

March 8, 2022

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

***RE: Letter of Opposition – House Bill 1322 – Operating Budget – Consolidated  
Transportation Program and Unanticipated Federal Funds***

Dear Chair McIntosh and Committee Members:

The Maryland Department of Transportation (MDOT) respectfully opposes House Bill 1322 due to its impact to the Transportation Trust Fund (TTF) and impact to MDOT's Consolidated Transportation Program (CTP).

House Bill 1322 requires MDOT to include in its financial forecast a revenue reserve of \$35 million per year in each year of its financial forecast; prohibits the expenditure of Infrastructure Investment and Jobs Act (IIJA) funds by budget amendment of an appropriation in the fiscal year 2022 or 2023 State budget unless the money is used for certain purposes; and provides that the prohibition does not apply to the amendment of an appropriation if the Board of Public Works makes a certain determination.

MDOT's current financial plan includes a revenue reserve of \$35 million in FY 2022 and 2023 only. The use of this revenue reserve is not typical for MDOT and was introduced during the COVID-19 pandemic as an additional revenue hedge given the extreme uncertainty of revenues. The revenue reserve was intended to be a short-term measure only and was not planned to extend beyond FY 2023. MDOT has other protections in place to protect against unexpected changes in revenues or expenditures, including the use of a minimum fund balance (recently increased from \$150 million to \$200 million), a contingency for additional operating budget spending, and a management practice of maintaining a minimum debt service coverage of 2.5 rather than the 2.0 required in bond documents.

Adding this revenue reserve to MDOT's financial plan impacts the amount of money available for MDOT's capital program. Extending revenue reserve through FY 2027 (and beyond) requires a reduction to MDOT's six-year capital program of approximately \$140 million.

House Bill 1322 will significantly limit MDOT's ability to utilize funding available under the IIJA. Although the IIJA was passed in November 2021, there is not yet sufficient information available to include this funding in the State's budget, since Congress has not yet provided appropriations levels and federal agencies have not provided guidance on eligible uses of funding.

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The IIJA provides a multi-year authorization for federal transportation programs. This authorization provides vital federal funding for highway, transit, and other multimodal projects for federal fiscal years 2022 through 2027. This traditional transportation funding still needs federal fiscal year 2022 appropriations before it can be utilized. Currently the formula funds are being distributed based upon a continuing resolution of the FAST Act that expires on March 11.

Under House Bill 1322, MDOT would only have the ability to add these funds to existing projects but cannot supplant existing funds. To the extent that projects are already fully funded in the CTP, there would be no benefit of adding, not supplanting funds, to a project this is already fully funded.

The IIJA also includes a significant amount of discretionary funding available through competitive grant programs. Under House Bill 1322, MDOT's ability to compete for grants would be impacted by when the additional funds can be added. By way of example, the IIJA includes additional funding for the Rebuilding America Infrastructure with Sustainability and Equity (RAISE) grant program. In 2021, MDOT submitted grant applications for the MD 5 Great Mills Improvement Project and East-West Priority Improvement Corridor Project. MDOT was awarded a \$22 million grants for the East-West Corridor Project. Under House Bill 1322, MDOT would have had to delay the start of the project until the funds could be added to the budget during the next legislative session.

For these reasons, the Maryland Department of Transportation respectfully requests the Committee grant House Bill 1322 an unfavorable report.

Respectfully submitted,

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