

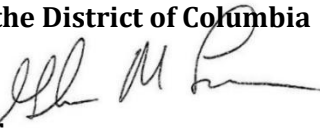
Government of the District of Columbia
Office of the Chief Financial Officer



Glen Lee
Chief Financial Officer

MEMORANDUM

TO: The Honorable Phil Mendelson
Chairman, Council of the District of Columbia

FROM: Glen Lee
Chief Financial Officer 

DATE: December 6, 2022

SUBJECT: Fiscal Impact Statement – Metro For D.C. Amendment Act of 2022

REFERENCE: Bill 24-429, Draft Committee Print as provided to the Office of Revenue Analysis on December 1, 2022

Conclusion

Funds are not sufficient in the fiscal year 2023 through fiscal year 2026 budget and financial plan to implement the bill. The bill establishes two new special funds and authorizes the Chief Financial Officer (CFO) to allocate revenues that may be certified in the future to offset the bill's dedication of general sales tax revenues to the new funds. These provisions are not subject to their inclusion in an approved budget and financial plan. However, the District Department of Transportation (DDOT) is not authorized to expend any funds until the District provides the necessary appropriations authority in an approved budget.

The remainder of the bill's provisions will cost approximately \$32.2 million in fiscal year 2023 and \$438.8 million over the four-year financial plan period. These provisions are subject to their inclusion in an approved budget and financial plan.

Background

The bill establishes three new programs to expand transit access and opportunities for District residents. The first effort requires the DDOT Director to enter an agreement with the Washington Metropolitan Area Transit Authority (WMATA) within 60 days of the bill's effective date. The agreement should facilitate fare-free Metrobus transportation within the District and support the 24-hour daily operation of twelve Metrobus routes with no more than twenty minute headways at any stop on those routes. The twelve 24-hour Metrobus routes should be those with high demand that service major transportation corridors and activity centers. The bill authorizes the DDOT Director to amend or enter into additional agreements to further expand Metrobus service in the District.

The bill establishes the new Fare-Free Bus Service Fund to pay the costs of the agreement providing fare-free Metrobus and 24-hour service on select routes. The Fare-Free Bus Service Fund should receive general retail sales tax revenues in the following amounts: \$11 million in fiscal year 2023, \$43.03 million in fiscal year 2024, \$45.18 million in fiscal year 2025, \$47.44 million in fiscal year 2026, and 105 percent of the prior year's amount in fiscal year 2027 and each subsequent fiscal year. These deposits are contingent on sufficient local revenues being identified in the December 2022 and February 2023 revenue estimates, such that the dedication of sales taxes leaves sufficient local revenues at least at the same level as incorporated in the fiscal year 2023 budget and financial plan. These deposits receive the first priority of funding from the dedicated sales taxes, before the dedication to the Bus Service Enhancement Fund (described below).

The second effort is the creation of the District Resident Transit Subsidy Program (Subsidy Program) administered by DDOT. The Subsidy Program provides subsidies of up to \$100 per month for eligible residents to travel on WMATA bus or rail using a SmarTrip card or a similar transit card used by any entity operating under an agreement with the Mayor to provide transit services. The bill allows DDOT to negotiate transit fares with WMATA for Subsidy Program participants. The bill requires residents to apply to DDOT,¹ provide proof of residency and age,² and certify that they do not already receive transit benefits through DDOT's Kids Ride Free program³ or paid by the federal government. The bill allows DDOT to further restrict a resident's eligibility through rules if the resident receives a transit benefit paid by the District government or the resident's employer. The bill requires DDOT to presume an applicant is a District resident if they filed an income tax return during the previous year, are having District income taxes withheld from their paycheck, receive a public benefit from any District agency, or are certified as a homeless individual by a certified Department of Human Services organization. DDOT must partner with, and maintain a list of, nonprofit organizations that can assist residents with their applications for the Subsidy Program. The bill requires residents to annually recertify their eligibility to participate in the Subsidy Program.

A participant in the Subsidy Program will receive \$100 per month loaded onto a separate wallet on their transit card on the first day of each month. If the participant has funds remaining from a prior month, then funds should be added to bring the participant's wallet back up to \$100. When a participant ceases to be eligible for the Subsidy Program, WMATA or another participating transit entity must return any unused funds to the District.

The third effort is the dedication of general sales tax revenues of \$10 million annually⁴ to the new Bus Service Enhancement Fund to expand transit access to residents in underserved areas through the expansion of operating hours or the establishment of new bus or streetcar routes operated by WMATA or DDOT. The fund deposits are contingent on sufficient local revenues being identified in the December 2022 and February 2023 revenue estimates, such that the dedication of sales taxes leaves sufficient local revenues at least at the same level as incorporated in the fiscal year 2023 budget and financial plan. DDOT can expend Bus Service Enhancement Fund resources to make payments to WMATA or directly to create new Metrobus or Circulator routes or DC Streetcar lines;

¹ DDOT must make the application available online and on paper, including at D.C. Public Libraries and Department of Parks and Recreation facilities.

² An eligible resident must be 5 years of age or older.

³ Student, Foster Youth, Summer Youth Employee, and Adult Learner Transit Subsidies Act of 2019, effective September 11, 2019 (D.C. Law 23-16; D.C. Official Code § 35-243, et seq.).

⁴ The bill dedicates \$2.5 million in fiscal year 2023 and \$10 million annually thereafter.

extend hours; shorten headways;⁵ make other enhancements to existing lines; or install infrastructure that will increase ridership or improve transit service. DDOT can also use the Bus Service Enhancement Fund's resources to fund any studies to support improved transit in the District. The bill requires DDOT, beginning January 1, 2024, to annually report on the administration of the Bus Service Enhancement Fund, including services and projects receiving funds and data on service or ridership changes because of Bus Service Enhancement Fund investments.

The bill ensures that any subsidy paid to a resident is not considered income for purposes of the District making public assistance determinations or imposing District income taxes.⁶

Financial Plan Impact

Funds are not sufficient in the fiscal year 2023 through fiscal year 2026 budget and financial plan to implement the bill. The bill's implementation will cost approximately \$32.2 million in fiscal year 2023 and \$438.8 million over the four-year financial plan period.

The bill requires DDOT to negotiate an agreement with WMATA within 60 days of the bill's effective date that facilitates two Metrobus enhancements. First, the agreement should ultimately provide fare-free Metrobus for boardings that begin in the District on all routes. Second, the agreement should ultimately provide twelve Metrobus routes that run 24-hours per day with twenty-minute headways. The bill funds these two enhancements at \$11 million in fiscal year 2023, \$43.03 million in fiscal year 2024, \$45.18 million in fiscal year 2025, and \$47.44 million in fiscal year 2026 as enumerated in the bill and based on costs provided by WMATA. DDOT will fund these costs from dedicated general sales taxes⁷ deposited into the Fare-Free Bus Service Fund. The Mayor must request budget authority to expend Fare-Free Bus Service Fund resources.

DDOT can absorb the costs of negotiating the agreement with WMATA within the agencies existing budget. However, DDOT will not be able to execute an agreement that provides fare-free Metrobus or expands service unless the agency has the appropriate budget authority to expend resources in the Fare-Free Bus Service Fund. Additionally, the WMATA Board, which contains members of all WMATA member jurisdictions, must approve the agreement before any actions can be taken.

DDOT will develop, implement, and manage the Subsidy Program. The full Subsidy Program, including program administration and the rider subsidy, will cost \$18.7 million in fiscal year 2023 and \$259.6 million over the four-year financial plan period.

It will take DDOT approximately two years to launch the Subsidy Program. Over that period, DDOT will establish rules, build the required technology platforms, develop non-profit partnerships, coordinate with WMATA, advertise the Subsidy Program, hire and train the necessary staff to administer the Subsidy Program, and begin accepting applications. Beginning in Year Three, DDOT will be able to launch and manage the Subsidy Program. DDOT will need to hire 23 new staffers to administer the Subsidy Program, including any of the bill's reporting requirements. Seven of the new

⁵ Headways are the amount of time between arrivals of a bus or train at a particular stop or station.

⁶ D.C. Official Code § 47-1803.02.

⁷ As previously described, the availability of general sales taxes for the Fare-Free Bus Service Fund is contingent on sufficient local revenues being identified in the December 2022 and February 2023 revenue estimates, such that the dedication leaves sufficient local revenues at least at the same level as in the approved fiscal year 2023 through fiscal year 2026 budget and financial plan.

staffers will need to be hired in Year One to begin developing the Subsidy Program, working on interagency and nonprofit relationships, and marketing the program. In the second year of planning, DDOT will bring on the additional 16 staffers to ensure they are properly trained to manage the ongoing Subsidy Program operations, including application reviews, customer service, and interagency coordination. These 23 program administration staffers will cost approximately \$761,000 in fiscal year 2023 and \$8.4 million over the four-year financial plan period. DDOT requires contract support to develop and establish the Subsidy Program at a cost of \$900,000 in fiscal year 2023 and \$2.4 million over the four-year financial plan period. The bill allows DDOT to grant funds to nonprofit organizations to support the agency's enrollment activities and purchase of transit cards for eligible residents. DDOT must also provide paper applications at D.C. Public Libraries and Department of Parks and Recreation facilities. The total cost of application support through nonprofits and paper applications is \$260,000 in fiscal year 2023 and \$2.5 million over the four-year financial plan period. As residents apply, DDOT will need to work with WMATA and potentially other District agencies on eligibility determinations. These efforts will cost \$650,000 in fiscal year 2023 and \$1.9 million over the four-year financial plan period. DDOT's marketing, education, and outreach efforts will cost \$500,000 in fiscal year 2023 and \$1.4 million over the four-year financial plan period.

DDOT will also need to develop and maintain a new application portal to support online applications and coordinate with WMATA's farecard systems. This system will cost \$15.3 million in fiscal year 2023 and \$16 million over the four-year financial plan period. DDOT will also need to hire two technology staffers to develop and manage the new system at a cost of \$309,000 in fiscal year 2023 and \$1.3 million over the four-year financial plan period. The total technology costs for the Subsidy Program are \$15.6 million in fiscal year 2023 and \$17.2 million over the four-year financial plan period.

The Office of Revenue Analysis estimates that nearly 207,000 residents would participate in the Subsidy Program. The bill gives each participant \$100 in the first month of participation and then the Subsidy Program wallet on their SmarTrip card would be loaded back up to \$100 each month, depending on how much participants spent in the prior month. Funding for participant subsidies is not required until after Subsidy Program development period, which is expected to take two years. The cost of the fare subsidies in the Subsidy Program will be approximately \$112.1 million in fiscal year 2025 and \$225.4 million over the four-year financial plan period. DDOT will also need to purchase farecards for many participants that don't sign up through nonprofit partners or don't already have a farecard. The cost of farecards is estimated to be \$41,000 in fiscal year 2024 and \$413,000 over the four-year financial plan period. WMATA will receive some resources identified above to interface with DDOT and support the application process, but WMATA is able to create a separate wallet on a registered farecard to hold the Subsidy Program funds without any additional financial support. WMATA already does this with other programs such as the federal employee transit subsidy program.

The bill also dedicates \$2.5 million in fiscal year 2023 and \$10 million annually thereafter to the Bus Service Enhancement Fund to support transit access in underserved areas and bus route, streetcar route, and operating hour enhancements. The bill requires the District to fund the Bus Service Enhancement Fund after it funds the Fare-Free Bus Service Fund.

The bill dedicates any recurring revenues identified by the CFO in the quarterly revenue estimates that exceed the revenues included in the most recent approved budget and financial plan to the Transit Subsidy and Bus Service Enhancement Funds. The CFO should first fund the \$10 million for the Bus Service Enhancement Fund and then fund the Transit Subsidy Fund until the Subsidy

Program is sufficiently funded. The CFO will report any such dedicated funding in each quarterly revenue estimate, as well as an updated estimate of what is required to fully fund the bill. DDOT is not authorized to expend any funds in the Transit Subsidy Fund or the Bus Service Enhancement Fund until the District provides the necessary appropriations authority in an approved budget.

The chart on the following page summarizes the bill's fiscal impact.

Metro For D.C. Amendment Act of 2022 Bill 24-429 Implementation Costs Fiscal Year 2023 – Fiscal Year 2026 (\$ thousands)^a					
	FY 2023	FY 2024	FY 2025	FY 2026	Total
FARE-FREE BUS PROGRAM					
Fare-free Metrobus Program	\$8,500	\$34,425	\$36,146	\$37,954	\$117,025
24-hour Expanded Service ^b	\$2,500	\$8,606	\$9,037	\$9,488	\$29,631
FARE-FREE BUS PROGRAM TOTAL	\$11,000	\$43,031	\$45,183	\$47,442	\$146,656
SUBSIDY PROGRAM					
Subsidy Program Administration					
DDOT Staff ^c	\$761	\$2,491	\$2,534	\$2,579	\$8,365
Contracting Needs	\$900	\$720	\$432	\$389	\$2,441
Application Assistance	\$260	\$760	\$760	\$760	\$2,540
Eligibility Determination	\$650	\$410	\$410	\$410	\$1,880
Marketing and Outreach	\$500	\$350	\$265	\$265	\$1,380
Total Administration Costs	\$3,071	\$4,731	\$4,401	\$4,403	\$16,606
Total IT costs	\$15,609	\$664	\$470	\$475	\$17,219
Farecards and Subsidy Funding ^d	\$0	\$41	\$112,455	\$113,323	\$225,819
SUBSIDY PROGRAM TOTAL	\$18,680	\$5,437	\$117,326	\$118,201	\$259,644
BUS SERVICE ENHANCEMENT FUND					
	\$2,500	\$10,000	\$10,000	\$10,000	\$32,500
TOTAL BILL COSTS	\$32,180	\$58,468	\$172,509	\$175,643	\$438,800

Table Notes

^a Amounts may not align due to rounding.

^b This includes expanding 12 non-regional Metrobus lines to operate 24-hours per day with 20 minute headways.

^c Includes 23 new staffers, seven of which will be hired in fiscal year 2023 and 16 of which will be hired in fiscal year 2024.

^d The fare subsidy will cost \$112.1 million in fiscal year 2025 and \$113.3 million in fiscal year 2026.