
Maryland Department of Transportation Fiscal 2024 Budget Overview

**Department of Legislative Services
Office of Policy Analysis
Annapolis, Maryland**

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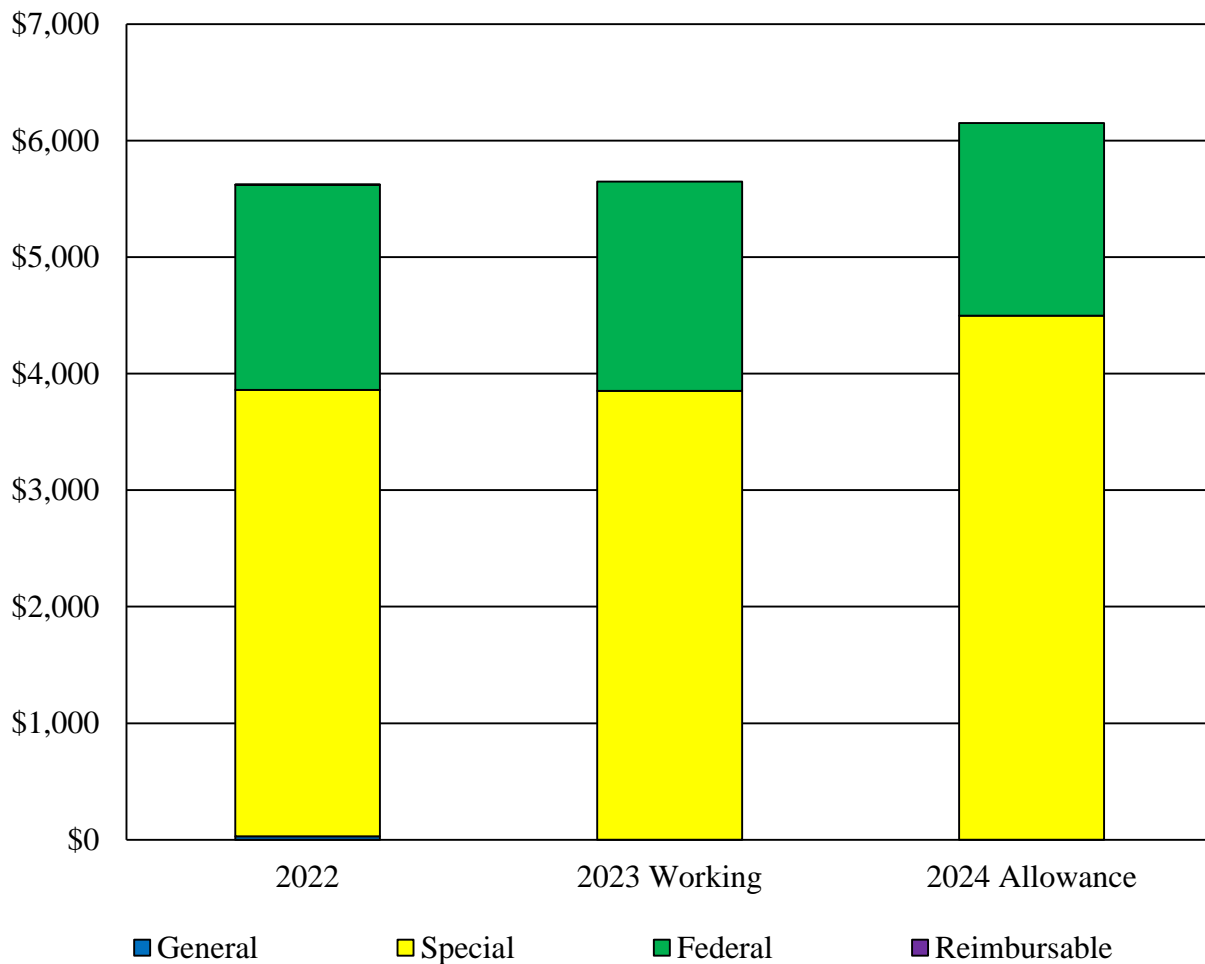
Analysis of the FY 2024 Maryland Executive Budget, 2023

Executive Summary

This analysis provides an overview of the status of the six-year Transportation Trust Fund (TTF) forecast, including revenue and spending projections as well as a summary of the entire fiscal 2024 budget for the Maryland Department of Transportation (MDOT).

Budget Summary

Fiscal 2024 Budget Increases \$501.3 Million, or 8.9%, to \$6.2 Billion (\$ in Millions)



Note: The fiscal 2023 working appropriation includes deficiency appropriations including this agency's share of a deficiency appropriation budgeted in the Statewide Account within the Department of Budget and Management (DBM). Fiscal 2024 salary enhancements are budgeted in the Statewide Account within DBM.

Key Observations

- While the COVID-19 pandemic had a significant short-term impact on the transportation sector in Maryland and on MDOT revenues, it appears to have also caused long-term changes in the way people work and commute, which will necessitate changes to service levels and funding.
- Programmed spending for transportation capital for fiscal 2023 through 2027 is \$3.2 billion higher than was anticipated in the 2022 *Consolidated Transportation Program (CTP)*. Almost \$2 billion of the additional funding reflects the increased federal funding provided through the Infrastructure Investment and Jobs Act (IIJA).
- Motor fuel tax (MFT) revenue as a source of funding for road construction and maintenance is increasingly threatened by more fuel-efficient gas- and diesel-powered vehicles and the accelerating adoption of hybrid and electric vehicles. **Maryland should actively participate in regional efforts to develop a mileage-based user fee to eventually replace the MFT.**

Operating Budget Recommended Actions

1. Add annual language requiring notification of changes to the capital program.
2. Add annual language establishing a position cap.
3. Add language stating intent that the department begin active participation in regional efforts to develop a mileage-based user fee.

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Maryland Department of Transportation
Fiscal 2024 Budget Overview

Transportation Trust Fund Overview

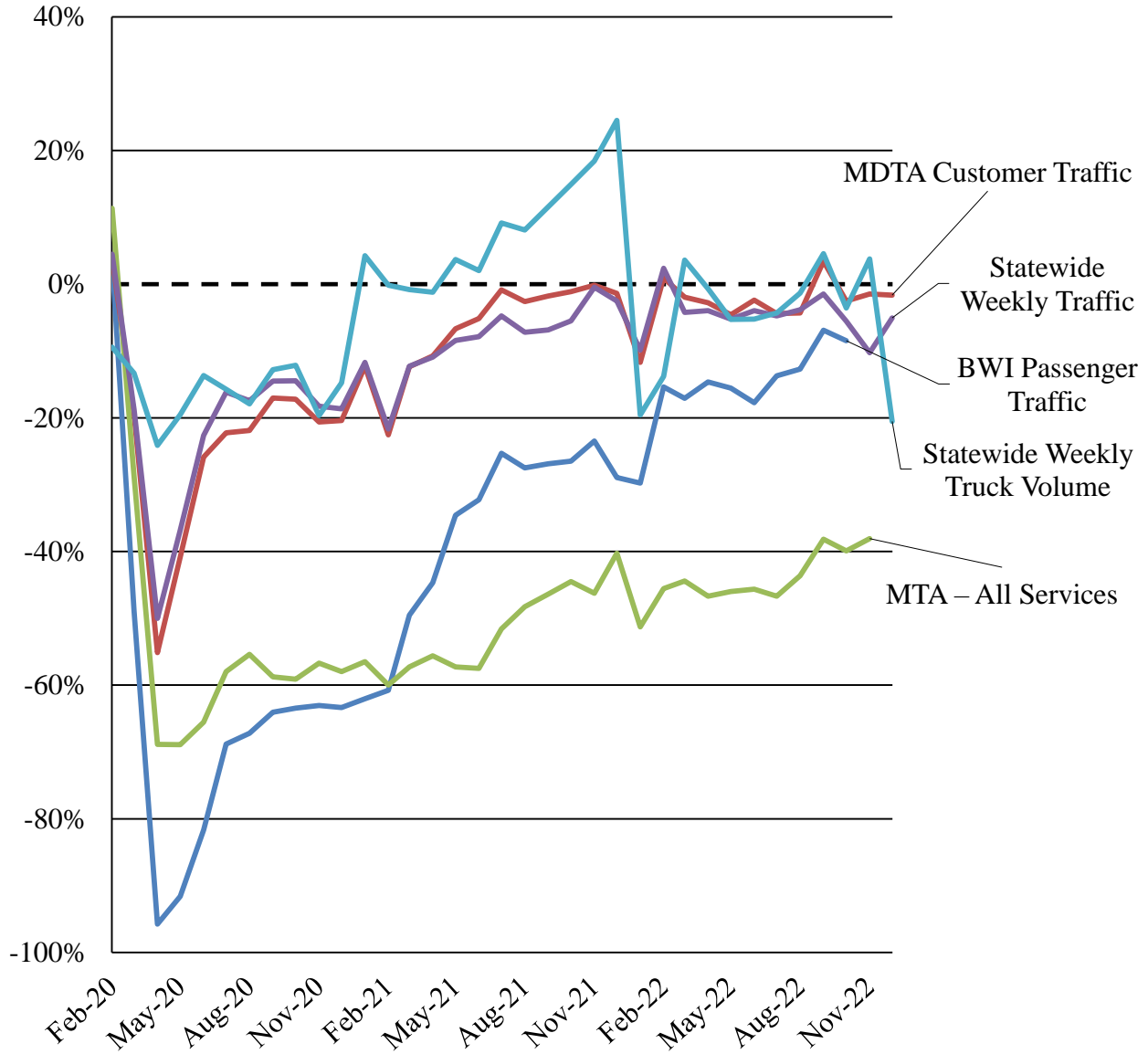
The TTF is a nonlapsing special fund that provides funding for transportation. It consists of tax and fee revenues, operating revenues, bond proceeds, and fund transfers. MDOT issues bonds backed by TTF revenues and invests the TTF fund balance to generate investment income. The Maryland Transit Administration (MTA), the Motor Vehicle Administration, the Maryland Port Administration, and the Maryland Aviation Administration generate operating revenues that cover a portion of their operating expenditures.

The tax and fee revenues include motor fuel taxes, rental car sales taxes, titling taxes, vehicle registration fees, a portion of the corporate income tax, and other miscellaneous motor vehicle fees. A portion of these revenues is credited to the Gasoline and Motor Vehicle Revenue Account (GMVRA), the balance of which is used as the basis for calculating the amount of local aid to be provided through mandated capital appropriations. The funds retained by the TTF support the capital program, debt service, and operating costs.

COVID-19 Impacts

Although the transportation sector has rebounded from steep declines experienced early in the COVID-19 pandemic, most segments are still at or below prepandemic levels. Transit services in particular are still significantly lower than before the pandemic. **Exhibit 1** compares transportation services against calendar 2019 levels.

Exhibit 1
COVID-19 Impacts on Transportation Services
Weekly Percent Change Compared to Calendar 2019
February 2020 to November 2022



BWI: Baltimore/Washington International Thurgood Marshall Airport
MDTA: Maryland Transportation Authority
MTA: Maryland Transit Administration

Source: Maryland Department of Transportation; Department of Legislative Services

TTF revenues have largely rebounded, as shown in **Exhibit 2**, which compares six-year totals for the January 2022 and January 2023 forecasts against the January 2020 prepandemic forecast. Operating revenues, however, continue to lag prepandemic levels.

Exhibit 2
Transportation Trust Fund Forecasts
Six-year Totals and Change from January 2020 (Prepandemic) Forecast
(\$ in Millions)

	<u>January 2022</u>	<u>Change from January 2020</u>	<u>January 2023</u>	<u>Change from January 2020</u>
Revenues				
Taxes and Fees				
Motor Vehicle Fuel Taxes	\$7,331	-\$169	\$8,710	\$1,210
Titling Taxes	6,311	448	6,517	654
Sales Tax – Rental Vehicles	180	-42	195	-28
Corporate Income Tax	1,805	473	2,312	980
Registration Fees	2,527	39	2,503	15
Miscellaneous Motor Vehicle Fees	1,782	-55	1,699	-138
Subtotal – Taxes and Fees	\$19,935	\$693	\$21,936	\$2,693
Other Revenues				
Operating Revenues	\$2,558	-\$546	\$2,818	-\$286
Federal Operating Assistance	663	25	687	49
Federal COVID-19/Stimulus	888	888	475	475
Bond Proceeds/Premiums	1,715	-552	1,800	-467
Other	325	-84	436	27
Change in Fund Balance	225	81	224	80
Subtotal – Other Revenues	\$6,374	-\$188	\$6,440	-\$122
Total Revenues	\$26,310	\$505	\$28,376	\$2,571
Expenditures				
Debt Service	\$2,744	\$48	\$2,737	\$41
Operating Budget	14,460	-415	15,659	784
Deductions to Other Agencies	509	32	534	58
Highway User Revenues Capital Grants	1,441	-99	2,269	729
State Capital Program	7,156	939	7,177	960
Total Expenditures	\$26,310	\$505	\$28,376	\$2,571

Source: Maryland Department of Transportation; Department of Legislative Services

Fiscal 2022 TTF Revenue Closeout

As shown in **Exhibit 3**, the TTF ended fiscal 2022 with a fund balance of \$579 million, an amount \$129 million higher than the \$450 million projected balance. The higher ending balance results from the continued spend-down of federal COVID-19/stimulus aid. Revenues were a net \$234 million higher than projected with federal COVID-19/stimulus funding comprising \$189 million of the additional funds. Expenditures were a net \$105 million higher than projected with departmental operations and capital spending comprising the majority of the spending increase.

Exhibit 3 Fiscal 2022 Transportation Trust Fund Closeout (\$ in Millions)

	<u>Projected</u>	<u>Actual</u>	<u>Variance</u>
Starting Fund Balance	\$425	\$425	\$0
Revenues			
Motor Fuel Taxes	\$1,084	\$1,113	\$29
Titling Taxes	991	1,021	30
Sales Tax – Rental Vehicles	24	35	11
Corporate Income, Registrations, and Miscellaneous			
Motor Vehicle Administration Fees	960	1,003	43
MDOT Operating Revenues (MAA, MPA, MTA)	378	390	12
Federal COVID-19/Stimulus Funding	536	725	189
Transfers In/Out	155	9	-147
Other Receipts and Adjustments	100	160	60
Bond Proceeds and Premiums	355	355	0
Deductions – Other Agencies	-78	-73	6
Total Revenues	\$4,485	\$4,719	\$234
Uses of Funds			
MDOT Operating Expenditures	\$2,155	\$2,197	\$42
MDOT Capital Expenditures	1,586	1,635	49
MDOT Debt Service	453	452	-1
Highway User Revenues	266	280	14
Total Expenditures	\$4,460	\$4,565	\$105
Ending Balance	\$450	\$579	\$129

MAA: Maryland Aviation Administration
MDOT: Maryland Department of Transportation
MPA: Maryland Port Administration
MTA: Maryland Transit Administration

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

Source: Maryland Department of Transportation; Department of Legislative Services

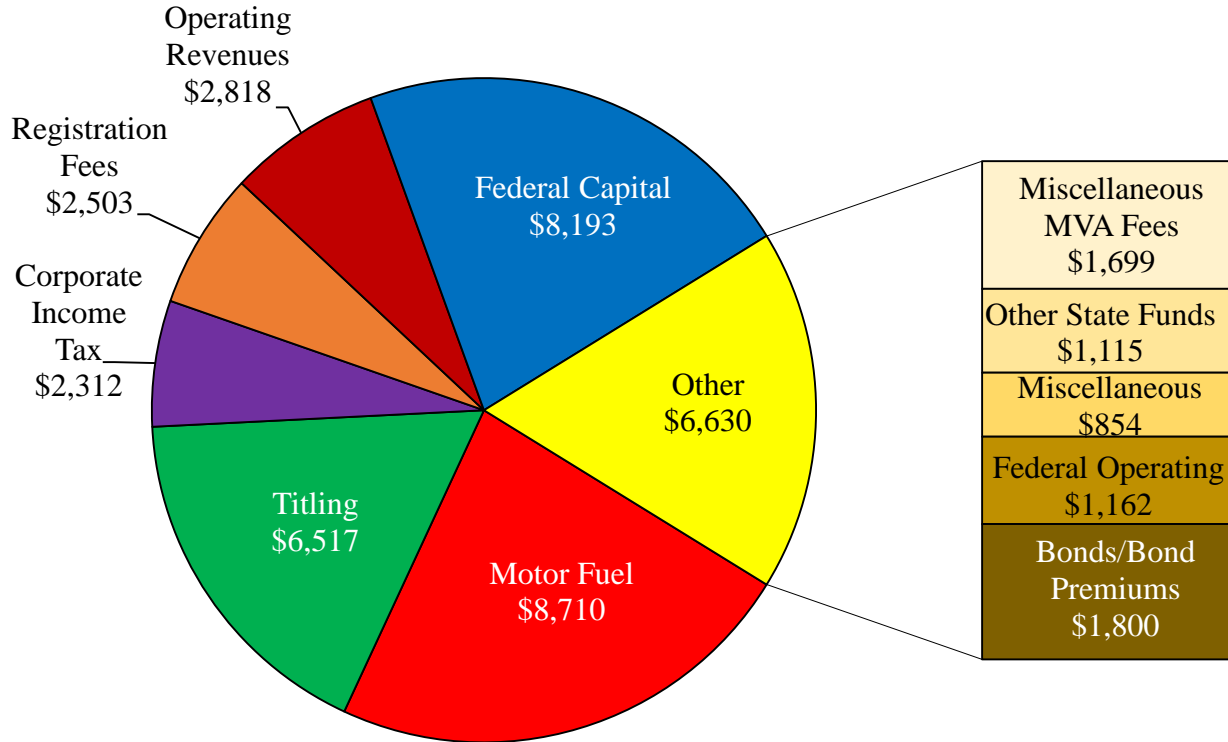
Fiscal 2023 Year-to-date Revenue Receipts

Fiscal 2023 revenue attainment from the TTF’s three largest State revenue sources – MFTs, titling taxes, and vehicle registration fees – is slightly under projections based on five-year average attainment rates. With collections recorded through September 2022, combined attainment was down \$4.6 million. If revenue attainment continues at the same pace for the remaining three quarters, collections would fall about \$5 million short of projections.

Fiscal 2023 through 2028 Revenues

Exhibit 4 shows that the TTF’s three largest revenue sources in the fiscal 2023 to 2028 forecast period are MFTs, federal capital assistance, and titling taxes, which collectively represent over 62% of all projected revenue. In support of the capital program, MDOT is projecting \$1.8 billion in bond proceeds and bond premiums, representing 4.8% of projected revenues. Additionally, the TTF forecast anticipates \$1.1 billion in other State funds over the six-year forecast comprising \$1.0 billion in general fund support for the dedicated capital grant for the Washington Metropolitan Area Transit Authority (WMATA), \$103 million in general fund and general obligation bond fund support for the Howard Street Tunnel project, and a \$10 million general fund grant provided in the fiscal 2023 budget to Baltimore City for sidewalk retrofits to comply with the Americans with Disabilities Act.

Exhibit 4
Transportation Trust Fund
State-sourced Revenues and Federal Funds
Fiscal 2023-2028
(\$ in Millions)



MVA: Motor Vehicle Administration

Source: Maryland Department of Transportation, Fiscal 2023-2028 *Transportation Trust Fund Forecast*, January 2023; Department of Legislative Services

Six-year Transportation Trust Fund Forecast Summary

Exhibit 5 shows the TTF forecast summary that includes the fiscal 2022 actual and the fiscal 2023 to 2028 projections. It reflects the decision to increase the target closing balance beginning in fiscal 2024 to \$325 million and to \$355 million by fiscal 2028. Years prior to fiscal 2024 have a higher closing balance in this forecast due to the scheduled spend down of federal COVID-19/stimulus aid, but fiscal 2024 is the last year in which these funds are expected to be used. The increased fund balance is intended to accommodate working cash flow requirements during the year. These requirements increase as federal funding increases because many federal funds are received on a reimbursement basis.

Exhibit 5
Transportation Trust Fund Forecast Summary
Fiscal 2022-2028
(\$ in Millions)

	<u>Actual</u>							<u>Total</u>
	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2023-2028</u>
Opening Fund Balance	\$425	\$579	\$548	\$325	\$325	\$340	\$340	
Closing Fund Balance	\$579	\$548	\$325	\$325	\$340	\$340	\$355	
Net Revenues								
Taxes and Fees	\$3,100	\$3,259	\$3,534	\$3,544	\$3,595	\$3,692	\$3,776	\$21,401
Operating and Miscellaneous	1,265	914	744	652	682	700	724	4,416
Subtotal	\$4,365	\$4,173	\$4,278	\$4,196	\$4,277	\$4,392	\$4,500	\$25,817
Bond Proceeds	\$295	\$0	\$110	\$320	\$445	\$460	\$465	\$1,800
Bond Premiums	40	0	0	0	0	0	0	0
Fund Balance Increase/Use	-154	31	223	0	-15	0	-15	224
Total Net Revenues	\$4,546	\$4,204	\$4,611	\$4,516	\$4,707	\$4,852	\$4,950	\$27,841
Expenditures								
Debt Service	\$452	\$480	\$429	\$441	\$437	\$462	\$488	\$2,737
Operating Budget	2,294	2,418	2,526	2,558	2,622	2,688	2,757	15,568
Purple Line Availability Payments	0	0	0	0	0	37	53	91
State Capital (Including State Aid)	1,800	1,305	1,657	1,518	1,648	1,665	1,652	9,445
Total Expenditures	\$4,546	\$4,204	\$4,611	\$4,516	\$4,707	\$4,852	\$4,950	\$27,841
Debt								
Debt Outstanding	\$3,482	\$3,297	\$3,115	\$3,125	\$3,264	\$3,396	\$3,509	
Debt Service Coverage: Net Income	4.1	4.1	3.9	3.9	3.4	3.2	3.0	
Capital Summary								
State Capital	\$1,520	\$1,031	\$1,325	\$1,127	\$1,200	\$1,205	\$1,289	\$7,177
State Aid – Capital Grants	280	274	331	391	448	461	363	2,269
Net Federal Capital (Cash Flow)	1,043	1,336	1,405	1,354	1,522	1,382	1,194	8,193
Other Funds	281	454	410	429	275	150	139	1,857
Other State Funds	30	177	167	167	167	167	167	1,012
Total Capital Expenditures	\$3,154	\$3,272	\$3,639	\$3,468	\$3,612	\$3,364	\$3,152	\$20,507

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

Source: Maryland Department of Transportation, Fiscal 2023-2028 *Transportation Trust Fund Forecast*, January 2023; Department of Legislative Services

J00 – MDOT – Fiscal 2024 Budget Overview

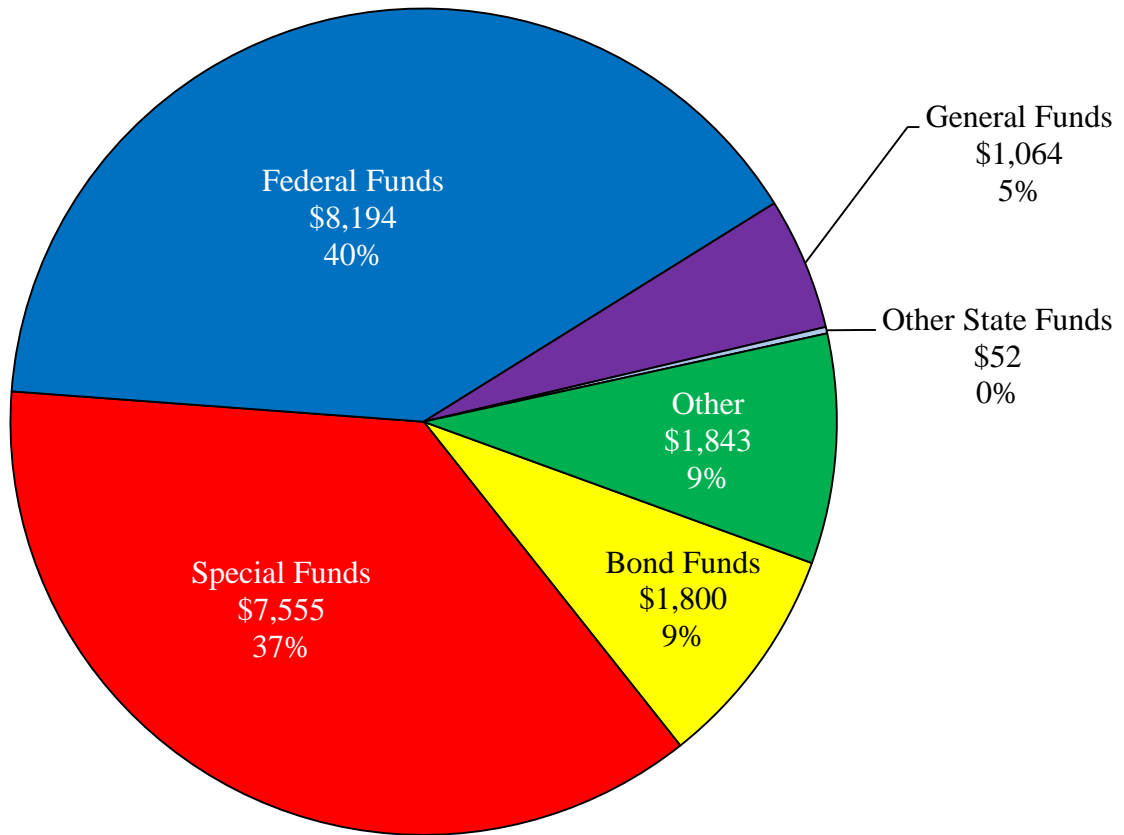
Revenues are first used to pay debt service and then to cover the department’s operating expenses. Remaining revenues are used for the capital program, which is also funded through the sale of bonds; federal aid; and, beginning in fiscal 2020, general fund transfers from the Dedicated Purpose Account to cover all or a portion of the WMATA dedicated capital grant.

Over the six-year forecast period, Consolidated Transportation Bond (CTB) proceeds and premiums are projected to comprise just over 19% of TTF special funds available for capital. Debt outstanding at the end of fiscal 2022 totaled \$3.5 billion. At the end of fiscal 2028, debt outstanding is projected to total \$3.5 billion. Bond covenants require MDOT to maintain a net income to maximum future debt service ratio of at least 2.0, and the department has an administrative practice of maintaining the ratio at no less than 2.5. As shown in Exhibit 5, the net income debt service coverage ratio is highest in fiscal 2023 and 2024 at 4.1 and declines through the remaining years of the forecast, ending at 3.0 at the end of fiscal 2028.

Six-year Capital Program

Exhibit 6 shows six-year funding of the capital program by source. Federal and special funds comprise just over 77% of six-year funding. State-source funds make up just over 51% of total six-year funding.

Exhibit 6
Six-year Programmed Capital by Source
Fiscal 2023-2028
(\$ in Millions)



Total: \$20.5 Billion

Source: Maryland Department of Transportation, Fiscal 2023-2028 *Consolidated Transportation Program*; Department of Legislative Services

Programmed spending in the 2023 CTP, which covers fiscal 2023 to 2028, totals \$20.5 billion. Programmed spending for the five years that overlap the 2022 CTP (fiscal 2023 to 2027) totals \$17.4 billion, an increase of \$3.2 billion (23.0%) compared to the 2022 CTP, as shown in **Exhibit 7**.

Exhibit 7
Capital Transportation Program Comparison
January 2022 vs. January 2023
Fiscal 2023-2027
(\$ in Millions)

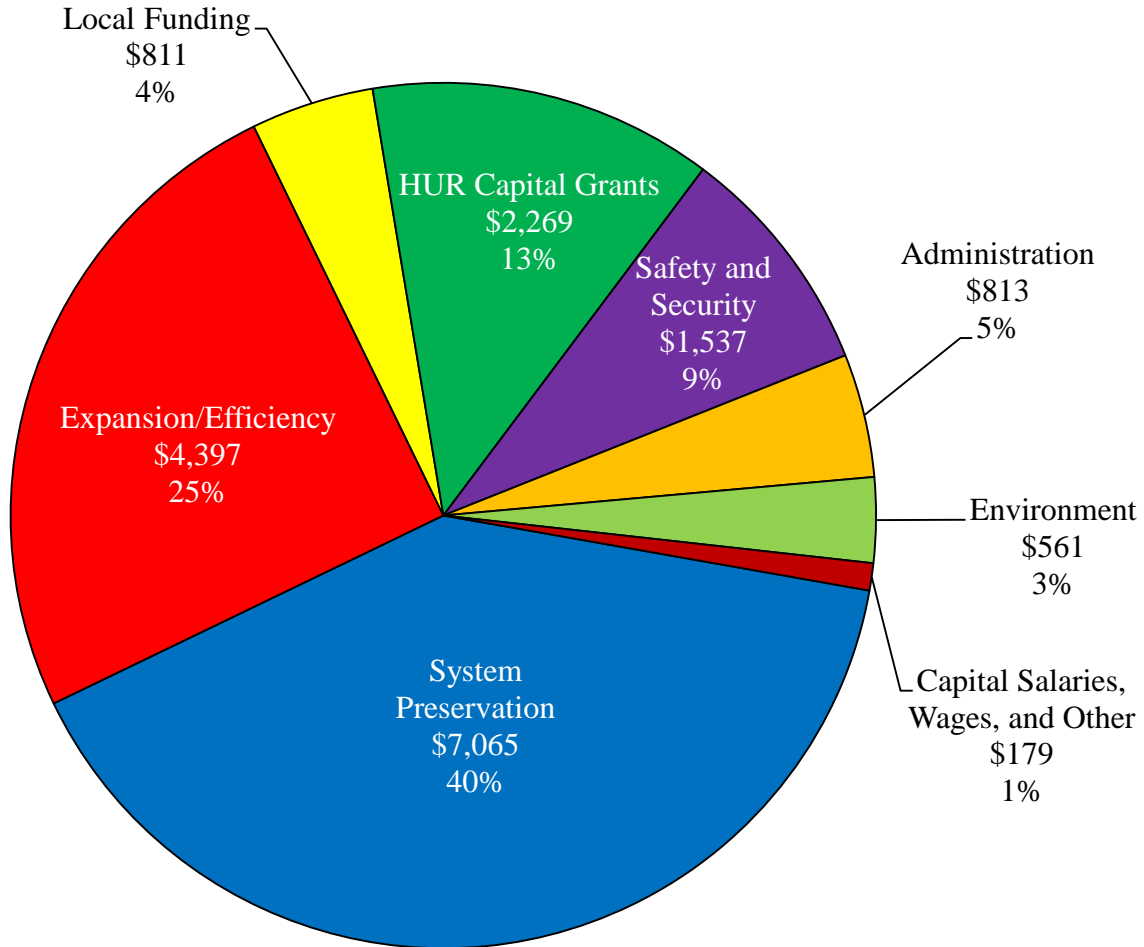
	January <u>2022</u>	January <u>2023</u>	<u>Change</u>
Secretary’s Office	\$112	\$179	\$67
Motor Vehicle Administration	84	107	23
Maryland Aviation Administration	715	1,073	358
Maryland Port Administration	997	1,295	298
Maryland Transit Administration	3,321	3,819	498
Washington Metropolitan Area Transit Authority	2,333	2,378	45
State Highway Administration	5,125	6,601	1,476
State Aid – Highway User Revenues (HUR)	1,425	1,906	481
Fiscal 2023-2027 Total	\$14,112	\$17,357	\$3,245
Funds			
Special Funds	\$6,824	\$7,720	\$896
Federal Funds	5,027	7,000	1,974
General Fund Transfer	835	845	10
Other Funds	1,324	1,741	418
Other State Funds	103	52	-52
Fiscal 2023-2027 Total Funds	\$14,112	\$17,357	\$3,245

Note: Other Funds include federal funds received directly by the Washington Metropolitan Area Transit Authority.

Source: Maryland Department of Transportation; Department of Legislative Services

Exhibit 8 shows six-year spending by investment category, excluding the capital grants for WMATA. System preservation accounts for just over 40% of programmed spending.

Exhibit 8
Six-year Programmed Capital Spending by Investment Category
Fiscal 2023-2028
(\$ in Millions)



Total: \$17.6 Billion

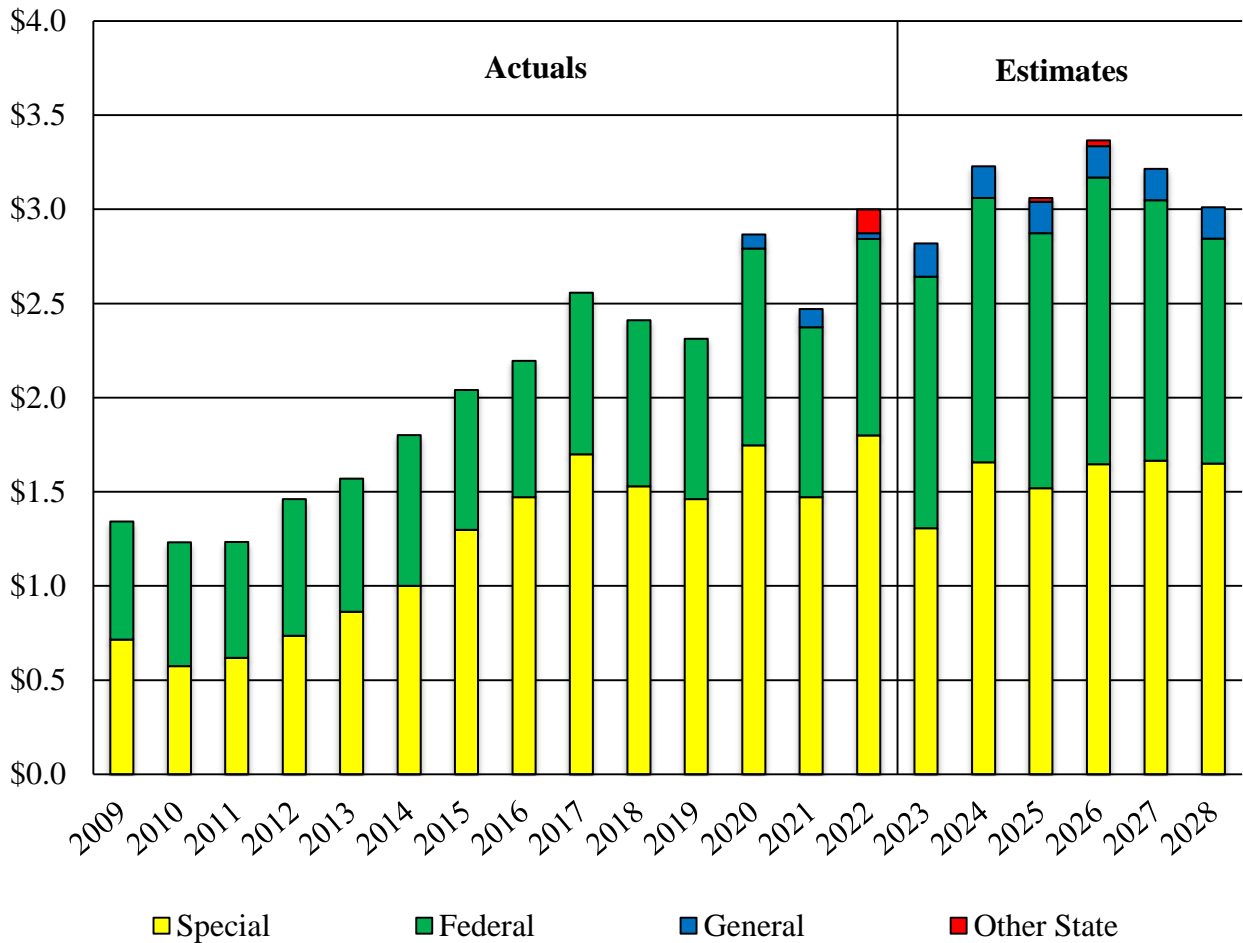
HUR: highway user revenue

Note: Excludes capital grants totaling \$2.9 billion to the Washington Metropolitan Area Transit Authority, categorized as Local Funding, to avoid skewing other category percentages under which this funding would fall were it not a grant to a non-Maryland system.

Source: Maryland Department of Transportation, Fiscal 2023-2028 Consolidated Transportation Program; Department of Legislative Services

Exhibit 9 shows the actual capital spending by year from fiscal 2009 to 2022 and planned capital spending through fiscal 2028, excluding other funds that do not flow through the budget. Combined State and federal capital spending is projected to exceed \$3 billion for the first time ever in fiscal 2024 and peak during the forecast in fiscal 2026 at just under \$3.4 billion. Capital spending is projected to decline in fiscal 2027 and 2028 primarily due to a conservative assumption on the level of federal capital aid that will be available once the five-year funding authorization through the IJA ends.

Exhibit 9
Capital Spending Trends
Fiscal 2009-2028
(\$ in Billions)

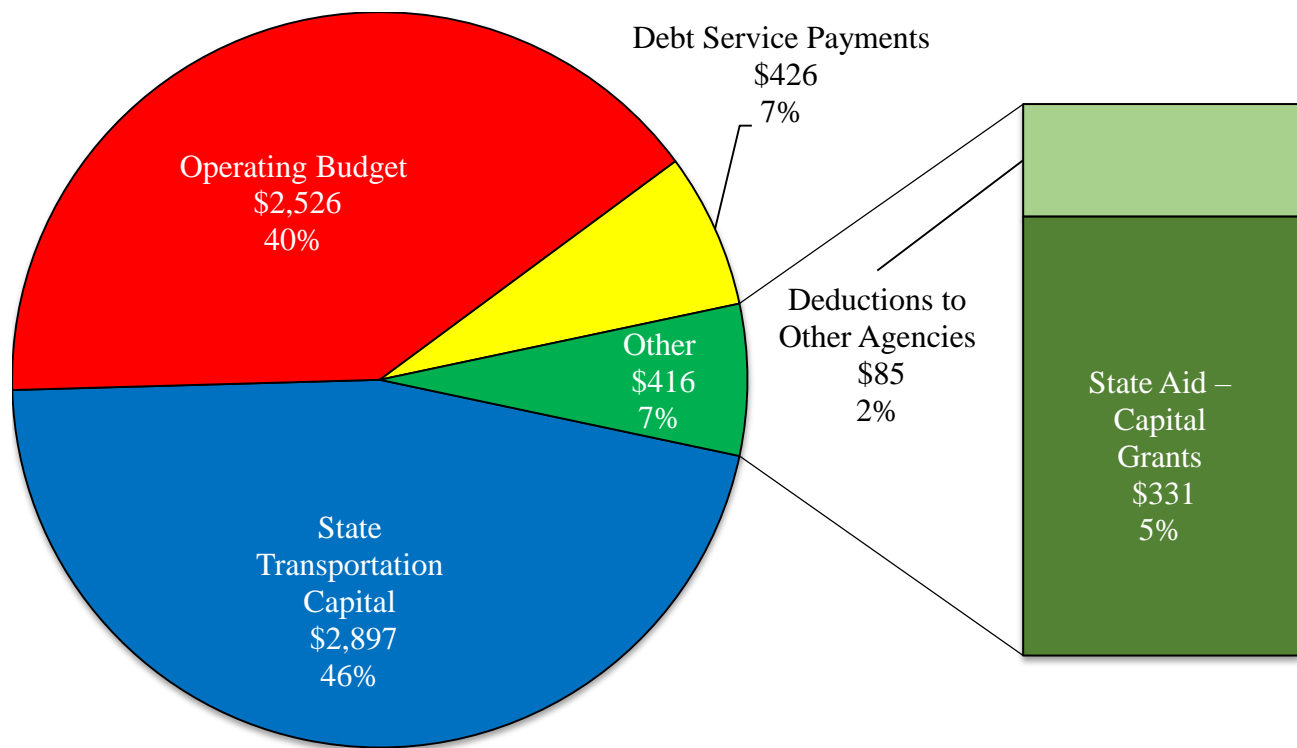


Source: Maryland Department of Transportation; Department of Legislative Services

Budget Overview

Exhibit 10 shows all expenditures from the TTF by category for fiscal 2024, with expenditures totaling just under \$6.3 billion. The State capital program (excluding State aid capital grants) accounts for 46% of TTF spending with departmental operations comprising an additional 40%. The remainder of TTF expenditures cover debt service payments, State aid capital grants, and deductions to other State agencies.

Exhibit 10
Fiscal 2024 Transportation Trust Fund Uses
 (\$ in Millions)



Total: \$6.3 Billion

Note: The chart includes special funds from the Transportation Trust Fund, federal funds, and general funds budgeted in the Dedicated Purpose Account for the Dedicated Capital Grant to the Washington Metropolitan Area Transit Authority (WMATA). It excludes \$410 million in other funds for the capital program and includes operating contingencies. Other Funds can include airport revenue bonds, loans from the Maryland Transportation Authority, passenger facility charges, customer facility changes, local county participation, and federal funding received directly by WMATA.

Source: Maryland Department of Transportation, *Financial Forecast*, January 2023; Department of Legislative Services

Proposed Budget

Exhibit 11 shows the operating and capital budgets along with the amounts budgeted for debt service and State aid capital grants. The exhibit includes the fiscal 2022 actual through the fiscal 2024 allowance.

Exhibit 11
Transportation Budget Overview
Fiscal 2022-2024
(\$ in Thousands)

	<u>Actual</u> <u>2022</u>	<u>Working App.</u> <u>2023</u>	<u>Allowance</u> <u>2024</u>	<u>\$ Change</u> <u>2023-2024</u>	<u>% Change</u> <u>2023-2024</u>
Operating					
Secretary’s Office	\$134,790	\$105,451	\$112,742	\$7,291	6.9%
WMATA	399,491	462,122	466,934	4,812	1.0%
State Highway Administration	318,893	337,235	358,853	21,618	6.4%
Port Administration	48,574	51,649	53,644	1,995	3.9%
Motor Vehicle Administration	207,484	223,225	230,444	7,220	3.2%
Maryland Transit Administration	972,059	992,620	1,045,420	52,801	5.3%
Aviation Administration	212,626	211,881	227,603	15,722	7.4%
Subtotal	\$2,293,917	\$2,384,183	\$2,495,641	\$111,459	4.7%
Debt Service	\$452,268	\$480,461	\$426,454	-\$54,008	-11.2%
State Aid – Mandated Capital Grant	\$280,156	\$274,257	\$331,426	\$57,169	20.8%
Capital					
Secretary’s Office	\$44,556	\$75,954	\$53,286	-\$22,668	-29.8%
WMATA	339,162	258,725	350,157	91,432	35.3%
State Highway Administration	942,303	1,107,149	1,295,974	188,825	17.1%
Port Administration	110,823	180,458	289,523	109,065	60.4%
Motor Vehicle Administration	31,002	34,719	35,247	528	1.5%
Maryland Transit Administration	1,068,023	743,861	717,898	-25,963	-3.5%
Aviation Administration	57,511	148,942	155,300	6,358	4.3%
Subtotal	\$2,593,379	\$2,549,808	\$2,897,385	\$347,577	13.6%

J00 – MDOT – Fiscal 2024 Budget Overview

	<u>Actual 2022</u>	<u>Working App. 2023</u>	<u>Allowance 2024</u>	<u>\$ Change 2023-2024</u>	<u>% Change 2023-2024</u>
Total of All Funds					
General Fund	\$30,200	\$0	\$0	\$0	n/a
Special Fund	3,831,041	3,891,357	4,497,171	605,814	15.6%
Federal Fund	1,758,421	1,797,352	1,653,735	-143,616	-8.0%
Reimbursable Fund	59	0	0	0	n/a
Grand Total	\$5,619,720	\$5,688,709	\$6,150,906	\$462,197	8.1%

WMATA: Washington Metropolitan Area Transit Authority

Note: The fiscal 2023 working appropriation includes deficiency appropriations including this agency's share of a deficiency appropriation budgeted in the Statewide Account within the Department of Budget and Management (DBM). Fiscal 2024 salary enhancements are budgeted in the Statewide Account within DBM.

Source: Governor's Fiscal 2024 Budget Books; Department of Legislative Services

MDOT's total fiscal 2024 allowance of \$6.2 billion is an increase of \$462 million (8.1%) from the current year working appropriation. Increases in operating expenses (\$111 million), local transportation aid (\$57 million), and capital (\$348 million) are partially offset by a decrease in debt service of \$54 million.

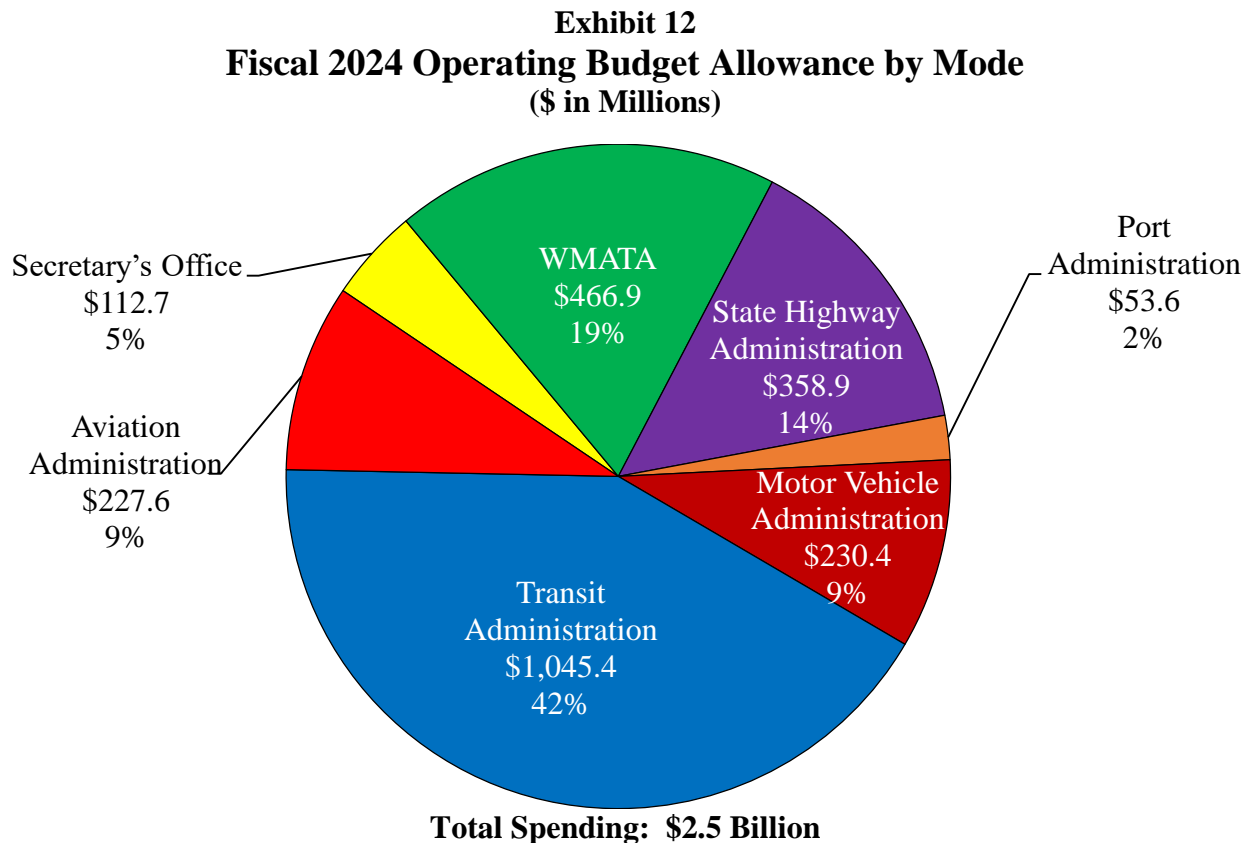
Operating Budget Summary

MDOT’s fiscal 2024 operating budget allowance totals just over \$2.9 billion, an increase of \$57.5 million (2.0%) over the current year working appropriation. Approximately 84% of the operating allowance is used for the operating expenses of each of the modes with debt service accounting for the remaining 16% of the allowance.

Fiscal 2024 Proposed Budget

Operating Programs

The fiscal 2024 allowance for the modal operating budgets totals nearly \$2.5 billion, an increase of \$111.5 million (4.7%) over the fiscal 2023 working appropriation. **Exhibit 12** shows the fiscal 2024 operating budget allowance by mode. Transit spending, the combined operating budget allowances for MTA and WMATA, represents the largest share of the MDOT operating budget at nearly 61% of spending for all modes.



WMATA: Washington Metropolitan Area Transit Authority

Source: Governor’s Fiscal 2024 Budget Books; Department of Legislative Services

Personnel

As shown in **Exhibit 13**, the number of both regular positions and contractual full-time equivalents (FTE) remains unchanged at 9,057.5 and 115.0, respectively, between the fiscal 2023 working appropriation and the fiscal 2024 allowance. Interagency transfers in the allowance move 3 filled positions to the Secretary’s Office from the State Highway Administration (SHA). These positions, including the Chief of Cultural Resources at SHA, are being moved to the Secretary’s Office to provide support departmentwide for archeological studies and communications and public engagement activities. The changes in contractual FTEs among modes reflect MDOT’s practice of utilizing contractual positions on a temporary as-needed basis, and these needs change from year to year.

Exhibit 13
Regular and Contractual Full-time Equivalents
Operating and Capital Programs
Fiscal 2022-2024

	<u>Actuals</u> <u>2022</u>	<u>Working App.</u> <u>2023</u>	<u>Allowance</u> <u>2024</u>	<u>\$ Change</u> <u>2023-2024</u>	<u>% Change</u> <u>2023-2024</u>
Regular Positions					
Secretary’s Office	325.5	322.5	325.5	3.0	0.9%
State Highway Administration	2,955.5	2,958.5	2,955.5	-3.0	-0.1%
Port Administration	210.0	210.0	210.0	0.0	0.0%
Motor Vehicle Administration	1,706.5	1,706.5	1,706.5	0.0	0.0%
Transit Administration	3,365.5	3,365.5	3,365.5	0.0	0.0%
Aviation Administration	494.5	494.5	494.5	0.0	0.0%
Total Regular Positions	9,057.5	9,057.5	9,057.5	0.0	0.0%
Contractual Positions					
Secretary’s Office	6.0	10.0	17.0	7.0	70.0%
State Highway Administration	41.3	77.5	68.0	-9.5	-12.3%
Port Administration	0.0	4.5	5.0	0.5	11.1%
Motor Vehicle Administration	0.0	6.5	7.0	0.5	7.7%
Transit Administration	5.4	16.0	16.0	0.0	0.0%
Aviation Administration	0.1	0.5	2.0	1.5	300.0%
Total Contractual Positions	52.8	115.0	115.0	0.0	0.0%

Source: Department of Budget and Management

Debt Service

The fiscal 2024 allowance for debt service payments is \$426.5 million, a decrease of \$54.0 million (-11.2%) from the fiscal 2023 working appropriation. The fiscal 2024 allowance reflects debt service on currently outstanding debt (there are no debt issuances planned for fiscal 2023) and the planned issuance of \$110 million in fiscal 2024. At the end of fiscal 2024, debt outstanding on the department’s CTBs will total just over \$3.6 billion, which is within the statutory cap of \$4.5 billion. The MDOT forecast indicates that debt service coverage ratios will remain above its administrative minimum, which is higher than the minimum allowed in its bond covenants, in all years.

State Aid – Mandated Capital Grants

Prior to fiscal 2020, local governments shared in a portion of the tax and fee revenues that are deposited into the GMVRA, commonly referred to as Highway User Revenues (HUR). Since fiscal 2009, the local share of HUR had been 9.6% of the GMVRA with MDOT retaining 90.4% of revenues to support its operating and capital budgets. Chapters 330 and 331 of 2018 converted this local aid from a share of the GMVRA revenues to mandated capital grants based on a percentage of total GMVRA and also increased the amount that local governments would receive to an amount equivalent to 13.5% of the GMVRA for fiscal 2020 to 2024. This change increased MDOT’s bonding capacity since it now retains all GMVRA revenue. Chapter 240 of 2022 establishes 15.6% of the GMVRA as the new base for local governments beginning in fiscal 2024 and provides temporary increases to 18% in fiscal 2025 and 20% in fiscal 2026 and 2027.

Exhibit 14 shows the mandated capital grant amounts for fiscal 2022 through 2024. The fiscal 2024 mandated capital grant funding of \$331.4 million is \$57.2 million (20.8%) higher than the fiscal 2023 working appropriation.

Exhibit 14
State Aid – Highway User Revenues Capital Grants
Fiscal 2022-2024
(\$ in Millions)

	<u>Actual</u> <u>2022</u>	<u>Working</u> <u>2023</u>	<u>Allowance</u> <u>2024</u>	<u>Change</u>
Baltimore City	\$172.2	\$168.6	\$201.8	\$33.2
Counties	66.4	65.0	78.6	13.6
Municipalities	41.5	40.6	51.0	10.4
Total	\$280.2	\$274.3	\$331.4	\$57.2

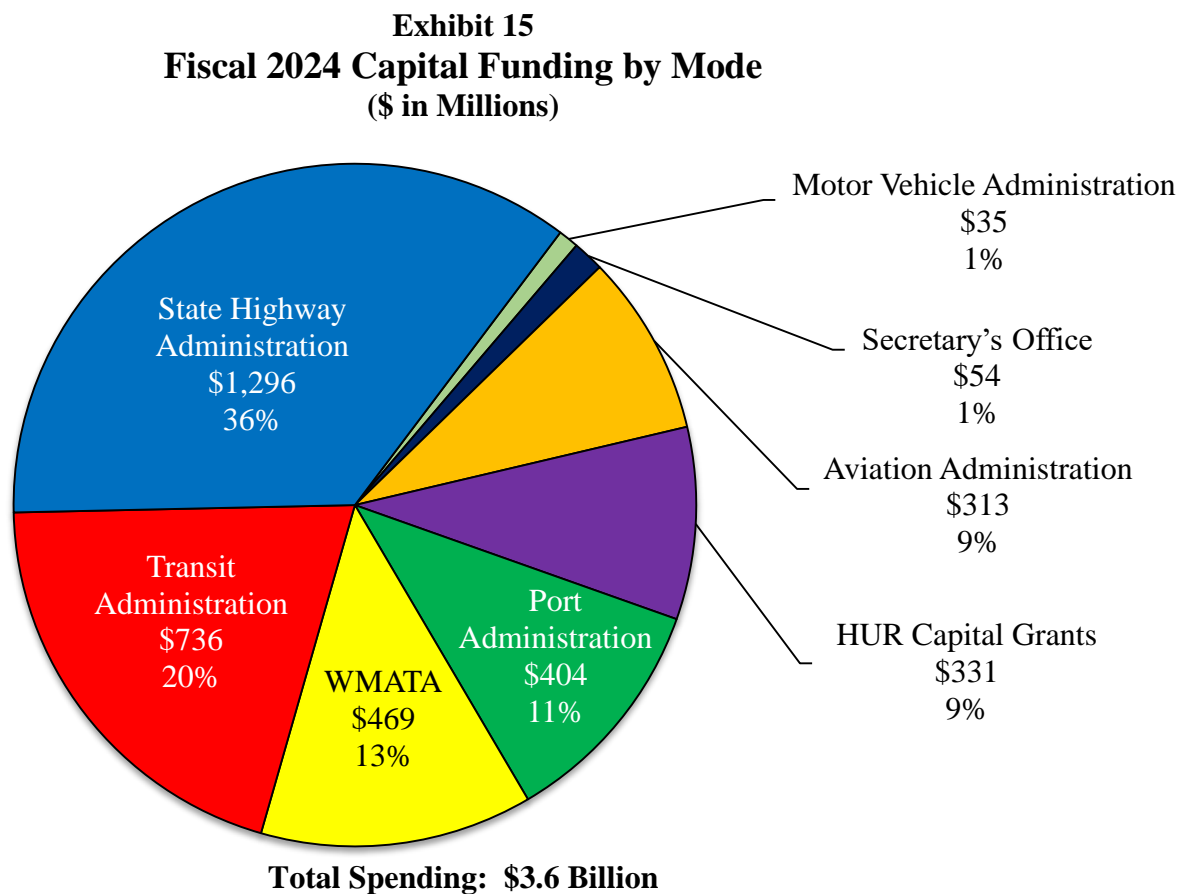
Note: Numbers may not sum to totals due to rounding.

Source: Governor’s Fiscal 2024 Budget Books

PAYGO Capital Budget Summary

Fiscal 2024 Capital Budget

Exhibit 15 shows the MDOT fiscal 2024 capital budget by mode. Including other funds that do not flow through the MDOT budget, fiscal 2024 capital spending is projected at \$3.6 billion, an increase of \$365.2 million (11.2%) over capital spending programmed for the current year. A majority of the increase results from additional federal funding authorized by the IJA, which reauthorized surface transportation programs, through which MDOT receives federal formula funding, at increased funding levels compared to the previous authorization.



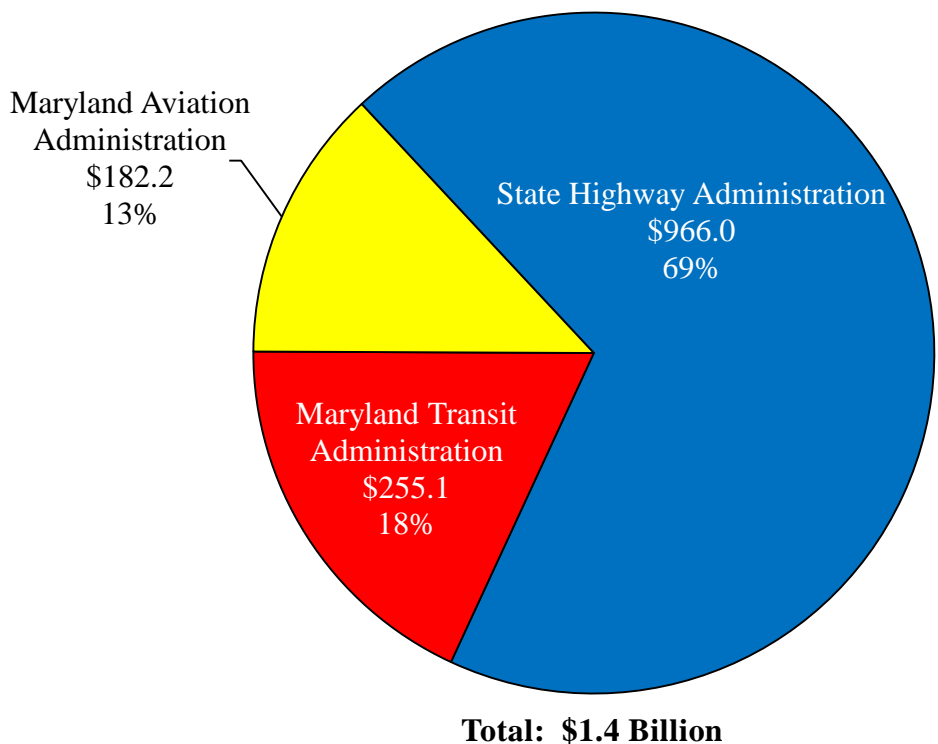
HUR: Highway User Revenues

WMATA: Washington Metropolitan Area Transit Authority

Source: Maryland Department of Transportation, 2023-2028 Consolidated Transportation Program; Department of Legislative Services

Exhibit 16 shows the six-year total by mode of the additional capital funding authorized by the IIJA. The IIJA also created new discretionary programs with funding to be distributed on a competitive basis. As federal agencies post notices of funding opportunity, MDOT can apply for additional federal aid for any projects that meet the new programs’ criteria, most discretionary grants require State matching funds.

Exhibit 16
Additional Capital Funding Authorized by the
Infrastructure Investment and Jobs Act
(\$ in Millions)



Source: Maryland Department of Transportation, 2023-2028 Consolidated Transportation Program; Department of Legislative Services

First-year Construction and Design Funding

Chapters 27 and 563 of 2022 require the CTP, beginning with the January 2023 CTP, to include tables listing projects receiving first-year funding for design or construction either in the budget year or the current year (if the funding was not shown in the budget year in the prior year CTP). **Exhibit 17** shows the total first-year funding by mode.

Exhibit 17
First-year Funding for Design and Construction by Transportation Business Unit
Fiscal 2023-2024
(\$ in Thousands)

	<u>Total Programmed</u>	<u>State Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>State Only Total</u>	<u>State Only Current Yr</u>	<u>State Only Budget Yr</u>
Maryland Aviation Administration							
Construction	\$81,915	\$44,106	\$28,996	\$8,817	\$29,112	\$6,008	\$23,104
Design	7,713	6,416	459	837	2,835	222	2,613
Subtotal	\$89,628	\$50,522	\$29,455	\$9,654	\$31,947	\$6,230	\$25,717
Maryland Port Administration							
Construction	\$20,608	\$3,000	\$12,528	\$5,080	\$3,000	\$1,000	\$2,000
Design	80	80	0	0	80	52	28
Subtotal	\$20,688	\$3,080	\$12,528	\$5,080	\$3,080	\$1,052	\$2,028
Maryland Transit Administration							
Construction	\$157,051	\$105,100	\$51,455	\$498	\$72,682	\$32,963	\$39,719
Design	39,720	24,998	14,716	6	18,112	13,819	4,293
Subtotal	\$196,771	\$130,098	\$66,171	\$504	\$90,794	\$46,782	\$44,012
State Highway Administration							
Construction	\$2,169	\$109	\$2,060	\$0	\$0	\$0	\$0
Design	3,800	330	3,470	0	0	0	0
Subtotal	\$5,969	\$439	\$5,530	\$0	\$0	\$0	\$0
The Secretary's Office							
Construction	\$11,336	\$1,336	\$0	\$10,000	\$1,336	\$308	\$1,028
Design	3,934	3,934	0	0	3,934	1,213	2,721
Subtotal	\$15,270	\$5,270	\$0	\$10,000	\$5,270	\$1,521	\$3,749
Total	\$328,326	\$189,409	\$113,684	\$25,238	\$131,091	\$55,585	\$75,506

Analysis of the FY 2024 Maryland Executive Budget, 2023

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Source: Maryland Department of Transportation, 2023-2028 Consolidated Transportation Program; Department of Legislative Services

This information may be helpful in identifying opportunities to defer lower priority capital projects before they begin in order to generate capacity to add funding for legislative spending priorities. The specific project listings used to create the summary in Exhibit 17 will be included in the individual administration budget analyses.

Caution should be exercised when considering delaying specific projects. Many MDOT capital projects are funded from a mix of State, federal, and nongovernmental sources. While the State funds made available by deferring a project can easily be used for another transportation purpose, federal and other funds are generally restricted by specific project, and use of funds eligibility requirements could pose significant challenges to repurposing those funds. An alternative approach to making specific reductions to make room for legislative priorities would be to make a nonspecific reduction to State transportation capital funding and allow MDOT to manage the reduction throughout the fiscal year. Project delays that occur over the course of a year often lead to cancellation of appropriations at the end of the year. An agreement with the Governor could also be sought to duplicate in the transportation capital program, on an ongoing basis, the practice of including unallocated funding in the budget as introduced to be used for legislative priorities. **The Secretary should discuss with the committees the pros and cons of each of these methods and whether the Administration is willing to consider including an unallocated amount in the transportation budget each year to be allocated for legislative priorities.**

Other Funds

The CTP lists “Other Funds” as a fund source for some projects. Generally, the “other funds” designation denotes funding that does not flow through the State budget. Traditional examples of other funds are passenger and customer facility charges at the Baltimore/Washington International Thurgood Marshall Airport, Maryland Transportation Authority (MDTA) loans, county participation, private funds, and federal funds received directly by WMATA. The CTP includes some nontransportation State-source funds in the other funds category, notably the general funds used for the Dedicated Capital Grant to WMATA. **Exhibit 18** lists the projects in the CTP receiving other funds totaling \$591.8 million in fiscal 2024.

Exhibit 18
Fiscal 2024 Other Funds
(\$ in Thousands)

<u>Project</u>	<u>Funding Source</u>	<u>Amount</u>
Maryland Aviation Administration		
Concourse A/B Connector and Baggage Handling	Revenue Bonds	\$108,045
BWI Restroom Improvement Program	Passenger Facility Charge	16,510
Concourse D HVAC Replacement	Passenger Facility Charge	1,883
Residential Sound Mitigation Program	Passenger Facility Charge	1,727
Information Technology Equipment	Passenger Facility Charge	5,000
Controlled Access Security System Upgrade	Passenger Facility Charge	4,800

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<u>Project</u>	<u>Funding Source</u>	<u>Amount</u>
Concourse A/B Baggage Claim Reconfiguration	Passenger Facility Charge	5,658
Airport Road Electronic Signage	Passenger Facility Charge	3,200
Snow Equipment	Passenger Facility Charge	3,996
Concourse E Outbound Baggage Handling System Rehabilitation – Phase 1	Passenger Facility Charge	1,233
Concourse E Outbound Baggage Handling System Rehabilitation – Phase 2	Passenger Facility Charge	2,367
Concourse D/E Baggage Claim Expansion	Passenger Facility Charge	1,530
Checkpoint D Expansion	Passenger Facility Charge	729
Expand Group V Aircraft Parking Position	Passenger Facility Charge	520
<i>Subtotal – Maryland Aviation Administration</i>		<i>\$157,198</i>
Maryland Port Administration		
Upgrades to Howard Street Tunnel	CSX	\$43,608
Upgrades to Howard Street Tunnel	General funds (Fiscal 2023)	58,030
Upgrades to Howard Street Tunnel	Pennsylvania Department of Transportation	6,470
Coastal Resiliency and Adaptation Plan	Maryland Department of Emergency Management	150
Port of Baltimore Rail Capacity Modernization	Ports America Chesapeake	5,080
Cox Creek STAR Facility – Remediation	Tronox	550
Cox Creek Dredged Material Containment	Maryland State Highway	42
Chrome Ore Processing Residue Remediation	Honeywell	1,000
<i>Subtotal – Maryland Port Administration</i>		<i>\$114,929</i>
Maryland Transit Administration		
Fare Systems Next Generation Implementation	Certificates of Participation	\$11,596
Purple Line – Bethesda Metro	Montgomery County	1,917
Purple Line – Capital Crescent Trail	Montgomery County	250
Purple Line – Montgomery County Incentives	Montgomery County	100
MARC Martin State Airport Improvements	Amtrak	883
Freight – Worton Track Safety	Private Railroads	229
MARC Martins Yard Power Switch	Amtrak	244
BUS East-West Priority Corridor (RAISE)	Baltimore City	400
<i>Subtotal – Maryland Transit Administration</i>		<i>\$15,618</i>
The Secretary’s Office		
Rosedale Grade Crossing Improvement Grant	CSX/Baltimore County	\$623
<i>Subtotal – The Secretary’s Office</i>		<i>\$623</i>

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<u>Project</u>	<u>Funding Source</u>	<u>Amount</u>
Washington Metropolitan Area Transit Authority		
System Performance	Direct Federal Funds	\$119,238
Governor’s Capital Dedicated Funding	General Funds	167,000
<i>Subtotal – Washington Metropolitan Area Transit Authority</i>		<i>\$286,238</i>
State Highway Administration		
Reimbursable Projects	Various Localities	\$15,000
MD 3 – from Waugh Chapel Rd to MD 32	Anne Arundel County	37
MD 2 – from US 50 to Arnold Rd	Anne Arundel County	65
MD 210 – from MD 228 to I-95/I-495	Prince George’s County	250
MD 5 – from MD 246 to MD 471	State Legislature Earmark	1,850
<i>Subtotal – State Highway Administration</i>		<i>\$17,202</i>
Total – Other Funds		\$591,808

BWI: Baltimore/Washington International Thurgood Marshall Airport

RAISE: Rebuilding American Infrastructure with Sustainability and Equity (federal discretionary grant program)

Source: Maryland Department of Transportation; Department of Legislative Services

Issues

1. Administration Proposes \$500 Million General Fund Reserve to Support Future Transportation Capital Projects but Overall Transportation Capital Funding Challenges Remain

Governor Wes Moore’s fiscal 2024 budget proposes setting aside \$500 million of general funds for future transportation capital projects. A revived Baltimore Red Line and/or Southern Maryland Rapid Transit project are just two examples of large capital projects to which this general fund reserve could be applied. Although this reserve will facilitate the addition to or acceleration of projects in the CTP, the projected costs of each of these projects are well in excess of this reserve amount. Even using optimistic projections for the level of federal funding that can be secured, adding one or more large projects to the CTP will increase the pressure on the TTF and may require deferring funding for some projects in the current CTP to future years. Decisions by the Administration on other major transportation projects, such as the Op Lanes Maryland managed toll lanes project for I-495/I-270, could also have significant funding implications. If Op Lanes Maryland does not move forward as a public-private partnership (P3), with the private sector financing the planned improvements, the costs for maintaining and improving the facilities in the Op Lanes Maryland corridor will fall back to the TTF. **The department should comment on how it envisions using the general fund reserve and which specific or general categories of projects currently in the CTP are likely candidates for deferred funding to accommodate new priorities.**

2. Maryland Should Actively Participate in Regional Efforts to Develop Alternatives to the Motor Fuel Tax

Background

The MFT is the largest State-source revenue in the TTF. Over the past decade, MFT revenue has comprised over 36% of State tax and fee revenue in the TTF. Growth in MFT revenue has been modest in recent years, which has been attributed to vehicles becoming more fuel efficient and the growing number of electric vehicles in use. Efforts to curb transportation-related greenhouse gas emissions, which include efforts to promote the transition to electric vehicles, will further depress MFT revenues in the future. The consequences of this trend is fewer resources to build and maintain roads and bridges and fund other transportation needs.

In response, some states have started to investigate alternative revenue sources. Many of these alternatives are charges or fees based on the number of miles a vehicle travels and may be referred to as a vehicle miles traveled fee, road user charge, or a mileage-based user fee (MBUF). One goal of mileage-based efforts is to maintain and improve the link between the amount drivers pay based on how much they drive. This linkage via the MFT has weakened with the proliferation of highly fuel-efficient vehicles and has broken with respect to electric vehicles, which pay no MFT. A non-mileage-based revenue source adopted by some states to help compensate for lower

MFT revenue is the implementation of registration surcharges for electric and/or highly fuel-efficient vehicles.

Transitioning to mileage-based alternatives to MFT raises a host of issues that will need to be addressed for the alternatives to be widely accepted and effective. These issues include:

- privacy concerns, especially when global positioning systems are utilized to track miles traveled;
- equity concerns related to different income groups or geographic areas (*e.g.*, rural versus urban);
- interoperability issues related to technology and payment collection and distribution systems across states and regions; and
- integration with existing trucking industry regulations.

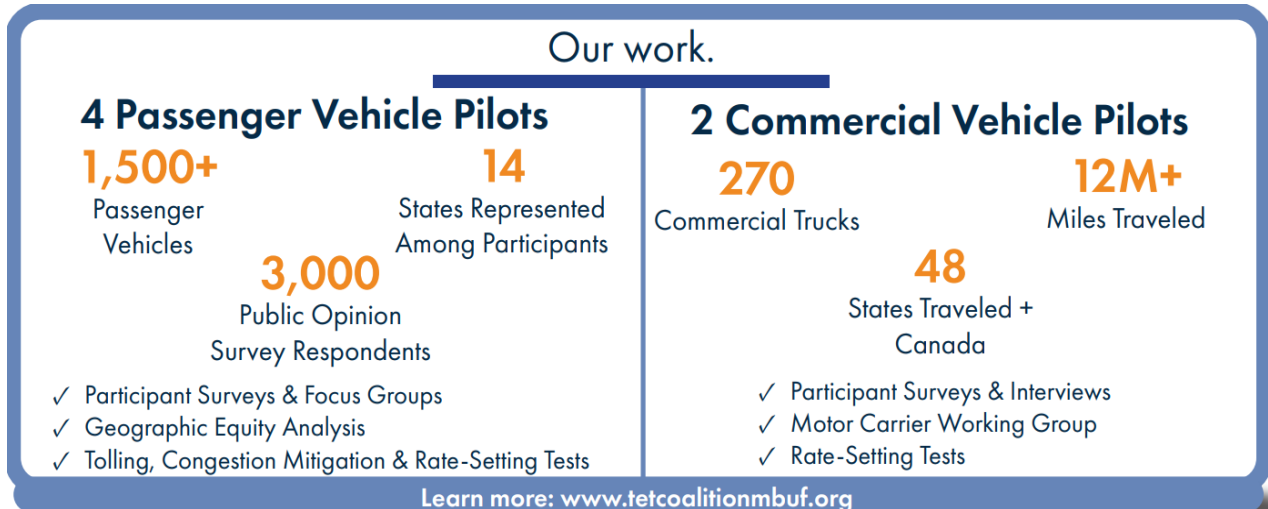
Federal Funding

The federal Fixing America’s Surface Transportation Act (FAST Act) created the Surface Transportation System Funding Alternatives (STSFA) program to provide grants to states to demonstrate user-based alternative revenue mechanisms to maintain the long-term solvency of the Highway Trust Fund. The FAST Act authorized \$95 million for this program over federal fiscal 2016 to 2020. The IIJA renamed STSFA as the Strategic Innovation for Revenue Collection (SIRC) and expanded eligibility to include Metropolitan Planning Organizations and local governments.

Pilot Programs and Studies

According to the Federal Highway Administration (FHWA), a total of \$73.9 million of funding through STSFA was awarded to 14 states for various pilot studies and programs with many of the awards received on behalf of groups of states jointly carrying out the studies and programs. Maryland has not applied for funding through STSFA/SIRC nor conducted any pilot studies. It is, however, a member of The Eastern Transportation Coalition (TETC), which has been active in this effort. TETC, formerly the I-95 Corridor Coalition, is a partnership of 17 states and the District of Columbia focused on connecting public agencies across modes of travel to increase safety and efficiency. MDOT indicates it has committed to being part of the exploratory work being coordinated by TETC in Phase 5 of its STSTA grant. **Exhibit 19** summarizes TETC’s efforts since 2016 to address the challenges of developing an MBUF.

Exhibit 19
Summary of TETC Efforts Toward Development of a Mileage-Based User Fee



TETC: The Eastern Transportation Coalition

Source: The Eastern Transportation Coalition, *July-2022-Fact-Sheet*

Conclusion

A transition to MBUFs to provide funding traditionally raised through the MFT appears to be more inevitable with each passing year, but how MBUFs will operate on a wide scale is still uncertain. Considerable work has been done by states and regions to address the issues mentioned previously. As efforts begin to move beyond the study phase and into adoption of MBUFs, states that have taken the lead in conducting studies and pilot programs will likely set the parameters for how the new revenue systems will operate. It is important, therefore, that Maryland be an active participant in the regional MBUF development process lest it be forced to accept and adapt to aspects of a MBUF system that are not to its liking. **Budget language expressing this intent and directing MDOT to report on its efforts in this regard are included in the Recommended Actions section of this analysis for consideration.**

3. Op Lanes Maryland Managed Toll Lanes Status

In August 2022, FHWA issued the Record of Decision (ROD) for the I-495 and I-270 Managed Lanes Study for the Selected Alternative – Phase 1 South, which provides for two high-occupancy toll lanes from the George Washington Memorial Parkway in Virginia to the I-370 interchange on I-270 and the replacement and expansion of the American Legion Bridge.

Issuance of the ROD concluded the Environmental Impact Statement process for the first phase of the project and makes the project eligible to receive federal support.

The Phase Developer, Accelerate Maryland Partners (AMP), onboarded its construction contractor in September 2022 and is completing predevelopment work and working with MDOT/MDTA to finalize a committed section proposal for the final design, construction, financing, operations, and maintenance of Phase 1 South. The current deadline for submission of the proposal is March 21, 2023. After final acceptance by MDOT/MDTA of the committed section proposal, the P3 Agreement could then be submitted to the MDTA Board for review and approval, followed by submission first to the Comptroller, the State Treasurer and the budget committees for review and comment and then to the Board of Public Works for approval. The new Administration will decide when, or even if, a P3 Agreement will be submitted for review. Unresolved issues related to the bid protest of the selection of AMP as the Phase Developer, pieces of which are currently awaiting decisions by the Appellate Court of Maryland and the Circuit Court for Montgomery County, may also affect how the project can move forward.

MDOT should update the committees about any known policy decisions on how or whether this project will proceed.

Operating Budget Recommended Actions

1. Add the following language:

Provided that it is the intent of the General Assembly that projects and funding levels appropriated for capital projects, as well as total estimated project costs within the Consolidated Transportation Program, shall be expended in accordance with the plan approved during the legislative session. The department shall prepare a report to notify the budget committees of the proposed changes in the event that the department modifies the program to:

- (1) add a new project to the construction program or development and evaluation program meeting the definition of a “major project” under Section 2-103.1 of the Transportation Article that was not previously contained within a plan reviewed in a prior year by the General Assembly and will result in the need to expend funds in the current budget year; or
- (2) change the scope of a project in the construction program or development and evaluation program meeting the definition of a “major project” under Section 2-103.1 of the Transportation Article that will result in an increase of more than 10% or \$1,000,000, whichever is greater, in the total project costs as reviewed by the General Assembly during a prior session.

For each change, the report shall identify the project title, justification for adding the new project or modifying the scope of the existing project, current year funding levels, and the total project cost as approved by the General Assembly during the prior session compared with the proposed current year funding and total project cost estimate resulting from the project addition or change in scope.

Further provided that notification of project additions, as outlined in paragraph (1) above; changes in the scope of a project, as outlined in paragraph (2) above; or moving projects from the development and evaluation program to the construction program shall be made to the General Assembly 45 days prior to the expenditure of funds or the submission of any contract for approval to the Board of Public Works.

Explanation: This annual budget bill language requires the department to notify the budget committees of proposed changes to the transportation capital program that will add a new project that was not in the fiscal 2023 to 2028 Consolidated Transportation Program (CTP) or will increase a total project’s cost by more than 10%, or \$1 million, due to a change in scope. Reports are to be submitted with the draft and final versions of the CTP with each using the 2023 session CTP as the basis for comparison. In addition, notification is required as needed throughout the budget year if certain changes to projects are made.

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Information Request	Author	Due Date
Capital budget changes from one CTP version to the next	Maryland Department of Transportation (MDOT)	With draft CTP With final CTP
Capital budget changes throughout the year	MDOT	45 days prior to the expenditure of funds or seeking Board of Public Works approval

2. Add the following language:

The Maryland Department of Transportation (MDOT) may not expend funds on any job or position of employment approved in this budget in excess of 9,057.5 positions and 115.0 contractual full-time equivalent (FTE) positions paid through special payments payroll (defined as the quotient of the sum of the hours worked by all such employees in the fiscal year divided by 2,080 hours) of the total authorized amount established in the budget for MDOT at any one time during fiscal 2024. The level of contractual FTE positions may be exceeded only if MDOT notifies the budget committees of the need and justification for additional contractual personnel due to:

- (1) business growth at the Helen Delich Bentley Port of Baltimore or Baltimore/Washington International Thurgood Marshall Airport that demands additional personnel; or
- (2) emergency needs that must be met, such as transit security or highway maintenance.

The Secretary shall use the authority under Sections 2-101 and 2-102 of the Transportation Article to implement this provision. However, any authorized job or position to be filled above the regular position ceiling approved by the Board of Public Works shall count against the Rule of 100 imposed by the General Assembly. The establishment of new jobs or positions of employment not authorized in the fiscal 2024 budget shall be subject to Section 7-236 of the State Finance and Procurement Article and the Rule of 100.

Explanation: This annual budget bill language establishes a position ceiling for MDOT each year to limit growth in regular positions and contractual FTEs.

Information Request	Author	Due Date
Need for additional regular or contractual positions	MDOT	As needed

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3. Add the following language:

It is the intent of the Maryland General Assembly that the Maryland Department of Transportation (MDOT) be an active participant in regional efforts to develop a mileage-based user fee to ensure Maryland’s interests are considered in that development.

Further provided that \$100,000 of the special fund appropriation for J00A01.01 Executive Direction made for the purpose of general administration may not be expended until MDOT submits a report to the budget committees summarizing the actions it has taken to engage in these regional efforts. The report shall be submitted by December 1, 2023, and the budget committees shall have 45 days to review and comment. Funds restricted pending submission of the report may not be transferred by budget amendment or otherwise to any other purpose and shall be canceled if the report has not been submitted to the budget committees.

Explanation: Efforts are underway through The Eastern Transportation Coalition to develop a mileage-based user fee (MBUF) as an alternative to the motor fuel tax. Because MBUFs will need to apply to large regions to be practicable, it is important that Maryland have input in how the MBUF operates or it may be forced to accept aspects of a system not to its liking. This language states the intent that MDOT engage with other states in the region and requires a report on these efforts.

Information Request	Author	Due Date
Summary of actions taken to begin participating in efforts to develop an MBUF	MDOT	December 1, 2023