

Department of Legislative Services
Maryland General Assembly
2026 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 281 (Senators Augustine and Feldman)
Budget and Taxation

Metro Funding Modification Act of 2026

This bill establishes a third annual grant – beginning in fiscal 2029 – to the Washington Suburban Transit District (WSTD) to pay the capital costs of the Washington Metropolitan Areas Transit Authority (WMATA) and repeals the requirement that the standard WSTD grant be annually increased, as specified. The bill also requires the board of directors of WMATA to approve a rail signaling and automation workforce transition plan by July 1, 2028. The Governor must withhold 35% of the State’s capital grant to WSTD for any fiscal year in which the plan has not been approved or specified employees are terminated because of the automation of the rail system. **The bill takes effect June 1, 2026, contingent on the enactment of similar legislation by the Commonwealth of Virginia and the District of Columbia, as specified.**

Fiscal Summary

State Effect: Because the Maryland Department of Transportation’s (MDOT) capital program is generally fully subscribed each year, MDOT may be required to redirect funding from other projects once the bill takes effect, as the new formula increases total capital grant funding the State provides to WSTD for WMATA by more than \$140.0 million annually in the near term, as discussed below. Revenues are not affected.

Local Effect: The bill does not directly affect local government operations or finances.

Small Business Effect: None.

Analysis

Bill Summary: The bill establishes a third annual capital grant to WSTD, which must annually be provided by MDOT from the revenues available for the State capital program

in the Transportation Trust Fund (TTF). For fiscal 2029, MDOT must provide at least \$150.0 million for the State's proportionate share of the Metrorail Operating Subsidy Allocation Formula. Beginning in fiscal 2030, the amount provided by MDOT must be equal to the amount provided for the immediately preceding fiscal year increased by 3%. The bill also repeals the requirement that the standard capital grant to WSTD be increased by 3% each fiscal year.

By July 1, 2028, the board of directors for WMATA must approve a rail signaling and automation workforce transition plan, developed in consultation with affected collective bargaining units. The Governor must withhold 35% of the State's standard capital grant to WSTD for any fiscal year in which the plan has not been approved or a rail or bus operator employed by WMATA on or after July 1, 2028, is terminated due to a reduction in force caused by the automation of the rail system.

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.

Passed in response to financial difficulties experienced by WMATA, the Maryland Metro/Transit Funding Act (enacted by Chapters 351 and 352 of 2018) mandates additional capital funding for WMATA in two ways. First, the Act requires the State's standard capital subsidy to WSTD for WMATA to increase by 3% annually over the previous fiscal year once specified reporting requirements are met. Second, the Act requires the Governor to include in the State budget an additional appropriation of \$167.0 million from the funds available in the State capital program in TTF.

State Expenditures:

Formula Funding

As discussed in more detail in the Additional Comments section below, for purposes of this analysis, it is assumed that the three capital grants provided to WSTD by the State to support the capital costs of WMATA are provided by TTF through MDOT's capital program. MDOT's capital program is generally fully subscribed from year to year. Accordingly, modifying the State's required capital grants for WMATA does not affect

total TTF spending, but instead, may affect the combination of capital projects that receive funding in MDOT’s capital program in any given year.

A precise estimate of the bill’s impact on MDOT’s capital program cannot be reliably estimated at this time because it depends on numerous unknown factors, including when and whether the Commonwealth of Virginia and the District of Columbia enact similar legislation. Nevertheless, the bill is anticipated to significantly increase the State’s capital grant funding for WMATA beginning in the fiscal year in which it takes effect.

For illustrative purposes only, assuming that the bill takes effect in fiscal 2029, **Exhibit 1** shows the potential impact on MDOT’s capital program in that fiscal year. In this illustrative example, the State’s standard capital grant decreases by \$4.9 million in fiscal 2029 (due to the elimination of the requirement for the grant to be increased by 3% annually), but the new capital grant increases grant funding by \$150.0 million in that fiscal year. In this example, the net effect of the two provisions is an increase of \$145.1 million in capital grant funding for WMATA in fiscal 2029 compared to current law. While the amount of the new grant increases each year (due to the bill’s requirement that it be increased by 3% annually beginning in fiscal 2030), the net increase in total grant funding decreases over time due to the repeal of the requirement that the standard WSTD grant be increased by 3% annually.

Exhibit 1
Illustrative Example of the Bill’s Effect on WMATA Capital Grants
Fiscal 2029
(\$ in Millions)

	<u>Standard Capital Grant</u>	<u>Additional Capital Grant</u>	<u>New Third Capital Grant</u>
Under Current Law	\$167.7	\$167.0	\$0.0
Under the Bill	162.8	167.0	150.0
Difference	(\$4.9)	\$0.0	\$150.0

WMATA: Washington Metropolitan Area Transit Authority

Note: The estimate for the standard capital grant for WMATA under the bill for fiscal 2029 is based on the Maryland Department of Transportation’s financial plan and assumes that the amount provided for fiscal 2029 remains at the fiscal 2028 level.

Sources: Maryland Department of Transportation; Department of Legislative Services

Rail Signaling and Automation Workforce Transition Plan

The bill requires the Governor to withhold 35% of the State's standard capital grant to WSTD for any fiscal year in which the required plan has not been approved or a rail or bus operator employed by WMATA on or after July 1, 2028, is terminated due to a reduction in force caused by the automation of the rail system. For purposes of this analysis, it is assumed that WSTD adopts the required plan and does not terminate any such employee; however, to the extent that the Governor is required to withhold funding in any fiscal year, TTF expenditures decrease accordingly.

For contextual purposes only and based on the illustrative example shown above in Exhibit 1, the Governor would be required to withhold \$57.0 million if either of these contingencies were met for fiscal 2029 under the bill.

Additional Comments: Since the inception of the additional capital grant for WMATA, general funds have been transferred to TTF to partially or fully offset the impact to TTF. Additionally, in fiscal 2025 and 2026, and in the 2027 budget as introduced, general obligation (GO) bonds were used and are planned for this purpose.

Although this analysis assumes that the increased funding required to provide grants for WMATA under the bill is paid for using TTF, to the extent that general funds and/or GO bonds are used for this purpose in future fiscal years, the impact to MDOT's capital program is less pronounced. In such a case, general fund expenditures and TTF revenues increase accordingly, and/or the use of GO bond proceeds for this purpose reduces GO bond funding available for other State projects, as the total capital budget is established annually by the Governor and the General Assembly through the capital budget process and is fixed each year.

Additional Information

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

Designated Cross File: HB 386 (Delegate Korman, *et al.*) - Environment and Transportation and Appropriations.

Information Source(s): Maryland Department of Transportation; Governor's Office; Department of Budget and Management; Department of Legislative Services

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