

February 3, 2021

The Honorable Maggie McIntosh
Chairwoman, House Appropriations Committee
121 House Office Building
Annapolis MD 21401

Re: *Letter of Opposition – House Bill 114 – Maryland Transit Administration – Funding (Transit Safety and Investment Act)*

Dear Chairwoman McIntosh and Committee Members:

The Maryland Department of Transportation (MDOT) respectfully opposes House Bill 114 due to the impact on MDOT's operating and capital programs and the limitations it puts on MDOT's ability to respond to economic downturns. While MDOT agrees with the intent of the bill to increase transit investment, it must be done in a fiscally responsible way over several years of programming that fits within available funding and allows for a balanced and equitable investment across all modes of transportation. Illustrating that support, MDOT added \$584.7 million to MDOT Maryland Transit Administration's (MDOT MTA) capital program over the next six years.

As the revenue declines associated with COVID-19 have so vividly demonstrated, it is imperative that MDOT has the flexibility to respond to changing economic conditions. Since its inception in 1971, one of the greatest strengths of the Transportation Trust Fund (TTF) is that it provides one consolidated fund that all transportation revenues flow into and all transportation expenses are paid out of. As such, the TTF provides MDOT MTA, as well as all business units of MDOT, a diverse set of revenue sources to better weather economic downturns. The use of mandated appropriations within the TTF undermines this strength. This diverse set of revenues also allows MDOT to fund MDOT MTA through a variety of taxes and fees collected statewide. Maryland is the only state where local jurisdictions do not contribute to the funding of main transit systems in the two major metropolitan areas of the state. This flexibility in the TTF has allowed MDOT to avoid some of the drastic impacts felt by transportation departments and transit agencies across the country.

House Bill 114 establishes mandated operating and capital funding levels for MDOT MTA for FY 2023 through FY 2028. If this mandate had been in place last year when the drastic declines from COVID-19 impacted revenue sources, MDOT would have had no way to maintain an increase in MDOT MTA's operating budget without laying off significant numbers of staff from MDOT's other business units. MDOT is responsible for the entire transportation system and funding MDOT MTA at higher levels is unsustainable and detrimental to the other business units.

House Bill 114 also requires minimum funding levels for MDOT MTA’s capital budget in FY 2023 through FY 2028. The minimum level of funding by fiscal year ranges from \$362 million per year to \$567 million per year and is based on funding needs identified in MDOT MTA’s Capital Needs Inventory. It is important to note that the Capital Needs Inventory is a point-in-time snapshot of projects. Some of the projects identified in the report are already underway.

To meet the capital funding requirements of House Bill 114, programmed funding for MDOT MTA must increase by \$541 million through FY 2028.

	2023	2024	2025	2026	2027*	2028*
MTA funding in FY 2021-2026 Final CTP	458.4	537.5	492.5	377.4	377.4	377.4
Purple Line	143.1	32.9	-	-	-	-
MTA capital excluding PL	315.3	504.6	492.5	377.4	377.4	377.4
Funding amount required in HB114	361.9	414.9	453.8	566.6	566.6	531.6
Additional funding required	46.6	(89.7)	(38.7)	189.2	189.2	154.2
Overage from prior year that can be applied	-	89.7	38.7	-	-	-
Final Additional Funding Needed	46.6	-	-	150.5	189.2	154.2

* Funding decisions for FY 2027 and 2028 have not yet been made. For purposes of this analysis, it is assumed that the level of funding in FY 2026 is continued into 2027 and 2028.

There are currently unfunded capital needs throughout MDOT’s statewide network. Shifting this large amount of funding from MDOT’s other business units to MDOT MTA in one CTP would have a substantial impact on MDOT’s capital program and would result in reductions to critical system preservation projects. According to data from the U.S. Department of Transportation, nationwide backlogs total \$836 billion in unmet capital investment needs for highways and bridges and \$90 billion in unmet capital investment needs for transit.

MDOT’s system preservation program includes critical projects across the State to maintain the transportation network, including maintaining the runways at BWI Marshall Airport, dredging the shipping channels to keep goods traveling to and from the Port of Baltimore, maintaining a secure IT infrastructure for millions of driver and vehicle records, safeguarding the State’s environmental assets, performing mid-life overhauls of transit vehicles, and ensuring that the State’s bridges can safely operate without load or speed restrictions. It is also essential that MDOT have the resources to strengthen its Development and Evaluation program, which will help to develop the projects of the future and deliver on MDOT’s commitment to a statewide, multimodal, and integrated transportation network for the next generation.

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For example, at the MDOT State Highway Administration, decreasing the preventative maintenance activities for bridge rehabilitation and resurfacing programs will lead to higher future costs as more substantial repairs will be required. The MDOT Maryland Port Administration has critical berth infrastructure that in certain places is nearing 100 years old. Delays to repairs of this infrastructure could limit available space to process cargo, resulting in the loss of business at the Port.

Section 2 of House Bill 114 expresses the intent that MDOT maintain a minimum net income coverage test of 2.5 times maximum future debt service. The net income coverage test measures the affordability of MDOT's debt. In response to the unprecedented decline in revenues associated with COVID-19 and the intent to minimize reductions to MDOT's operating and capital programs, MDOT's current six-year financial plan assumes that MDOT dips below 2.5 coverage in FY 2022 and FY 2023. To meet the minimum net income coverage requirement established in the bill, an additional reduction of \$100 million to MDOT's FY 2022 operating budget and another \$100 million from the capital budget is required. This reduction is in addition to the \$541 million reduction described above. These reductions are on top of the difficult decisions that have already been made to reduce funding to meet reduced revenue forecasts associated with COVID-19.

For these reasons, the Maryland Department of Transportation respectfully requests the Committee grant House Bill 114 an unfavorable report.

Respectfully submitted,

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