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# **Maryland Department of Transportation Fiscal 2023 Budget Overview**

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

**January 2022**

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*Analysis of the FY 2023 Maryland Executive Budget, 2022*

## Executive Summary

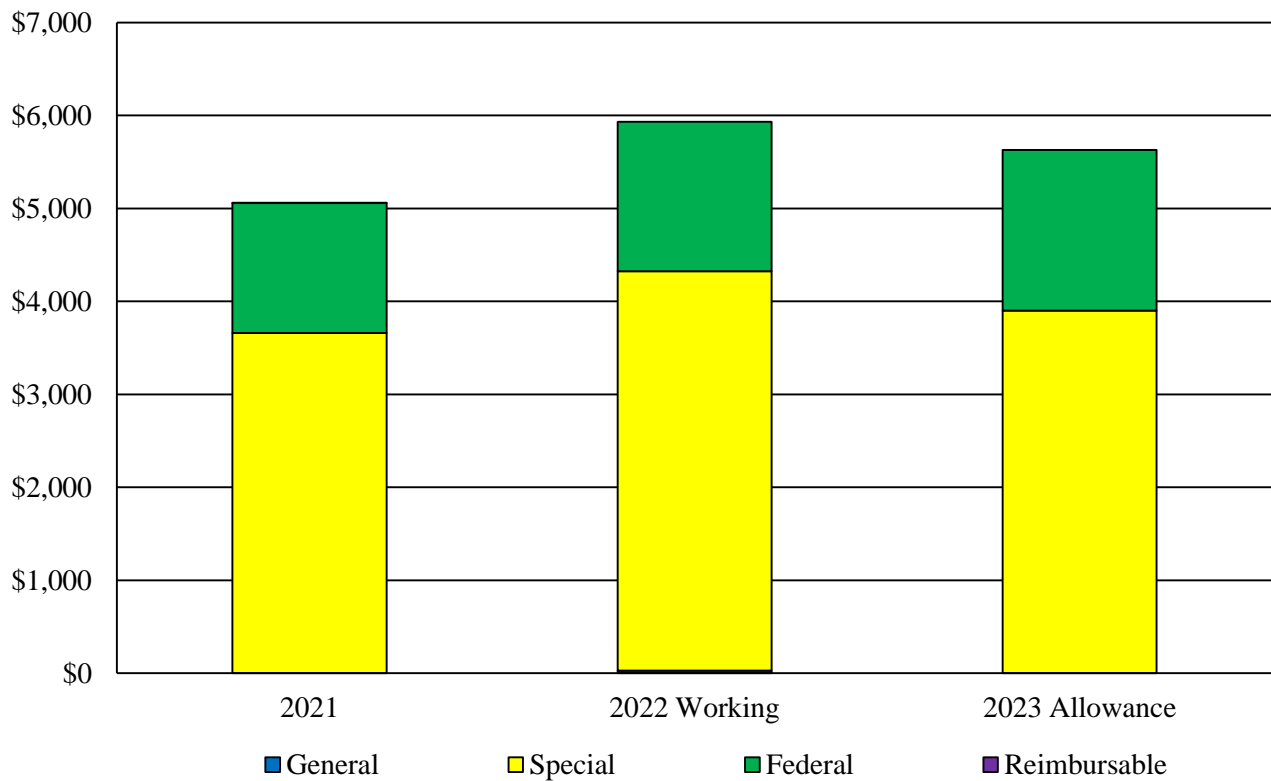
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This analysis provides an overview of the status of the six-year Transportation Trust Fund (TTF) forecast, including revenue and spending projections as well as a summary of the entire fiscal 2023 budget for the Maryland Department of Transportation (MDOT).

## Budget Summary

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### Fiscal 2023 Budget Decreases \$301.0 Million, or 5.1%, to \$5.6 Billion (\$ in Millions)



Note: The fiscal 2022 working appropriation and fiscal 2023 allowance do not reflect funding for statewide personnel actions budgeted in the Department of Budget and Management, which include cost-of-living adjustments, increments, bonuses, and may include annual salary review adjustments.

## ***Key Observations***

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- The COVID-19 pandemic has had a significant impact on the transportation sector in Maryland and on MDOT revenues. Although the past year has seen improvements with some indicators returning to prepandemic levels, the improvement has not been uniform with respect to the mode of transportation nor among sources of revenue.
- The six-year capital program for fiscal 2022 to 2027 is \$2.5 billion larger than the prior year program. The program as submitted does not reflect increased federal funding in the Infrastructure Investment and Jobs Act (IIJA). MDOT indicates that funding may be added through a supplemental budget if the U.S. Congress passes fiscal 2022 appropriation bills in time.
- A replacement design-build contractor for the Purple Line has been selected. The contract cost is increasing by \$3.7 billion, and the term is being extended by four years.

## **Operating Budget Recommended Actions**

1. Add annual language requiring notification of changes to the capital program.
2. Add annual language establishing a position cap.

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**Maryland Department of Transportation**  
**Fiscal 2023 Budget Overview**

***Transportation Trust Fund Overview***

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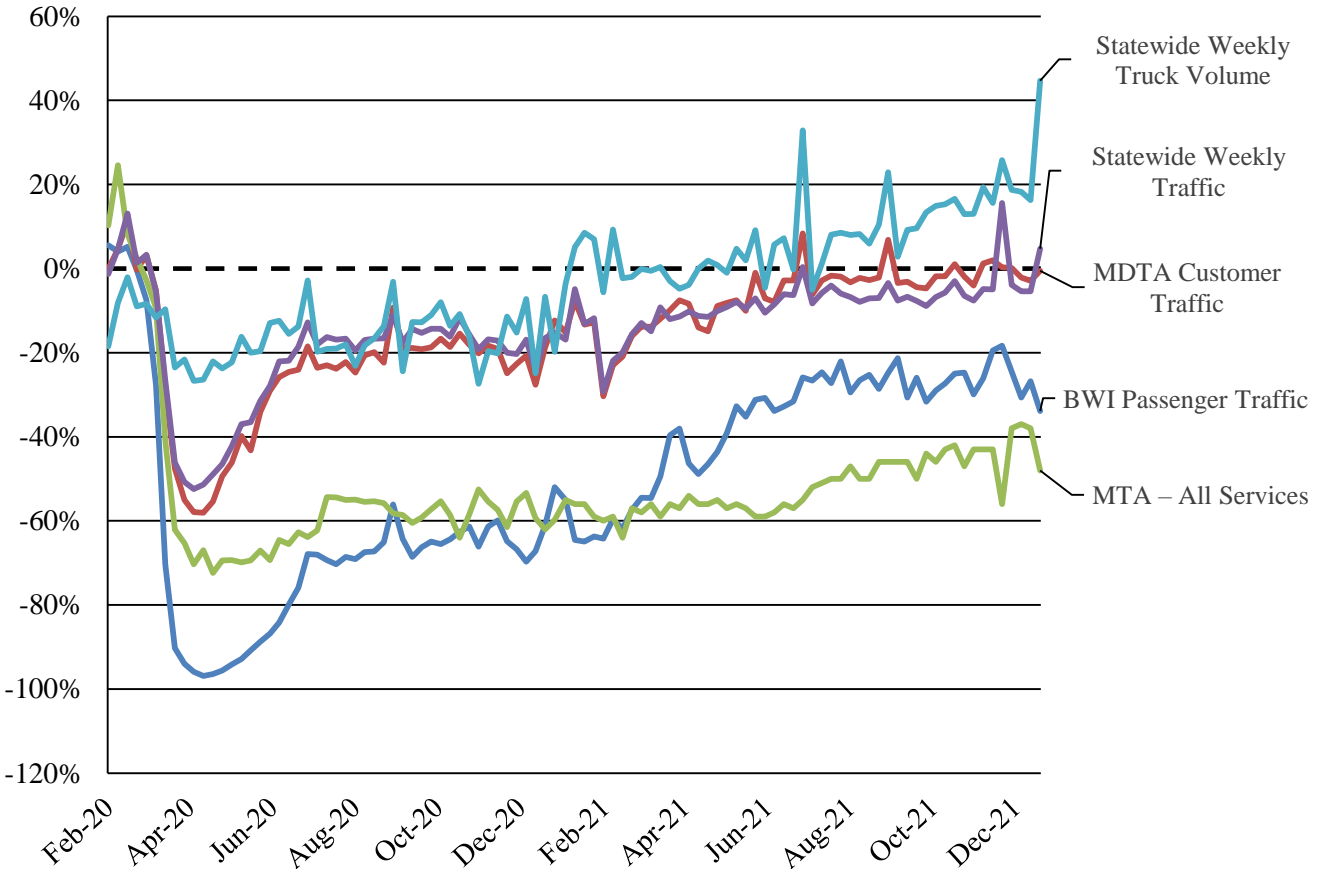
The TTF is a nonlapsing special fund that provides funding for transportation. It consists of tax and fee revenues, operating revenues, bond proceeds, and fund transfers. MDOT issues bonds backed by TTF revenues and invests the TTF fund balance to generate investment income. The Maryland Transit Administration (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**

The continuing impact of the COVID-19 pandemic on the transportation sector and MDOT services is mixed. As shown in **Exhibit 1**, by the end of calendar 2021, traffic and toll facility volumes had returned to prepandemic levels, and weekly truck traffic volume was well above 2019 levels. While air travel and total transit ridership gradually improved through most of calendar 2021, both remained well below prepandemic levels and experienced year-end reductions likely due to rapidly increasing COVID-19 cases caused by the Omicron variant.

**Exhibit 1  
 COVID-19 Impacts on Transportation Services  
 Weekly Percent Change Compared to 2019  
 Calendar 2020-2021**



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

Source: Maryland Department of Transportation; Department of Legislative Services

The pandemic also drastically impacted TTF revenues, but the picture has improved markedly since last year, due in large part to federal COVID-19/stimulus aid. **Exhibit 2** shows six-year totals for the January 2021 and January 2022 forecasts, and the difference compared to the January 2020 prepandemic forecast. Six-year revenue and spending projections were nearly \$1.7 billion lower in the January 2021 forecast relative to 2020 but are projected to be \$505 million higher in the January 2022 forecast compared to 2020.

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

	<b>January 2021</b>	<b>Change from January 2020</b>	<b>January 2022</b>	<b>Change from January 2020</b>
<b>Revenues</b>				
<b>Taxes and Fees</b>				
Motor Vehicle Fuel Taxes	\$6,864	-\$641	\$7,331	-\$169
Titling Taxes	5,679	-193	6,311	448
Sales Tax – Rental Vehicles	132	-31	180	-42
Corporate Income Tax	1,149	87	1,805	473
Registration Fees	2,528	33	2,527	39
Miscellaneous Motor Vehicle Fees	1,799	-79	1,782	-55
<b>Subtotal – Taxes and Fees</b>	<b>\$18,151</b>	<b>-\$824</b>	<b>\$19,935</b>	<b>\$693</b>
<b>Other Revenues</b>				
Operating Revenues	\$2,729	-\$539	\$2,558	-\$546
Federal Operating Assistance	636	7	663	25
Bond Proceeds/Premiums	1,304	-367	1,715	-552
Federal COVID-19/Stimulus	144	148	888	888
Other	314	-30	325	-84
Change in Fund Balance	-61	-59	225	81
<b>Subtotal – Other Revenues</b>	<b>\$5,066</b>	<b>-\$840</b>	<b>\$6,374</b>	<b>-\$188</b>
<b>Total Revenues</b>	<b>\$23,217</b>	<b>-\$1,664</b>	<b>\$26,310</b>	<b>\$505</b>
<b>Expenditures</b>				
Debt Service	\$2,655	\$16	\$2,744	\$48
Operating Budget	14,481	-401	14,460	-415
Deductions to Other Agencies	478	2	509	32
Highway User Revenues Capital Grants	1,382	-123	1,441	-99
State Capital Program	4,221	-1,158	7,156	939
<b>Total Expenditures</b>	<b>\$23,217</b>	<b>-\$1,664</b>	<b>\$26,310</b>	<b>\$505</b>

Source: Maryland Department of Transportation; Department of Legislative Services

The improvement in revenues is not uniform, however. Operating revenues are projected to continue to be depressed, reflecting the reduced passenger traffic shown in Exhibit 1.

## Fiscal 2021 TTF Revenue Closeout

As shown in **Exhibit 3**, the TTF ended fiscal 2021 with a fund balance of \$425 million, an amount \$275 million higher than the \$150 million projected balance. Revenues were a net \$541 million higher than projected with titling tax revenue and federal COVID-19/stimulus funding comprising the two largest overperformers. Expenditures were a net \$266 million higher than projected with departmental operations accounting for most of the increase.

### Exhibit 3 Fiscal 2021 Transportation Trust Fund Closeout (\$ in Millions)

	<u>Projected</u>	<u>Actual</u>	<u>Variance</u>
<b>Starting Fund Balance</b>	<b>\$260</b>	<b>\$260</b>	<b>\$0</b>
<b>Revenues</b>			
Motor Fuel Taxes	\$1,040	\$1,026	-\$14
Titling Taxes	805	977	172
Sales Tax – Rental Vehicles	29	21	-8
Corporate Income, Registrations, and Miscellaneous			
Motor Vehicle Administration Fees	879	946	67
MDOT Operating Revenues (MAA, MPA, MTA)	277	284	7
Federal COVID/Stimulus Funding	148	358	210
Transfer from Dedicated Purpose Account	97	97	0
Other Receipts and Adjustments	52	160	108
Bond Proceeds and Premiums	390	390	0
<b>Total Revenues</b>	<b>\$3,717</b>	<b>\$4,258</b>	<b>\$541</b>
<b>Uses of Funds</b>			
MDOT Operating Expenditures	\$2,074	\$2,303	\$229
MDOT Capital Expenditures	1,023	1,047	24
MDOT Debt Service	416	412	-4
Highway User Revenues	237	260	23
Other Expenditures	77	70	-7
<b>Total Expenditures</b>	<b>\$3,827</b>	<b>\$4,093</b>	<b>\$266</b>
<b>Ending Balance</b>	<b>\$150</b>	<b>\$425</b>	<b>\$275</b>

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 2022 Year-to-date Revenue Receipts**

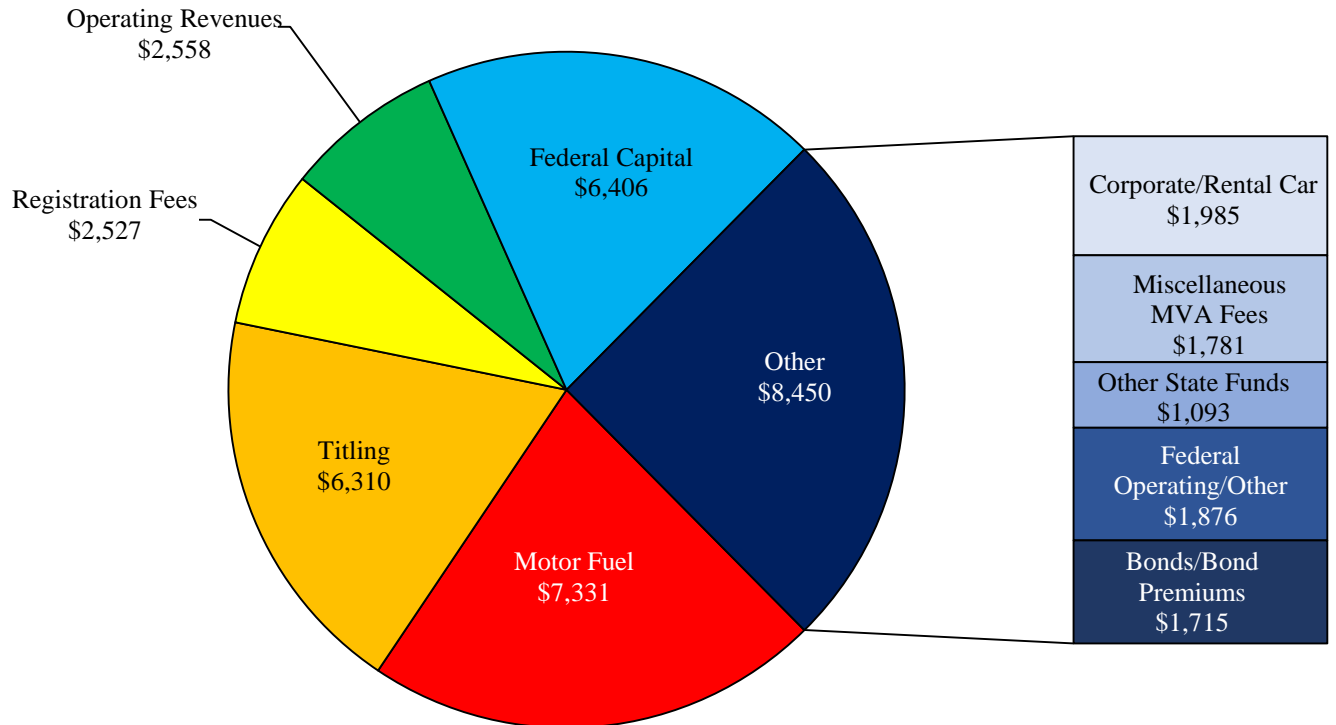
Fiscal 2022 revenue attainment from the TTF’s three largest State revenue sources – motor fuel taxes, titling taxes, and vehicle registration fees – is higher than projections based on five-year average attainment rates. With collections recorded through October 2021, combined attainment was up \$22.2 million. This puts attainment from these sources on pace to exceed the full-year estimate by almost \$79 million.

## **Fiscal 2022 through 2027 Revenues**

**Exhibit 4** shows that the TTF’s three largest revenue sources in the fiscal 2022 to 2027 forecast period are motor fuel taxes, federal capital assistance, and titling taxes, which collectively represent nearly 60% of all projected revenue. In support of the capital program, MDOT is projecting \$1.7 billion in bond proceeds and bond premiums, representing 5.1% of projected revenues. Additionally, the TTF forecast anticipates \$1.1 billion in other State funds over the six-year forecast comprising \$990 million in general fund support for the dedicated capital grant for the Washington Metropolitan Area Transit Authority (WMATA) and \$103 million in general obligation bond funding for the Howard Street Tunnel project.



**Exhibit 4**  
**Transportation Trust Fund**  
**State-sourced Revenues and Federal Funds**  
**Fiscal 2022-2027**  
**(\$ in Millions)**



MVA: Motor Vehicle Administration

Source: Maryland Department of Transportation, Fiscal 2022-2027 *Transportation Trust Fund Forecast*, January 2022; Department of Legislative Services

**Six-year Transportation Trust Fund Forecast Summary**

**Exhibit 5** shows the TTF forecast summary that includes the fiscal 2021 actual and the fiscal 2022 to 2027 projections. It reflects the decision to increase the target closing balance beginning in fiscal 2025 to \$200 million. Years prior to 2025 have a higher closing balance in this forecast due to the scheduled spend down of federal COVID-19/stimulus aid – fiscal 2024 is the last year in which these funds are expected to be used, with \$54.9 million planned in support of transit operations. The increased fund balance beginning in fiscal 2025 is intended to accommodate working cash flow requirements during the year.

**Exhibit 5**  
**Transportation Trust Fund Forecast Summary**  
**Fiscal 2021-2027**  
**(\$ in Millions)**

	<b>Actual</b>							<b>Total</b>
	<b><u>2021</u></b>	<b><u>2022</u></b>	<b><u>2023</u></b>	<b><u>2024</u></b>	<b><u>2025</u></b>	<b><u>2026</u></b>	<b><u>2027</u></b>	<b><u>2022-2027</u></b>
<b>Opening Fund Balance</b>	<b>\$259</b>	<b>\$425</b>	<b>\$450</b>	<b>\$300</b>	<b>\$250</b>	<b>\$200</b>	<b>\$200</b>	
<b>Closing Fund Balance</b>	<b>\$425</b>	<b>\$450</b>	<b>\$300</b>	<b>\$250</b>	<b>\$200</b>	<b>\$200</b>	<b>\$200</b>	
<b>Net Revenues</b>								
Taxes and Fees	\$2,899	\$2,981	\$3,177	\$3,237	\$3,288	\$3,341	\$3,402	\$19,426
Operating and Miscellaneous	939	1,130	850	645	595	601	613	4,434
<b>Subtotal</b>	<b>\$3,838</b>	<b>\$4,111</b>	<b>\$4,027</b>	<b>\$3,882</b>	<b>\$3,883</b>	<b>\$3,942</b>	<b>\$4,015</b>	<b>\$23,860</b>
Bond Proceeds	\$300	\$295	\$0	\$305	\$270	\$360	\$445	\$1,675
Bond Premiums	90	40	0	0	0	0	0	40
Fund Balance Increase/Use	-165	-25	150	50	50	0	0	225
<b>Total Net Revenues</b>	<b>\$4,063</b>	<b>\$4,421</b>	<b>\$4,177</b>	<b>\$4,237</b>	<b>\$4,203</b>	<b>\$4,302</b>	<b>\$4,460</b>	<b>\$25,800</b>
<b>Expenditures</b>								
Debt Service	\$412	\$453	\$480	\$436	\$451	\$445	\$479	\$2,744
Operating Budget	2,180	2,271	2,332	2,366	2,416	2,466	2,519	14,370
Purple Line Availability Payments	0	0	0	0	0	40	50	90
State Capital (Including State Aid)	1,471	1,697	1,365	1,435	1,336	1,351	1,413	8,597
<b>Total Expenditures</b>	<b>\$4,063</b>	<b>\$4,421</b>	<b>\$4,177</b>	<b>\$4,237</b>	<b>\$4,203</b>	<b>\$4,302</b>	<b>\$4,460</b>	<b>\$25,800</b>
<b>Debt</b>								
Debt Outstanding	\$3,672	\$3,651	\$3,321	\$3,330	\$3,286	\$3,336	\$3,437	
Debt Service Coverage: Net Income	3.6	3.3	3.7	3.7	3.2	3.0	2.7	
<b>Capital Summary</b>								
State Capital	\$1,210	\$1,431	\$1,088	\$1,153	\$1,134	\$1,146	\$1,205	\$7,156
State Aid – Capital Grants	260	266	277	282	203	205	208	1,441
Net Federal Capital (Cash Flow)	1,007	1,269	1,315	873	850	900	903	6,110
Other Funds	190	354	251	273	240	134	100	1,351
Other State Funds	97	155	219	219	167	167	167	1,093
<b>Total Capital Expenditures</b>	<b>\$2,765</b>	<b>\$3,475</b>	<b>\$3,149</b>	<b>\$2,799</b>	<b>\$2,593</b>	<b>\$2,552</b>	<b>\$2,583</b>	<b>\$17,151</b>

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

Source: Maryland Department of Transportation, Fiscal 2022-2027 *Transportation Trust Fund Forecast*, January 2022; Department of Legislative Services

## *J00 – MDOT – Fiscal 2023 Budget Overview*

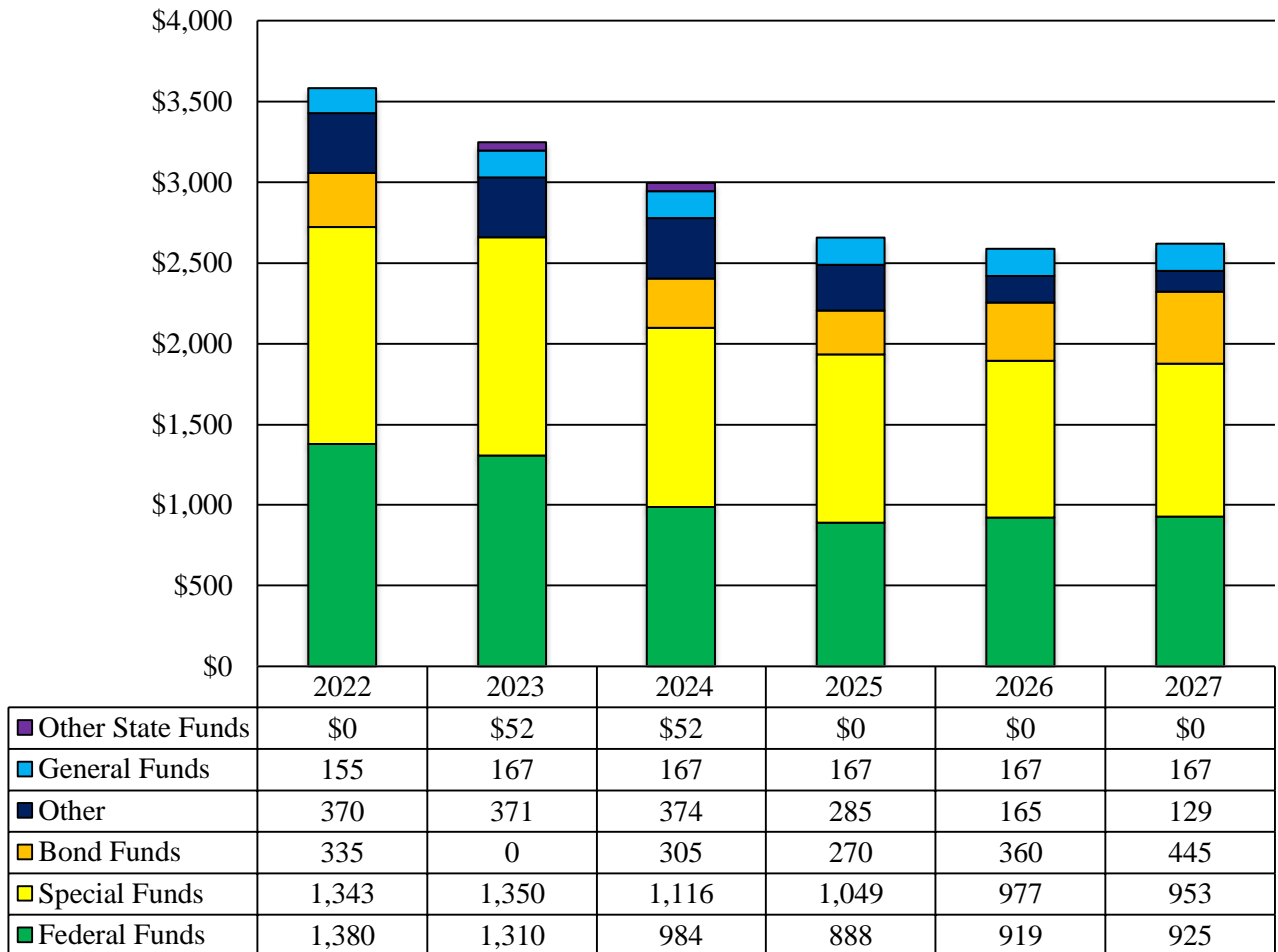
Revenues are first used to pay debt service and then to cover the department's operating expenses. Remaining revenues are used for the capital program, which is also funded through the sale of bonds; federal aid; and, beginning in fiscal 2020, general fund transfers from the Dedicated Purpose Account (DPA) 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 almost 20% of TTF special funds available for capital. Debt outstanding at the end of fiscal 2021 totaled \$3.7 billion. During the forecast period, it fluctuates between a high of \$3.7 billion in fiscal 2022 to a low of \$3.3 billion in fiscal 2025 and, at the end of fiscal 2027, is projected to total \$3.4 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 3.7 and declines through the remaining years of the forecast, ending at 2.7 at the end of fiscal 2027.

### **Six-year Capital Program**

**Exhibit 6** shows the sources of funding for each year of the capital program. Special funds are the largest source of capital funding, comprising 38.4% of six-year funding; however, the federal funds share at 36.2% does not include increased funding provided through the IIJA. MDOT indicates that federal capital funding for most of its units will increase about 20%.

**Exhibit 6**  
**Proposed Capital Funding by Year and Source**  
**Fiscal 2022-2027**  
**(\$ in Millions)**



Source: Maryland Department of Transportation, Fiscal 2022-2027 Consolidated Transportation Program; Department of Legislative Services

As shown in **Exhibit 7**, total programmed spending in the fiscal 2022 to 2027 *Consolidated Transportation Program* (CTP) is \$2.5 billion, or 16.6%, more than in the prior year CTP. Special funds account for a majority of the increase at nearly \$2.1 billion more than the amount included in the prior year six-year plan. The special fund change by mode is shown at the bottom of Exhibit 7.

**Exhibit 7**  
**Transportation Capital Program Six-year Funding**  
**January 2021 Plan vs. January 2022 Plan**  
**All Funds and Special Funds by Mode**  
**(\$ in Millions)**

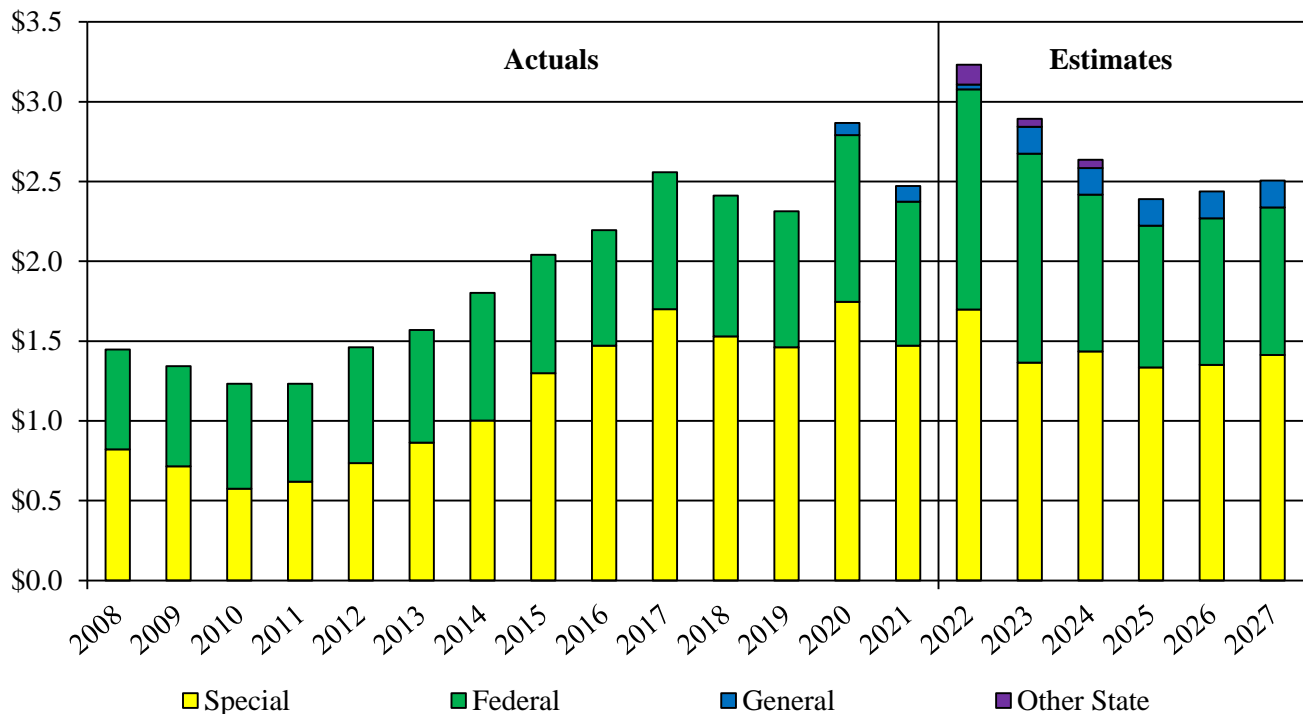
	<u>2021 Plan</u> <u>All Funds</u>	<u>2022 Plan</u> <u>All Funds</u>	<u>Change</u>
Secretary’s Office	\$108	\$167	\$59
Motor Vehicle Administration	115	122	7
Maryland Aviation Administration	854	897	42
Maryland Port Administration	1,059	1,174	114
Maryland Transit Administration	3,132	4,602	1,470
Washington Metropolitan Area Transit Authority	2,704	2,865	161
State Highway Administration	5,787	6,178	392
State Aid	1,417	1,691	274
<b>Six-year Funding Total</b>	<b>\$15,177</b>	<b>\$17,696</b>	<b>\$2,519</b>
<b>Funds</b>			
Special Funds	\$6,404	\$8,502	\$2,098
Federal Funds	6,131	6,407	276
General Fund Transfer	640	990	350
Other Funds	1,627	1,694	67
Other State Funds	375	103	-272
<b>Total Funds</b>	<b>\$15,177</b>	<b>\$17,696</b>	<b>\$2,519</b>
	<u>Special Funds</u>	<u>Special Funds</u>	
Secretary’s Office	\$98	\$150	\$52
Motor Vehicle Administration	115	122	7
Maryland Aviation Administration	167	283	116
Maryland Port Administration	640	772	132
Maryland Transit Administration	1,201	2,462	1,261
Washington Metropolitan Area Transit Authority	1,215	1,190	-25
State Highway Administration	1,552	1,833	281
State Aid	1,417	1,691	274
<b>Special Fund Total</b>	<b>\$6,404</b>	<b>\$8,502</b>	<b>\$2,098</b>

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 the actual capital spending by year from fiscal 2008 to 2021 and planned capital spending through fiscal 2027. Combined State and federal capital spending is projected to exceed \$3 billion for the first time ever in fiscal 2022 but then decline for the following three years as a result of lower debt issuances than in recent years as debt coverage ratios approach minimum acceptable levels.

**Exhibit 8**  
**Capital Spending Trends**  
**Fiscal 2008-2027**  
**(\$ in Billions)**

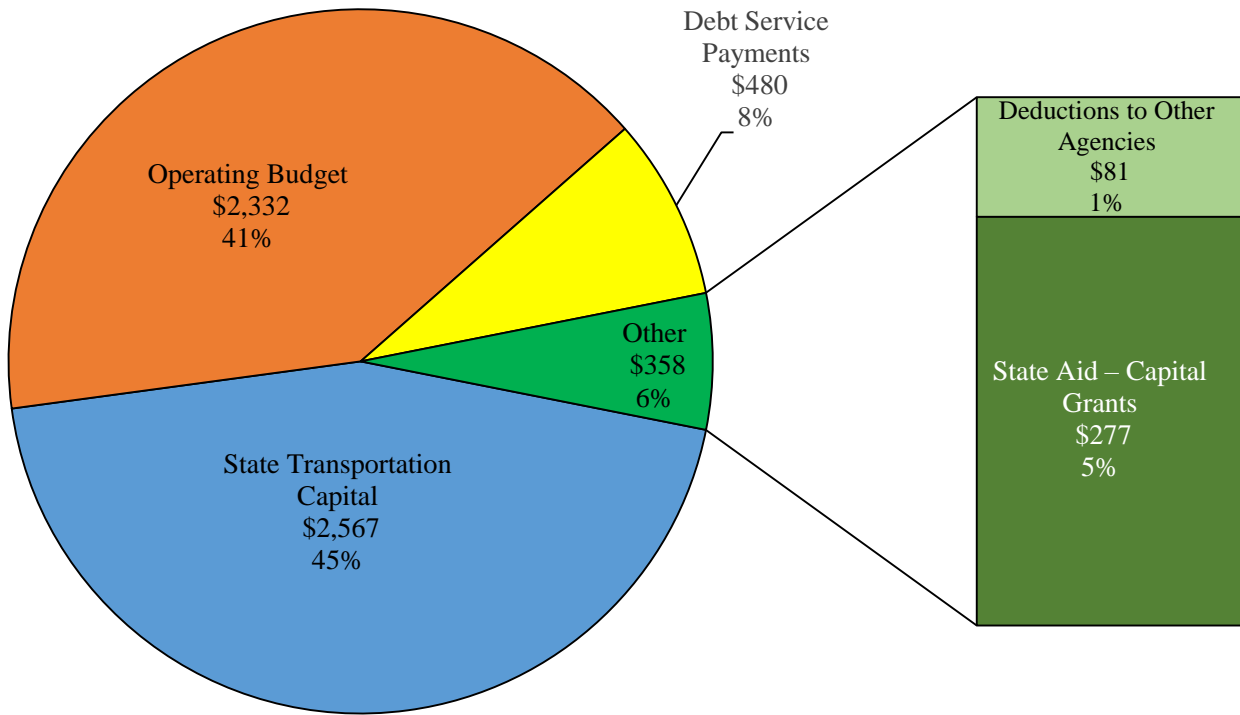


Source: Maryland Department of Transportation; Department of Legislative Services

## Budget Overview

**Exhibit 9** shows all expenditures from the TTF by category for fiscal 2023, with expenditures totaling just over \$5.7 billion. The State capital program (excluding State aid capital grants) accounts for 45% of TTF spending with departmental operations comprising an additional 41%. The remainder of TTF expenditures cover debt service payments, State aid capital grants, and deductions to other State agencies.

**Exhibit 9**  
**Fiscal 2023 Transportation Trust Fund Uses**  
 (\$ in Millions)



**Total: \$5.7 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 \$406 million in Other Funds for the capital program. 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, *Transportation Trust Fund Forecast*, January 2022; Department of Legislative Services

## Proposed Budget

Exhibit 10 shows the operating and capital budgets along with the amounts budgeted for debt service and State aid capital grants. The exhibit includes the fiscal 2021 actual through the fiscal 2023 allowance.

**Exhibit 10**  
**Transportation Budget Overview**  
**Fiscal 2021-2023**  
**(\$ in Thousands)**

	<u>Actual</u> <u>2021</u>	<u>Working App.</u> <u>2022</u>	<u>Allowance</u> <u>2023</u>	<u>\$ Change</u> <u>2022-2023</u>	<u>% Change</u> <u>2022-2023</u>
<b>Operating</b>					
Secretary’s Office	\$94,169	\$100,551	\$101,772	\$1,221	1.2%
WMATA	425,303	438,123	437,600	-523	-0.1%
State Highway Administration	321,298	305,190	327,169	21,979	7.2%
Port Administration	46,414	50,234	50,019	-216	-0.4%
Motor Vehicle Administration	201,924	207,090	211,090	4,000	1.9%
Maryland Transit Administration	870,510	945,902	971,386	25,484	2.7%
Aviation Administration	220,249	199,384	207,592	8,208	4.1%
<b>Subtotal</b>	<b>\$2,179,866</b>	<b>\$2,246,475</b>	<b>\$2,306,628</b>	<b>\$60,153</b>	<b>2.7%</b>
<b>Debt Service</b>	<b>\$412,440</b>	<b>\$451,330</b>	<b>\$480,461</b>	<b>\$29,131</b>	<b>6.5%</b>
<b>State Aid – Mandated Capital Grant</b>	<b>\$260,234</b>	<b>\$266,342</b>	<b>\$276,501</b>	<b>\$10,159</b>	<b>3.8%</b>
<b>Capital</b>					
Secretary’s Office	\$33,285	\$53,570	\$47,915	-\$5,655	-10.6%
WMATA	338,882	377,262	346,900	-30,362	-8.0%
State Highway Administration	996,063	1,053,486	1,076,133	22,647	2.1%
Port Administration	96,610	152,845	241,601	88,756	58.1%
Motor Vehicle Administration	29,540	37,822	33,995	-3,828	-10.1%
Maryland Transit Administration	658,237	1,192,262	731,579	-460,684	-38.6%
Aviation Administration	57,451	100,469	89,211	-11,258	-11.2%
<b>Subtotal</b>	<b>\$2,210,067</b>	<b>\$2,967,717</b>	<b>\$2,567,334</b>	<b>-\$400,383</b>	<b>-13.5%</b>
<b>Total of All Funds</b>					
General Fund	\$0	\$30,200	\$0	-\$30,200	-100.0%
Special Fund	3,659,276	4,293,823	3,901,286	-392,537	-9.1%
Federal Fund	1,398,236	1,607,840	1,729,638	121,798	7.6%
Reimbursable Fund	5,096	0	0	0	n/a
<b>Grand Total</b>	<b>\$5,062,608</b>	<b>\$5,931,863</b>	<b>\$5,630,924</b>	<b>-\$300,939</b>	<b>-5.1%</b>

WMATA: Washington Metropolitan Area Transit Authority

Source: Governor’s Fiscal 2023 Budget Books; Department of Legislative Services



***J00 – MDOT – Fiscal 2023 Budget Overview***

MDOT's total fiscal 2023 allowance of \$5.6 billion is a net decrease of \$300.9 million, or a 5.1% reduction, from the current year working appropriation. Increases in operating expenses (\$60.2 million), debt service (\$29.1 million), and local transportation aid (\$10.2 million) are more than offset by a decrease in capital appropriations of \$400.4 million.

## Operating Budget Summary

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MDOT’s fiscal 2023 operating budget allowance totals nearly \$2.8 billion, an increase of \$89.3 million (3.3%) over the current year working appropriation. Approximately 83% of the operating allowance is used for the operating expenses of each of the modes with debt service accounting for the remaining 17% of operating spending.

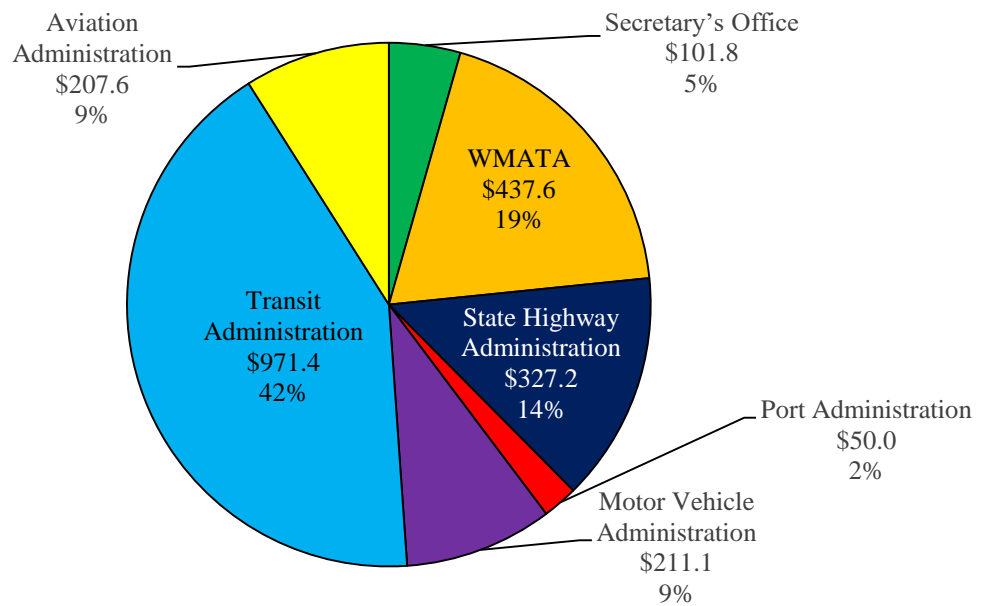
### Fiscal 2023 Proposed Budget

#### Operating Programs

The fiscal 2023 allowance for the modal operating budgets totals just over \$2.3 billion, an increase of \$60.2 million (2.7%) over the fiscal 2022 working appropriation. **Exhibit 11** shows the fiscal 2023 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 61%.

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**Exhibit 11**  
**Fiscal 2023 Operating Budget Allowance by Mode**  
( \$ in Millions )



**Total Spending: \$2.3 Billion**

WMATA: Washington Metropolitan Area Transit Authority

Source: Governor’s Fiscal 2023 Budget Books; Department of Legislative Services

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## Personnel

As shown in **Exhibit 12**, 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 2022 working appropriation and the fiscal 2023 allowance, although there were a few regular position transfers between programs within modes that do not appear in the exhibit as they net to 0 by agency, and 0.5 position was transferred from the Secretary’s Office to MTA. 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 12**  
**Regular and Contractual Full-time Equivalents**  
**Operating and Capital Programs**  
**Fiscal 2021-2023**

	<b>Actuals</b>	<b>Working App.</b>	<b>Allowance</b>	<b>\$ Change</b>	<b>% Change</b>
	<b><u>2021</u></b>	<b><u>2022</u></b>	<b><u>2023</u></b>	<b><u>2022-2023</u></b>	<b><u>2022-2023</u></b>
<b>Regular Positions</b>					
Secretary’s Office	322.5	323.0	322.5	-0.5	-0.2%
State Highway Administration	2,958.5	2,958.5	2,958.5	0.0	0.0%
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	3,365.0	3,365.5	0.5	0.0%
Aviation Administration	494.5	494.5	494.5	0.0	0.0%
<b>Total Regular Positions</b>	<b>9,057.5</b>	<b>9,057.5</b>	<b>9,057.5</b>	<b>0.0</b>	<b>0.0%</b>
<b>Contractual Positions</b>					
Secretary’s Office	7.0	10.0	10.0	0.0	0.0%
State Highway Administration	25.5	88.0	77.5	-10.5	-11.9%
Port Administration	0.5	0.5	4.5	4.0	800.0%
Motor Vehicle Administration	0.0	0.0	6.5	6.5	n/a
Transit Administration	8.0	16.0	16.0	0.0	0.0%
Aviation Administration	0.5	0.5	0.5	0.0	0.0%
<b>Total Contractual Positions</b>	<b>41.5</b>	<b>115.0</b>	<b>115.0</b>	<b>0.0</b>	<b>0.0%</b>

Source: Department of Budget and Management

## **Debt Service**

The fiscal 2023 allowance for debt service payments is \$480.5 million, an increase of \$29.1 million (6.5%) over the fiscal 2022 working appropriation. The increase is the result of debt service on currently outstanding debt; there are no debt issuances planned for fiscal 2023. At the end of fiscal 2023, debt outstanding on the department’s CTBs will total just over \$3.3 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. The Administration has indicated its intent to extend the 13.5% rate beyond fiscal 2024, but no legislation has been submitted to accomplish this at the time of the writing of this analysis.

**Exhibit 13** shows the mandated capital grant amounts for fiscal 2021 through 2023. The fiscal 2023 mandated capital grant funding of \$276.5 million is \$10.2 million (3.8%) higher than the fiscal 2022 working appropriation.

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**Exhibit 13**  
**State Aid – Highway User Revenues Capital Grants**  
**Fiscal 2021-2023**

	<b><u>Actual</u></b> <b><u>2021</u></b>	<b><u>Working</u></b> <b><u>2022</u></b>	<b><u>Allowance</u></b> <b><u>2023</u></b>	<b><u>Change</u></b>
Baltimore City	\$160.0	\$163.8	\$170.0	\$6.2
Counties	61.7	63.1	65.5	2.4
Municipalities	38.6	39.5	41.0	1.5
<b>Total</b>	<b>\$260.2</b>	<b>\$266.3</b>	<b>\$276.5</b>	<b>\$10.2</b>

Source: Governor’s Fiscal 2023 Budget Books

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## ***PAYGO Capital Budget Summary***

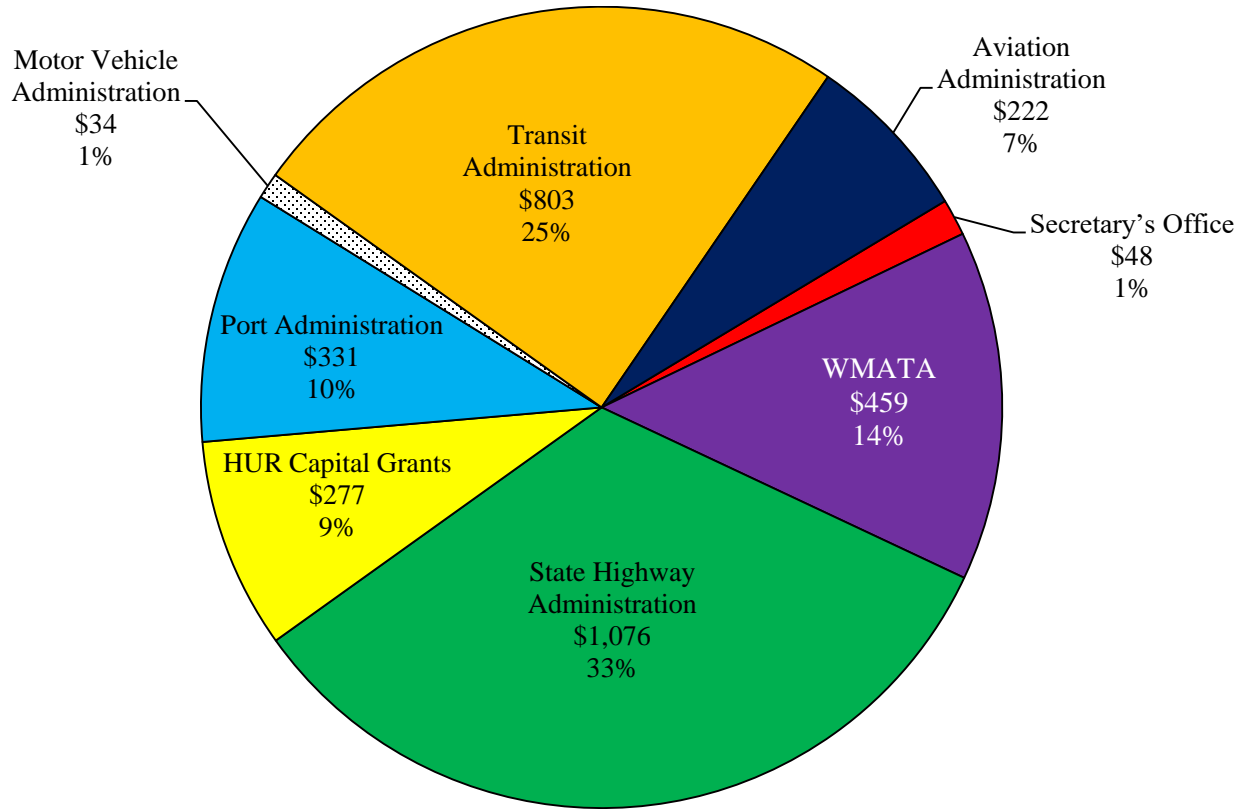
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### **Fiscal 2023 Capital Budget**

**Exhibit 14** shows the MDOT fiscal 2023 capital budget by mode. Including other funds that do not flow through the MDOT budget, fiscal 2023 capital spending is projected at \$3.2 billion, a decrease of \$334.7 million (-9.3%) from capital spending programmed for the current year.

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**Exhibit 14**  
**Fiscal 2023 Capital Funding by Mode**  
**(\$ in Millions)**



**Total Spending: \$3.2 Billion**

HUR: Highway User Revenues

WMATA: Washington Metropolitan Area Transit Authority

Source: Maryland Department of Transportation, *2022-2027 Consolidated Transportation Program*; Department of Legislative Services

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## **Other Funds**

The fiscal 2022 to 2027 CTP shows \$589.3 million in other funds for fiscal 2023, as shown in **Exhibit 15**. “Other funds” generally comprise funds that do not flow through the Maryland budget. However, included in the CTP in the other funds category for fiscal 2023 are \$167 million in general funds in the DPA for the WMATA Dedicated Grant, and the fiscal 2023 Maryland Consolidated Capital Bond Loan includes an authorization of \$51.5 million for the Howard Street Tunnel project. Traditional examples of other funds comprise 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.

**Exhibit 15**  
**Fiscal 2023 Other Funds**  
**(\$ in Thousands)**

<u><b>Project</b></u>	<u><b>Funding Source</b></u>	<u><b>Amount</b></u>
<b>Maryland Aviation Administration</b>		
Concourse A/B Connector and Baggage Handling Sys.	Revenue Bonds	\$87,581
BWI Restroom Improvement Program	Passenger Facility Charge	27,127
Concourse D HVAC Replacement	Passenger Facility Charge	9,055
Maryland Aviation Admin. Shuttle Bus Replacement	Certificates of Participation	6,250
Runway Protection Zones Property Acquisition	Passenger Facility Charge	700
Residential Sound Mitigation Program	Passenger Facility Charge	2,000
<b><i>Subtotal – Maryland Aviation Administration</i></b>		<b><i>\$132,712</i></b>
<b>Maryland Port Administration</b>		
Upgrades to Howard Street Tunnel	CSX	\$21,900
Upgrades to Howard Street Tunnel	General Obligation Bonds	51,500
Upgrades to Howard Street Tunnel	General Funds (Fiscal 2022)	10,100
Upgrades to Howard Street Tunnel	Pennsylvania Department of Transportation	5,625
<b><i>Subtotal – Maryland Port Administration</i></b>		<b><i>\$89,125</i></b>
<b>Maryland Transit Administration</b>		
Fare Systems Next Generation Implementation	Certificates of Participation	\$21,860
Purple Line	Prince George’s County/ Montgomery County	15,000
Purple Line – Bethesda Metro	Montgomery County	21,200
Purple Line – Capital Crescent Trail	Montgomery County	11,900
Purple Line – Montgomery County Incentives	Montgomery County	100

*J00 – MDOT – Fiscal 2023 Budget Overview*

<u>Project</u>	<u>Funding Source</u>	<u>Amount</u>
<b>Maryland Transit Administration (Continued)</b>		
MARC Martin State Airport Improvements	Amtrak	\$490
Freight – Worton Track Safety	Private Railroads	86
MARC Martins Yard Power Switch	Amtrak	244
Bus East-West Priority Corridor (RAISE)	Baltimore City	200
<b><i>Subtotal – Maryland Transit Administration</i></b>		<b><i>\$71,080</i></b>
<b>The Secretary’s Office</b>		
Baltimore-Washington Superconducting MagLev	Private Company	\$183
<b><i>Subtotal – The Secretary’s Office</i></b>		<b><i>\$183</i></b>
<b>Washington Metropolitan Area Transit Authority</b>		
System Performance	Direct Federal Funds	\$113,084
Governor's Capital Dedicated Funding	General Funds	167,000
<b><i>Subtotal – Washington Metropolitan Area Transit Authority</i></b>		<b><i>\$280,084</i></b>
<b>State Highway Administration</b>		
Reimbursable Projects	Various Localities	\$15,000
US 1 – College Avenue to MD 193	University of Maryland	282
MD 214 – From MD 468 to Camp Letts Road	Anne Arundel County	480
Connecticut Ave – Interchange at Jones Bridge Road	U.S. Department of Defense	154
MD 2 – From US 50 to Arnold Road	Anne Arundel County	110
MD 3 – Crane Highway from Waugh Chapel Road to MD 32	Anne Arundel County	93
<b><i>Subtotal – State Highway Administration</i></b>		<b><i>\$16,119</i></b>
<b>Total – Other Funds</b>		<b>\$589,303</b>

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

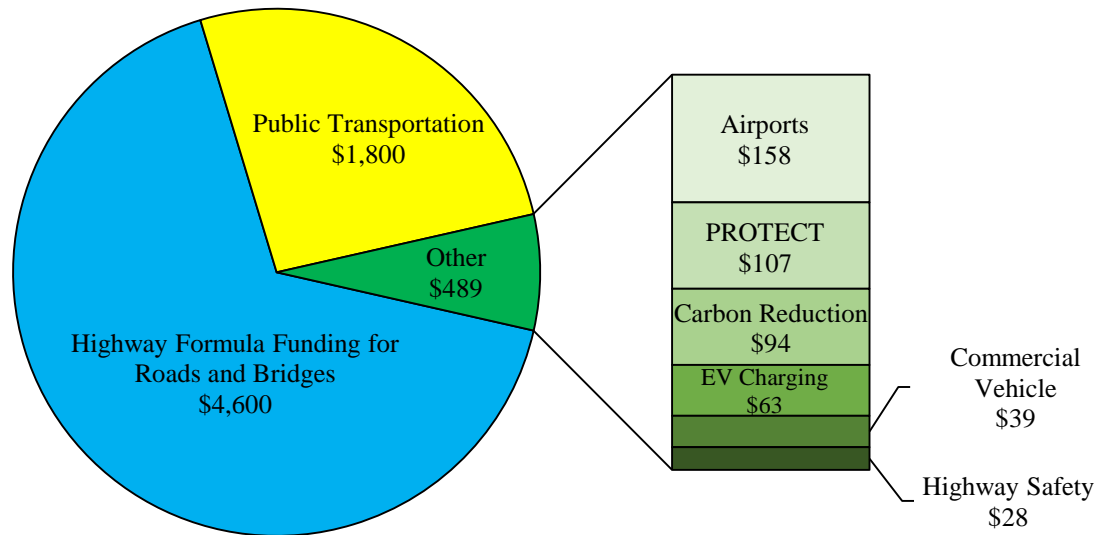
**Issues**

**1. Infrastructure Investment and Jobs Act Increases Funding for Existing Transportation Programs and Creates Several New Programs**

The IIJA, which was signed into law on November 15, 2021, provides \$1.2 trillion for transportation and nontransportation infrastructure and reauthorizes the surface transportation program previously authorized under the Fixing America’s Surface Transportation (FAST) Act. Approximately \$550 billion of the funds provided through the IIJA represent new or increased funding with the remainder representing continuation of funding. For transportation, the IIJA provides \$567.1 billion over federal fiscal 2022 to 2026 with \$284 billion comprising new funding.

Maryland is expected to receive approximately \$8.2 billion in overall infrastructure funding over five years through the IIJA with \$2.8 billion, or 35%, of that being new or enhanced funding. **Exhibit 16** shows the \$6.9 billion in transportation funding that will be coming to Maryland according to a U.S. Department of Transportation briefing document.

**Exhibit 16**  
**Five-year Transportation Funding for Maryland**  
**Infrastructure Investment and Jobs Act**  
**(\$ in Millions)**



**Total: \$6.9 Billion**

EV: electric vehicle

PROTECT: Promoting, Resilient Operations for Transformative, Efficient, and Cost-saving Transportation

Source: U.S. Department of Transportation; Department of Legislative Services



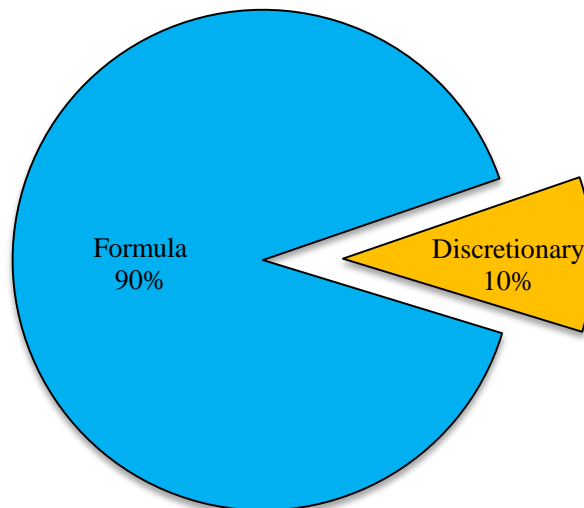
## Highways And Bridges

The IJA provides five-year funding of \$351 billion for roads and bridges with \$110 billion comprising new funding. New funding comprises increases for programs that existed under the FAST Act and new programs created through the IJA. Funding for roads and bridges is also split between contract authority from the Highway Trust Fund (HTF) of \$303.5 billion and appropriations from the General Fund totaling \$47.3 billion. **Exhibit 17** shows how HTF funding will be distributed, and **Exhibit 18** shows how the general funds will be distributed.

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### Exhibit 17 Highway Trust Fund Contract Authority Distribution Method and Key Facts

- Five years of funding
- +29% highway contract authority (average annual, federal fiscal 2022 to 2026) vs. current law (federal fiscal 2021)
- Mostly (90%) apportioned to states



- All FAST Act programs continue
- Two new contract authority programs (formula and discretionary)

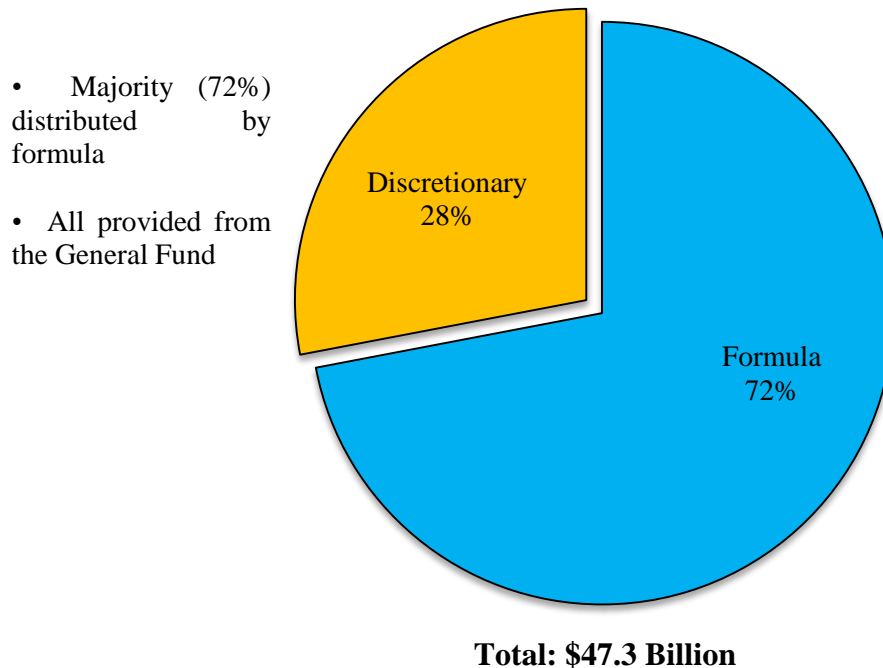
**Total: \$303.5 Billion**

FAST: Fixing America’s Surface Transportation

Source: Federal Highway Administration; Department of Legislative Services

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**Exhibit 18**  
**General Funds for Highway Infrastructure Programs**  
**Distribution Method and Key Facts**

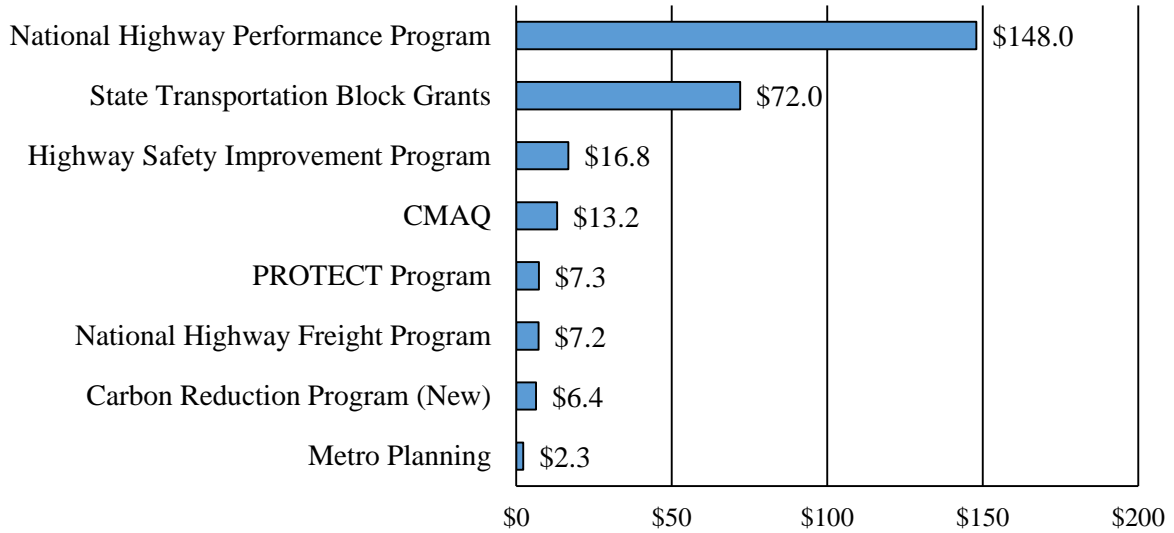


Source: Federal Highway Administration; Department of Legislative Services

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The HTF funds to be distributed by formula will be provided through eight programs, including two new programs created through the IJA. **Exhibit 19** shows the five-year funding by program. The IJA increased the set aside share of the State Transportation Program Block Grant going to the Transportation Alternatives program from 2% to 10%. The Highway Safety Improvement Program includes a \$1.2 billion set aside for the Railway-Highway Crossings Program.

**Exhibit 19**  
**Highway Trust Fund Formula Programs**  
**Fiscal 2022-2026**  
**(\$ in Billions)**



**Total: \$273.2 Billion**

CMAQ: Congestion Mitigation and Air Quality Improvement Program

PROTECT: Promoting, Resilient Operations for Transformative, Efficient, and Cost-saving Transportation

Source: Federal Highway Administration; Department of Legislative Services

The IJA provides just over \$84 billion over five years through a host of new programs, the majority of which will provide discretionary grants on a competitive basis. These programs are listed in **Exhibit 20**.

**Exhibit 20**  
**New Highway Programs Created by the Infrastructure Investment and Jobs Act**  
**(\$ in Billions)**

<u>Program/Purpose</u>	<u>Type</u>	<u>Five-year Funding</u>
<b>Bridge Formula Program:</b> Replace, rehabilitate, preserve, protect, and construct bridges on public roads.	F	\$27.5
<b>Bridge Investment Program:</b> Improve bridge (and culvert) condition, safety, efficiency, and reliability.	D	12.5
<b>Local and Regional Project Assistance Program:</b> Projects with a significant local or regional impact that improve transportation infrastructure – codifies the existing Rebuilding American Infrastructure with Sustainability and Equity (RAISE) program previously established through appropriations acts (and formerly known as TIGER and BUILD).	D	7.5
<b>Promoting, Resilient Operations for Transformative, Efficient, and Cost-saving Transportation (PROTECT) Formula Program:</b> Planning, resilience improvements, community resilience and evacuation routes, and at-risk coastal infrastructure.	F	7.3
<b>Carbon Reduction Program:</b> Provide funding for projects to reduce transportation emissions or the development of carbon reduction strategies.	F	6.4
<b>Safe Streets and Roads for All:</b> Support local initiatives to prevent transportation-related death and serious injury on roads and streets (commonly referred to as “Vision Zero” or “Toward Zero Deaths” initiatives).	D	5.0
<b>National Electric Vehicle Program:</b> Strategically deploy electric vehicle (EV) charging infrastructure and establish an interconnected network to facilitate data collection, access, and reliability.	F/D	5.0
<b>National Infrastructure Project Assistance Program (“Mega-projects”):</b> Provide funding through single-year or multi-year grant agreements for eligible surface transportation projects.	D	5.0
<b>Charging and Fueling Infrastructure:</b> Deploy EV charging and hydrogen/propane/natural gas fueling infrastructure along designated alternative fuel corridors and in communities.	D	2.5
<b>Rural Surface Transportation Grants:</b> Improve and expand the surface transportation infrastructure in rural areas to increase connectivity, improve the safety and reliability of the movement of people and freight, and generate regional economic growth and improve quality of life.	D	2.0
<b>PROTECT Program:</b> Planning, resilience improvements, community resilience and evacuation routes, and at-risk coastal infrastructure.	D	1.4

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<u>Program/Purpose</u>	<u>Type</u>	<u>Five-year Funding</u>
<b>Reconnecting Communities Pilot Program:</b> Restore community connectivity by removing, retrofitting, or mitigating highways or other transportation facilities that create barriers to community connectivity, including to mobility, access, or economic development.	D	1.0
<b>Reduction of Truck Emissions at Port Facilities Program:</b> Study and competitive grants to reduce truck idling and emissions at ports, including through the advancement of port electrification.	D	0.4
<b>Wildlife Crossings Pilot Program:</b> Support projects that seek to reduce the number of wildlife-vehicle collisions and, in carrying out that purpose, improve habitat connectivity.	D	0.4
<b>Congestion Relief Program:</b> Advance innovative, integrated, and multimodal solutions to reduce congestion and the related economic and environmental costs in the most congested metropolitan areas with an urbanized area population of 1 million or more.	D	0.3
<b>Prioritization Process Pilot Program:</b> Pilot program to support data-driven approaches to planning that can be evaluated for public benefit.	D	0.05
<b>Transportation Access Pilot Program (within U.S. Department of Transportation):</b> Pilot program to develop or acquire an open-source accessibility data set with measures of the level of access by multiple transportation modes to jobs, education, various services, and other important destinations; share data with states, Metropolitan Planning Organizations, and rural transportation planning organizations; and use the data to help those entities improve their transportation planning by measuring the level of access to important destinations for different demographic groups or freight commodities, then assessing the change in accessibility that would result from new transportation investments.	n/a	n/a
<b>Total</b>		<b>\$36.75</b>

**Type Key:**

D = Discretionary

F = Formula

Source: Federal Highway Administration; Department of Legislative Services

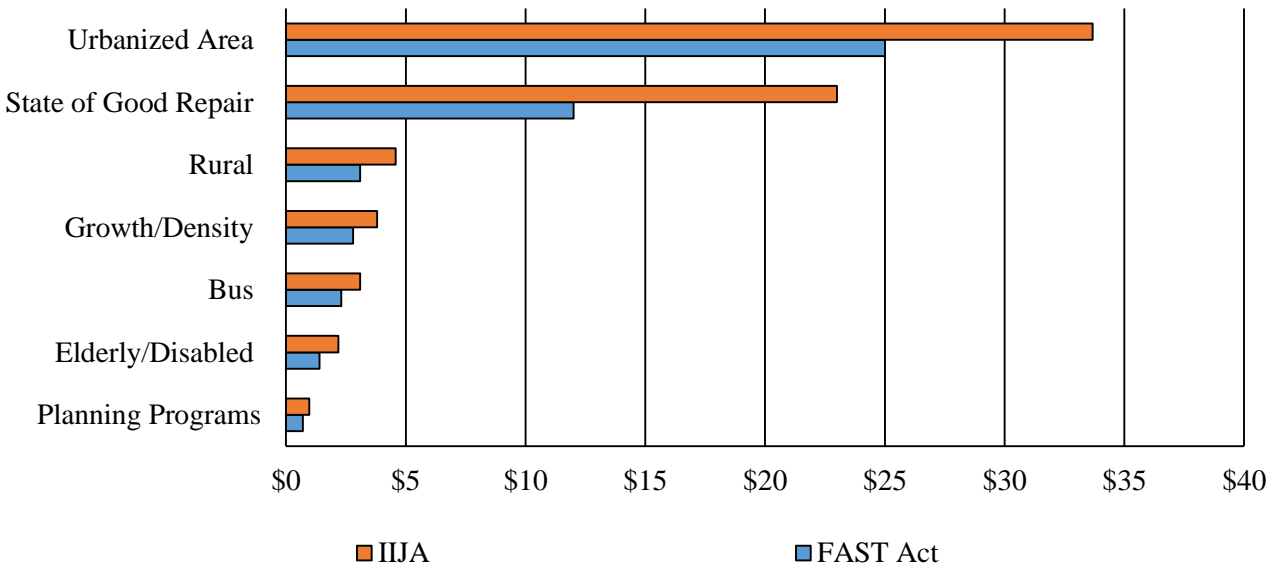
## Transit

The IJA provides five-year funding of \$108 billion for transit when authorizations subject to appropriation by Congress are included, with \$39 billion comprising new funding. New funding comprises increases for programs that existed under the FAST Act and new programs created through the IJA. Sources of funding comprise:

- \$69.9 billion from the HTF;
- \$21.25 billion in advance appropriations; and
- \$17 billion in authorized appropriations subject to Congressional action.

The IJA provides an increase in five-year total formula funding of nearly 35% compared to funding provided under the FAST Act. **Exhibit 21** compares five-year funding levels by formula program.

**Exhibit 21**  
**Five-year Formula Funding by Program**  
**IJA vs. FAST Act**  
 (\$ in Billions)



FAST: Fixing America’s Surface Transportation  
 IJA: Infrastructure Investment and Jobs Act

Source: National Association of City Transit Officials; Department of Legislative Services

Five-year funding of \$36.8 billion will also be provided through competitive grant programs, including four new programs created by the IJA. **Exhibit 22** lists the five-year funding amounts by program.

**Exhibit 22**  
**Competitive Transit Grant Five-year Funding**  
**Federal Fiscal 2022-2026**  
**(\$ in Millions)**

<u><b>Program</b></u>	<u><b>Five-year Funding</b></u>
Fixed Guideway Capital Investment Grant Program – Subject to Appropriation	\$15,000
Fixed Guideway Capital Investment Grant Program – Advanced Appropriations	8,000
Low or No Emissions Competitive Grants	5,625
<i>Ferry Service for Rural Communities</i>	2,000
Buses and Bus Facilities Grants	1,968
<i>All Stations Accessibility Program Grants</i>	1,750
<i>SOGR Rail Vehicle Replacement Competitive Grants</i>	1,500
<i>Electric or Low-emitting Ferry Pilot Program</i>	500
Public Transportation Innovation	193
Pilot Program for Transit-oriented Development	68
Technical Assistance and Workforce Development	62
Public Transportation on Indian Reservations	46
Bus Testing Facility	25
Innovative Coordinated Access and Mobility Pilot Program	25
<b>Total</b>	<b>\$36,762</b>

SOGR: State of Good Repair

Note: New programs shown in italics.

Source: Federal Transit Administration; Department of Legislative Services

The IJA made numerous changes to transit program requirements. A summary of these changes can be found in **Appendix 1**, which lists the changes identified in the Federal Transit Administration’s “Program Fact Sheets under the Bipartisan Infrastructure Law”.

**Ports, Airports and Passenger Rail**

Funding for ports in the IJA is provided entirely through competitive grant programs and totals \$6 billion split between water ports (\$2.25 billion) and land ports-of-entry (\$3.85 billion). New grant

programs include the Port Electrification Grant Program with \$3.5 billion in funding over six years and the Port Truck Idling Program with \$250 million in funding over five years.

Airport funding through the IJA totals \$25 billion, comprising \$15 billion for Airport Improvement Program grants which flow to airports based on the number of flights and people served, \$5 billion for airport terminals, and \$5 billion for Federal Aviation Administration facilities.

For passenger rail, the IJA will provide \$66 billion in total funding over five years with \$22 billion allocated for Amtrak, \$36 billion for the Federal-State Partnership for Intercity Passenger Rail competitive grant program, and \$5 billion for rail safety projects.

## **2. Purple Line Replacement Design-build Contractor Selected, Public-private Partnership Agreement Amendments Submitted for Approval**

### **Background**

In spring 2016, MDOT MTA selected the Purple Line Transit Partners (PLTP) to design, build, finance, operate, and maintain the Purple Line light rail system through a 36-year public-private partnership (P3) concession comprising a 6-year construction period followed by a 30-year operations and maintenance period. The P3 agreement provided for PLTP to be compensated through construction progress and milestone payments during project construction, a revenue service availability payment (AP) at the time revenue operations of the transit line commenced, and semiannual APs during the operations and maintenance period of the concession. Revenue service was expected to begin in March 2022.

A lawsuit brought by opponents to the project resulted in the project's record of decision being vacated and, while that action was eventually overturned on appeal, it resulted in a delay of approximately one year. PLTP filed several claims for additional time and money related to this and other delays. After months of unsuccessful negotiations, PLTP sought to terminate the P3 Agreement. After MTA was unsuccessful in obtaining a court injunction against the design-build contractor quitting the project and had to assume direct oversight of contracts, subcontracts, and other agreements to continue work on the project, it reached an agreement in November 2020 to settle all Purple Line claims and terminate litigation related to the Purple Line.

Pursuant to the Settlement Agreement approved by the Board of Public Works (BPW) on December 16, 2020, PLTP agreed to continue as the concessionaire, procure a replacement design-build contractor, and obtain new financing for the remaining costs to complete the project. MTA paid a \$250 million settlement payment, provided funds to retire the \$313 million in private activity bonds (PAB) issued for the project, and has continued direct oversight of the project pending the selection of a replacement design-build contractor.



## **Replacement Design-Build Contractor**

PLTP began the procurement process for a replacement design-build contractor in January 2021. It shortlisted three firms that had responded to its request for qualifications and, in October 2021, received two proposals in response to its March 2021 request for proposals. PLTP, with concurrence from MTA, selected Maryland Transit Solutions (MTS) as the replacement design-build contractor. MTS is a joint venture between Dragados USA, Inc. and OHLA USA, Inc., both of which are subsidiaries of international construction firms based in Spain. Under the terms of the Settlement Agreement, BPW approval of the replacement design-build contractor is required even though neither the State nor MTA is a party to the design-build contract. BPW approved the contract and modifications to the P3 Agreement at its January 26, 2022 meeting.

## **Revised Costs and Schedule**

BPW’s approval included an increase to the P3 contract of \$3.4 billion and an extension to the term of just over four years. The cost increase results in a revised contract of \$9.3 billion (including the \$250 million modification for the settlement payment approved in December 2020) and a term of just over 40 years. The increase in term is to maintain the 30-year operating term following the start of revenue service that is now projected for fall 2026. **Exhibit 23** compares cost components between the original and revised P3 contracts.

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### **Exhibit 23 P3 Agreement Cost Overview (\$ in Millions)**

	<b>Original Agreement (2016 to 2052)</b>	<b>Revised Agreement (2016 to 2056)</b>	<b>Change</b>
Design-build Contract	\$1,971.9	\$3,435.8	\$1,464.0
Settlement Payment	0.0	250.0	250.0
Work Completed by MTA since September 2020	0.0	218.7	218.7
Operations and Maintenance	1,744.3	1,977.2	232.9
Insurance	272.6	340.6	68.0
Capital Renewal	289.1	295.9	6.8
Financing	1,312.0	2,765.8	1,453.7
<b>Total P3 Agreement</b>	<b>\$5,590.0</b>	<b>\$9,284.0</b>	<b>\$3,694.0</b>

MTA: Maryland Transit Administration

P3: public-private partnership

Source: Maryland Department of Transportation; Department of Legislative Services

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*J00 – MDOT – Fiscal 2023 Budget Overview*

MDOT cites the following as major factors that contribute to the increased cost of the P3 contract:

- delays resulting from federal court action that was later overturned;
- the COVID-19 pandemic;
- mandatory wage increases from living wage laws in Maryland and Montgomery County;
- changes in the insurance market, making insurance harder and more costly to obtain;
- inflation experienced over the last five years; and
- bringing on a new design-build contractor to the project mid-construction.

**Exhibit 24** shows cost increases for the design and construction portion of the P3 agreement by category.

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**Exhibit 24**  
**P3 Agreement Design and Construction Cost Increases by Category**  
**(\$ in Millions)**

<u>Category</u>	<u>Original Agreement</u>	<u>Expended Pre-new Financial Close</u>	<u>Additional Post-new Financial Close</u>	<u>Revised Agreement</u>
Mobilization	\$78.9	\$95.3	\$229.1	\$324.4
Guideway and Track Elements	258.8	136.4	210.8	347.1
Stations, Stops, Terminals, Intermodal	115.3	18.2	229.8	248.0
Support Facilities: Yards, Shops, and Administration Buildings	94.2	76.2	9.0	85.2
Sitework and Special Conditions	453.3	188.5	375.5	563.9
Systems	248.9	57.2	425.5	482.7
Vehicles	212.9	116.5	181.1	297.5
Other*	526.5	457.7	627.8	1,085.5
<b>Total</b>	<b>\$1,988.8</b>	<b>\$1,145.9</b>	<b>\$2,288.5</b>	<b>\$3,434.3</b>

P3: public-private partnership

\*Professional Services, Insurance, Operations and Maintenance Preparation, Third Party

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

Source: Maryland Department of Transportation; Department of Legislative Services

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**Exhibit 25** shows the schedule for remaining milestones for the project under the revised agreement.

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**Exhibit 25**  
**Remaining Milestones under the Revised P3 Agreement**

<u>Milestone</u>	<u>Date</u>
Mobilization and Start-up	Spring 2022
Commencement of Construction Work	Spring 2022
Delivery of First Light Rail Vehicle	Fall 2023
Test Track Construction Complete and Power Live	Summer 2024
On-site Dynamic Testing of Light Rail Vehicles Complete	Spring 2025
Commencement of Full System Integration and Testing End-to-end	Fall 2025
Operator/Supervisor Training – Full Alignment Complete	Summer 2026
System-wide Testing Complete	Fall 2026
Revenue Service Begins	Fall 2026

P3: public-private partnership

Source: Maryland Department of Transportation; Department of Legislative Services

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### **Project Refinancing**

MTA and PLTP will work to achieve commercial close (execution of the P3 amendment and replacement design-build contract) and financial close (issuance of the new private debt and equity), with both expected to be completed by mid-March 2022.

The upfront construction progress payments funded by MTA have already been fully paid, and no additional progress payments will be made. As originally planned, MTA will still make a milestone payment of \$100 million when the project achieves revenue service (when passengers are able to access and ride the transit system). PLTP will finance the remaining construction costs using a combination of a federal Transportation Infrastructure Finance and Innovation Act (TIFIA) loan, PABs, and equity.

TIFIA loans typically provide up to one-third of eligible project costs. It is anticipated that PLTP's existing TIFIA loan of \$859 million, which has not been drawn upon, will be either canceled and replaced with a new loan or refinanced/restructured with the loan amount increasing to \$1.7 billion. New PABs in the amount of \$700 million are expected to be issued, and PLTP is increasing its equity stake from \$140 million to \$280 million as required under the Settlement Agreement.

This debt, along with the costs to operate, maintain, and do capital renewal work, will be paid for through the APs MTA will make monthly over 30 years once the project begins revenue service. APs are expected to average \$250 million per year over the 30-year operating period. Repayment of the debt and equity is the largest component of the APs, and MTA retains the risk of any change in interest rates prior to financial close. The debt portion of the APs is estimated based on a TIFIA interest rate of 2.25% and a PABs interest rate of 3.25%. These rates are higher than actual rates mid-January 2022 and, if rates remain below these levels when financial close is achieved, the APs will decrease. The revised P3 contract authority includes a \$192 million contingency to cover an increase in rates prior to financial close.

### **P3 Terms Modifications**

MDOT indicates that changes are being made to the terms of the P3 Agreement in five main areas:

- risk allocation, the State assumes the risk for;
  - any unknown defects in the construction work completed to date or in owner-performed construction work for a certain period;
  - material changes or delays in progressing a limited scope of owner-performed design work by the amendment effective date;
  - utility adjustments to be completed by the State or unanticipated utility adjustments;
  - MTA-provided governmental approvals;
  - expanded pandemic-related relief;
  - delays and other requirements concerning materials procured by the State; and
  - limited relief for light rail vehicle mechanical performance failures outside of the control of the replacement design-build contractor.
- removal of the unconditional right to terminate for extended delay and narrowing of the conditional right to terminate for same;
- provision of an owner-controlled insurance program for the remaining design-build period;
- removal of the light rail vehicle options (during its direct management of the project, MTA exercised an option under the P3 contract to purchase an additional two light rail vehicles); and
- streamlining claims and dispute resolution procedures.

## **Conclusion**

With the perspective of hindsight, it is easy to identify specific actions or decisions that could have been made differently to avoid or mitigate the problems experienced thus far with the Purple Line project. For example, additional language in the nearly 900-page original P3 agreement clarifying how a determination that an extended delay in the critical path existed might have prevented, or altered the outcome of, the litigation that allowed the original design-build contractor to exit the project. While some will point to the P3 agreement as a flawed procurement method for the project, MTA could have faced the same delays and cost increases had the State used a more familiar design-build procurement wherein MTA would have maintained control and oversight. The problems experienced with the Purple Line, however, should serve as a cautionary tale on the dangers of overselling the benefits of using P3s as a procurement method. Ideally, a P3 will align both public and private interests and result in the delivery of an asset at the best value to the public. Executing a P3 agreement does not, however, remove the need for flexibility on the part of both sides of the agreement to keep the public and private interests aligned. It should be hoped that the experience gained on this project will lead to better decisions on future projects.

### **3. Phase 1 of the Managed Toll Lanes Project Progressing**

Predevelopment work for Phase 1 South of the I-495/I-270 managed toll lanes project, which the State Highway Administration (SHA) and MDTA together as the reporting agencies have rebranded as “Op Lanes Maryland,” is underway and focused on avoiding and minimizing impacts to property, utilities, and environmental resources and the procurement of the design-builder. Procurement of the design-builder is anticipated to be complete in spring 2022.

The environmental review under the federal National Environmental Policy Act is expected to conclude in early summer 2022 with the issuance of a record of decision by the Federal Highway Administration identifying the Preferred Alternative and the mitigation measures that must be adhered to by the project sponsors in constructing the project. Public comment closed on the Supplemental Draft Environmental Impact Statement (SDEIS) that was issued in October 2021. The SDEIS narrowed the limits of the environmental review to the Phase 1 South corridor, which extends from near the George Washington Memorial Parkway in Virginia, across the American Legion Bridge, and up I-270 to I-370. The full Phase 1 corridor extends all the way north on I-270 to I-70 in Frederick.

SHA/MDTA expect to have a committed section proposal to construct Phase 1 South under a Section P3 Agreement by late spring 2022 with MDTA board and public and legislative review occurring in summer 2022 and BPW consideration of approval by early fall 2022. If approved by BPW, the Section P3 Agreement for Phase 1 South would be executed before the end of calendar 2022.

A protest against the award of the Phase 1 P3 contract to Accelerate Maryland Partners was filed by Capital Express Mobility Partners (CEMP). The protest was denied by the contracting officer, and an appeal of that decision was denied by the MDOT Secretary’s designee. CEMP filed a Petition for Writ of Administrative Mandamus in the Circuit Court for Montgomery County in September 2021. The court case is ongoing.

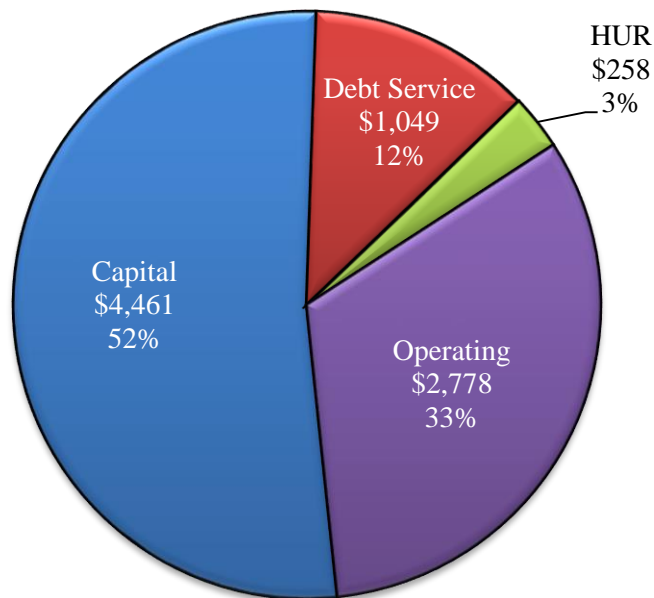
#### 4. Spending Trends Since the 2013 Motor Fuel Tax Increase

Chapter 429 of 2013 increased motor fuel taxes through the indexing of the base tax rate to inflation using the Consumer Price Index and the addition of a sales and use tax equivalent rate component on motor fuel at the wholesale level. The following exhibits demonstrate how the increased special fund revenues following enactment of Chapter 429 have been spent. For each of the charts, the spending amounts reflect only the spending that exceeds the \$2.8 billion that was spent on debt service, operating expenses, local aid (HUR), and capital in fiscal 2013. Fiscal 2020 and 2021 include federal funds that were provided through the Coronavirus Aid, Relief, and Economic Security Act of 2020, the Coronavirus Response and Relief Supplemental Appropriations Act of 2021, and the American Rescue Plan Act of 2021 to replace revenue declines experienced due to the COVID-19 pandemic.

**Exhibit 26** shows total spending by category for the eight-year period since the 2013 revenue increase. Over this period, 52% of additional revenues were devoted to capital.

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**Exhibit 26**  
**Special Fund Spending above Fiscal 2013 Base by Category\***  
**Fiscal 2014-2021**  
**(\$ in Millions)**



**Total: \$8.5 Billion**

HUR: Highway User Revenues

\*Fiscal 2020 and 2021 include federal COVID-19/stimulus aid used to address revenue declines experienced due to the pandemic.

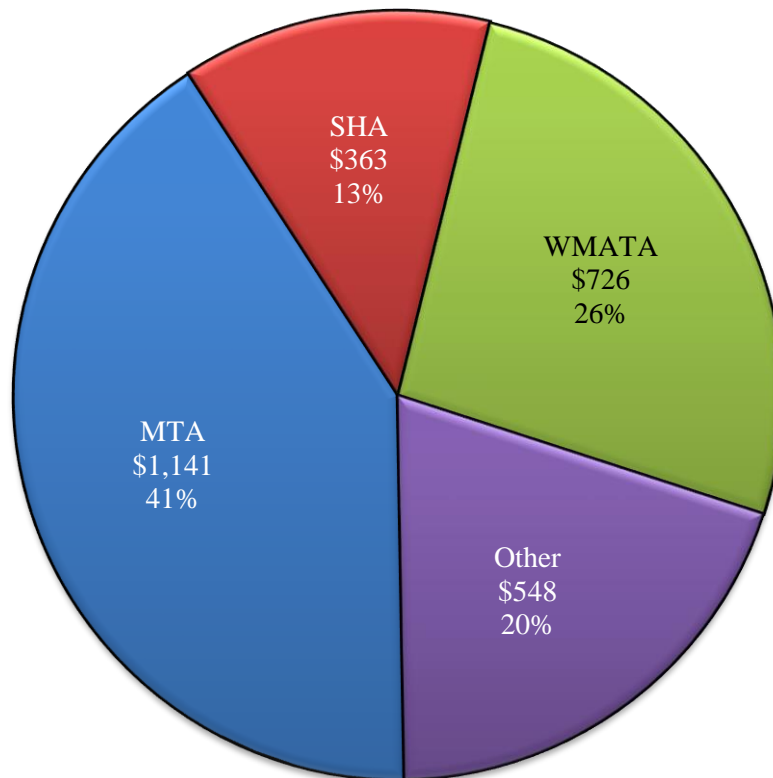
Source: Maryland State Budget; Department of Legislative Services

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**Exhibit 27** shows spending on operations for MTA, SHA, WMATA, and Other (all the remaining modes). Debt service and HUR spending are not included. The combined operating spending for MTA and WMATA accounts for just over two-thirds (67%) of all operating spending.

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**Exhibit 27**  
**Special Fund Operating Spending above Fiscal 2013 Base\***  
**Fiscal 2014-2021**  
**(\$ in Millions)**



**Total: \$2.8 Billion**

MTA: Maryland Transit Administration

SHA: State Highway Administration

WMATA: Washington Metropolitan Area Transit Authority

\*Fiscal 2020 and 2021 include federal COVID/stimulus aid used to address revenue declines experienced due to the pandemic.

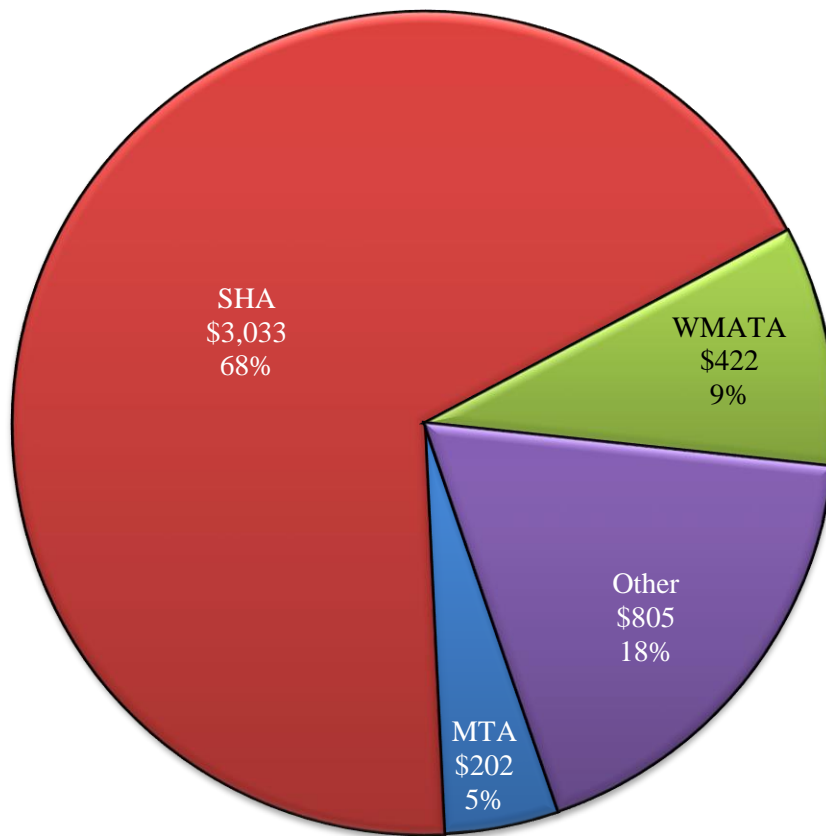
Source: Maryland State Budget; Department of Legislative Services

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**Exhibit 28** shows capital spending for the same categories used in Exhibit 27. Of the \$4.5 billion in increased capital spending over this period, 68% (\$3.0 billion) went to SHA projects.

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**Exhibit 28**  
**Special Fund Capital Spending above Fiscal 2013 Base\***  
**Fiscal 2014-2021**  
**(\$ in Millions)**



**Total: \$4.5 Billion**

MTA: Maryland Transit Administration

SHA: State Highway Administration

WMATA: Washington Metropolitan Area Transit Authority

\*Fiscal 2020 and 2021 include federal COVID/stimulus aid used to address revenue declines experienced due to the pandemic.

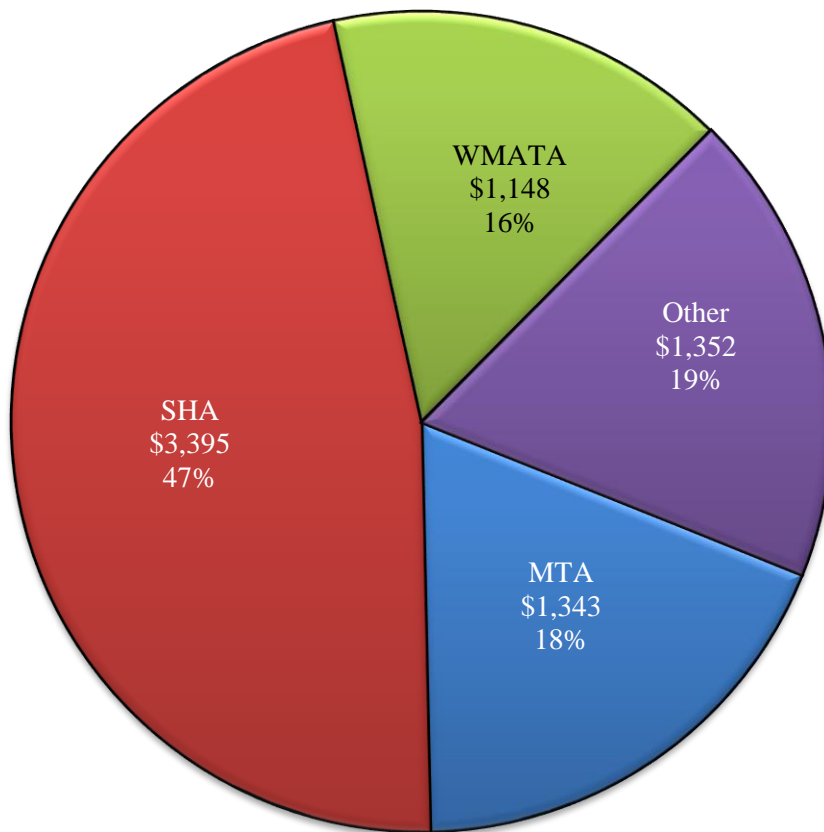
Source: Maryland State Budget; Department of Legislative Services

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Combined operating and capital spending is shown in **Exhibit 29**. Combined spending for SHA totaled \$3.4 billion (47%) over this period, while spending on transit (MTA and WMATA) accounted for \$2.5 billion (34%) of the \$7.2 billion increased spending.

**Exhibit 29**  
**Special Fund Operating and Capital Spending above Fiscal 2013 Base\***  
**Fiscal 2014-2021**  
**(\$ in Millions)**



**Total: \$7.2 Billion**

MTA: Maryland Transit Administration

SHA: State Highway Administration

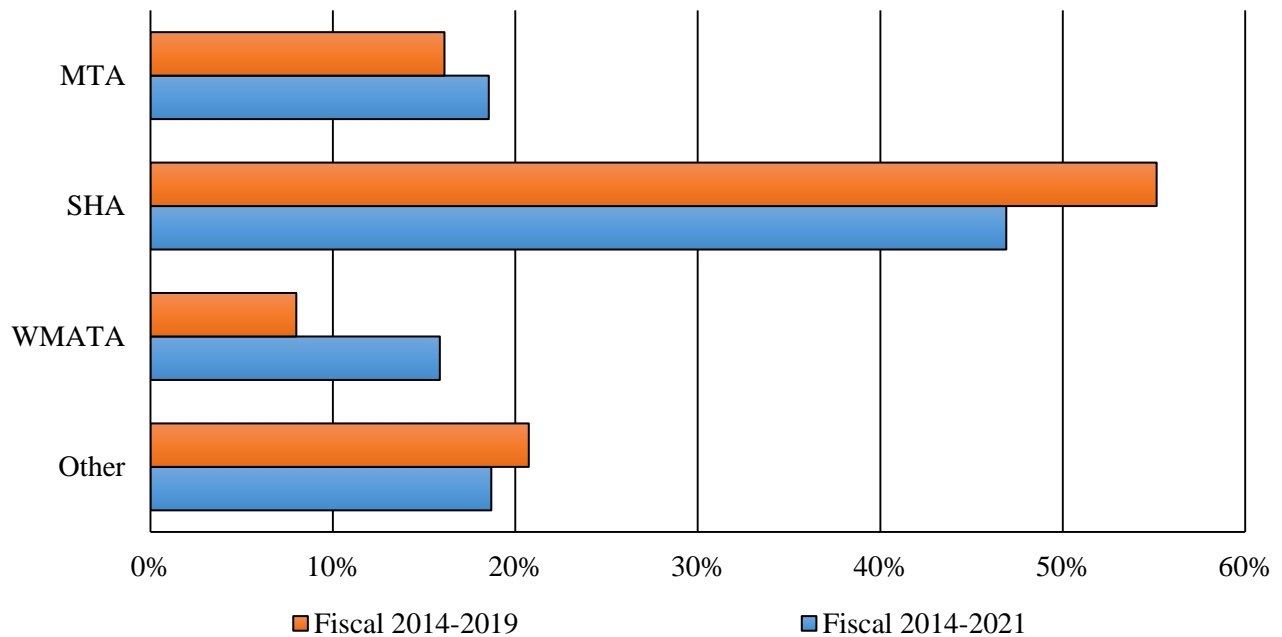
WMATA: Washington Metropolitan Area Transit Authority

\*Fiscal 2020 and 2021 include federal COVID/stimulus aid used to address revenue declines experienced due to the pandemic.

Source: Maryland State Budget; Department of Legislative Services

**Exhibit 30** shows the change in the share of the special fund spending on operating and capital since this analysis was first included in the MDOT Overview during the 2020 session. MTA and WMATA each saw increases, while SHA and the combined spending for the remaining modes experienced a decline as a percent of total spending.

**Exhibit 30**  
**Change in the Share of Special Fund Spending on Operating and Capital\***



MTA: Maryland Transit Administration

SHA: State Highway Administration

WMATA: Washington Metropolitan Area Transit Authority

\*Fiscal 2020 and 2021 include federal COVID-19/stimulus aid used to address revenue declines experienced due to the pandemic.

Source: Maryland State Budget; Department of Legislative Services

## Operating Budget Recommended Actions

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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 2022-2027 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 2022 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.

<b>Information Request</b>	<b>Author</b>	<b>Due Date</b>
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 X,XXX.X positions and XXX.X 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 2023. 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 2023 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.

<b>Information Request</b>	<b>Author</b>	<b>Due Date</b>
Need for additional regular or contractual positions	MDOT	As needed

**Appendix 1**

**Transit Program Changes Made by the Infrastructure Investment and Jobs Act**

**All Stations Accessibility Program**

Established through IIIA.

**Bus Testing Facility**

Federal funds may now be used for the purchase of equipment and capital projects related to testing new bus models.

**Buses and Bus Facilities**

- The Grants for Buses and Bus Facilities formula national distribution is increased to \$4 million for each state and \$1 million for each territory.
- Requires applicants for both the Grants for Buses and Bus Facilities formula and competitive programs to use, to the extent possible, innovative procurement tools authorized under Section 3019 of the FAST Act. If fewer than five buses are purchased through a stand-alone procurement, the recipient must provide a written explanation to FTA of why the authorized procurement tools were not used.
- Allows an applicant to the Grants for Buses and Bus Facilities competitive program who is also applying for the Low or No Emission Grants program to propose partnerships with other entities, which would then be deemed to satisfy the competitive procurement requirements under 49 U.S.C. § 5325.
- Requires that applicants submit a zero-emission fleet transition plan with their applications to both Grants for Buses and Bus Facilities and Low or No Emissions Grants competitive programs for projects related to zero-emission buses.
- Not less than 25% of Low or No Emissions Grants funding must be used for low-emission vehicles and related facilities (excluding zero emission vehicles and facilities).
- Requires that 5% of all Grants for Buses and Bus Facilities or Low or No Emissions competitive grants related to zero-emission vehicles or related infrastructure be used for workforce development activities, unless the applicant certifies that less is needed to carry out their zero-emission fleet transition plan.

## **Capital Investment Grants Program**

- Revises the Small Starts and New Starts eligibility thresholds.
- Revises Core Capacity project eligibility to corridors that are at capacity today or will be in 10 years, rather than in the 5-year timeframe under the FAST Act.
- Establishes a process for immediate and future bundling of projects to allow sponsors to move multiple projects through the Capital Investment Grants (CIG) pipeline simultaneously. The new bundling eligibilities replace the prior “Program of Interrelated Projects” eligibility.
- Adds a requirement for the Secretary to determine that a project sponsor has made progress toward meeting the transit asset management performance targets required by 49 U.S.C. 5326(c)(2).
- Amends the “warrants” provisions for New Starts and Core Capacity projects to remove the requirement that the total estimated capital cost of the project must be under \$100,000,000.
- Requires the Secretary to provide full and fair consideration to projects that seek an updated rating after a period of inactivity following an earlier rating and evaluation.
- Adds a requirement that the Federal Transit Administration (FTA) publish no less frequently than monthly a dashboard on its public website with information on each project seeking CIG funding.
- Before and After Study requirements (an analysis of predicted versus actual cost and ridership outcomes after a CIG project opens for service) were revised. The requirement that FTA report on those studies to the U.S. Congress annually was also eliminated. Instead, the U.S. Government Accountability Office, as part of its biennial review of the CIG program, will report to Congress on the differences between the predicted and actual outcomes for CIG projects.
- Revises the congressional notification timeframe required before a CIG construction grant can be awarded from 30 days to 15 days for New Starts and Core Capacity projects.

## **Electric or Low-emitting Ferry Pilot Program**

Established through the IIJA.

## **Enhanced Mobility of Seniors and Individuals with Disabilities**

The IIJA continues the Section 5310 Formula Program with no changes.

## **Ferry Service for Rural Communities**

Established through the IIJA.

## **Innovative Coordinated Access and Mobility Pilot Program**

The IIJA continues the program with no changes.

## **Metro and Statewide Planning**

- Adds consideration of state and local housing patterns in the metropolitan planning process.
- Requires Metropolitan Planning Organizations (MPO) to ensure the consistency of data used in the planning process, including information used in forecasting travel demand, if more than one MPO is designated within an urbanized area.
- Permits the use of social media and other web-based tools to encourage public participation in the planning process.
- Requires MPOs to consider the equitable and proportional representation of the population of the metropolitan planning area when designating officials for the first time.
- Permits a greater than 80% federal share for transportation planning in certain circumstances, including in lower-density or lower-income portions of metropolitan or adjoining rural areas.

## **Public Transportation Innovation**

- The law directs FTA to establish an Advanced Digital Construction Management Systems program to promote, implement, deploy, demonstrate, showcase, support, and document the application of advanced digital construction management systems, practices, performance, and benefits.
- Allows low or no component testing facilities to conduct directed technology research and use funds for the acquisition of equipment and capital projects related to testing low or no-emission vehicle components or research related to advanced vehicle technologies that provides advancements to the entire public transportation industry.
- Prohibits facilities selected to conduct low or no component testing from carrying out bus testing performed through the Bus Testing Facility program (49 U.S.C. 5318).

## **Rural Program**

- Establishes fixed funding percentages for the Public Transportation on Indian Reservations and the Appalachian Development Public Transportation Assistance programs.
- Five percent of Rural Formula (Section 5311) funding is available for the Public Transportation on Indian Reservations program. Twenty percent of the Public Transportation on Indian Reservations funds must be distributed on a competitive basis, while the remainder must be apportioned by formula.
- Three percent of Section 5311 funding is available for the Appalachian Development Public Transportation Assistance program.

## **Safety Program**

- Provides state safety oversight agencies authority to collect and analyze data and conduct risk-based inspections of rail fixed guideway transportation systems.
- Requires agency safety plans to be consistent with U.S. Centers for Disease Control and Prevention and state health authority guidelines to minimize exposure to infectious diseases.
- Requires recipients serving an urbanized area with a population of fewer than 200,000 to develop their agency safety plan in cooperation with frontline employee representatives.
- Requires recipients of section 5307 funds that serve urbanized areas with populations of 200,000 or more to undertake certain activities.

## **State of Good Repair**

The Bipartisan Infrastructure Law added a competitive component to the program for state and local governmental authorities to fund capital projects for the replacement of rail rolling stock. Program requirements and funding allocation amounts will be identified in a Notice of Funding Opportunity. Not more than three new competitive awards to eligible projects may be announced each fiscal year. FTA may select projects for multi-year awards.

## **Technical Assistance and Workforce**

The IJA continues the program with no changes.



## **Transit Oriented Development Planning Pilot Program**

Permits federal financing for site-specific as well as comprehensive planning. Previously, only comprehensive planning was eligible for federal funds.

## **Urbanized Area Formula Grant**

The Bipartisan Infrastructure Law requires recipients of Urbanized Area Formula Program (Section 5307) funds that serve urbanized areas with populations of 200,000 or more to allocate not less than 0.75% of their Urbanized Area Formula Program funds to safety-related projects.

Source: Federal Transit Administration; Department of Legislative Services