extremely important, the direct federal role on the WMATA board of directors is equally important.

We believe that the jurisdictions' individual interests will be counterbalanced by the federal government's regional interest. This could bring the following benefits:

- Insure that regional planning takes place
- Insure regionally significant transit priorities get attention
- Insure adequate funding for regional needs
- Insure that federally funded assets are used efficiently
- Oversee cost controls

We believe that a direct federal role within WMATA will provide a more rational decision making process for prioritization of current WMATA capital and operating needs as well as helping to rationalize issues of service expansion and if absolutely necessary—service contraction.

We would urge that once Public Law 110-432 is full implemented and funding begins, that Congress look seriously at extending this type of agreement to operations in order to insure its interests are protected and to gain a full partnership with the signatories of the WMATA Compact.

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[15] Mass Transit, Issues Related to Providing Dedicated Funding for the Washington Metropolitan Area Transit Authority, GAO, May, 2006
[16] Compelling Case for WMATA, MCOG, 2004

APPENDIX A

Partial List of Federal Facilities Affected By Proposed WMATA Metrobus Service Reductions

Major federal facilities affected in MD:

Health & Human Services, Parklawn Building, C-4, through service to facility eliminated, additional transfer
Nuclear Regulatory Commission, White Flint, C-8, non rush hours
National Institute of Standards & Technology Q-2 (Gaithersburg shuttle from Shady—additional transfer bus)
FDA, White Oak, C-8, Z-2, non rush hours and reduced service
Archives II, College Park, C-8, R-3, none-rush hours & route elimination
U.S. Federal Courthouse, Greenbelt, C-7, C-9, R-3, route eliminations
U.S. Department of Energy, Germantown, Q-2, additional transfer by bus
National Oceanographic and Atmospheric Administration, Silver Spring, Q-2, Z-2

Major federal facilities affected in DC:

Nearly every federal facility in the District of Columbia is affected by reduction of headways on regional Metrobus routes N2, N6, V7, V9, S2, S4, H2, H4, X2, 80, 52, 54, 92 and 94. In addition, Route D-5 is schedule for elimination and would affect the National Imagery & Mapping Agency and federal facilities located around the Foggy Bottom area and Farragut Square area.

Major federal facilities affected in VA:

Pentagon, 10A eliminated, 10B headways widened, 7-F, E, headways widened, 24P taken over by local service