

J00I00
Maryland Aviation Administration
Maryland Department of Transportation

Operating Budget Data

(\$ in Thousands)

	Fiscal 2017	Fiscal 2018	Fiscal 2019	Fiscal	% Change
	<u>Actual</u>	<u>Working</u>	<u>Allowance</u>	<u>2018-2019</u>	<u>Prior Year</u>
				<u>Change</u>	
Special Fund	\$187,320	\$193,693	\$200,678	\$6,984	3.6%
Adjustments	0	-596	225	821	
Adjusted Special Fund	\$187,320	\$193,098	\$200,903	\$7,805	4.0%
Federal Fund	646	646	646	0	
Adjustments	0	0	0	0	
Adjusted Federal Fund	\$646	\$646	\$646	\$0	0.0%
Adjusted Grand Total	\$187,965	\$193,743	\$201,549	\$7,805	4.0%

Note: Fiscal 2018 Working includes targeted reversions, deficiencies, and across-the-board reductions. Fiscal 2019 Allowance includes contingent reductions and cost-of-living adjustments.

- The fiscal 2019 allowance increases by approximately \$7.8 million in special funds, primarily due to increased costs associated with the rebid and award of several service contracts.
- Personnel costs increase by approximately \$1.6 million in special funds, primarily due to overtime payments and the effect of an across-the-board reduction to health insurance funds in fiscal 2018. Without factoring in the effects of adding a new position to the operating program (net-zero increase to the Maryland Aviation Administration (MAA) personnel), personnel costs increase by approximately \$1.5 million.

Note: Numbers may not sum to total due to rounding.

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PAYGO Capital Budget Data

(\$ in Thousands)

	Fiscal 2017	Fiscal 2018		Fiscal 2019
	<u>Actual</u>	<u>Legislative</u>	<u>Working</u>	<u>Allowance</u>
Special	\$122,284	\$101,066	\$112,165	\$50,605
Federal	\$5,221	\$5,517	\$11,497	\$10,228
<i>Subtotal</i>	<i>\$127,505</i>	<i>\$106,583</i>	<i>\$123,662</i>	<i>\$60,833</i>
Other funds	\$41,838	\$17,800	\$34,300	\$56,300
Total	\$169,343	\$124,338	\$157,962	\$117,133

Note: Fiscal 2018 legislative appropriation “Other funds” taken from the *Consolidated Transportation Program (CTP)* for fiscal 2017-2022. This figure best approximates projected values for fiscal 2018 known at the time of the fiscal 2018 allowance. Working appropriation and allowance figures for fiscal 2018 and 2019, respectively, taken from the fiscal 2018-2023 CTP.

- The fiscal 2018 pay-as-you-go (PAYGO) working appropriation (excluding nonbudgeted funds) increases by approximately \$17.1 million, primarily due to the introduction of several new projects during the fiscal year. This increase was offset by redirecting funding from other projects.
- The fiscal 2019 PAYGO allowance (excluding nonbudgeted funds) is approximately \$62.8 million less than the working appropriation, primarily due to completion of several projects in fiscal 2018.

Operating and PAYGO Personnel Data

	<u>Fiscal 17 Actual</u>	<u>Fiscal 18 Working</u>	<u>Fiscal 19 Allowance</u>	<u>Fiscal 18-19 Change</u>
Regular Operating Budget Positions	447.50	447.50	448.50	1.00
Regular PAYGO Budget Positions	49.00	47.00	46.00	-1.00
Total Regular Positions	496.50	494.50	494.50	0.00
Operating Budget FTEs	0.50	0.50	0.50	0.00
PAYGO Budget FTEs	0.00	0.00	0.00	0.00
Total FTEs	0.50	0.50	0.50	0.00
Total Personnel	497.00	495.00	495.00	0.00

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	29.61	6.00%
Positions and Percentage Vacant as of 1/1/2018	35.50	7.18%

- MAA staffing remains level with the fiscal 2018 working appropriation. An internal transfer resulted in an increase in regular operating budget positions by 1.0 position and an equivalent decrease in regular PAYGO budget positions. The vacant PAYGO budget position was used to staff the Office of Organizational Development within the operating program.
- The budgeted turnover rate in fiscal 2018 is 6.0%, requiring 29.61 vacancies. As of January 1, 2018, the department had 35.5 vacant positions, for a turnover rate of 7.18%.

Analysis in Brief

Major Trends

Total Passengers Increase: Passenger traffic at the Baltimore-Washington International Thurgood Marshall Airport (BWI Marshall Airport) was approximately 25.9 million passengers in calendar 2017, a 3.3% increase over calendar 2016. Since calendar 2005, BWI Marshall Airport has seen a general trend toward passenger growth. Southwest Airlines remains the dominant airline at BWI Marshall Airport, with both Delta and Spirit representing approximately 7.0% each of the remaining market.

Passenger Market Share Grows: BWI Marshall Airport increased its annual passenger market share in calendar 2017, relative to the Ronald Reagan Washington National Airport and the Washington Dulles International Airport. At 36.1%, BWI Marshall Airport's market share is at its highest since at least calendar 2005. In November 2017, the BWI Marshall Airport share of mail and freight air transport grew by 5.0% and 10.0%, respectively, relative to November 2016.

Cost and Nonairline Revenue Per Enplaned Passenger Decline: BWI Marshall Airport's cost per enplaned passenger (CPE) decreased to \$9.34 per passenger. The CPE at BWI Marshall Airport remains well below the average of other regional airports.

Financial Results: In fiscal 2019, MAA revenues are expected to increase from fiscal 2018 levels by 0.7%. Operating expenditures increase by 4.0%, leading to a decline in net operating income of 12.2% in fiscal 2019.

Issues

Aircraft Noise Continues to Plague Residents: Following the implementation of the Federal Aviation Administration's (FAA) Next Generation Air Transportation System (NextGen) changes to flight paths in the DC Metroplex, residents in Maryland counties surrounding BWI Marshall Airport have complained of increased aircraft noise and low-flying aircraft. Efforts to return to the pre-NextGen flightpaths have not been successful, and some groups have decided to take legal action against FAA, with one known successful case to date. In its own capacity, MAA continues to monitor aircraft noise in the area surrounding BWI Marshall Airport and is in the process of replacing noise monitoring equipment. **The Department of Legislative Services (DLS) recommends that MAA should comment on the replacement project, with emphasis on how the new systems may increase the fidelity of sound mapping and reporting. Further, MAA should comment generally on the difficulties of sound mapping and reporting at BWI Marshall Airport.** In addition, MAA has recently taken steps to reinstate the Residential Sound Insulation Program (RSIP) for eligible residents surrounding BWI Marshall Airport. **DLS recommends that MAA should comment on the eligibility requirements to participate in the RSIP and the potential fiscal impact on the Transportation Trust Fund. Further, MAA should comment on the number of pre-NextGen implementation requests to participate versus the number of requests for relief following the implementation of NextGen. Finally, MAA should comment on the location of the highest density clusters of**

complaints following the implementation of NextGen and the location of these clusters relative to the Noise Exposure Map.

On-site Hotel Replacement Plan Still Up in the Air: BWI Marshall Airport has been without an on-site hotel since the closure of the Four Points by Sheraton BWI Marshall Airport in November 2013. Since that time, the original hotel was demolished to make space for parking, and a Request for Proposals did not receive any bids. MAA is now investigating the possibility of an in-terminal hotel to better serve customers at BWI Marshall Airport. **DLS recommends that MAA should comment on the status of the hotel project and the proposed project revisions. Further, MAA should comment on the need for an in-terminal hotel considering that many hotel facilities are within a short distance of BWI Marshall Airport.**

Operating Budget Recommended Actions

1. Concur with Governor's allowance.

PAYGO Budget Recommended Actions

1. Concur with Governor's allowance.

J00100 – MDOT – Maryland Aviation Administration

J00I00
Maryland Aviation Administration
Maryland Department of Transportation

Budget Analysis

Program Description

The Maryland Aviation Administration (MAA) has responsibility for fostering, developing, and regulating aviation activity throughout the State. MAA is responsible for the operation, maintenance, protection, and development of both the State-owned Baltimore-Washington International Thurgood Marshall Airport (BWI Marshall Airport) – a major center of commercial air carrier service in the State – and the Martin State Airport (MTN) – a general aviation reliever facility, as well as a support facility for the Maryland Air National Guard and the Maryland State Police. MAA has identified the following key goals:

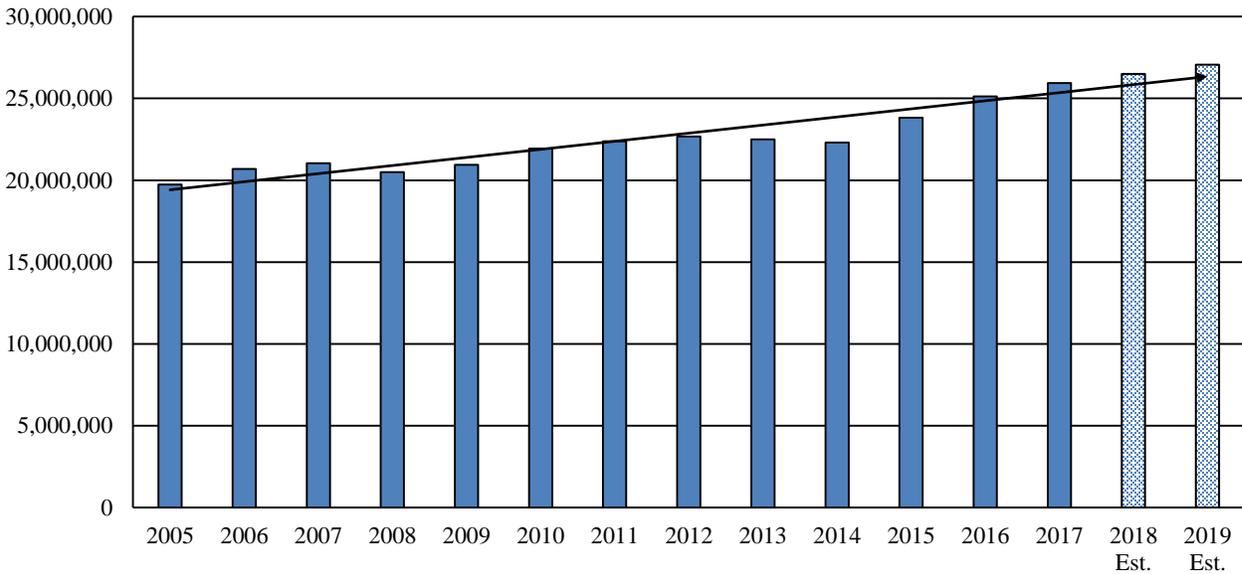
- keeping BWI Marshall Airport passengers, tenants, and facilities safe;
- operating BWI Marshall Airport efficiently and effectively;
- attracting, maintaining, and expanding air service; and
- providing exceptional service.

Performance Analysis: Managing for Results

1. Total Passengers Increase

Passenger traffic at BWI Marshall Airport was approximately 25.9 million passengers in calendar 2017, an increase of 3.3% from calendar 2016. As shown in **Exhibit 1**, over the last 12 years, annual passenger traffic has increased from 19.7 million passengers in calendar 2005 to an anticipated 26.5 million in calendar 2018. Since calendar 2005, BWI Marshall Airport has seen a general trend toward passenger growth, despite total passenger decreases relative to the previous year in calendar 2008, 2013, and 2014. The United States faced a housing market crash in 2008, and the 2013 and 2014 declines are largely attributable to the impact of the federal budget shutdown, sequestration, and the weak economy. It appears that the decline has halted, with strong passenger growth expected through calendar 2019. In fact, until disrupted by two hurricanes that impacted travel in September 2017, BWI Marshall Airport recorded 26 consecutive months of record passenger growth, when compared to passenger totals for the same month in prior years. BWI Marshall Airport experienced record-setting passenger growth in October and November 2017, with 6.5% and 7.1% growth over October and November of previous years, suggesting that the September disruption was, in fact, due to the hurricanes.

Exhibit 1
Total Passengers at the Baltimore-Washington International Thurgood Marshall Airport
Calendar 2005-2019 (Est.)



Source: Maryland Aviation Administration

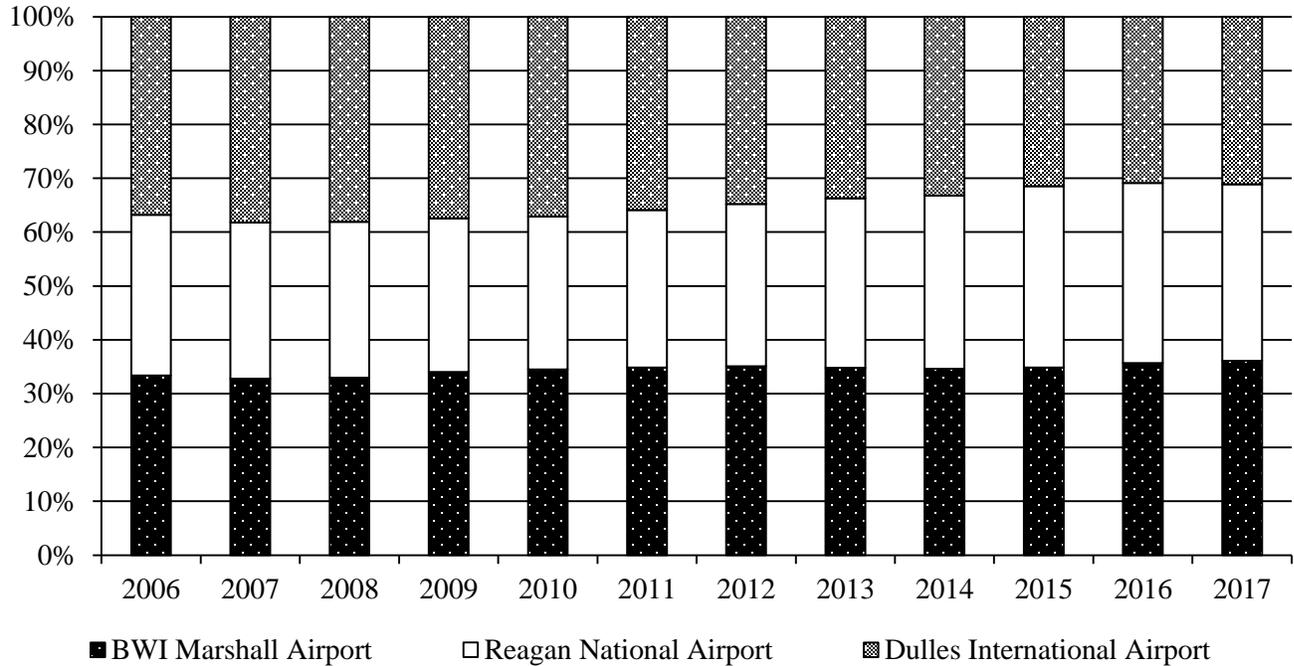
Southwest Airlines remains the dominant airline at BWI Marshall Airport. For the 12-month period ending in November 2017, Southwest Airlines’ share of passengers at BWI Marshall Airport was roughly 69%. The next largest carrier is Delta with approximately 8% of passengers at the airport. Spirit also commands a significant portion of the market share at BWI Marshall Airport – approximately 7% – and has surpassed Delta as the second largest carrier at the airport at times during 2017. Spirit also began service to Cancun, adding to the international travel options out of BWI Marshall Airport and in part leading to a 2% increase in international travelers over November 2016.

2. Passenger Market Share Grows

In order for BWI Marshall Airport to experience growth in business and continue to be an economic engine for the State, it must remain competitive with other airports both nationally and internationally. The Baltimore-Washington region features three proximate airports that compete for local market share for commercial passengers, commercial air operations, freight, and mail transport – BWI Marshall Airport, Washington Dulles International Airport (Dulles International Airport) and Ronald Reagan Washington National Airport (Reagan National Airport).

As shown in **Exhibit 2**, BWI Marshall Airport increased its passenger market share in calendar 2017 relative to Reagan National Airport and Dulles International Airport. At 36.1%, BWI Marshall Airport’s market share is at its highest since at least calendar 2005.

Exhibit 2
Passenger Market Share
Calendar 2006-2017



BWI Marshall Airport: Baltimore-Washington International Thurgood Marshall Airport
 Dulles International Airport: Washington Dulles International Airport
 Reagan National Airport: Ronald Reagan Washington National Airport

Source: Maryland Aviation Administration

Commercial Passenger Air Operations at BWI Marshall Airport outpaced operations at Dulles International Airport and Reagan National Airport in November 2017; BWI Marshall Airport captured 37.6% of this market, up approximately 1.0% over November 2016, while the market shares attributable to Dulles International Airport and Reagan National Airport fell relative to the prior year. BWI Marshall Airport lags behind Dulles International Airport in terms of the market shares for mail and freight transport that BWI Marshall Airport captured in November 2017. BWI Marshall Airport captured 26.5% of the mail transport market and 39.7% of the freight transport market in 2017, compared to 70.3% and 59.9% for Dulles International Airport, respectively. However, while the mail and freight transport market share at Dulles International Airport fell in November 2017 relative to

November 2016 levels, BWI Marshall Airport’s mail and freight market share grew relative to November 2016 by roughly 5.0% for mail and 10.0% for freight. A similar trend was seen in October 2017 when compared to October 2016. The increase in freight transport is attributable to the High Flyer freight agreement at BWI Marshall Airport. Reagan National Airport commands a negligible percentage of the local market for the mail and freight components of Commercial Air Operations.

3. Cost and Nonairline Revenue Per Enplaned Passenger Decline

Two important financial calculations considered in regard to airports are the cost per enplaned passenger (CPE) and the nonairline revenue per enplaned passenger. Nonairline revenue includes parking, concessions, rental cars, and other revenue sources. In regard to the CPE, part of BWI Marshall Airport’s success has been its ability to maintain low CPE rates, which attracts and retains low-cost carriers such as Southwest Airlines. At BWI Marshall Airport, like all airports, operating costs are passed on to airlines through building rent, landing fees, and other user charges. Therefore, both MAA and the airlines have an interest in keeping operating costs as low as possible.

As shown in **Exhibit 3**, BWI Marshall Airport’s CPE decreased to \$9.34 per passenger, while nonairline revenue decreased to \$9.71 per passenger. Costs at BWI Marshall Airport remain well below the averages for other regional airports – Reagan National Airport, Dulles International Airport, and Philadelphia International Airport. These lower costs per passenger make BWI Marshall Airport an attractive airport for airlines.

Exhibit 3
Cost and Nonairline Revenue Per Enplaned Passenger
Fiscal 2012-2019 (Est.)

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>Est.</u> <u>2018</u>	<u>Est.</u> <u>2019</u>
Cost Per Enplaned Passenger								
BWI Marshall Airport	\$9.29	\$9.50	\$9.82	\$9.86	\$9.51	\$9.34	\$9.27	\$9.09
Regional Airports Average	15.91	17.38	16.86	16.93	16.10	18.04	18.02	18.03

BWI Marshall Airport: Baltimore-Washington International Thurgood Marshall Airport

Source: Maryland Aviation Administration

4. Financial Results

Unlike most other State agencies that rely solely on the State for financial support, MAA receives operating revenues that help offset its expenditures. Its profitability determines how much the Transportation Trust Fund (TTF) must provide as a subsidy. Although MAA revenues have typically covered its operating expenses, MAA relies on the TTF or other non-MAA financing mechanisms to fund its capital program.

Exhibit 4 shows MAA special fund revenues and expenditures. Projections suggest that fiscal 2019 revenues will increase by 0.7% over fiscal 2018 levels. Operating expenditures increase by 4.0% relative to fiscal 2018, leading to a projected decline in net operating income of 12.2% in fiscal 2019.

Exhibit 4
Special Fund Revenues and Expenditures
Fiscal 2017-2019 (Est.)
(\$ in Thousands)

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>\$ Change</u> <u>2018-2019</u>	<u>% Change</u> <u>2018-2019</u>
Operating Revenues					
Flight Activities	\$66,054	\$69,779	\$69,162	-\$617	-0.9%
Rent and User Fees	68,787	70,646	71,456	810	1.1%
Concessions	86,825	88,502	91,797	3,295	3.7%
Other Revenues	12,244	5,669	3,801	-1,868	-33.0%
Martin State Airport	9,222	8,571	8,651	\$80	0.9%
Revenues Subtotal	\$243,132	\$243,167	\$244,867	\$1,700	0.7%
Operating Expenditures ⁽¹⁾	\$187,320	\$193,098	\$200,903	\$7,805	4.0%
Net Operating Income	\$55,812	\$50,069	\$43,964	-\$6,105	-12.2%
Capital Expenditures ⁽¹⁾	\$122,284	\$112,165	\$50,605	-\$61,560	-54.9%
Net Income/Loss	-\$66,472	-\$62,096	-\$6,641	\$55,455	-89.3%

⁽¹⁾ Includes special funds only.

Source: Maryland Aviation Administration

MAA capital expenditures are projected to decrease by approximately 55% in fiscal 2019. As such, the fiscal 2019 net operating income contribution to the TTF is projected to offset a significant portion of the TTF subsidy for capital expenditures in fiscal 2019 – approximately 87%. It is important

to note that in looking at MAA capital expenditures in a business manner, consideration should be given to the fact that capital expenditures are often paid for in a single year, or over multiple years, which decreases TTF expenditures for other purposes. Reimbursement from the airlines (through the Use and Lease Agreement) actually takes place between 5 to 20 years, meaning that revenues and capital expenditures may not match in a year-to-year comparison.

Fiscal 2018 Actions

Across-the-board Employee and Retiree Health Insurance Reduction

The budget bill includes an across-the-board reduction for employee and retiree health insurance in fiscal 2018 to reflect a surplus balance in the fund. This agency’s share of this reduction is \$595,791 in special funds.

Proposed Budget

As shown in **Exhibit 5**, the fiscal 2019 allowance increases by approximately \$7.8 million in special funds. Federal funds remain unchanged since fiscal 2017.

**Exhibit 5
Proposed Budget
MDOT – Maryland Aviation Administration
(\$ in Thousands)**

How Much It Grows:	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Total</u>
Fiscal 2017 Actual	\$187,320	\$646	\$187,965
Fiscal 2018 Working Appropriation	193,098	646	193,743
Fiscal 2019 Allowance	<u>200,903</u>	<u>646</u>	<u>201,549</u>
Fiscal 2018-2019 Amount Change	\$7,805	\$0	\$7,805
Fiscal 2018-2019 Percent Change	4.0%		4.0%

Where It Goes:

Personnel Expenses

New positions	\$71
Employee and retiree health insurance	596
Employee retirement system and pensions	62
BWI Marshall Airport Fire and Rescue Division overtime	711
2% cost-of-living adjustment to State employees – MAA share	225
Other fringe benefit adjustments.....	-46

Where It Goes:

Contractual Services Changes

Janitorial services.....	2,739
Solid waste removal.....	153
Security services	1,784
Midfield Cargo Terminal deicing fluid recovery.....	377
Equipment repairs and maintenance	1,833
Computer hardware maintenance	610
Applications software maintenance	357

Other Changes

Electricity.....	-1,184
Natural gas and propane fuel	-235
Telephone systems.....	-250
Gas and oil for heavy trucks and shuttle buses	-200
Other miscellaneous changes.....	202

Total **\$7,805**

BWI Marshall Airport: Baltimore-Washington International Thurgood Marshall Airport
 MAA: Maryland Aviation Administration

Note: Numbers may not sum to total due to rounding.

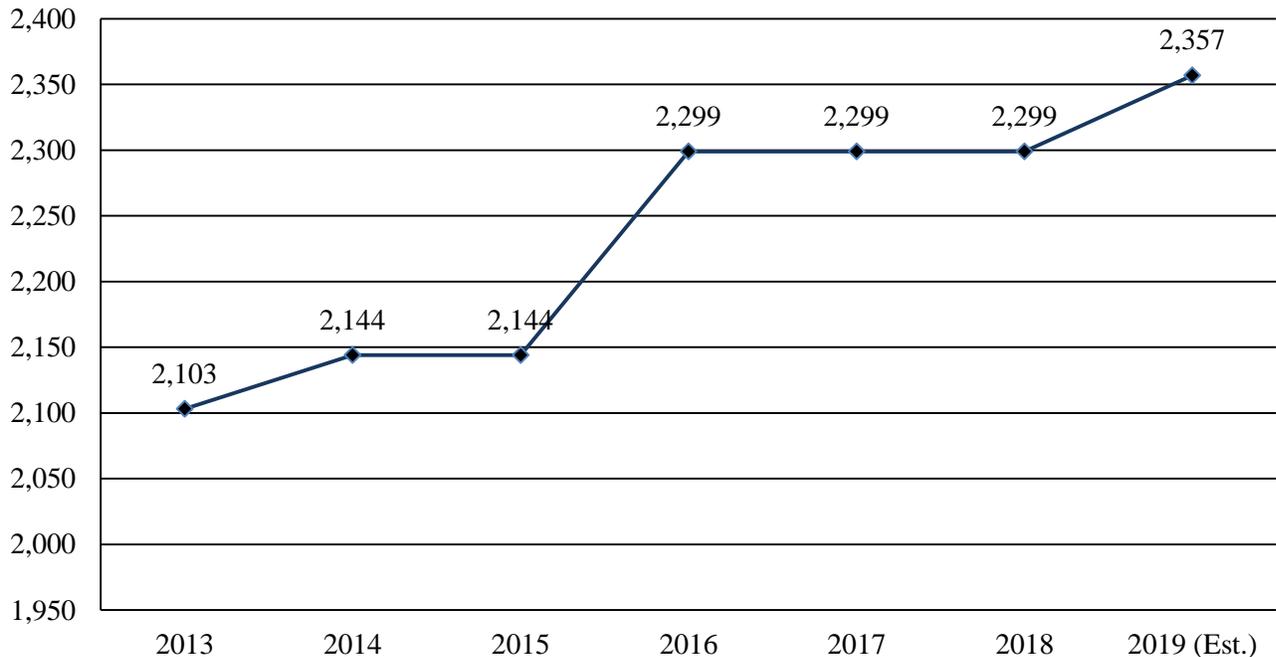
General Salary Increase

The fiscal 2019 allowance includes funds for a 2.0% general salary increase for all State employees, effective January 1, 2019. These funds are budgeted in the Department of Budget and Management’s statewide program and will be distributed to agencies during the fiscal year. This agency’s share of the general salary increase is \$225,445 in special funds. In addition, employees will receive another 0.5% increase and a \$500 bonus effective April 1, 2019, if fiscal 2018 general fund revenues exceed Board of Revenue Estimates (BRE) December 2017 revenue estimates by \$75 million. These funds have not been budgeted. The Administration will need to process a deficiency appropriation if BRE revenues are \$75 million more than projected in December 2017.

Growth in Terminal Size at BWI Marshall Airport Leads to Increased Contract Costs

As shown in **Exhibit 6**, the size of the terminal at BWI Marshall Airport has increased from approximately 2.1 million square feet in fiscal 2013 to approximately 2.3 million square feet in fiscal 2018. The terminal is estimated to grow to 2.357 million square feet in fiscal 2019. This would represent an area change of 12.1% over seven years.

Exhibit 6
BWI Marshall Airport Terminal Square Footage
Fiscal 2013-2019 (Est.)
(Square Feet in Thousands)



BWI Marshall Airport: Baltimore-Washington International Thurgood Marshall Airport

Source: Maryland Aviation Administration

With the increase in square footage, costs for several services at BWI Marshall Airport have significantly increased, including janitorial services (approximately \$2.7 million); the solid waste removal and recycling and septic services contracts (approximately \$0.2 million); the heating, ventilation, and air conditioning and building systems maintenance contract (\$0.5 million); and the new combined elevator, escalator, and moving walkway maintenance and repair contract (approximately \$1.0 million). With expansions to the terminal and the addition of new capital assets needed to manage expected passenger growth, greater resources will be needed to manage the terminal building. Additionally, a portion of this increase reflects changes in various service industries since the outgoing contract was awarded. For example, changes to the minimum wage account for a portion of the increased costs of the new janitorial services contract. **The Department of Legislative Services (DLS) recommends that MAA should comment on its ability to manage costs associated with passenger and terminal growth in fiscal 2019 and the out-years.**

Overtime Costs at the Baltimore-Washington International Thurgood Marshall Airport Fire & Rescue Department Remain High

Approximately \$0.7 million in personnel changes are required to cover the difference between estimated and historic annual overtime expenditures paid to the members of the Baltimore-Washington International Thurgood Marshall Airport Fire & Rescue Department (BWI FRD). Appropriated funds for this purpose have remained level, while average overtime expenditures paid to BWI FRD have increased to approximately \$1.2 million annually. The total increase in the allowance for fiscal 2019 reflects the required funds to bring the BWI FRD overtime appropriation in line with this average.

Historically, BWI FRD has incurred overtime costs due to turnover coupled with delays in filling positions. After interviews and preliminary physical testing, candidates must attend a regional Fire Academy, which takes in excess of four months to complete. Attendance must be coordinated with the start of new classes at Fire Academies in surrounding counties. Additionally, due to the cost and time to bring onboard new firefighters, BWI FRD recruits in groups, further delaying placement.

Security Services Costs Increase

The cost of security services at BWI Marshall Airport increase by approximately \$1.8 million when compared to the fiscal 2018 working appropriation due to a restructuring of security practices at BWI Marshall Airport, requiring the need for additional private security officers.

PAYGO Capital Program

Program Description

The MAA capital program provides for the development and maintenance of facilities at BWI Marshall Airport and MTN. MAA undertakes projects that meet the demands of commercial and general aviation for both passenger and cargo activities at BWI Marshall Airport. At MTN, capital investments consist of facilities improvements and rehabilitation activities, such as runway and taxiway improvements, building and system renovations, and various maintenance projects.

Fiscal 2018 to 2023 Consolidated Transportation Program

The MAA capital program – from fiscal 2018 to 2023 – totals \$572.1 million, an increase of \$134.2 million compared to the fiscal 2017 to 2022 *Consolidated Transportation Program* (CTP). Funding for projects in the fiscal 2018 to 2023 CTP is largely devoted to terminal and runway improvements and minor system preservation projects.

Fiscal 2019 Capital Expenditures

Exhibit 7 shows the fiscal 2019 capital expenditures for MAA by project and program along with estimated total project costs and six-year funding included in the CTP. Three major projects – the

International Concourse Extension, the Shuttle Bus Service fleet replacement, and the Midfield Cargo Area improvements project – account for 39.6% of the total fiscal 2019 expenditures, while the collective system preservation minor projects account for 34.9% of expenditures.

Exhibit 7
Maryland Aviation Administration PAYGO Capital Allowance
Fiscal 2019
(\$ in Thousands)

<u>Jurisdiction</u>	<u>Project Description</u>	<u>2019</u>	<u>Total Cost</u>	<u>Six-year Total</u>
Projects				
Anne Arundel	Residential Sound Insulation Program ⁽⁴⁾	\$2,800	\$45,000	\$45,000
Anne Arundel	Runway Safety Area, Standards and Pavement Improvements (Phase 2) at BWI Marshall Airport ^{(2), (3)}	0	70,509	1,181
Anne Arundel	Runway Safety Area, Standards and Pavement Improvements (Phase 4) at BWI Marshall Airport ^{(2), (3)}	0	122,364	2,294
Anne Arundel	D/E Connector at BWI Marshall Airport ^{(2), (3)}	0	141,087	6,821
Anne Arundel	Loading Bridge Replacement Program at BWI Marshall Airport ^{(2), (3)}	0	12,708	282
Anne Arundel	International Checked Baggage Inspection System at BWI Marshall Airport ^{(2), (3)}	0	22,597	981
Anne Arundel	International Concourse Extension at BWI Marshall Airport	20,442	113,386	62,469
Anne Arundel	Consolidated Rental Car Facility Shuttle Bus Fleet Replacement ⁽³⁾	0	16,000	16,000
Anne Arundel	Shuttle Bus Service Fleet Replacement at BWI Marshall Airport ⁽¹⁾	16,000	35,850	35,850
Anne Arundel	Midfield Cargo Area Improvements at BWI Marshall Airport ⁽¹⁾	10,000	25,850	24,473
Anne Arundel	Concourse B Apron Pavement Reconstruction at BWI Marshall Airport ⁽¹⁾	3,838	10,434	10,302
Anne Arundel	Airfield Lighting Vault Relocation at BWI Marshall Airport ⁽¹⁾	5,348	35,734	35,734

J00100 – MDOT – Maryland Aviation Administration

<u>Jurisdiction</u>	<u>Project Description</u>	<u>2019</u>	<u>Total Cost</u>	<u>Six-year Total</u>
Anne Arundel	Concourse D HVAC Replacement at BWI Marshall Airport ⁽¹⁾	4,251	16,998	16,998
Anne Arundel	FIS Hall Reconfiguration at BWI Marshall Airport ⁽¹⁾	2,673	10,000	10,000
Anne Arundel	Restroom Improvement Program at BWI Marshall Airport ⁽¹⁾	4,438	53,951	53,944
Baltimore County	Environmental Assessment at Martin State Airport ⁽³⁾	0	2,841	1,046
Anne Arundel	Environmental Assessment at BWI Marshall Airport ⁽³⁾	0	3,648	1,912
Anne Arundel	Aircraft Maintenance Facility Infrastructure at BWI Marshall Airport ⁽³⁾	0	5,000	4,881
<i>Subtotal – Projects</i>		<i>\$69,790</i>	<i>\$743,957</i>	<i>\$330,168</i>
Programs				
Statewide	System Preservation and Minor Projects	\$40,900	n/a	\$201,400
Statewide	Capital Salaries	6,500	n/a	39,000
<i>Subtotal – Programs</i>		<i>\$47,400</i>		<i>\$240,400</i>
Total – Projects and Programs⁽⁵⁾		\$117,190	\$743,957	\$570,568

BWI Marshall Airport: Baltimore-Washington International Thurgood Marshall Airport

FIS: Federal Inspection Service

HVAC: heating, ventilation, and air conditioning

⁽¹⁾ Projects added to the construction program.

⁽²⁾ Projects identified as “completed” in fiscal 2017.

⁽³⁾ No projected out-year costs; six-year total reflects costs in fiscal 2018.

⁽⁴⁾ This project was previously called the Homeowner Assistance Program.

⁽⁵⁾ Reported *Consolidated Transportation Program* value for six-year total, projects and programs: \$572.1 million. May not sum to total due to rounding.

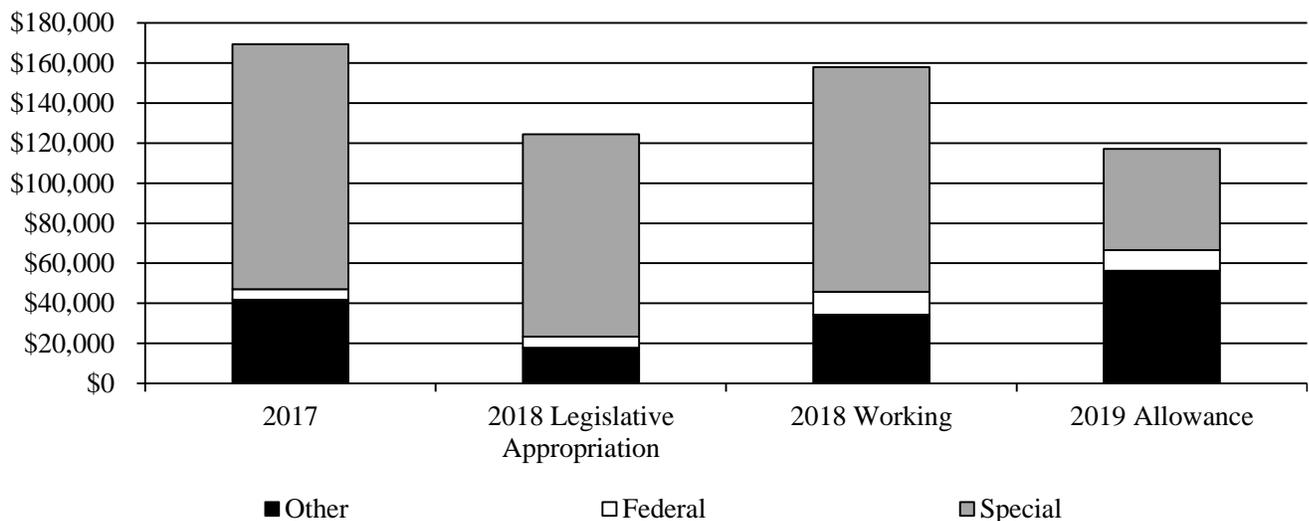
Source: Maryland Department of Transportation, 2018-2023 *Consolidated Transportation Program*

Fiscal 2018 and 2019 Cash Flow Analysis

Exhibit 8 shows that the fiscal 2018 working appropriation increased by approximately \$17.1 million (not including nonbudgeted funds) compared to the legislative appropriation. The increase is primarily due to the introduction of the Midfield Cargo Facility improvements project and the start of the Concourse B apron reconstruction, as well as funding additions for several minor and system preservation projects. These increases were offset by decreases in funding for the International Concourse Extension project and the Residential Sound Insulation Program due to schedule revisions and a restructuring of the program, respectively. Including nonbudgeted funds, the working appropriation increased by approximately \$33.6 million.

The fiscal 2019 allowance (excluding nonbudgeted funds) is approximately \$62.8 million less than the fiscal 2018 working appropriation, primarily due to the completion of several projects in fiscal 2018, reduced allowances for certain system preservation and minor projects, and deferral of certain expenditures to later fiscal years. Including nonbudgeted “other” funds, the fiscal 2019 allowance is approximately \$40.8 million less than the fiscal 2018 appropriation. The “other” funding category is primarily made up of passenger facility charges, although, historically, this funding group also consists of rental car customer facility charges and certificates of participation.

Exhibit 8
Cash Flow Changes
Fiscal 2017-2019
(\$ in Thousands)



Source: Maryland Department of Transportation, 2018-2023 *Consolidated Transportation Program*

Issues

1. Aircraft Noise Continues to Plague Residents

The Federal Aviation Administration (FAA) continues to implement the Next Generation Air Transportation System (NextGen) across U.S. National Air Space. FAA seeks to improve the safety, efficiency, capacity, predictability, and resiliency of American aviation by implementing major changes to advance current processes. These include the use of satellites to track planes and transmission of text-based flight clearance instructions to pilots.

As a result of NextGen processes, FAA altered flight paths into and out of many airports across the United States, including at BWI Marshall Airport. Following this change, local residents complained about increased noise and low-flying aircraft. While the number of flights has not dramatically increased, a larger number of people have felt the impact of take offs and landings at BWI Marshall Airport.

Exhibit 9 shows the number of annual complaints attributed to noise at BWI Marshall Airport. Citizen complaints related to FAA’s implementation of NextGen processes continue to rise in calendar 2017 relative to calendar 2016. The smaller spikes in calendar 2012 and 2014 are related to runway closures. The increase in calendar 2015 to 1,850 complaints is partially due to a runway closure and partially due to NextGen changes, while the increases in calendar 2016 and 2017 are primarily attributable to the frequency of operations at the airport. It should be noted that many of the current complaints are from individuals living at greater distances from the airport when compared to prior years, and there have been no notable runway closures in 2017.

Exhibit 9
Complaints Attributed to Noise at BWI Marshall Airport
Calendar 2005-2017

	Complaints (Total/Unique)⁽¹⁾			Complaints (Total/Unique)⁽¹⁾	
2005	207	88	2012	664	398
2006	248	82	2013	283	156
2007	284	94	2014⁽²⁾	852	225
2008	280	112	2015	1,850	559
2009	341	123	2016	2,694	618
2010	176	95	2017	16,120	1,103
2011	389	268			

BWI Marshall Airport: Baltimore-Washington International Thurgood Marshall Airport

⁽¹⁾ “Total” means total number of complaints in a given year, while “Unique” means number of complaints by unique individuals.

⁽²⁾ DC Metroplex Next Generation Air Transportation System changes implemented November 13, 2014.

Source: Maryland Aviation Administration

BWI Community Roundtable Established

Since the NextGen rules were implemented and noise complaints increased, FAA advised MAA to create a group of community and industry representatives to develop recommendations for changes. In response, the DC Metroplex BWI Community Roundtable (Roundtable) was chartered on March 21, 2017, including 21 voting members and several nonvoting advisors from the aviation industry, FAA, and other government organizations. In one of its first actions, the Roundtable unanimously adopted a resolution requesting FAA to immediately revert the flight paths and procedures to those in place prior to the implementation of NextGen and the DC Metroplex plan. This resolution received the support of Governor Lawrence J. Hogan, Jr., the Maryland Congressional Delegation, and others. FAA addressed the resolution directly in November 2017, stating that it is not possible to completely return to the *status quo ante*, and that further changes will require new administrative action and review.

Communities Take Action against FAA

Concern over noise and other impacts of the redirected flight paths has led to calls for legal action against FAA. In March 2017, the U.S. Court of Appeals for the District of Columbia heard arguments in *City of Phoenix, Arizona v. Michael P. Huerta and Federal Aviation Administration*. The City of Phoenix sued FAA over changes to the flight paths at Phoenix Sky Harbor International Airport that affected residents in historic communities in the proximity of the airport. The court found in favor of the city. In a 2-1 decision, the court found that FAA acted arbitrarily and capriciously and violated the National Historic Preservation Act, the National Environmental Policy Act, the Department of Transportation Act, and FAA's Order 1050.1E. The court vacated the September 18, 2014 order that implemented the new flight routes and procedures at Sky Harbor International Airport and remanded the matter to FAA for further proceedings consistent with the opinion. Following this holding, Governor Hogan directed Attorney General Brian E. Frosh to file suit against Michael P. Huerta and FAA, "on behalf of all Marylanders suffering from the adverse effects of the implementation of [NextGen]" in a letter dated September 12, 2017. As of October 31, 2017, the Office of the Attorney General (OAG) released a press statement that Attorney General Frosh has retained Kaplan, Kirsch, & Rockwell, the law firm that represented the City of Phoenix in the aforementioned case, as outside counsel to assist OAG in taking action against FAA over its NextGen flight paths and procedures for the DC Metroplex. No legal action has been filed at this time.

MAA Efforts to Monitor and Mitigate the Effects of Aircraft Noise

MAA engages in several projects to monitor and mitigate noise due to air traffic. A contract is underway to replace the permanent noise monitoring system at BWI Marshall Airport. **DLS recommends that MAA should comment on the replacement project, with emphasis on how the new systems may increase the fidelity of sound mapping and reporting. Further, MAA should comment generally on the difficulties of sound mapping and reporting at BWI Marshall Airport.** Additionally, the Residential Sound Insulation Program (RSIP) is a voluntary program that provides for the mitigation of aircraft noise at residential properties that fall within the current Noise Exposure Map (NEM) approved by FAA. Though inactive for a number of years due to budget constraints, MAA has recently taken steps to reinstate the program. In June 2017, MAA sent letters to potentially eligible

homeowners and continues to receive inquiries about the status of the program. At this time, inquiries are primarily from residents who have been made aware of the program and who have been identified as potentially eligible for participation. **DLS recommends that MAA should comment on the eligibility requirements to participate in the RSIP and the potential fiscal impact on the TTF. Further, MAA should comment on the number of pre-NextGen implementation requests to participate versus the number of requests for relief following the implementation of NextGen. Finally, MAA should comment on the location of the highest density clusters of complaints following the implementation of NextGen and the location of these clusters relative to the NEM.**

2. On-site Hotel Replacement Plan Still Up in the Air

BWI Marshall Airport has been without an on-site hotel since the closure of the Four Points by Sheraton BWI Marshall Airport in November 2013. Since that time, the hotel building was demolished, and a Request for Proposals (RFP) did not receive bids. Respondents cited several factors as contributing to the failure of the RFP, including (1) lack of financial incentives; (2) associated development costs; (3) stringent lease language; (4) inability to secure bank financing; (5) the plethora of hotel brands proximate to the airport; and (6) a nonideal prospective location near, but not on-site of the terminal.

MAA is exploring what may be done to address some of these concerns if a subsequent RFP is to be issued and has since shifted its focus to an in-terminal hotel. MAA notes that the in-terminal location has become common in the industry, with recent successful developments at the Dallas/Fort Worth, Detroit, Orlando, and Denver airports. The in-terminal location is seen as providing a higher level of customer service and convenience to travelers, especially in terms of saving travelers time going between lodging and the airport. MAA is still in the early planning stages of development for this project. **DLS recommends that MAA should comment on the status of the hotel project and the proposed project revisions. Further, MAA should comment on the need for an in-terminal hotel considering that many hotel facilities are within a short distance of BWI Marshall Airport.**

Operating Budget Recommended Actions

1. Concur with Governor's allowance.

PAYGO Budget Recommended Actions

1. Concur with Governor's allowance.

J00100 – MDOT – Maryland Aviation Administration

**Appendix 1
Current and Prior Year Budgets
MDOT – Maryland Aviation Administration
(\$ in Thousands)**

	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
Fiscal 2017					
Legislative Appropriation	\$0	\$186,198	\$646	\$0	\$186,843
Deficiency Appropriation	0	1,700	0	0	1,700
Cost Containment	0	0	0	0	0
Budget Amendments	0	1,085	0	0	1,085
Reversions and Cancellations	0	-1,663	0	0	-1,663
Actual Expenditures	\$0	\$187,320	\$646	\$0	\$187,965
Fiscal 2018					
Legislative Appropriation	\$0	\$193,693	\$646	\$0	\$194,339
Cost Containment	0	0	0	0	0
Budget Amendments	0	0	0	0	0
Working Appropriation	\$0	\$193,693	\$646	\$0	\$194,339

MDOT: Maryland Department of Transportation

Note: The fiscal 2018 appropriation does not include deficiencies, targeted reversions, or across-the-board reductions. Numbers may not sum to total due to rounding.

Fiscal 2017

The Maryland Aviation Administration (MAA) finished fiscal 2017 approximately \$1.1 million above its legislative appropriation.

Special funds increased by approximately \$1.1 million compared to the legislative appropriation. Amendments increased the special fund appropriation by approximately \$0.5 million for a fiscal 2017 salary increment and by \$0.6 million for salary increases that were part of a law enforcement collective bargaining agreement. Additionally, the MAA special fund appropriation increased by \$1.7 million due to a deficiency appropriation for increased security services at the Baltimore-Washington International Thurgood Marshall Airport.

MAA canceled more than \$1.6 million in special funds for the following reasons:

- approximately \$0.6 million in health insurance for employees and retirees;
- approximately \$0.6 million associated with the Maryland Transportation Authority police services contract, as expected costs exceeded actual expenditures for the fiscal year; and
- approximately \$0.4 million in shuttle bus operation costs due to more efficient operation.

Fiscal 2018

There are no changes to the fiscal 2018 appropriation.

Appendix 2
Object/Fund Difference Report
Maryland Department of Transportation – Maryland Aviation Administration

<u>Object/Fund</u>	<u>FY 17</u> <u>Actual</u>	<u>FY 18</u> <u>Working</u> <u>Appropriation</u>	<u>FY 19</u> <u>Allowance</u>	<u>FY 18 - FY 19</u> <u>Amount Change</u>	<u>Percent</u> <u>Change</u>
Positions					
01 Regular	447.50	447.50	448.50	1.00	0.2%
02 Contractual	0.50	0.50	0.50	0.00	0%
Total Positions	448.00	448.00	449.00	1.00	0.2%
Objects					
01 Salaries and Wages	\$ 45,072,480	\$ 42,951,108	\$ 43,749,675	\$ 798,567	1.9%
02 Technical and Spec. Fees	2,018,042	2,097,050	2,225,573	128,523	6.1%
03 Communication	1,181,066	1,453,496	1,236,851	-216,645	-14.9%
04 Travel	271,045	242,969	242,969	0	0%
06 Fuel and Utilities	13,257,564	15,045,237	13,521,037	-1,524,200	-10.1%
07 Motor Vehicles	2,404,384	2,917,361	2,670,452	-246,909	-8.5%
08 Contractual Services	85,978,321	92,307,025	100,250,446	7,943,421	8.6%
09 Supplies and Materials	7,144,993	7,114,925	7,074,925	-40,000	-0.6%
10 Equipment – Replacement	203,798	0	0	0	0.0%
11 Equipment – Additional	194,989	0	0	0	0.0%
12 Grants, Subsidies, and Contributions	1,064,697	984,081	1,027,966	43,885	4.5%
13 Fixed Charges	19,325,967	18,063,883	18,083,919	20,036	0.1%
14 Land and Structures	9,848,013	11,161,864	11,239,422	77,558	0.7%
Total Objects	\$ 187,965,359	\$ 194,338,999	\$ 201,323,235	\$ 6,984,236	3.6%
Funds					
03 Special Fund	\$ 187,319,859	\$ 193,693,499	\$ 200,677,735	\$ 6,984,236	3.6%
05 Federal Fund	645,500	645,500	645,500	0	0%
Total Funds	\$ 187,965,359	\$ 194,338,999	\$ 201,323,235	\$ 6,984,236	3.6%

Note: The fiscal 2018 appropriation does not include deficiencies, targeted reversions, or across-the-board reductions. The fiscal 2019 allowance does not include contingent reductions or cost-of-living adjustments. Numbers may not sum to total due to rounding.

**Appendix 3
Fiscal Summary
Maryland Department of Transportation – Maryland Aviation Administration**

<u>Program/Unit</u>	<u>FY 17 Actual</u>	<u>FY 18 Wrk Approp</u>	<u>FY 19 Allowance</u>	<u>Change</u>	<u>FY 18 - FY 19 % Change</u>
2021 Baltimore-Washington International Thurgood Marshall Airport	\$ 179,502,066	\$ 186,475,388	\$ 193,546,585	\$ 7,071,197	3.8%
2022 Martin State Airport	7,982,295	7,406,508	7,319,579	-86,929	-1.2%
2023 Regional Air Development	480,998	457,103	457,071	-32	0%
2030 Facilities and Capital Equipment	127,446,809	123,662,000	60,833,340	-62,828,660	-50.8%
1270 Parking Revenue Control System	58,459	0	0	0	0%
Total Expenditures	\$ 315,470,627	\$ 318,000,999	\$ 262,156,575	-\$ 55,844,424	-17.6%
Special Fund	\$ 309,603,987	\$ 305,858,499	\$ 251,283,075	-\$ 54,575,424	-17.8%
Federal Fund	5,866,640	12,142,500	10,873,500	-1,269,000	-10.5%
Total Appropriations	\$ 315,470,627	\$ 318,000,999	\$ 262,156,575	-\$ 55,844,424	-17.6%

Note: The fiscal 2018 appropriation does not include deficiencies, targeted reversions, or across-the-board reductions. The fiscal 2019 allowance does not include contingent reductions or cost-of-living adjustments. Numbers may not sum to total due to rounding.

Appendix 4
Budget Amendments for Fiscal 2018
Maryland Department of Transportation
Maryland Aviation Administration – Capital

<u>Status</u>	<u>Amendment</u>	<u>Fund</u>	<u>Justification</u>
Pending	\$11,098,671	Special	Amend the working appropriation to reflect the fiscal 2018 to 2023 <i>Consolidated Transportation Program</i> .
	5,980,000	Federal	
	\$17,078,671	Subtotal	
	\$17,078,671	Total	

Source: Maryland Department of Transportation