

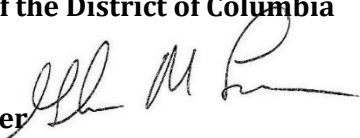
Government of the District of Columbia  
Office of the Chief Financial Officer



**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:** September 25, 2022

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

**REFERENCE:** Bill 24-429, Committee Print as provided to the Office of Revenue  
Analysis on September 22, 2022

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**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 dedicate revenues that may be certified in the future 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 expenditure authority in an approved budget.

The remainder of the bill's provisions will cost approximately \$28.7 million in fiscal year 2023 and \$373.7 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 two new programs to expand transit access and opportunities for District residents. The first 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 Washington Metropolitan Area Transit Authority (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,<sup>1</sup> provide proof of residency and age,<sup>2</sup> and certify that they do not already receive transit benefits through DDOT's Kids Ride Free program<sup>3</sup> 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 bill establishes a new Transit Subsidy Fund which DDOT will use to pay the monthly subsidies. DDOT can also use the Transit Subsidy Fund's resources to issue grants to nonprofit organizations that support enrollment in the Subsidy Program through the purchase of transit cards, application assistance, and guidance on eligibility. DDOT can also use the Transit Subsidy Fund resources to administer the Subsidy Program. The bill requires DDOT to annually report on the implementation and administration of the Subsidy Program and Transit Subsidy Fund. DDOT should include information on the number of applicants and recipients, demographic information, DDOT administrative staff, and other analyses on how the participants use the Subsidy Program.

The second effort is the dedication of \$10 million annually to the new Transit Equity 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 bill allows DDOT to make payments to WMATA or directly expend funds to create new Metrobus or Circulator routes or DC Streetcar lines; extend hours; shorten headways;<sup>4</sup> make other enhancements to existing lines; or install infrastructure that will increase ridership or improve transit service. DDOT can also use the Transit Equity Fund's resources to fund any studies to support improved transit in the District. The bill requires DDOT to annually report on the administration of the Transit Equity Fund, including services and projects receiving funds and data on service or ridership changes because of Transit Equity Fund investments.

The bill reserves revenues that may be certified in the future by designating them for both the Transit Equity Fund and the Transit Subsidy Fund. The bill designates the \$10 million for the Transit Equity Fund as the first priority for receiving future revenues followed by funding the Subsidy Program through the Transit Subsidy Fund. The CFO must declare in each quarterly revenue estimate how

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

<sup>2</sup> An eligible resident must be 5 years of age or older.

<sup>3</sup> 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.).

<sup>4</sup> Headways are the amount of time between arrivals of a bus or train at a particular stop or station.

much new revenue is not incorporated into the most recent approved budget and financial plan and how much of the bill's programs will be funded, and left unfunded, by the new revenue. Additionally, the CFO should annually update the bill's fiscal impact in the CFO's revenue estimate, beginning with the February 2023 revenue estimate.

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.<sup>5</sup>

### **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 \$28.7 million in fiscal year 2023 and \$373.7 million over the four-year financial plan period.

DDOT will develop, implement, and manage the Subsidy Program, the transit equity program, and the related special funds. The Subsidy Program will cost \$18.7 million in fiscal year 2023 and \$333.7 million over the four-year financial plan period. DDOT will fund the Subsidy Program from resources in the Transit Subsidy Fund.

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 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

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<sup>5</sup> D.C. Official Code § 47-1803.02.

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 \$148 million in fiscal year 2025 and \$299.5 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 \$10 million annually to the Transit Equity Fund to support transit access in underserved areas and bus route, streetcar route, and operational hour enhancements. The bill requires the District to fund the Transit Equity Fund before it funds the Transit Subsidy 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 Transit Equity Funds. The CFO should first fund the \$10 million for the Transit Equity 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 Transit Equity Fund until the District provides the necessary expenditure authority in an approved budget.

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

The Honorable Phil Mendelson

FIS: Bill 24-429, "Metro for D.C. Amendment Act of 2022," Draft Committee Print as provided to the Office of Revenue Analysis on September 22, 2022

<b>Metro For D.C. Amendment Act of 2022</b> <b>Bill 24-429</b> <b>Implementation Costs</b> <b>Fiscal Year 2023 – Fiscal Year 2026</b> <b>(\$ thousands)<sup>a</sup></b>					
	<b>FY 2023</b>	<b>FY 2024</b>	<b>FY 2025</b>	<b>FY 2026</b>	<b>Total</b>
<b>TRANSIT SUBSIDY FUND</b>					
Subsidy Program Administration					
DDOT Staff <sup>b</sup>	\$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 <sup>c</sup>	\$0	\$41	\$148,601	\$151,277	\$299,919
<b>TRANSIT SUBSIDY FUND TOTAL</b>	<b>\$18,680</b>	<b>\$5,437</b>	<b>\$153,472</b>	<b>\$156,155</b>	<b>\$333,744</b>
<b>TRANSIT EQUITY FUND</b>	<b>\$10,000</b>	<b>\$10,000</b>	<b>\$10,000</b>	<b>\$10,000</b>	<b>\$40,000</b>
<b>TOTAL BILL COSTS</b>	<b>\$28,680</b>	<b>\$15,437</b>	<b>\$163,472</b>	<b>\$166,155</b>	<b>\$373,744</b>

Table Notes

<sup>a</sup> Amounts may not align due to rounding.

<sup>b</sup> 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.

<sup>c</sup> The fare subsidy will cost \$148.3 million in fiscal year 2025 and \$151.2 million in fiscal year 2026.