

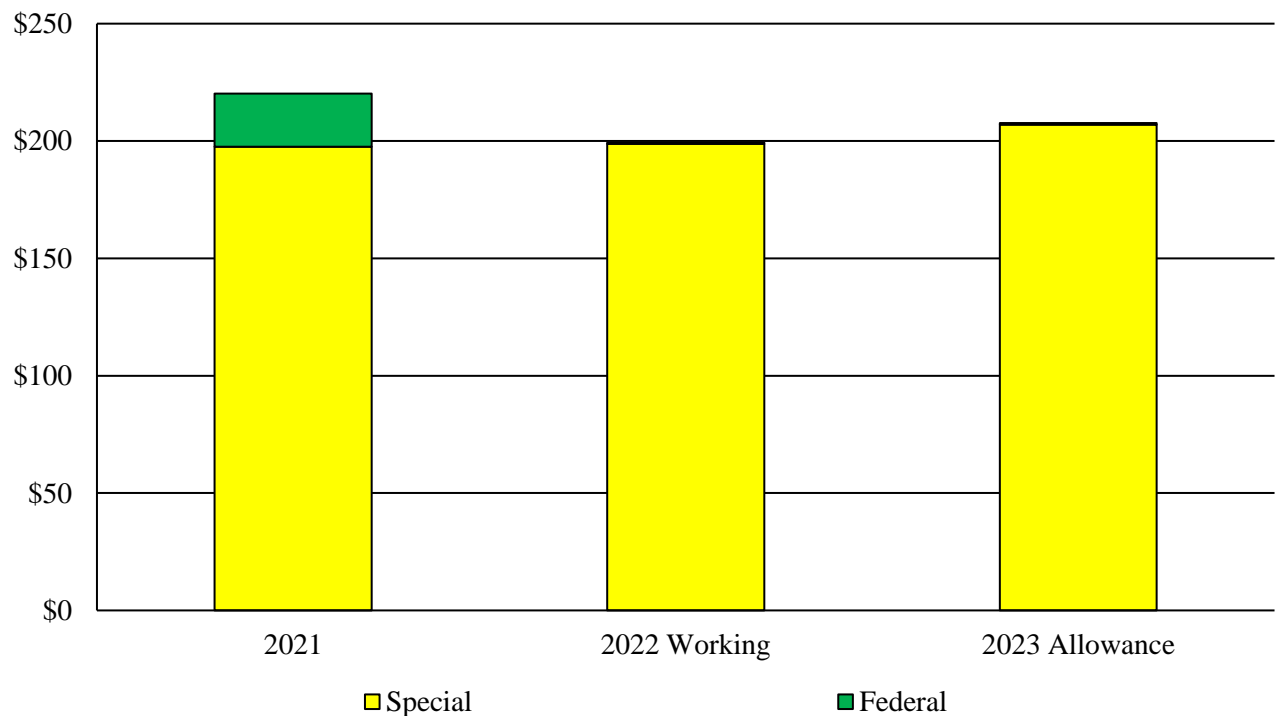
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Maryland Aviation Administration
Maryland Department of Transportation

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 (MTN).

Operating Budget Summary

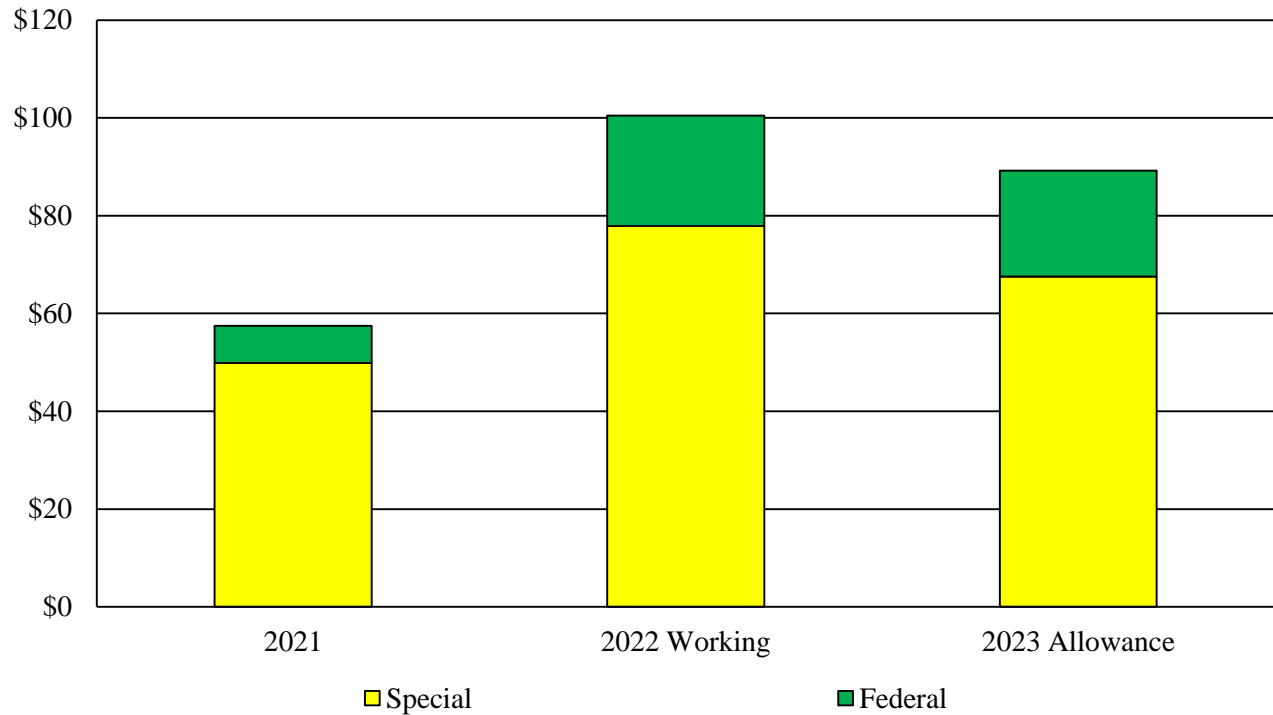
Fiscal 2023 Budget Increases \$8.2 Million, or 4.1%, to \$207.6 Million
(\$ in Millions)



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.

PAYGO Capital Budget Summary

**Fiscal 2023 Budget Decreases \$11.3 Million, or 11.2%, to \$89.2 Million
(\$ in Millions)**



PAYGO: pay-as-you-go

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 includes cost-of-living adjustments, increments, bonuses, and may include annual salary review adjustments.

Key Observations

- ***Continued Impact of COVID-19 on BWI Marshall Airport:*** The air travel industry as a whole continues to deal with the effects of the COVID-19 pandemic. While BWI Marshall Airport is beginning to see the return of passengers and flights, revenues are still down.

Operating Budget Recommended Actions

1. Concur with Governor's allowance.

PAYGO Budget Recommended Actions

1. Concur with Governor's allowance.

J00I00
Maryland Aviation Administration
Maryland Department of Transportation

Budget Analysis

Program Description

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 BWI Marshall Airport – a major center of commercial air carrier service in the State – and 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:

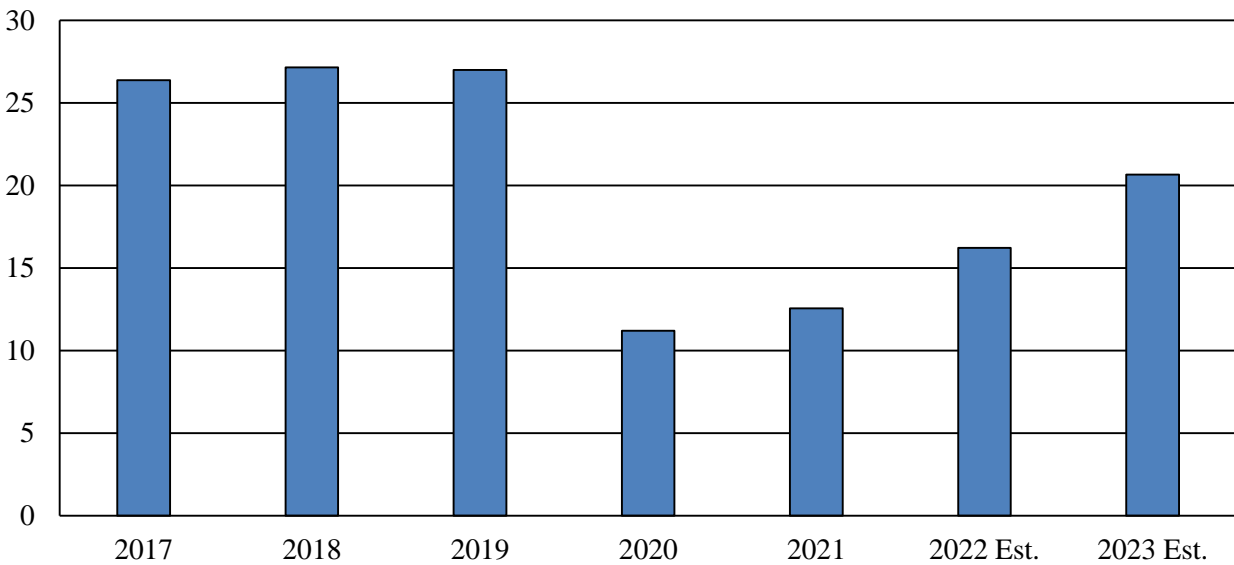
- keeping BWI Marshall Airport passengers, tenants, and facilities safe;
- operating BWI Marshall Airport efficiently and effectively;
- attracting, maintaining, and expanding air service; and
- providing exceptional service.

Performance Analysis: Managing for Results

1. Total Passenger Growth

Passenger traffic at BWI Marshall Airport was approximately 12.5 million passengers in calendar 2021, an increase of 12.0% from calendar 2020. As shown in **Exhibit 1**, BWI Marshall Airport was experiencing a general trend in passenger growth up until calendar 2020 when the impacts of the COVID-19 pandemic caused a dramatic decline. 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 2017-2023 Est.
(in Millions)

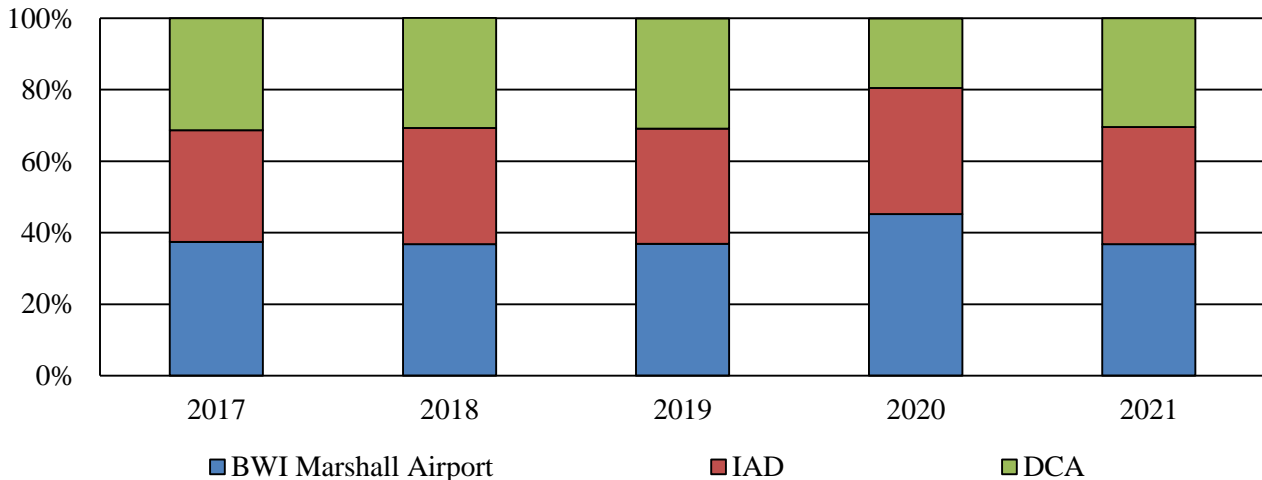


Source: Maryland Aviation Administration

2. Passenger Market Share Declines

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 decreased in calendar 2021 relative to DCA and IAD, moving from 45% of market share in calendar 2020 to 37% in 2021. Despite this decline, it still has the most passengers in the Baltimore-Washington region.

Exhibit 2
Passenger Market Share
Fiscal 2017-2021



BWI Marshall Airport: Baltimore/Washington International Thurgood Marshall Airport

DCA: Ronald Reagan Washington National Airport

IAD: Washington Dulles International Airport

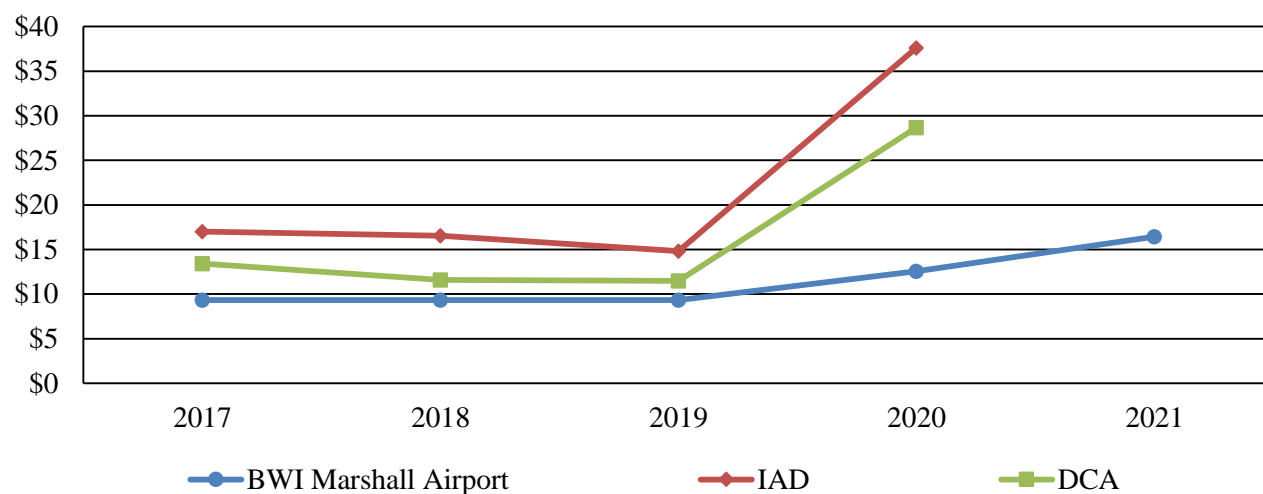
Source: Maryland Aviation Administration

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.

BWI Marshall Airport's CPE in fiscal 2021 was \$16.43, up from \$12.55 in fiscal 2020. As of February 13, 2022, fiscal 2021 CPE numbers for the other two area airports are not available. The increase in fiscal 2021 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** shows that BWI Marshall Airport was able to keep its CPE low in fiscal 2020 compared to its competitors that saw dramatic CPE increases.

Exhibit 3
Cost Per Enplaned Passenger
Fiscal 2017-2021



BWI Marshall Airport: Baltimore/Washington International Thurgood Marshall Airport

DCA: Ronald Reagan Washington National Airport

IAD: Washington Dulles International Airport

Note: Fiscal 2021 costs for IAD and DCA are not currently available.

Source: Maryland Aviation Administration

Fiscal 2021

The federal Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act provided \$21.4 million for MAA. There was an additional \$109,711 in Coronavirus Aid, Relief, and Economic Security Act funds and \$603,572 in American Rescue Plan Act (ARPA) funding, as payment of response pay to employees from the State's ARPA funding.

Fiscal 2022

Federal Stimulus Funds

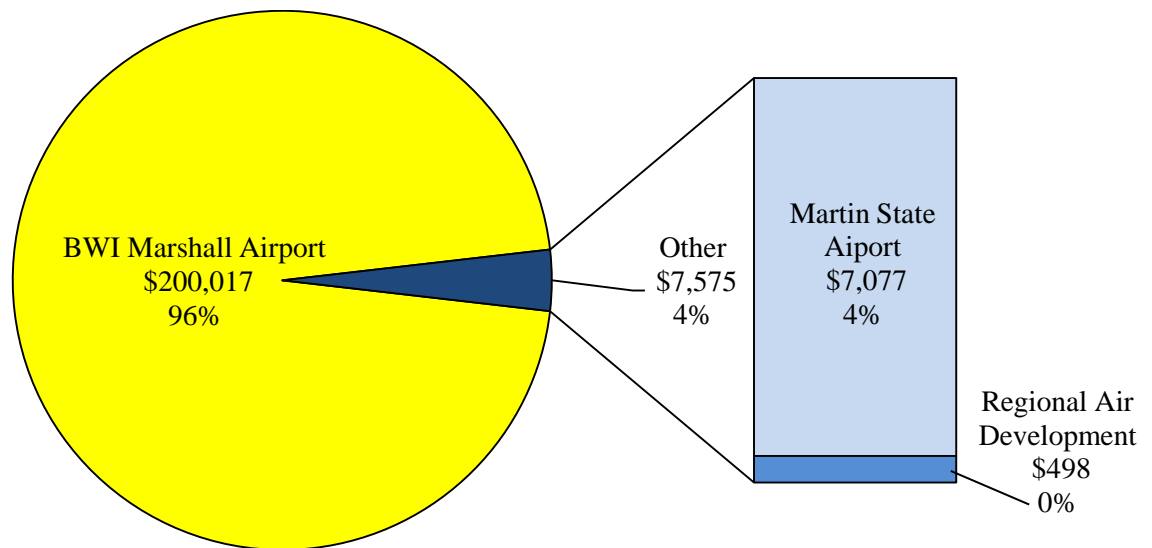
The Infrastructure Investment and Jobs Act (IIJA) was enacted into law on November 15, 2021. For federal fiscal 2022, it is estimated that Maryland airports will receive \$31.7 million in Airport Infrastructure Grant funding. BWI Marshall Airport will receive \$25.6 million, and MTN will receive \$763,000. IIJA funds are not currently reflected in the fiscal 2023 budget allowance. It is expected that

this funding can be used to improve airport facilities, including improving runways and taxiways, implementing terminal development projects, and constructing new airport traffic control towers.

Fiscal 2023 Overview of Agency Spending

The MAA fiscal 2023 operating budget is approximately \$207.6 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 2023 Allowance
(\$ in Thousands)



BWI Marshall Airport: Baltimore/Washington International Thurgood Marshall Airport

Source: Governor's Fiscal 2023 Budget Books

Proposed Budget Change

The fiscal 2023 allowance increases by approximately \$8.2 million from the fiscal 2022 working appropriation. **Exhibit 5** shows that this increase is a 4.1% change over the prior year. Approximately \$5.9 million of the growth is due to increases in contractual janitorial service expenses at BWI Marshall Airport. This increase in janitorial spending is related to the ongoing pandemic.

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

How Much It Grows:	Special Fund	Federal Fund	Total
Fiscal 2021 Actual	\$197,538	\$22,711	\$220,249
Fiscal 2022 Working Appropriation	198,739	646	199,384
Fiscal 2023 Allowance	<u>206,946</u>	<u>646</u>	<u>207,592</u>
Fiscal 2022-2023 Amount Change	\$8,208	\$0	\$8,208
Fiscal 2022-2023 Percent Change	4.1%		4.1%

Where It Goes:	Change
Personnel Expenses	
Employee and retirees' health insurance premiums.....	\$357
Workers' compensation	152
Salary increases.....	115
Employees' retirement system	102
Social Security contributions	27
Other fringe benefit adjustments	-10
Turnover adjustments.....	-15
Law Enforcement Officer Pension System	-18
Overtime earnings	-28
Other Changes	
Increase in janitorial expenses at BWI Marshall Airport due to shifting of these responsibilities out of the parking facilities' concession contract.....	5,872
Operation of airport shuttle bus and van services at BWI Marshall Airport.....	769
Repair and maintenance of HVAC systems; central utility plant; and water treatment facility at BWI Marshall Airport.....	508
Additional funding for building maintenance, specifically inspection, replacement, repair, and maintenance of interior and exterior doors.....	500
Ground maintenance	299
Insurance	206
Maryland Transportation Authority Police Airport services.....	152
Other adjustments	74
Utilities.....	-860
Total	\$8,202

BWI Marshall Airport: Baltimore/Washington International Thurgood Marshall Airport

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

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 Transportation Trust Fund (TTF) must provide as a subsidy. 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 \$103.8 million decrease in net operating revenues between fiscal 2022 and 2023. MAA is expected to have a net loss of \$39 million in fiscal 2023. For additional information on the impacts of COVID-19, see the Issues section of this analysis.

Exhibit 6 Special Fund Revenues and Expenditures Fiscal 2021-2023 (\$ in Thousands)

	Actual 2021	Working 2022	Allowance 2023	\$ Change 2022-2023	% Change 2022-2023
Operating Revenues					
BWI Marshall Airport – Flight Activities	\$53,872	\$73,957	\$67,964	-\$5,993	-8.10%
BWI Marshall Airport – Rents and User Fees	75,943	80,352	78,978	-1,374	-1.71%
BWI Marshall Airport – Concessions	42,113	86,642	103,303	16,661	19.23%
BWI Marshall Airport – Other	26,411	89,460	4,167	-85,293	-95.34%
MTN – Rents, Concessions	8,996	11,233	10,211	-1,022	-9.10%
Total	\$207,335	\$341,643	\$264,623	-\$77,021	-22.54%
Revenue Bonds Debt Service	-\$1,019	-\$2,351	-\$29,106	-\$26,755	1,138.03%
Net Operating Revenues	\$206,316	\$339,292	\$235,517	-\$103,776	-30.59%
Operating Expenditures	\$198,943	\$198,739	\$206,946	\$8,208	4.13%
Net Operating Income	\$7,373	\$140,554	\$28,570	-\$111,983	79.67%
Capital Expenditures	\$49,891	\$77,887	\$67,576	-\$10,311	-13.24%
Net Income/Loss	-\$42,518	\$62,666	-\$39,006	-\$101,672	162.24%

BWI Marshall Airport: Baltimore/Washington International Thurgood Marshall Airport
MTN: Martin State Airport

Source: Maryland Aviation Administration

Operating and PAYGO Personnel Data

	<u>FY 21</u> <u>Actual</u>	<u>FY 22</u> <u>Working</u>	<u>FY 23</u> <u>Allowance</u>	<u>FY 22-23</u> <u>Change</u>
Regular Operating Budget Positions	453.50	453.50	453.50	0.00
Regular PAYGO Budget Positions	<u>41.00</u>	<u>41.00</u>	<u>41.00</u>	<u>0.00</u>
Total Regular Positions	494.50	494.50	494.50	0.00
Operating Budget FTEs	0.50	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	0.50	0.50	0.50	0.00
Total Personnel	495.00	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 12/31/21	57.30	11.60%
Vacancies Above Turnover	22.68	

PAYGO Capital Program

Program Description

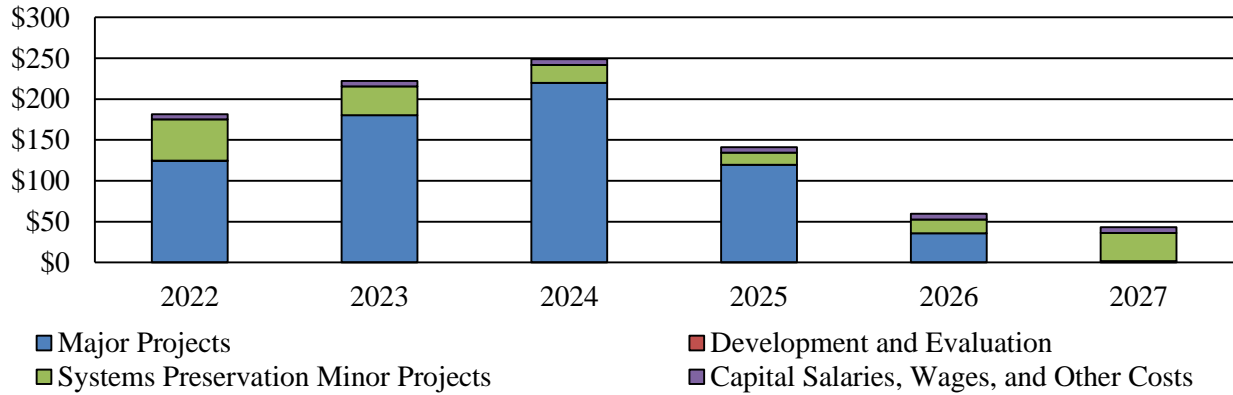
The MAA capital program provides for the development and maintenance of facilities at BWI Marshall Airport and MTN. MAA undertakes projects that meet the demands of commercial and general aviation for both passenger and cargo activities at BWI Marshall Airport. At MTN, capital investments consist of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

Fiscal 2022 to 2027 Consolidated Transportation Program

The fiscal 2022 to 2027 *Consolidated Transportation Program* (CTP) for MAA totals \$896.4 million, which is an increase of \$42.1 million over the prior year's six-year program. This is due in part to increased costs resulting from construction delays as well as fully funding the Fuel Storage Tank Additions at \$16 million.

Exhibit 7 shows a major decrease in the out-years of the CTP, particularly in fiscal 2025 through 2027. Half of the projects in the CTP are projected to be completed in fiscal 2024.

Exhibit 7
Six-year PAYGO Allowance
Fiscal 2022-2027
(\$ in Millions)

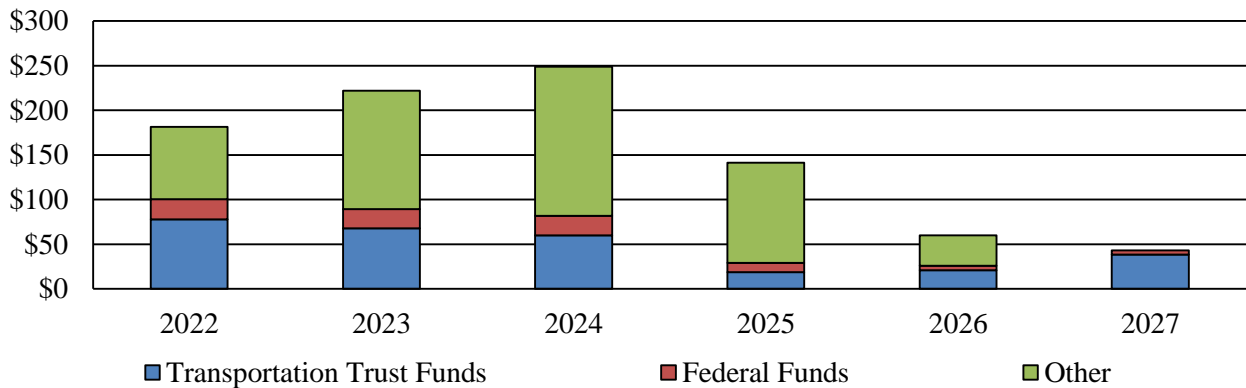


PAYGO: pay-as-you-go

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

Exhibit 8 shows the fiscal 2022-2027 CTP split out by fund source. The other funds category is the majority of the funds in each fiscal year until fiscal 2027. 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 2022-2027
(\$ in Millions)



PAYGO: pay-as-you-go

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

Fiscal 2023 Capital Allowance

Exhibit 9 shows the programmed capital funds for the fiscal 2023 capital allowance by project and program along with total estimated costs and six-year funding for each program.

Exhibit 9
Maryland Aviation Administration PAYGO Capital Program Projects
Fiscal 2023
(\$ in Thousands)

<u>Project Description</u>	<u>2023</u>	<u>Total Estimated Cost</u>	<u>Six-year Total</u>
Regional Aviation Assistance Program	\$2,450	\$76,903	\$12,962
Residential Sound Insulation Program	9,980	34,413	34,114
Shuttle Bus Service Fleet Replacement at BWI Marshall Airport	7,100	41,286	16,459
Midfield Cargo Area Improvements at BWI Marshall Airport	0	33,515	495
Concourse A Improvements Phase 2 at BWI Marshall Airport	0	68,872	0
Concourse D HVAC Replacement at BWI Marshall Airport	12,625	26,475	24,230
Restroom Improvement Program at BWI Marshall Airport	27,127	67,567	61,876
Taxiway T Reconstruction Phase 1 at BWI Marshall Airport	0	13,832	9,024
Concourse A/B Connector and Baggage Handling System Replacement at BWI Marshall Airport	87,581	452,900	425,657
Taxiway F Relocation at BWI Marshall Airport	8,389	21,827	20,733
Aircraft Maintenance Facility Infrastructure at BWI Marshall Airport	15,051	54,400	49,143
Airfield Lighting Vault Relocation at BWI Marshall Airport	4,900	12,084	10,459
Fuel Storage Tank Additions at BWI Marshall Airport	5,000	16,819	16,209
Environmental Assessment at Martin State Airport	0	2,625	335
Major Projects Total	\$180,203	\$923,518	\$681,696
System Preservation and Minor Projects	\$35,300	n/a	\$173,700
Capital Salaries	6,500	n/a	40,900
Subtotal	\$41,800	n/a	\$214,600
Total	\$222,003	\$923,518	\$896,296

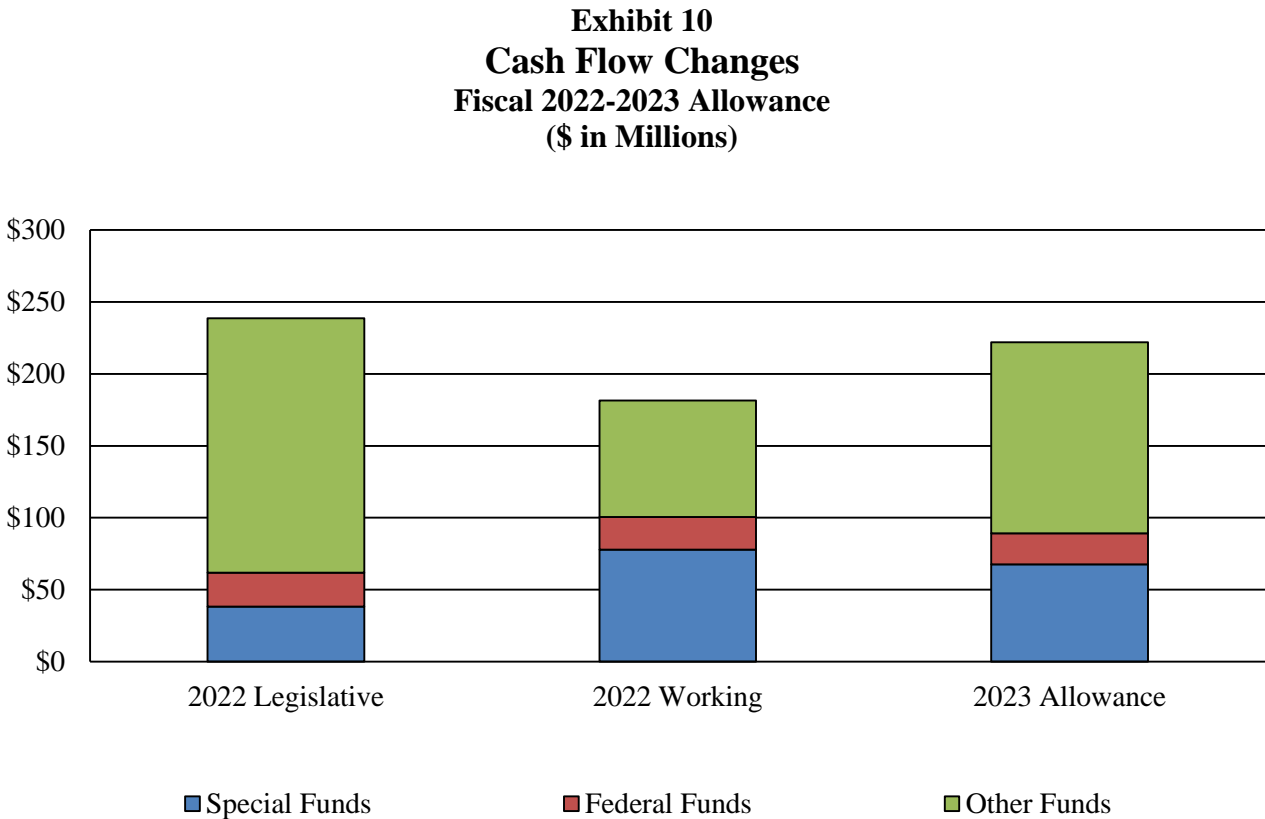
BWI Marshall Airport: Baltimore/Washington International Thurgood Marshall Airport

PAYGO: pay-as-you-go

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

Fiscal 2022 and 2023 Cash Flow Analysis

Exhibit 10 shows the changes in MAA capital funding between the fiscal 2022 legislative and working appropriations and between the fiscal 2022 working appropriation and the fiscal 2023 allowance. There was a 24% decrease between the fiscal 2022 legislative and working appropriations.



Source: Maryland Department of Transportation, 2021 and 2022 *Consolidated Transportation Programs*; Department of Legislative Services

Significant Changes from the Previous CTP

Exhibit 11 shows that there is one significant change from the fiscal 2021-2026 CTP.

Exhibit 11
Major Project Significant Changes from 2021 to 2026 CTP
(\$ in Millions)

<u>Projects Added to the Construction Program</u>	<u>Total Cost</u>
Fuel Storage Tank Additions at BWI Marshall Airport	\$16.8

BWI Marshall Airport: Baltimore/Washington International Thurgood Marshall Airport
CTP: *Consolidated Transportation Program*

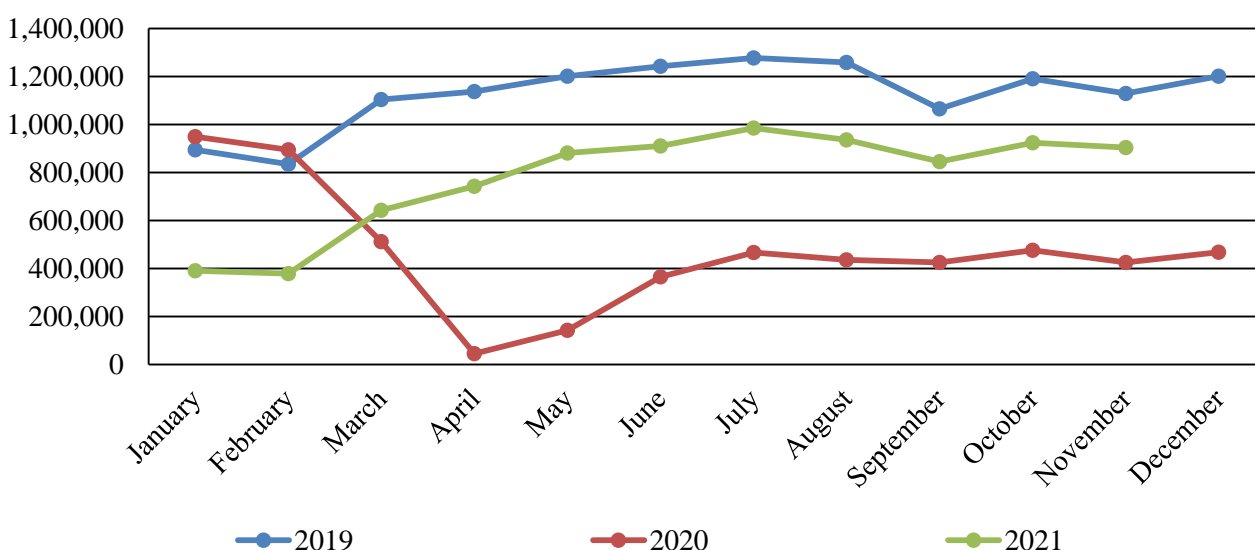
Source: Maryland Department of Transportation, 2022-2027 *Consolidated Transportation Program*

Issues

1. Continued Impact of COVID-19 on BWI Marshall Airport

Exhibit 12 shows the continued decline in passenger travel at BWI Marshall Airport because of the impacts of COVID-19. BWI Marshall Airport has begun to see a rebound in departing passenger traffic, as calendar 2021 outperformed calendar 2020 for March through November. On average, calendar 2021 has been 32% below calendar 2019 passenger traffic levels, with the biggest gap being in January at 56.3%. This decline in passenger travel has impacted both earned revenue and operations at the airport.

Exhibit 12
BWI Marshall Airport Departing Passenger Traffic Per Month
Calendar 2019-2021



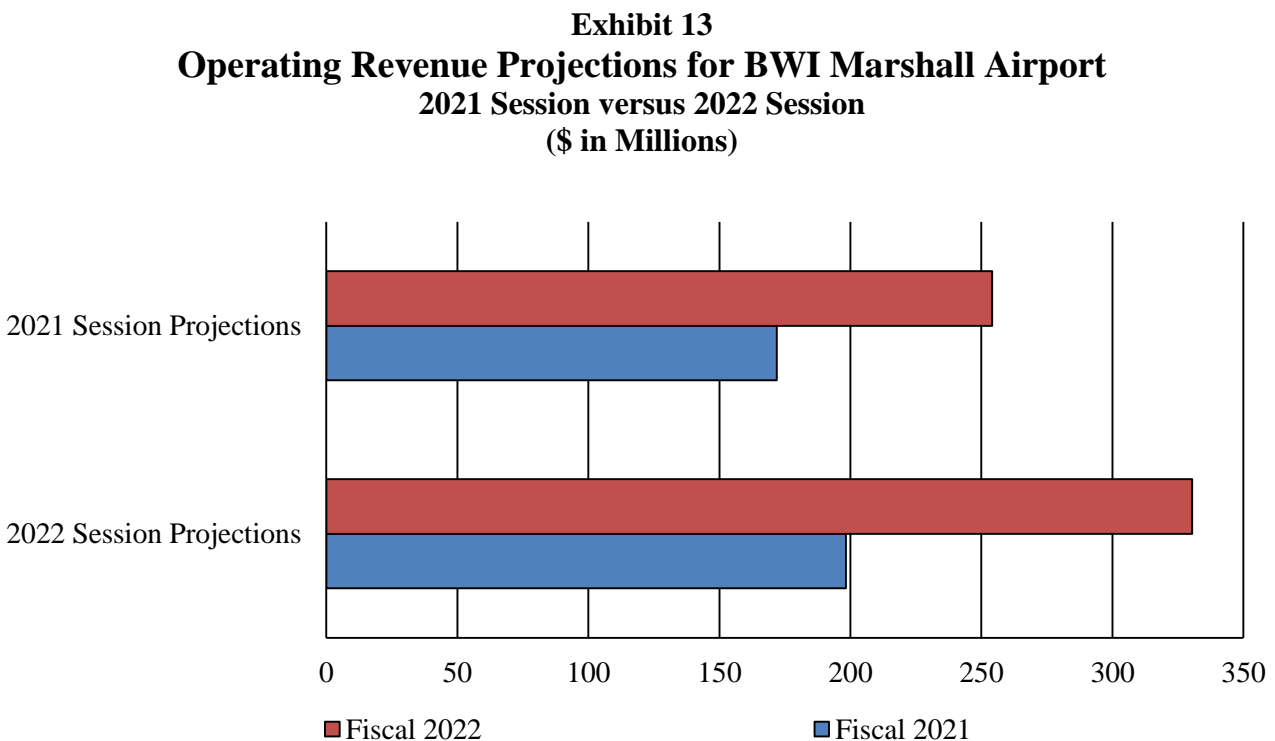
BWI Marshall Airport: Baltimore/Washington International Thurgood Marshall Airport

Source: Maryland Aviation Administration

Steps were initially taken to mitigate the spread of COVID-19 and offer financial relief to tenants. MAA waived fixed rent and provided a one-year extension to BWI Marshall Airport's concessions management company (Fraport). Subsequently, all concession subtenants received fixed rent waivers and a two-year extension to each respective sublease. 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. At BWI Marshall Airport, long term lots A and B, the express lot, and the valet parking were closed.

There has been a return to some normalcy at BWI Marshall Airport. Long term lot A reopened in April 2021 and lot B reopened in May 2021. Both parking lots returned to prepandemic rates on October 1, 2021. Flights are beginning to return to service. However, as seen with the Omicron variant, this normalcy is precarious. This highly transmissible variant spread quickly among airline flight crews, leading to the cancellation of thousands of flights in December 2021 and January 2022.

Exhibit 13 shows the increase in BWI Marshall Airport’s fiscal 2021 and 2022 operating revenue assumptions from the 2021 session projections to the 2022 projections. MAA assumes an increase of \$132.1 million in operating revenues for fiscal 2022 in the most recent projections, compared to the expected \$82.2 million increase in the projections from last session. BWI Marshall Airport outperformed fiscal 2021 revenue estimates from the 2021 session by \$26.4 million due to an influx of federal relief funding. This federal funding includes \$1.9 million in CRRSA funds and \$83.5 million in ARPA funds. The federal relief funding is reimbursement for TTF expenses and other reimbursements. Without this funding in fiscal 2023, operating revenues will decrease \$76 million. **MAA should comment on the pandemic’s continued impact on BWI Marshall Airport’s operations and finances.**



BWI Marshall Airport: Baltimore/Washington International Thurgood Marshall Airport

Source: Maryland Aviation Administration

Operating Budget Recommended Actions

1. Concur with Governor's allowance.

PAYGO Budget Recommended Actions

1. Concur with Governor's allowance.

Appendix 1
2021 Joint Chairmen's Report Responses from Agency

The 2021 *Joint Chairmen's Report* (JCR) requested that MAA prepare two reports. Electronic copies of the full JCR responses can be found on the Department of Legislative Services Library website.

- ***Martin State Aircraft Noise Mitigation Report:*** MAA was asked to complete a study on the impact of aircraft noise on communities near MTN. The agency concluded that there were no noise sensitive land uses within the Airport Noise Zone (ANZ) for MTN.
- ***Aircraft Noise Mitigation Report:*** This report describes efforts by MAA to minimize aircraft noise in the area surrounding BWI Marshall Airport. These efforts include public outreach, constant monitoring of noise exposure, 24-hour access to aircraft operations, as well as the update of the ANZ and the Noise Abatement Plan.

Appendix 2
Object/Fund Difference Report
Maryland Department of Transportation – Maryland Aviation Administration

<u>Object/Fund</u>	<u>FY 21 Actual</u>	<u>FY 22 Working Appropriation</u>	<u>FY 23 Allowance</u>	<u>FY 22 - FY 23 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	453.50	453.50	453.50	0.00	0%
02 Contractual	0.50	0.50	0.50	0.00	0%
Total Positions	454.00	454.00	454.00	0.00	0%
Objects					
01 Salaries and Wages	\$ 50,457,797	\$ 47,895,883	\$ 48,578,352	\$ 682,469	1.4%
02 Technical and Special Fees	2,335,178	2,533,051	2,533,051	0	0%
03 Communication	1,052,413	1,474,851	1,474,851	0	0%
04 Travel	18,196	196,210	196,210	0	0%
06 Fuel and Utilities	12,301,508	12,767,228	11,906,783	-860,445	-6.7%
07 Motor Vehicles	1,757,821	2,471,055	2,448,201	-22,854	-0.9%
08 Contractual Services	99,586,150	99,784,546	107,187,602	7,403,056	7.4%
09 Supplies and Materials	7,821,028	6,375,570	6,375,570	0	0%
10 Equipment – Replacement	97,969	0	0	0	0.0%
11 Equipment – Additional	75,982	0	0	0	0.0%
12 Grants, Subsidies, and Contributions	1,099,273	1,109,528	1,109,528	0	0%
13 Fixed Charges	29,613,796	16,946,068	17,152,463	206,395	1.2%
14 Land and Structures	14,031,606	7,830,232	8,629,182	798,950	10.2%
Total Objects	\$ 220,248,717	\$ 199,384,222	\$ 207,591,793	\$ 8,207,571	4.1%
Funds					
03 Special Fund	\$ 197,537,577	\$ 198,738,722	\$ 206,946,293	\$ 8,207,571	4.1%
05 Federal Fund	22,711,140	645,500	645,500	0	0%
Total Funds	\$ 220,248,717	\$ 199,384,222	\$ 207,591,793	\$ 8,207,571	4.1%

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.

Appendix 3
Fiscal Summary
Maryland Department of Transportation – Maryland Aviation Administration

<u>Program/Unit</u>	<u>FY 21 Actual</u>	<u>FY 22 Wrk Approp</u>	<u>FY 23 Allowance</u>	<u>Change</u>	<u>FY 22 - FY 23 % Change</u>
2021 BWI Marshall Airport	\$ 211,592,816	\$ 191,676,136	\$ 200,017,109	\$ 8,340,973	4.4%
2022 Martin State Airport	8,326,659	7,207,674	7,077,144	-130,530	-1.8%
2023 Regional Air Development	329,242	500,412	497,540	-2,872	-0.6%
2030 Facilities and Capital Equipment	57,451,132	100,469,043	89,211,405	-11,257,638	-11.2%
Total Expenditures	\$ 277,699,849	\$ 299,853,265	\$ 296,803,198	-\$ 3,050,067	-1.0%
Special Fund	\$ 247,428,474	\$ 276,626,032	\$ 274,522,133	-\$ 2,103,899	-0.8%
Federal Fund	30,271,375	23,227,233	22,281,065	-946,168	-4.1%
Total Appropriations	\$ 277,699,849	\$ 299,853,265	\$ 296,803,198	-\$ 3,050,067	-1.0%

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.