



Larry Hogan
Governor
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Lt. Governor
Gregory Slater
Secretary

**J00D00 MDOT Maryland Port Administration
FY 2022 Operating Budget
Response to the Department of Legislative Services Budget Analysis**

Senate Budget and Taxation Committee
Public Safety, Transportation, and Environment Subcommittee
Senator Cory McCray
February 26, 2021

House Appropriations Committee
Transportation and the Environment Subcommittee
Delegate Marc Korman
February 26, 2021

**J00D00 MDOT – Maryland Port Administration
MDOT RESPONSE TO DLS ANALYSIS
FY 2022 BUDGET**

DLS Budget Analysis Issues

1. Howard Street Tunnel Project (Page 17)

MPA should comment on the status of the INFRA grant agreement with the U.S. Department of Transportation.

MDOT Response:

The U.S. Department of Transportation's Federal Railroad Administration (FRA) has indicated they will not execute the Infrastructure for Rebuilding America (INFRA) grant agreement with the MDOT Maryland Port Administration (MDOT MPA) until the Howard Street Tunnel Project receives final National Environmental Policy Act (NEPA) approval. The FRA is expected to approve the Environmental Assessment for NEPA in the coming days, at which point the document will be released for a 30-day public review and comment period. Following the comment period, the project team will respond to comments and assemble the final NEPA document. The FRA is expected to approve the final NEPA document in the spring of 2021. MDOT MPA and FRA will then be able to sign the INFRA grant agreement, which is anticipated to be fully executed by July 1, 2021.

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MDOT RESPONSE TO DLS ANALYSIS
FY 2022 BUDGET

DLS Budget Analysis Issues (continued)

2. Impact of COVID-19 on MPA (Page 19)

MPA should comment on the lasting impact of COVID-19 on its operations and if it believes that this will have long-term impacts on the economic health of the Port.

MDOT Response:

Cargo

The COVID-19 pandemic had a significant impact on the entire maritime shipping industry; however, the Port of Baltimore's cargo numbers continue to rebound from low points in 2020 and the Port remains a leader in Maryland's economic recovery.

Despite a strong recovery in the second half of this year, the Port's key commodities at the public terminals were down in 2020 compared to 2019:

Containers (632,307 boxes)	-3.7% from 2019;
General Cargo (10,387,723 tons)	-6.4% from 2019;
Roll on/Roll off (689,708 tons)	-23.9% from 2019;
Autos/Light trucks (468,401 units)	-25.8% from 2019.

In December 2020, the Port's State-owned marine terminals saw significant increases for autos/light trucks, general cargo, containers and roll on/roll off machinery compared to the COVID-19 low points in May and June:

Autos/Light Trucks (59,793 units)	+288.8% over low point in May 2020;
Roll on/Roll off (67,063 tons)	+35.8% over low point in June 2020;
General Cargo (946,355 tons)	+29.0% over low point in June 2020;
Containers (53,057 boxes)	+11.9% over low point in June 2020.

The December 2020 figure for general cargo represents an 8% increase compared to December 2019 and is the third consecutive month for a year-over-year gain since the pandemic began. The figure for containers represents a 6% increase compared to December 2019, also the third consecutive month for growth. The growth in Roll on/Roll off was 1% over December 2019. Since mid-July 2020, the Port of Baltimore has serviced 13 ad hoc ship calls totaling nearly 18,000 twenty-foot equivalent unit (TEU) containers. Ad hoc ships are vessels that were diverted to Baltimore that were not on a regularly scheduled service.

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Cruise

The entire cruise industry has been severely impacted by the pandemic. The Cruise Lines International Association is continuing its No-Sail Order. The MDOT MPA's cruise partners, Royal and Carnival, have both cancelled all their cruises through April 2021 and that is expected to be extended. The Centers for Disease Control and Prevention recently announced a return to cruise plan that includes simulated cruises, shorter revenue cruises, and testing for all passengers, crew, and ground operations personnel. Florida cruise ports will be the first on the simulated cruises.

The MDOT MPA continues to engage regularly with both Carnival and Royal Caribbean about their eventual returns. In December 2020, the MDOT MPA extended its contract with Royal for a year, until the end of this year, under the existing terms and conditions. The MDOT MPA agreed to discuss future contract terms and conditions with Royal should market signals indicate movement to restart cruising at any time over the course of the year. Carnival Cruise Lines' contract continues to the end of this year as well.

**J00D00 MDOT – Maryland Port Administration
MDOT RESPONSE TO DLS ANALYSIS
FY 2022 BUDGET**

Operating Budget Recommended Actions

1. Concur with Governor's allowance. (Page 20)

MDOT Response:

The Department concurs with the DLS recommendation.

PAYGO Budget Recommended Actions

1. Concur with Governor's allowance. (Page 20)

MDOT Response:

The Department concurs with the DLS recommendation.



Maryland Department of Transportation (MDOT)

Maryland Port Administration (MPA)

Fiscal Year 2022 Budget Overview

MDOT MPA Operating and Capital Programs

Presentation to Budget Committees

2021 Session

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Progress Since Last Session

Port of Baltimore's Economic Impacts to the State of Maryland:

- 37,300 Direct, Induced, Indirect Jobs generated by the Port.
- \$3.3 billion in personal wages & salary income.
- \$395 million per year in State and Local Tax Revenues.
- 101,880 additional jobs in Maryland are related to Port activities.
- In total, there are **over 139,180 jobs** in Maryland linked to the Port of Baltimore.

Despite the COVID-19 pandemic, the Port of Baltimore's cargo terminals have remained open.

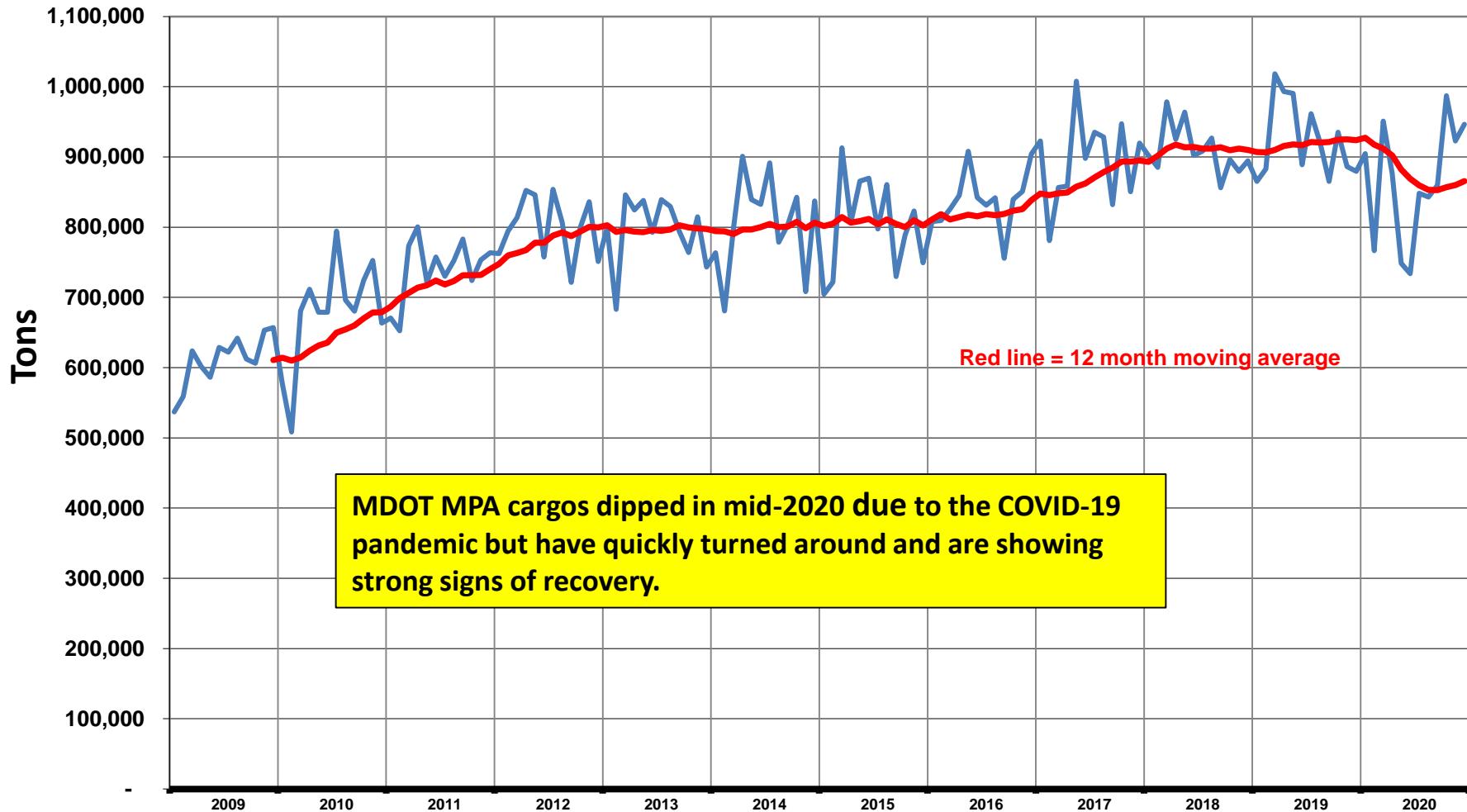
- General cargo tons at MPA terminals rebounded from the lows brought on by the pandemic in May and June to have its best calendar Q4 ever.
- In October 2020, the Port handled over 103,000 TEUs – its best container month ever.
- Volkswagen started importing vehicles through the Port in July.

Port of Baltimore's National Rankings for 2020:

- Ranks #1 for Autos and Light Trucks, and for Roll-on, Roll-off Heavy Equipment
- Ranks #1 for imported Gypsum
- Ranks #2 for exported Coal
- Ranks #10 in the U.S. in the value of international cargo (\$49.6B)
- Ranks #11 in the U.S. for international cargo tonnage (37.3M tons)

Maryland Port Administration Operating and Capital Budget
Progress Since Last Session (continued)

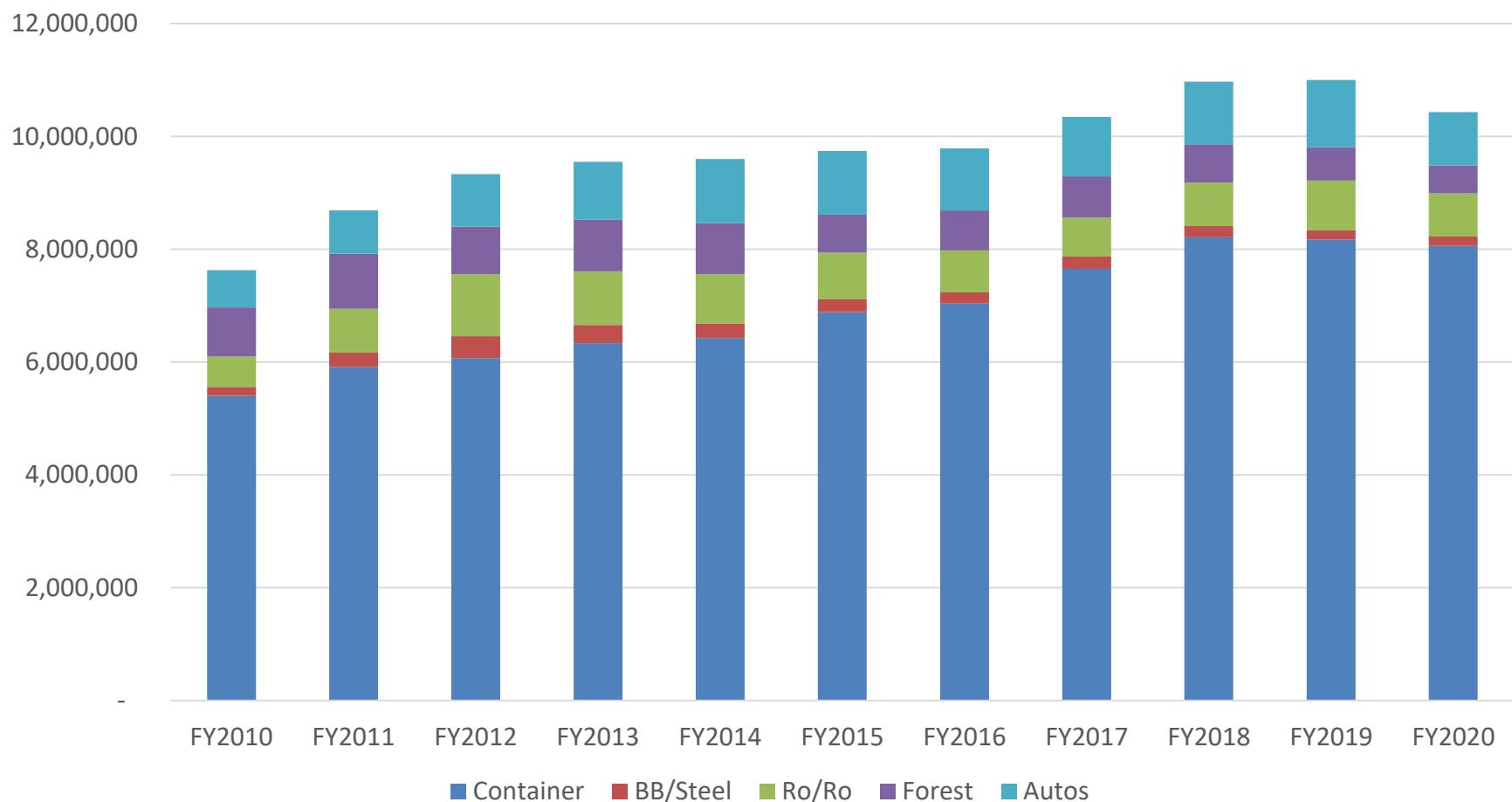
MDOT MPA Total Monthly General Cargo Tonnage



Maryland Port Administration Operating and Capital Budget

Progress Since Last Session (continued)

Cargo at MDOT MPA terminals was negatively affected by the COVID-19 pandemic at the end of FY2020. However, MDOT MPA surpassed 10 million tons for the 4th consecutive year.



Progress Since Last Session (continued)

The following MDOT MPA accomplishments were noteworthy in 2020:

- MDOT MPA announced that Metsa Group signed a new contract that will consolidate its Mid-Atlantic forest product operations through Baltimore.
- MDOT MPA continues working with USDOT and CSX on the \$125M INFRA grant to increase clearance on the 125-year old Howard Street Tunnel for double-stacked containers. Funds are being contributed by USDOT, the State, CSX, MDTA, and PennDOT for this project.
- MDOT MPA is working with USDOT and Ports America Chesapeake on a \$6.6M USDOT BUILD grant as parts of a \$33 million project to deepen a second container berth at Seagirt Marine Terminal to 50 feet and make other improvements to Seagirt. Ports America Chesapeake started construction work this past summer.
- MDOT MPA recently was awarded a \$10 million BUILD grant from USDOT for the Dundalk Marine Terminal Resiliency and Flood Mitigation Project with a total cost of \$36.7 million.
- For the 12th consecutive year, MDOT MPA's terminals received a top rating of "Excellent" on a security assessment from the U.S. Coast Guard.
- MDOT MPA achieved recertification of ISO 14001 for its Environmental Management System.

Maryland Port Administration Operating and Capital Budget

Progress Since Last Session (continued)

Harbor Development Program status:

- The final construction contract for **Poplar Island Expansion** was completed in January 2021. Poplar Island Expansion will provide 28MCY of capacity for Maryland's Bay Channels.
- U.S. Army Corps of Engineers received \$382,000 in FY20 funds to progress design of **Mid-Chesapeake Bay Island**. Construction is expected to commence in mid-2022. Project provides 90 to 95MCY of placement capacity over 30+ years for MD Bay channels; \$1.9B project over 30 years; Corps pays 65%, MPA pays 35%.
- Dredging of a **second 50-ft. deep berth at Seagirt Marine Terminal** started in January 2021 and is expected to be completed in April 2021. Working in partnership with Ports America Chesapeake, the comprehensive Seagirt Berth improvements are expected to be operational in Fall 2021.
- In partnership with the U.S. Army Corps of Engineers, the three-year, cost-shared **Seagirt Loop Feasibility Study** began in October 2020. The Study will evaluate the need/justification for improvements to the Dundalk/Seagirt access channel system ("Loop"), the South Locust Point Channels and Turning Basin, and anchorage areas while assessing inefficiencies and safety concerns as larger vessels call on the Port of Baltimore.
- Construction of the dike foundation for raising the dikes on the **Cox Creek DMCF** was completed in December 2020 and dike raising to +60' MLLW is scheduled to begin in March. Separate negotiations to acquire adjacent property north of the DMCF continue; this would enable further expansion in the future.
- To date five contracts have been awarded under the **Innovative Reuse RFP for Research & Development** and several demonstration projects have been completed or are actively underway.
- Dike raising to +18' MLLW at the **Masonville DMCF** was completed in April 2020; further incremental dike raising to +42' MLLW was paused in FY20 and FY21 due to cost containment measures. While there is no negative impact to planned inflow projects at this time, expansion efforts should resume as soon as funding is restored.
- Due to COVID, the **Dredged Material Management Program's** (DMMP) outreach and education activities pivoted online in 2020 to a web portal offering virtual tours of the placement sites, videos, and an interactive environmental education e-learning portal. All DMMP advisory committee meetings were hosted virtually and even saw increased attendance and participation. Although the Port's placement sites were not open for tours, the urban wildlife refuge campus at Masonville Cove allowed safe outdoor activities within COVID guidelines and saw 1,135 visitors in 2020.

MDOT MPA FY20 & FY21 Operating Program Financial Results

FY 2020 Operating Results:

- Operating revenue generated during FY 2020 equaled \$54.7M. FY 2020's total operating expenditures were \$47.0M, which was 8.4% under the \$51.3M operating budget.
- Net Income for FY 2020 was \$7.7M

FY 2021 Status (First Six Months):

- Revenues for FY 2021 through December 2020 are \$22.9M.
- Net Income for FY 2021 through December 2020 is \$0.3M.
- Operating expenditures are \$22.6M which is 43.8% of the \$51.6M FY 2021 appropriation.

FY 2022 Operating Revenue Forecast:

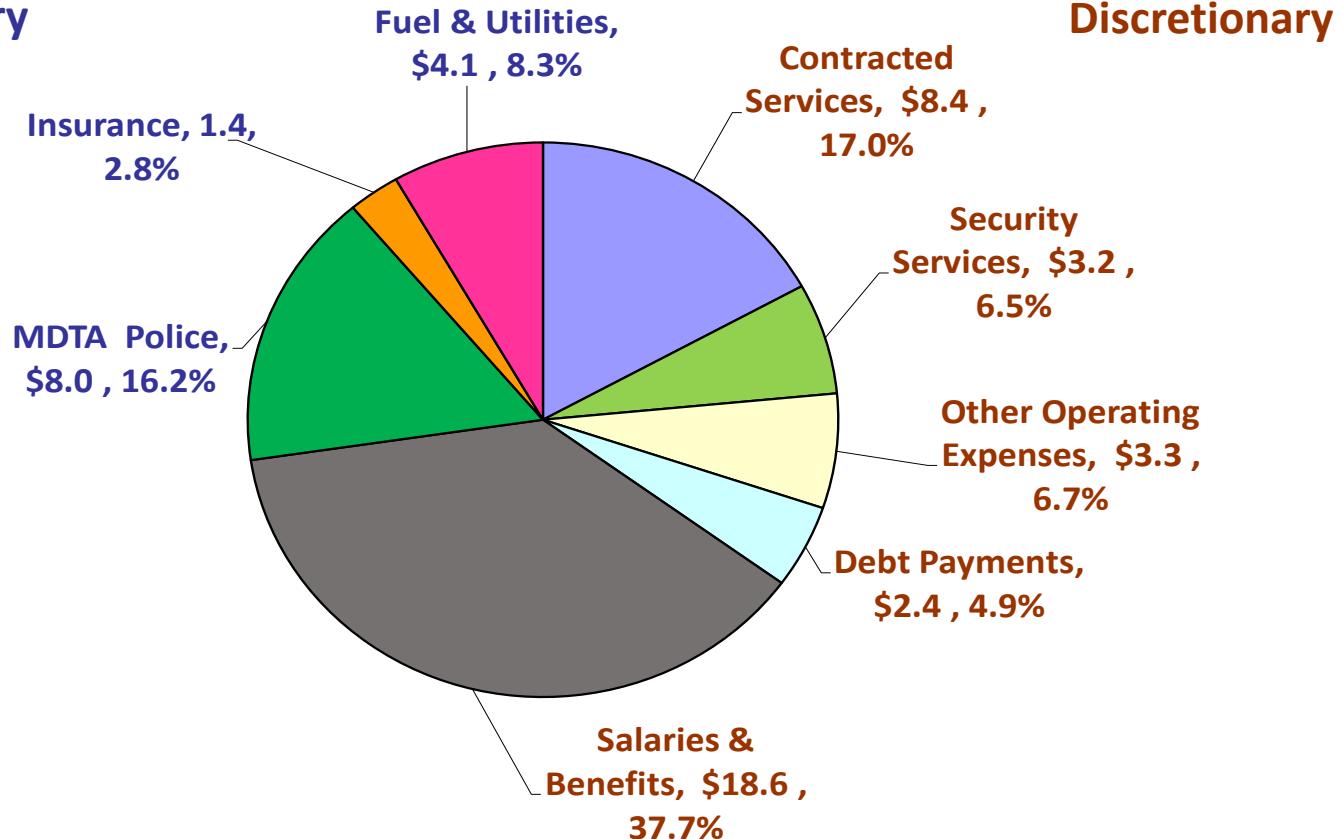
- FY 2022 Operating Revenue is estimated to be \$47.0M. This revenue estimate includes terminal lease agreements and increases in cargo throughput.

MDOT MPA FY22 Operating Program Budget Allowance is \$49.4M.

- The \$49.4M FY 2022 Budget Allowance is slightly less than the \$51.6M FY 2021 appropriation.
- MDOT MPA salary and benefits are 37.7%, and total contracted services (including MDTA Police, Security and Other) are 39.7% of the FY 2022 Allowance.
- The MDTA Police budget allocation increased by 3.6% to \$8.0M to cover anticipated increases in police officers' salaries and wages.

FY 2022 Operating Budget, (\$Ms)

Non-Discretionary

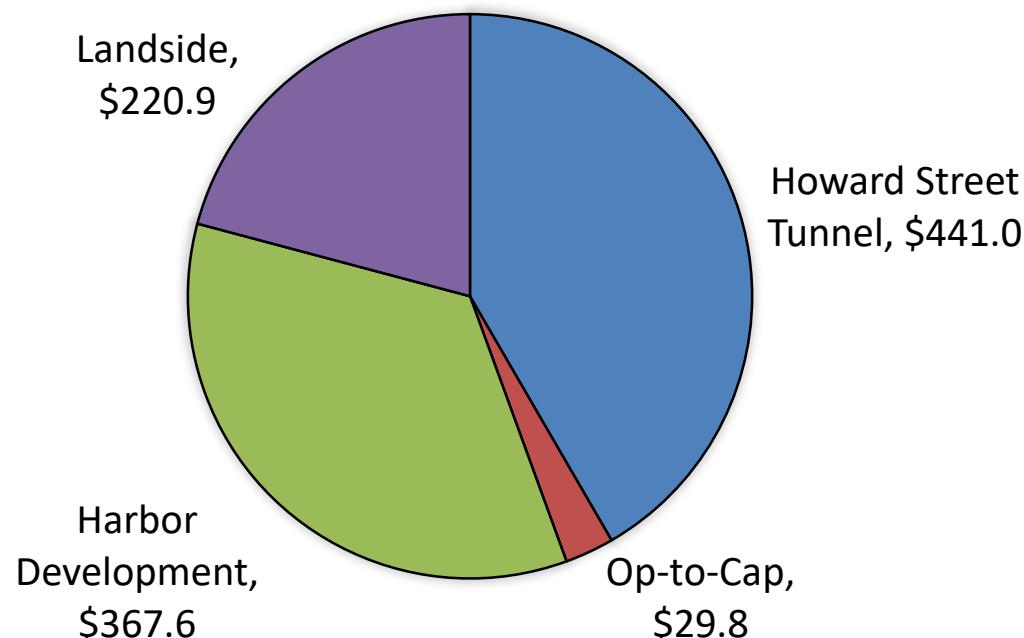


The 6-year Capital Program (FY21 to FY26) is \$1,059.3M.

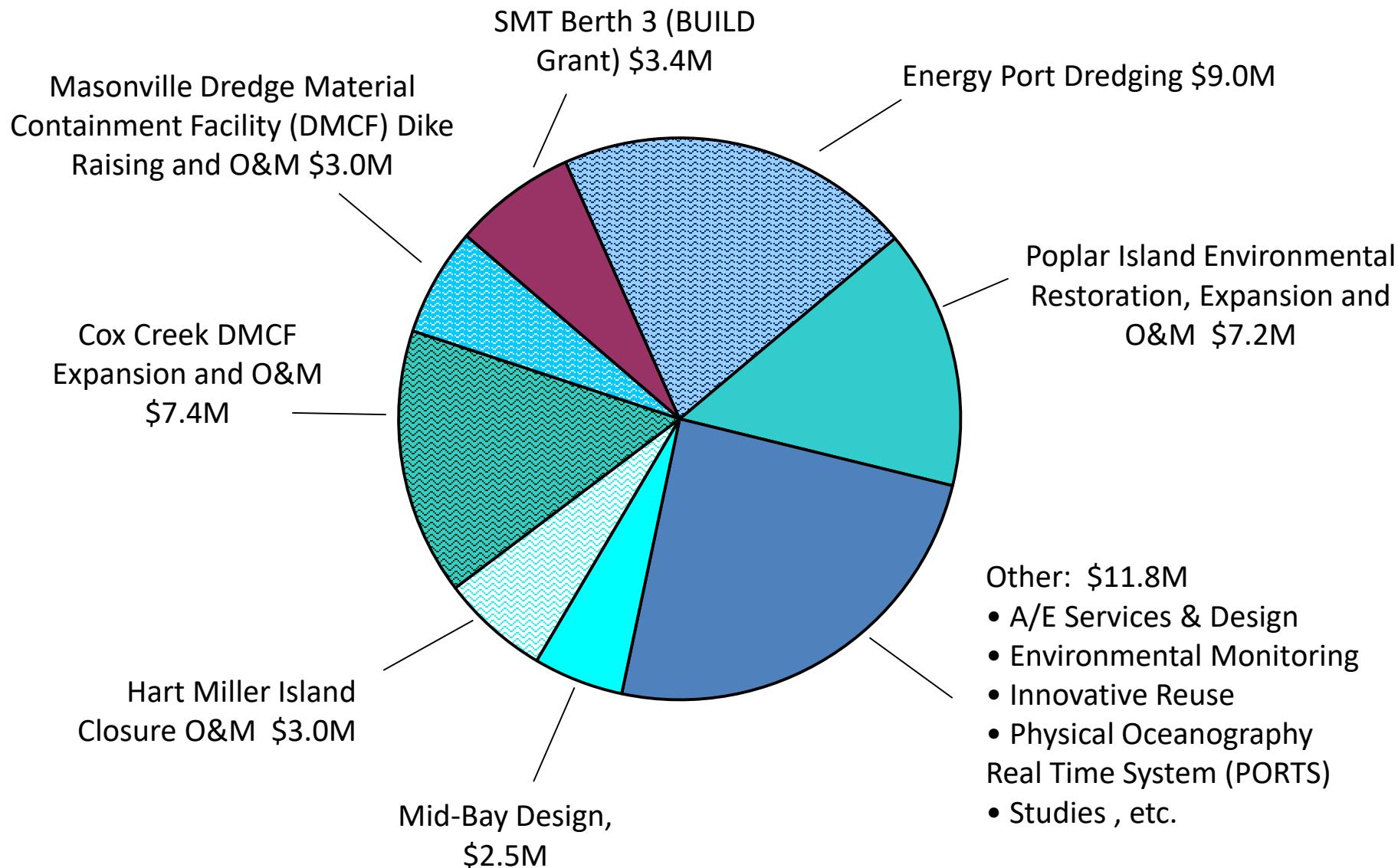
MDOT MPA's 6-year Capital budget includes \$153M in Federal funding, \$113M from CSX for the Howard Street Tunnel, and \$18M from PAC for Seagirt Berth 3.

- The **Howard Street Tunnel** clearance project is part of the 6-year program.
- The **Harbor Development Program** maintains existing dredged material placement sites and expands capacity
- **Landside Program** includes berth renovations and other system preservation projects.

FY21 – FY26 Capital Budget, (\$Ms)

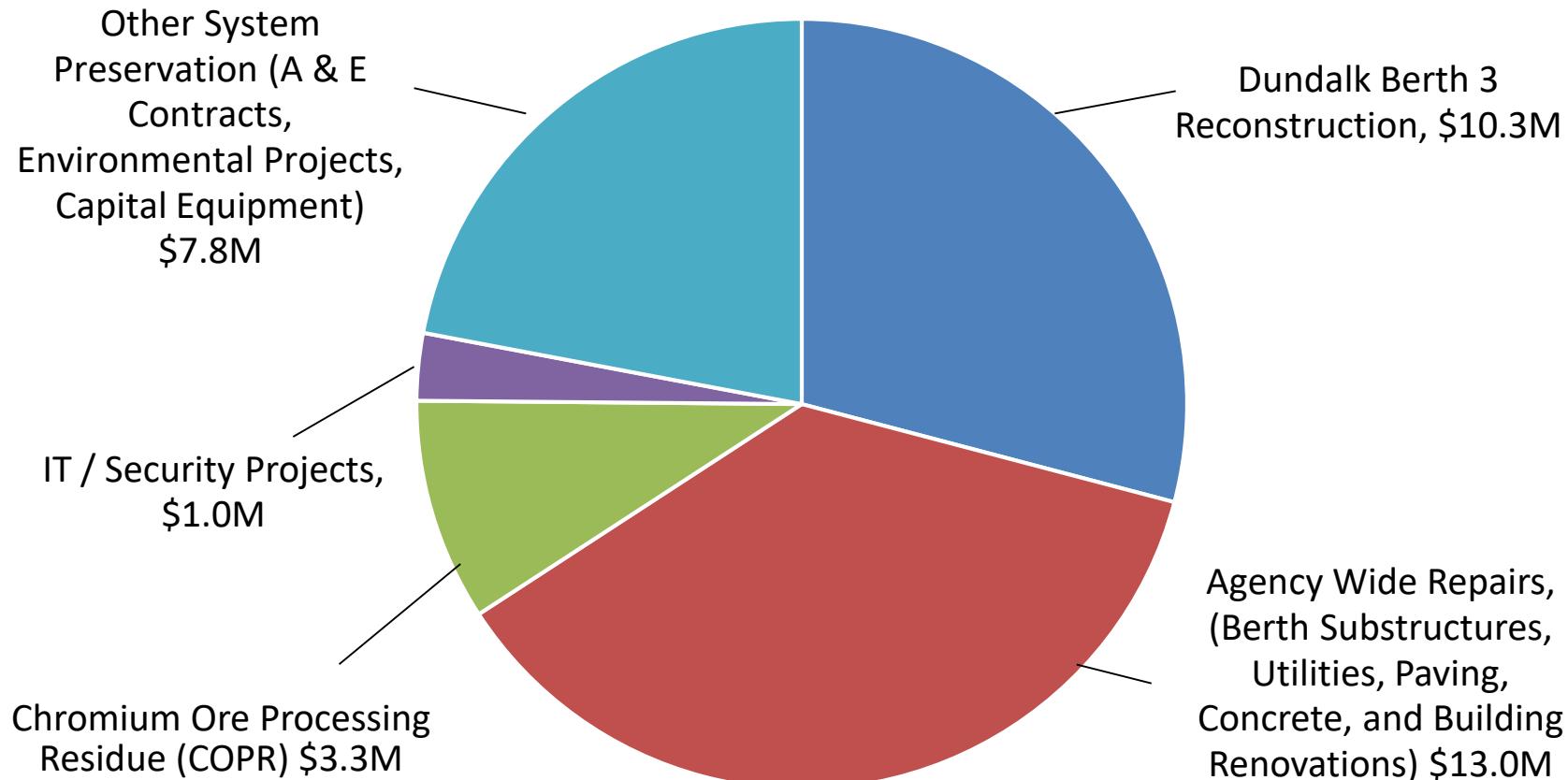


The FY22 Harbor Development Capital Budget Allowance is \$47.3M.



The FY22 Landside Capital Budget Allowance is \$35.4M.

The FY22 **Landside Capital Program** includes Dundalk Berth 3 Reconstruction and other system preservation needs.



The FY22 Howard Street Tunnel Capital Budget Allowance is \$115M.



Howard Street Tunnel North Portal



Guilford Ave Bridge Replacement

- FY22 capital budget (\$115M) includes federal, state, CSX and PennDOT funding
- Next Steps:
 - The Environmental Assessment for NEPA is expected to be available for public review and comment in March 2021. Final NEPA is expected in the Spring of 2021.
 - Once NEPA is approved, CSX will be able to finalize engineering, obtain permits and begin construction
 - CSX is expected to begin construction, in phases, later in 2021

Emerging/Continuing Issues:

- The COVID-19 pandemic has impacted the POB's Cruise business the most. The CDC has issued a set of guidelines for Cruise Lines to resume operations within the USA. However, even if the Cruise Lines meet the CDC guidelines, other countries must also allow cruises to resume. Canada recently announced that no cruise ships over 100 passengers may enter Canadian ports until February 28, 2022.
- Finally addressing the competitive disadvantages caused by a lack of double-stack rail, the Howard Street Tunnel clearance project is a positive game-changer for the Port. The need to maintain funding for this project remains paramount to the success and growth of the Port.
- Finding placement options for the Port's dredged material – both within the Harbor and Bay and continue to develop alternative options such as Innovative Reuse.
- Need to continue maintaining competitiveness and accommodating growth, and addressing the need for increased resiliency, since the Port operates within the flood plain.
- Maintaining adequate capital funding for terminal preservation projects for the Port's long-term growth and competitiveness is essential.
- Operating MDOT MPA terminals and facilities in an environmentally sustainable manner that doesn't negatively impact business or the communities that are our neighbors.