

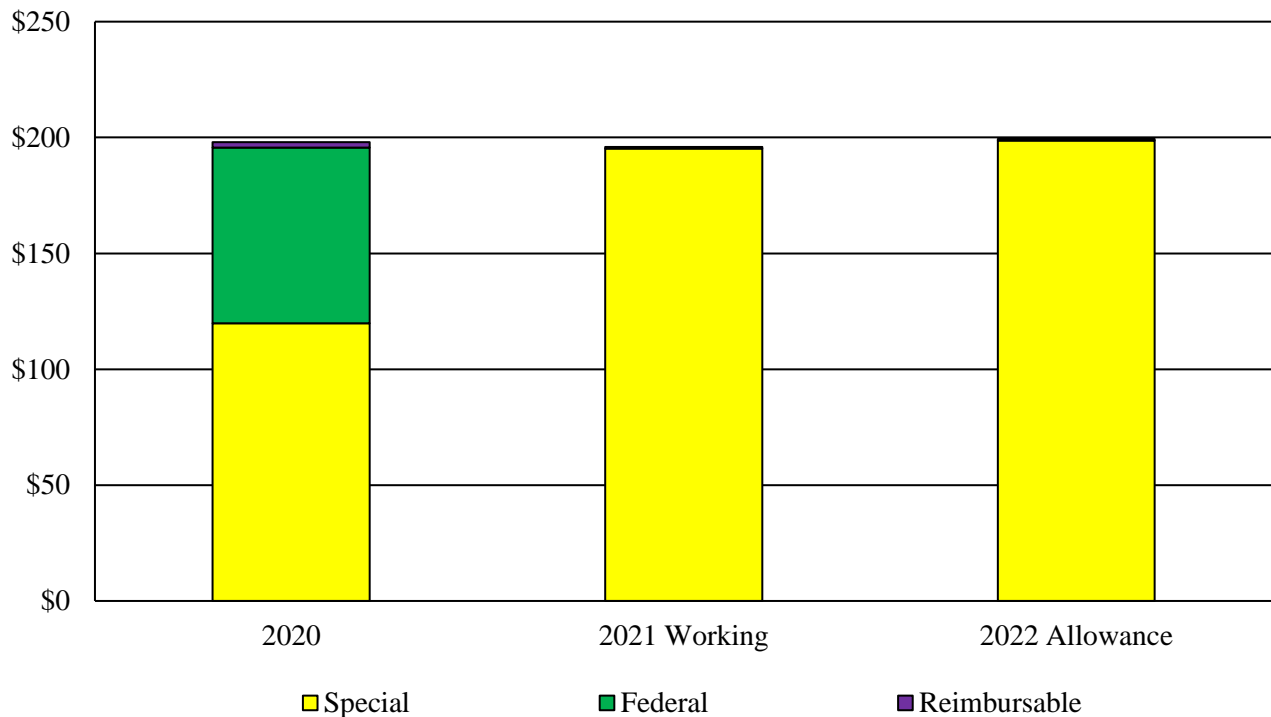
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MDOT Maryland Aviation Administration
Maryland Department of Transportation

Executive Summary

The Maryland Aviation Administration (MAA) has responsibility for fostering and developing aviation activity throughout the State as well as the operation, maintenance, protection, and development of the two State-owned airports – Baltimore/Washington International Thurgood Marshall Airport (BWI Marshall Airport) and Martin State Airport.

Operating Budget Summary

Fiscal 2022 Budget Increases \$3.4 Million, or 1.8%, to \$199.4 Million
(\$ in Millions)

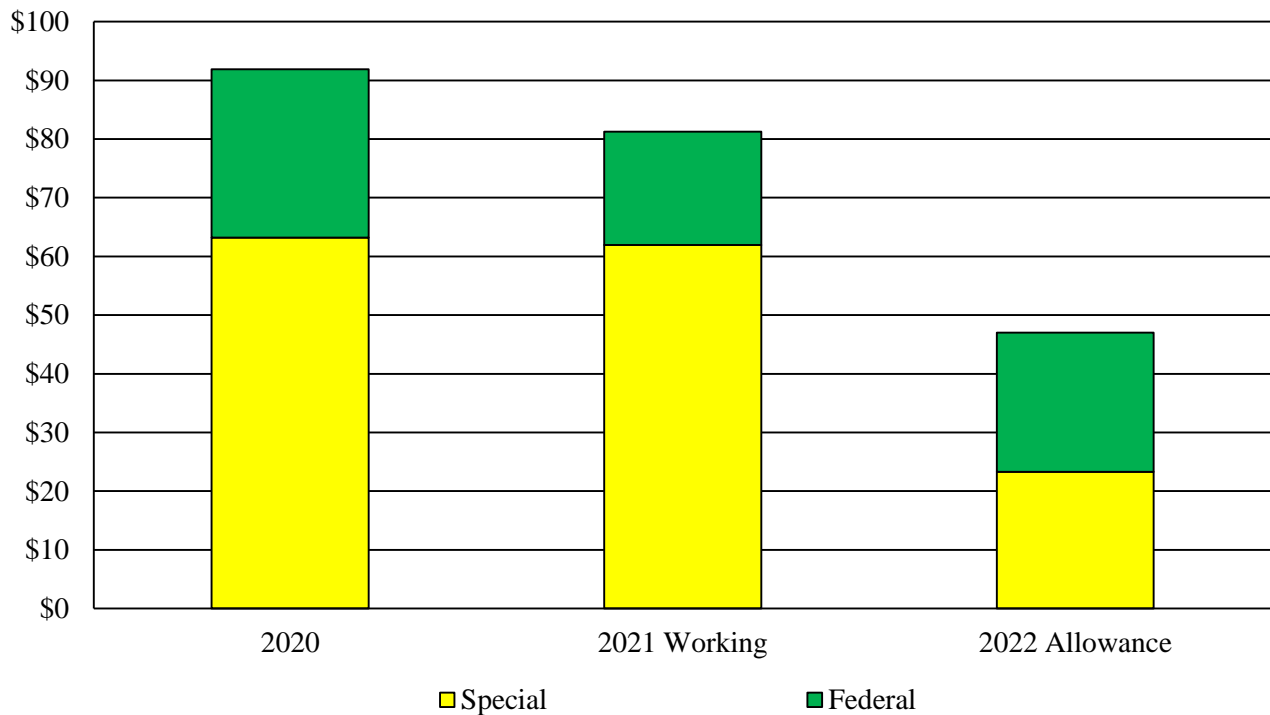


Note: The fiscal 2021 appropriation includes deficiencies, planned reversions, and a general salary increase. The fiscal 2022 allowance includes contingent reductions and annualization of the fiscal 2021 general salary increase.

- The fiscal 2022 allowance shows an increase of approximately \$3.4 million because the fiscal 2021 budget is reduced by \$23.0 million through cost containment deficiency appropriations. Absent this reduction, the allowance would decrease by \$19.6 million.

PAYGO Capital Budget Summary

Fiscal 2022 PAYGO Budget Decreases by \$34.2 Million, or 42.1%, to \$47.0 Million (\$ in Millions)



PAYGO: pay-as-you-go

Note: The fiscal 2021 appropriation includes deficiencies, planned reversions, and a general salary increase. The fiscal 2022 allowance includes contingent reductions and annualization of the fiscal 2021 general salary increase.

Key Observations

- The COVID-19 pandemic has severely impacted passenger traffic at BWI Marshall Airport, which has undercut earned revenues for MAA.

Operating Budget Recommended Actions

1. Concur with Governor's allowance.

PAYGO Budget Recommended Actions

1. Concur with Governor's allowance.

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MDOT Maryland Aviation Administration
Maryland Department of Transportation

Budget Analysis

Program Description

The Maryland Aviation Administration (MAA) has responsibility for fostering and developing aviation activity throughout the State. In addition, MAA is responsible for the operation, maintenance, protection, and development of both the 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:

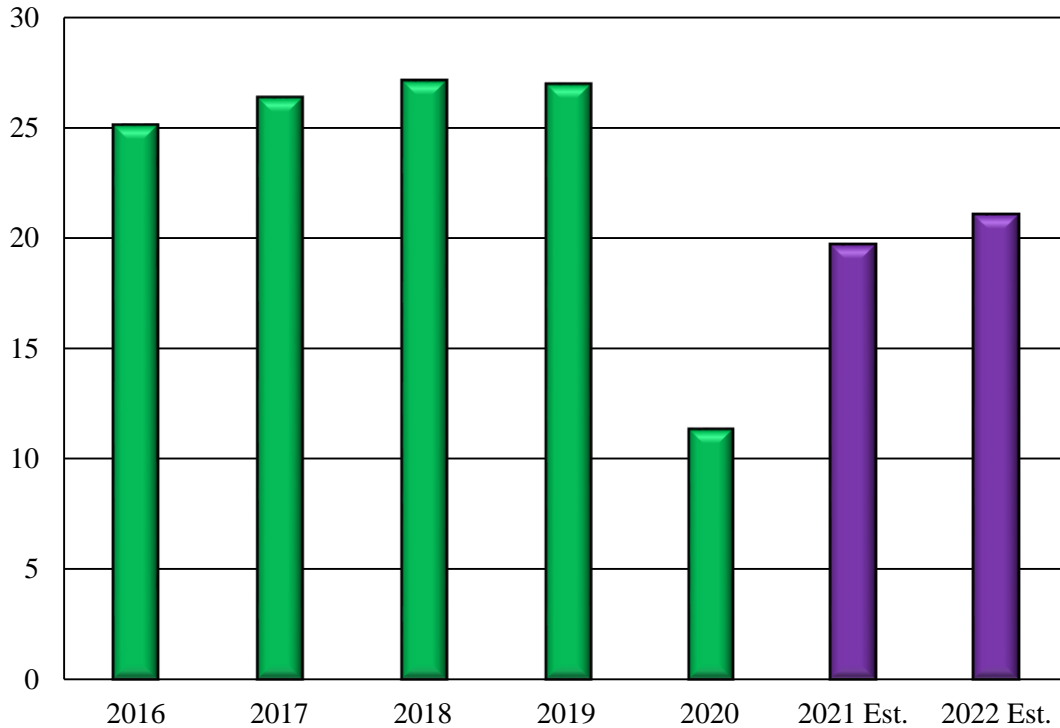
- keeping BWI Marshall Airport passengers, tenants, and facilities safe;
- operating BWI Marshall Airport efficiently and effectively;
- attracting, maintaining, and expanding air service; and
- providing exceptional service.

Performance Analysis: Managing for Results

1. Total Passenger Growth

Passenger traffic at BWI Marshall Airport was approximately 11.4 million passengers in calendar 2020, a decrease of 58% from calendar 2019. As shown in **Exhibit 1**, BWI Marshall Airport was experiencing a general trend in passenger growth up until 2020 when the impacts of the COVID-19 pandemic caused a dramatic decline. MAA is projecting a significant rebound (73% increase) in the current fiscal year, to nearly 20 million passengers. For more information on the impacts of COVID-19 on airport operations, see the Issues section of this analysis.

Exhibit 1
Total Passengers at
Baltimore/Washington International Thurgood Marshall Airport
Calendar 2016-2022 Est.
(in Millions)



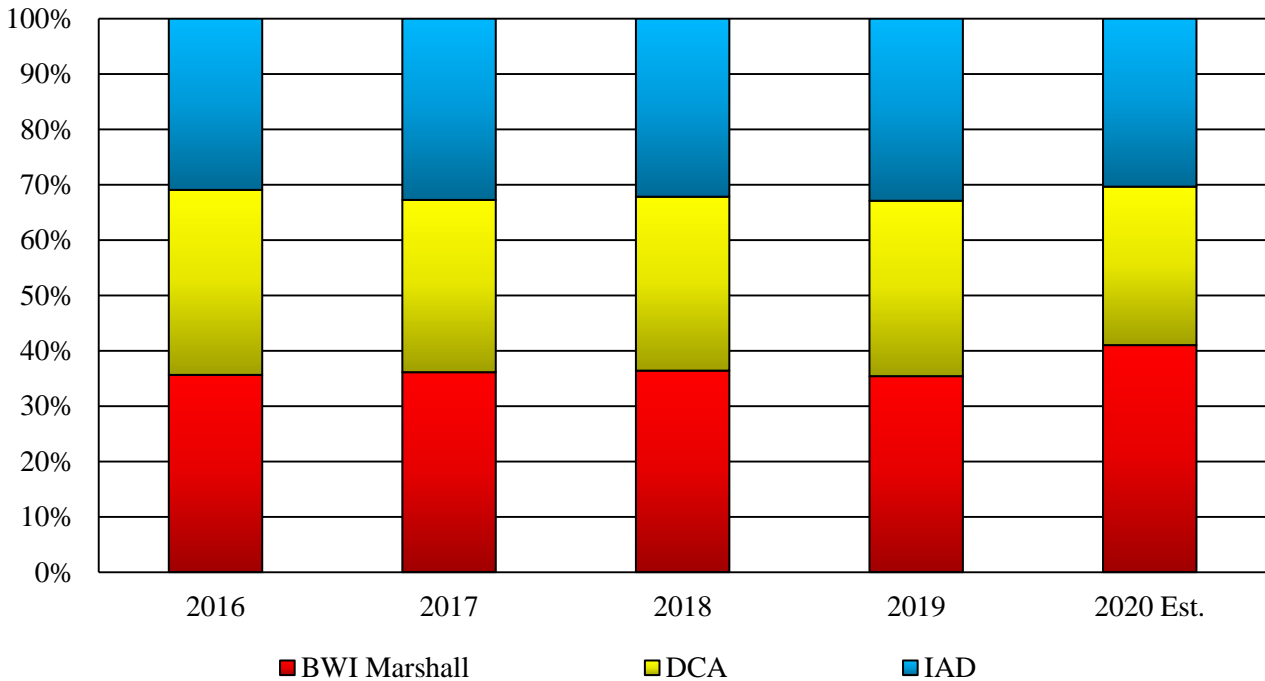
Source: Maryland Aviation Administration

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 the local market share for commercial passengers, commercial air operations, freight, and mail transport – BWI Marshall Airport, Washington Dulles International Airport (IAD), and Ronald Reagan Washington National Airport (DCA).

As shown in **Exhibit 2**, BWI Marshall Airport’s market share increased in calendar 2020 relative to DCA and IAD, moving from 35% of market share in calendar 2019 to 41% in 2020.

Exhibit 2
Passenger Market Share
Calendar 2016-2020 Est.



BWI Marshall: Baltimore/Washington International Thurgood Marshall Airport
DCA: Ronald Reagan Washington National Airport
IAD: Washington Dulles International Airport

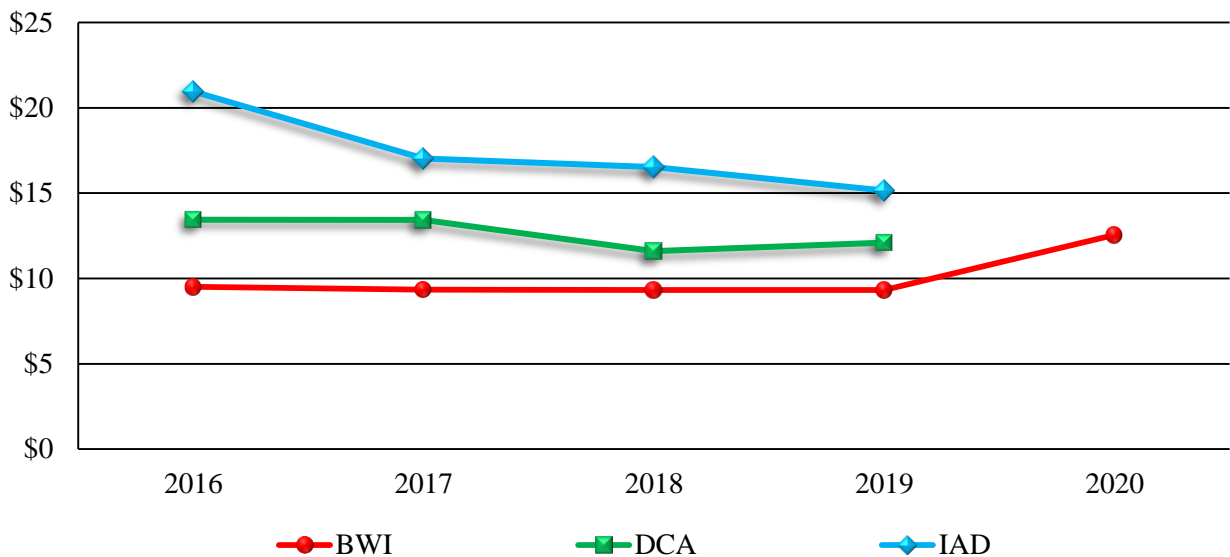
Source: Maryland Aviation Administration

3. Cost Per Enplaned Passenger Increases

An important financial calculation considered by airlines when deciding where to fly is the cost per enplaned passenger (CPE) at a given airport. CPE costs are the total of terminal and airfield costs related to flight activities, which are paid by the airport and subsequently reimbursed by the airlines and are affected by the number of enplaned passengers. CPE is an industry ratio, and while not calculated using a definitive standard due to variations in the negotiated operating agreements specific to the airports, it typically includes such costs as (1) landing fees; (2) terminal rental fees; (3) apron fees; (4) boarding bridges; and (5) aircraft parking. Airports universally try to reduce CPE to be more competitive in the market. 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 in fiscal 2020 was \$12.55, up from \$9.33 in fiscal 2019. As of February 14, 2021, fiscal 2020 CPE numbers for IAD and DCA are not available. The increase in fiscal 2020 is due to the fact that, while activity-based revenues for the airport decreased proportionate to the decrease in traffic, airlines still leased spaces at BWI Marshall Airport and incurred regular fixed costs for operating at the airport.

Exhibit 3
Cost Per Enplaned Passenger
Fiscal 2016-2020



Note: Fiscal 2020 numbers for DCA and IAD are not available as of February 14, 2021.

BWI: Baltimore/Washington International Thurgood Marshall Airport

DCA: Ronald Reagan Washington National Airport

IAD: Washington Dulles International Airport

Source: Maryland Aviation Administration

Fiscal 2020

MAA received \$87.8 million from the federal Coronavirus Aid, Relief, and Economic Security (CARES) Act for BWI Marshall Airport and MTN in fiscal 2020. BWI Marshall Airport received \$87.6 million while MTN received \$157,000. The locally operated airports in the State also received assistance from the CARES Act totaling roughly \$19.9 million. This money went directly to the local airports and did not flow through MAA. **MAA should comment on the status of the CARES Act funds, what they were used for, and if any amount is unspent.**

Fiscal 2021

The federal Coronavirus Response and Relief Supplemental Appropriations Act provides \$24.1 million for BWI Marshall Airport and \$91,162 for MTN. **MAA should comment on how these funds will be used and if any of them have been spent.**

Proposed Deficiency

A deficiency appropriation reduces the fiscal 2021 budget for MAA by \$23.0 million to reflect revenue declines in the Transportation Trust Fund (TTF) due to the effects of the COVID-19 pandemic and to realign appropriations to address pandemic-related operating changes.

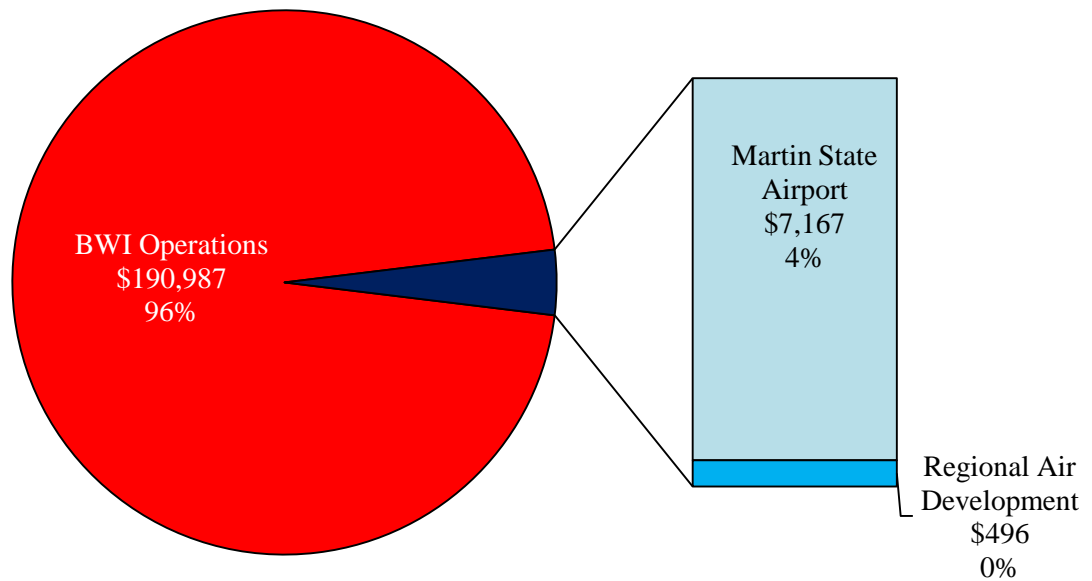
Cost Containment

Cost containment reductions for MAA are reflected through the deficiency appropriation discussed above.

Fiscal 2022 Overview of Agency Spending

The MAA fiscal 2022 operating budget is approximately \$199.4 million. This funding is split between BWI Marshall Airport, MTN, and expenses related to regional air development, as shown in **Exhibit 4**.

Exhibit 4
Overview of Agency Spending
Fiscal 2022 Allowance
(\$ in Thousands)



BWI: Baltimore/Washington International Thurgood Marshall Airport

Note: Annualization of the fiscal 2021 general salary increase is not reflected.

Source: Governor’s Fiscal 2022 Budget Books; Department of Legislative Services

Proposed Budget Change

The adjusted fiscal 2022 allowance increases by approximately \$3.4 million from the adjusted fiscal 2021 working appropriation. **Exhibit 5** shows that this increase is a 1.8% change over the prior year. Approximately \$1.9 million of the growth is due to increases in contractual security service expenses, reflective of the annual cost-of-living adjustment and step increases for the Maryland Transportation Authority (MDTA) police due to the collective bargaining agreement between the State, MDTA, and the Fraternal Order of Police Lodge #34.

Exhibit 5
Proposed Budget
Maryland Department of Transportation – Maryland Aviation Administration
(\$ in Thousands)

How Much It Grows:	Special Fund	Federal Fund	Reimb. Fund	Total
Fiscal 2020 Actual	\$119,864	\$75,729	\$2,415	\$198,008
Fiscal 2021 Working Appropriation	195,289	646	0	195,935
Fiscal 2022 Allowance	<u>198,730</u>	<u>646</u>	<u>0</u>	<u>199,376</u>
Fiscal 2021-2022 Amount Change	\$3,441	\$0	\$0	\$3,441
Fiscal 2021-2022 Percent Change	1.8%			1.8%

Where It Goes:	Change
Personnel Expenses	
Salary increases.....	\$760
Annualization of January 1, 2021 2% cost-of-living adjustment.....	380
Turnover.....	291
Employees' retirement system.....	153
Health insurance.....	137
Unemployment compensation	84
Law Enforcement Officer Pension System	72
Social Security contributions	59
Retirees health insurance premiums	39
Workers' compensation	-79
Other Changes	
Increase in other security service expenses.....	1,026
Increase in payments to the Maryland Transportation Authority police for security at BWI Marshall Airport.....	962
Unallocated deficiency appropriation	699
Increases in fixed charges	196
Other adjustments	99
Decrease in utilities	-453
Decrease in janitorial services contract.....	-985
Total	\$3,441

BWI: Baltimore/Washington International Thurgood Marshall Airport
MDOT: Maryland Department of Transportation

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

Operating Revenues

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 TTF must provide as a support. Although MAA revenues have typically covered its operating expenses, MAA relies on the TTF and other non-MAA financing mechanisms to fund its capital program.

Exhibit 6 shows MAA special fund revenues and expenditures. The impacts of the COVID-19 pandemic are seen in the \$52.1 million decrease in total operating revenues between fiscal 2020 and 2021. For additional information on the impacts of COVID-19 see the Issues section.

Exhibit 6
Special Fund Revenues and Expenditures
Fiscal 2020-2022
(\$ in Thousands)

	Actual 2020	Working 2021	Allowance 2022	\$ Change 2021-2022	% Change 2021-2022
Operating Revenues					
BWI – Flight Activities	\$63,803	\$45,931	\$69,848	\$23,917	52.07%
BWI – Rents and User Fees	79,201	82,311	81,713	-598	-0.73%
BWI – Concessions	70,885	38,523	78,723	40,200	104.35%
BWI – Other	9,939	5,096	23,768	18,672	366.41%
MTN – Rents, Concessions	9,254	9,149	9,641	492	5.38%
Total	\$233,082	\$181,010	\$263,693	\$82,683	45.68%
Operating Expenditures	\$119,864	\$217,972	\$198,004	-\$19,968	-9.16%
Net Operating Income	\$113,218	-\$36,962	\$65,689	\$102,651	277.72%
Capital Expenditures	\$63,184	\$61,917	\$23,208	-\$38,709	-62.52%
Net Income/Loss	\$50,034	-\$98,879	\$42,481	\$141,360	142.96%

BWI: Baltimore/Washington International Thurgood Marshall Airport

MTN: Martin State Airport

Note: Fiscal 2020 operating expenditures do not include the impact of the Coronavirus Aid, Relief, and Economic Security Act funding. Fiscal 2021 operating expenditures do not include the \$18 million cost containment reduction.

Source: Maryland Aviation Administration

Operating and PAYGO Personnel Data

	<u>FY 20</u>	<u>FY 21</u>	<u>FY 22</u>	<u>FY 21-22</u>
	<u>Actual</u>	<u>Working</u>	<u>Allowance</u>	<u>Change</u>
Regular Operating Budget Positions	453.50	451.50	453.50	2.00
Regular PAYGO Budget Positions	<u>41.00</u>	<u>43.00</u>	<u>41.00</u>	<u>-2.00</u>
Total Regular Positions	494.50	494.50	494.50	0.00
Operating Budget FTEs	0.00	0.50	0.50	0.00
PAYGO Budget FTEs	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Total FTEs	0.00	0.50	0.50	0.00
Total Personnel	494.50	495.00	495.00	0.00

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	34.62	7.00%
Positions and Percentage Vacant as of 12/31/20	38.50	7.79%
Vacancies Above Turnover	3.88	0.79%

- The MAA personnel complement in fiscal 2022 reflects the realignment of two positions between the operating and capital programs.

PAYGO Capital Program

Program Description

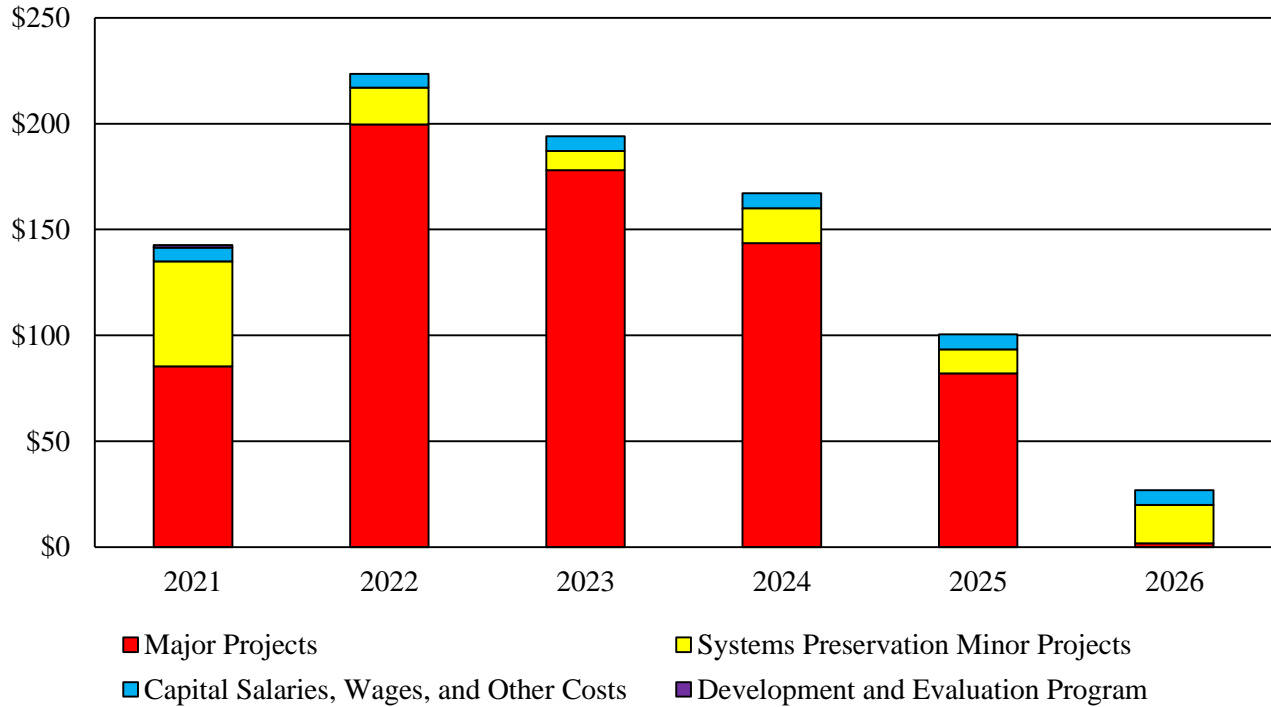
The MAA capital program provides for the development and maintenance of facilities at BWI Marshall Airport and MTN. MAA undertakes projects that meet the demands of commercial and general aviation for both passenger and cargo activities at BWI Marshall Airport. At MTN, capital investments consist of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

Fiscal 2021 to 2026 Consolidated Transportation Program

The fiscal 2021 to 2026 *Consolidated Transportation Program* (CTP) for MAA totals \$854.3 million, which is a decrease of \$179.7 million over the prior year's six-year program. This is due in part to changes in the six-year total for the Concourse A/B Connector and Baggage Handling System Replacement at BWI Marshall Airport, which has fallen to \$430.1 million in the current CTP from \$499.1 million the prior year.

Exhibit 7 shows a major decrease in the out-years of the CTP, particularly in fiscal 2025 and 2026.

Exhibit 7
Six-year PAYGO Allowance
Fiscal 2021-2026
(\$ in Thousands)



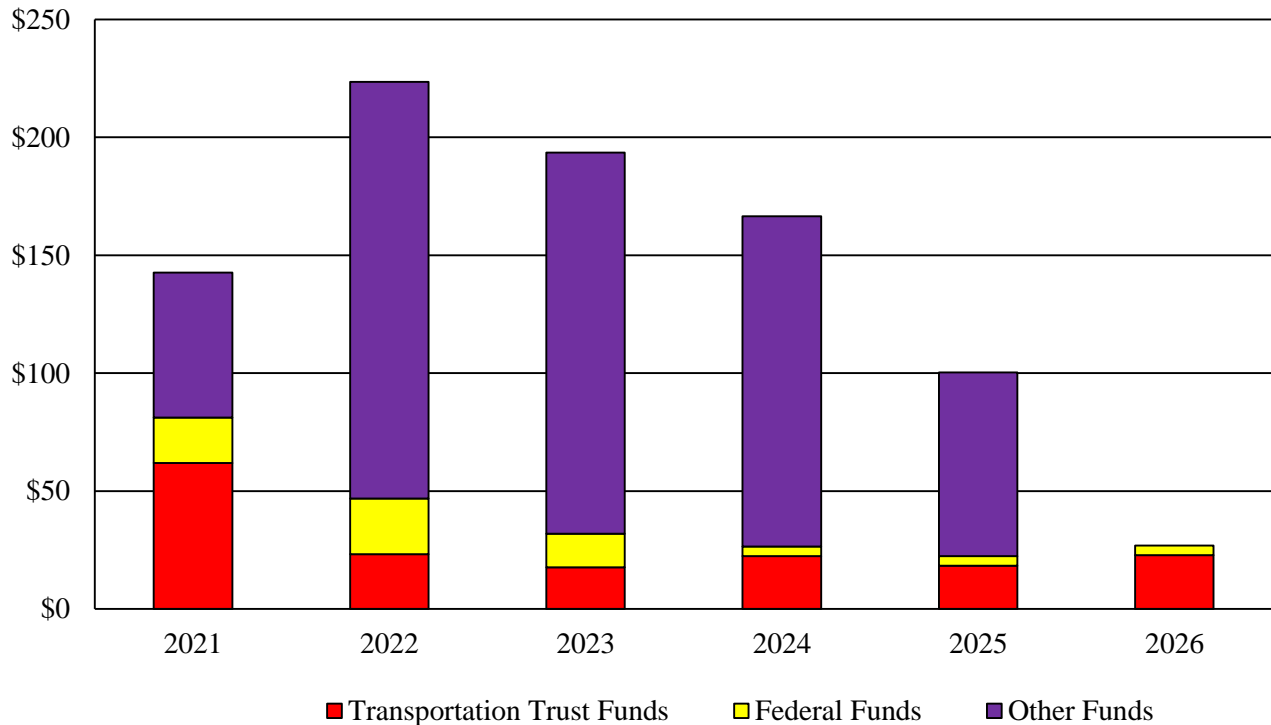
PAYGO: pay-as-you-go

Source: Maryland Department of Transportation, 2021-2026 *Consolidated Transportation Program*

Fiscal 2021 to 2026 Consolidated Transportation Program

Exhibit 8 shows the fiscal 2021-2026 CTP split out by fund source. The other funds category starting in fiscal 2022 becomes the majority of the funds in each fiscal year until fiscal 2026. This is due to the issuance of airport revenue bonds to cover the costs of the A/B Connector project at BWI Marshall Airport.

Exhibit 8
Six-year PAYGO Allowance by Fund
Fiscal 2021-2026
(\$ in Thousands)



PAYGO: pay-as-you-go

Source: Maryland Department of Transportation, 2021-2026 *Consolidated Transportation Program*

Fiscal 2022 PAYGO Allowance

Exhibit 9 shows the programmed capital funds for the fiscal 2022 capital allowance by project and program along with total estimated costs and six-year funding for each program. The cost of the Concourse A/B Connector and Baggage Handling System Replacement project at BWI Marshall Airport was reduced compared to the prior year CTP by \$50 million to align with proceeds from the planned spring 2021 airport revenue bond issuance. The scope of the project has been redefined to fit within the current budget.

Exhibit 9
Maryland Aviation Administration PAYGO Capital Program Projects
Fiscal 2022 Allowance
(\$ in Thousands)

<u>Project Description</u>	<u>2022</u>	<u>Total Estimated Cost</u>	<u>Six-year Total</u>
Regional Aviation Assistance Program	\$1,650	\$72,465	\$11,165
Residential Sound Insulation Program	11,460	34,379	34,346
Shuttle Bus Fleet Replacement at BWI	12,500	37,348	12,521
Midfield Cargo Improvements at BWI	0	33,941	1,872
Concourse A Improvements Phase 2 at BWI	0	68,361	17,209
Concourse D HVAC Replacement at BWI	9,902	22,148	20,806
FIS Hall Reconfiguration at BWI	4,422	10,002	9,998
Restroom Improvement Program at BWI	22,063	64,673	61,352
Aircraft Maintenance Facility Infrastructure at BWI	21,865	67,701	63,428
Concourse A/B Connector and Baggage Handling System Replacement project at BWI	104,386	450,090	430,091
Taxiway F Relocation at BWI	3,810	6,440	5,612
Taxiway T Reconstruction Phase 1 at BWI	5,985	13,115	12,552
Airfield Lighting Vault Relocation at BWI	1,679	9,853	9,029
Concourse A/B Enabling – Central Utility Plant Upgrades at BWI	0	94	0
Environmental Assessment at Martin State Airport	0	2,795	519
Environmental Assessment at BWI	0	3,764	706
Major Projects Total	\$199,722	\$897,169	\$691,206
System Preservation and Minor Projects	\$17,300	n/a	\$122,100
Capital Salaries	6,500	n/a	40,500
Total	\$223,522	\$897,169	\$853,806

BWI: Baltimore/Washington International Thurgood Marshall Airport

FIS: Federal Inspection Service

PAYGO: pay-as-you-go

Source: Maryland Department of Transportation, 2021-2026 *Consolidated Transportation Program*

Issues

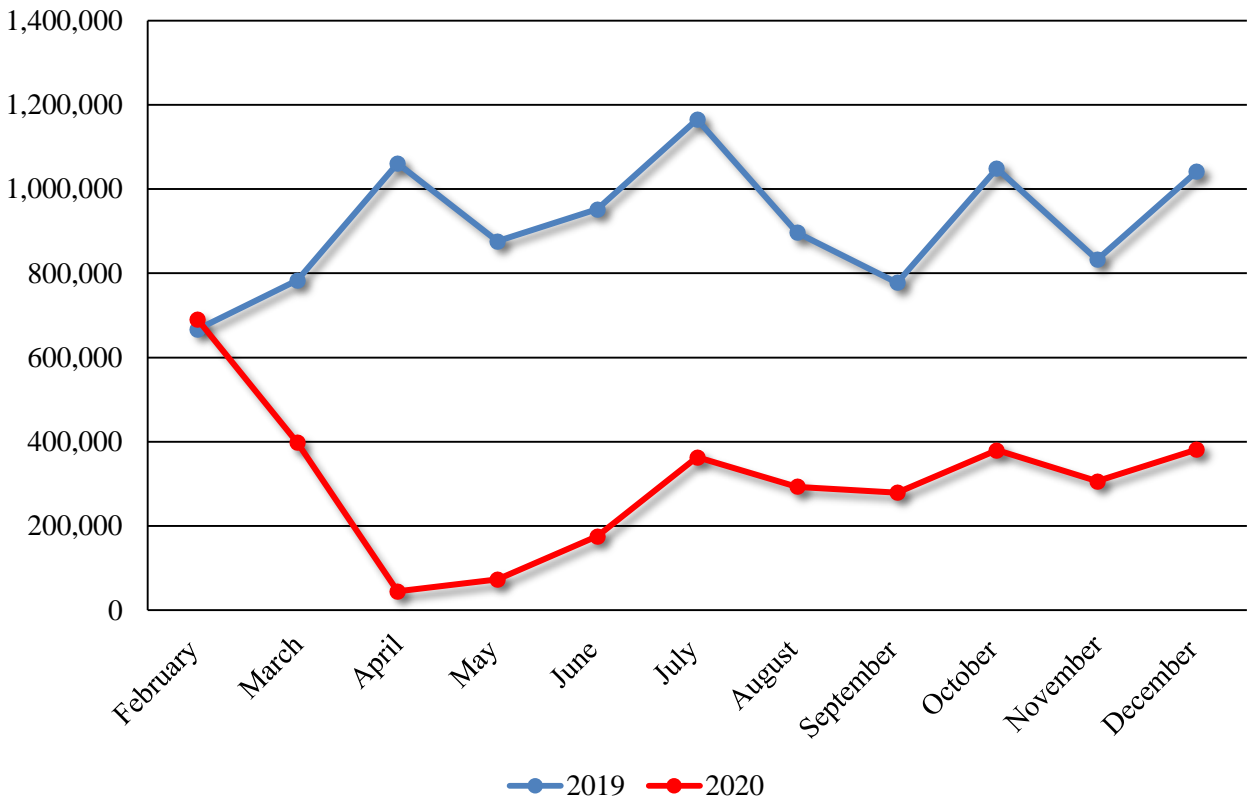
1. Impact of COVID-19 on Operations at BWI Marshall Airport

Exhibit 10 shows the dramatic decline in passenger travel at BWI Marshall Airport as a result of the impacts of COVID-19. April 2020 experienced the most severe decline compared to the previous year, with departing passenger traffic declining by 96% over the prior year. By December 2020, that number had narrowed to a 63% decrease over the prior year. This decline in passenger travel has impacted both earned revenue and operations at the airport. MAA has taken steps in order to keep both employees and passengers safe during the COVID-19 pandemic. These steps have included the following:

- MAA waived fixed rent and provided a one-year extension to BWI Marshall's concessions management company (Fraport), subsequently, all concession subtenants received fixed rent waivers and a two-year extension to each respective sublease. This fixed rent relief is a fiscal impact to the State of \$16.4million, which was offset by CARES Act funding. In addition, all Airport restaurants and retail operators were given flexibility during the pandemic to change hours of operations, close operations, or delay openings to mitigate impact.
- MAA has reduced the number of access points to the BWI Marshall Airport terminal building and access has been restricted to ticketed passengers.
- At BWI Marshall Airport, long term lots A and B, the express lot, and the valet parking are closed.

MAA should comment on the ongoing impact of COVID-19 on airport operations and finances.

Exhibit 10
BWI Departing Passenger Traffic Per Month
Calendar 2019-2020

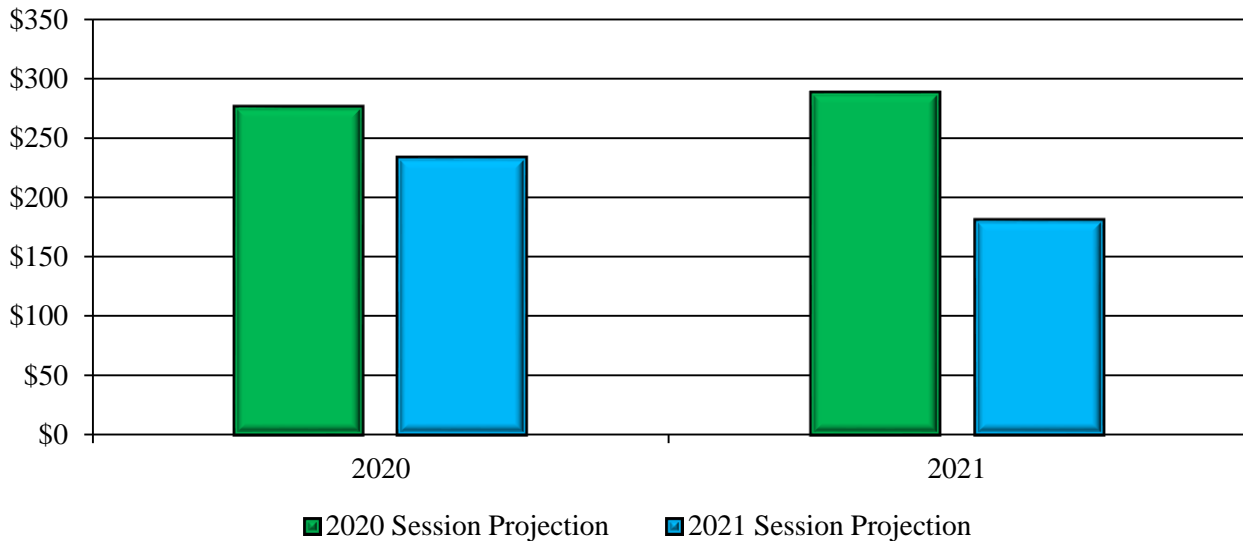


BWI: Baltimore/Washington International Thurgood Marshall Airport

Source: Maryland Department of Transportation; Department of Legislative Services

Exhibit 11 shows the decrease in revenues for both fiscal 2020 and 2021 from the 2020 projections to the 2021 projections. The pandemic impacted airport operations for the final quarter of fiscal 2020, resulting in a \$43 million decrease in revenues compared to the projections presented during the 2020 session. The revenue decline in fiscal 2021 is even more severe, with an anticipated decrease of \$107 million.

Exhibit 11
2020-2021 Operating Revenue Projections
Fiscal 2020-2021
(\$ in Millions)



Source: Maryland Department of Transportation; Department of Legislative Services

2. Issuance of Airport Revenue-backed Bonds

Revenue-backed Debt

Prior to the enactment of Chapter 274 of 2014, the Maryland Department of Transportation (MDOT) was not authorized to issue its own revenue-backed debt; therefore, it often used either MDTA or the Maryland Economic Development Corporation as conduit issuers for its revenue-backed debt. As of December 31, 2020, MDOT had 18 revenue-backed debt issuances outstanding of which 10 were for MAA facilities. Each of the MAA revenue-backed issuances have specific revenues pledged for the payment of debt service. MAA plans to simplify its debt structure by using revenue bond issuances to refund outstanding bonds. This will simplify the accounting and recordkeeping related to its debt management. MAA intends to continue this practice of using a pledge of nonspecified operating revenues when issuing revenue-backed debt. MAA plans to issue its first new-money revenue-backed debt for the A/B Connector and Baggage Handling System project at BWI Marshall Airport.

A/B Connector and Baggage Handling System Replacement Project

The Concourse A/B Connector and Baggage Handling System Replacement project at BWI Marshall Airport includes a two-level building addition between concourses A and B to provide space for an upgraded baggage handling system in the lower level and a connecting walkway between the concourses on the upper level. This expansion will also include expanded hold rooms, new restrooms, and concession space. The A/B Connector project is part of a larger series of projects that, if completed, would provide a same level walkway between the concourses at BWI Marshall Airport. This will allow for more efficient movement of passengers across the airport. The current CTP includes money to start the construction of the project in fiscal 2022. The project depends on the issuance of the planned airport revenue bonds in spring 2021, at which point the project will be able to move forward. Construction is planned to start in the first quarter of fiscal 2022 and continue through 2025. **MAA should comment on the issuance of revenue bonds to refund existing debt and on the planned issuance to cover the A/B Connector project.**

Operating Budget Recommended Actions

1. Concur with Governor's allowance.

PAYGO Budget Recommended Actions

1. Concur with Governor's allowance.

Appendix 1
Object/Fund Difference Report
Maryland Department of Transportation – Maryland Aviation Administration

<u>Object/Fund</u>	<u>FY 20</u> <u>Actual</u>	<u>FY 21</u> <u>Working</u> <u>Appropriation</u>	<u>FY 22</u> <u>Allowance</u>	<u>FY 21 - FY 22</u> <u>Amount Change</u>	<u>Percent</u> <u>Change</u>
Positions					
01 Regular	453.50	451.50	453.50	2.00	0.4%
02 Contractual	0.00	0.50	0.50	0.00	0%
Total Positions	453.50	452.00	454.00	2.00	0.4%
Objects					
01 Salaries and Wages	\$ 47,603,158	\$ 45,645,401	\$ 47,161,299	\$ 1,515,898	3.3%
02 Technical and Spec. Fees	2,131,283	2,497,618	2,533,051	35,433	1.4%
03 Communication	1,447,507	1,486,851	1,474,851	-12,000	-0.8%
04 Travel	147,256	242,969	196,210	-46,759	-19.2%
06 Fuel and Utilities	11,862,861	14,119,799	12,767,228	-1,352,571	-9.6%
07 Motor Vehicles	2,390,479	2,787,901	2,471,055	-316,846	-11.4%
08 Contractual Services	97,048,614	110,324,548	99,784,546	-10,540,002	-9.6%
09 Supplies and Materials	6,810,373	7,074,925	6,375,570	-699,355	-9.9%
10 Equipment – Replacement	254,255	0	0	0	0.0%
11 Equipment – Additional	71,681	0	0	0	0.0%
12 Grants, Subsidies, and Contributions	1,113,375	1,098,018	1,109,528	11,510	1.0%
13 Fixed Charges	19,430,786	21,051,154	16,946,068	-4,105,086	-19.5%
14 Land and Structures	7,696,455	12,288,686	7,830,232	-4,458,454	-36.3%
Total Objects	\$ 198,008,083	\$ 218,617,870	\$ 198,649,638	-\$ 19,968,232	-9.1%
Funds					
03 Special Fund	\$ 119,864,266	\$ 217,972,370	\$ 198,004,138	-\$ 19,968,232	-9.2%
05 Federal Fund	75,728,895	645,500	645,500	0	0%
09 Reimbursable Fund	2,414,922	0	0	0	0.0%
Total Funds	\$ 198,008,083	\$ 218,617,870	\$ 198,649,638	-\$ 19,968,232	-9.1%

Note: The fiscal 2021 appropriation does not include deficiencies, targeted revenues, or across-the-board reductions. The fiscal 2022 allowance does not include contingent reductions or cost-of-living adjustments.

**Appendix 2
Fiscal Summary
Maryland Department of Transportation – Maryland Aviation Administration**

<u>Program/Unit</u>	<u>FY 20 Actual</u>	<u>FY 21 Wrk Approp</u>	<u>FY 22 Allowance</u>	<u>Change</u>	<u>FY 21 - FY 22 % Change</u>
02 Airport Operations	\$ 198,008,083	\$ 218,617,870	\$ 198,649,638	-\$ 19,968,232	-9.1%
03 Airport Facilities and Capital Equipment	91,920,606	81,213,589	46,945,158	-34,268,431	-42.2%
Total Expenditures	\$ 289,928,689	\$ 299,831,459	\$ 245,594,796	-\$ 54,236,663	-18.1%
Special Fund	\$ 183,048,459	\$ 279,889,307	\$ 221,211,656	-\$ 58,677,651	-21.0%
Federal Fund	104,465,308	19,942,152	24,383,140	4,440,988	22.3%
Total Appropriations	\$ 287,513,767	\$ 299,831,459	\$ 245,594,796	-\$ 54,236,663	-18.1%
Reimbursable Fund	\$ 2,414,922	\$ 0	\$ 0	\$ 0	0.0%
Total Funds	\$ 289,928,689	\$ 299,831,459	\$ 245,594,796	-\$ 54,236,663	-18.1%

Note: The fiscal 2021 appropriation does not include deficiencies, targeted revenues, or across-the-board reductions. The fiscal 2022 allowance does not include contingent reductions or cost-of-living adjustments.