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Governor
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**J00J00 MDOT Maryland Transportation Authority
FY 2024 Operating Budget
Response to the Department of Legislative Services Budget Analysis**

Senate Budget and Taxation Committee
Public Safety, Transportation, and Environment Subcommittee
Chair Sarah Elfreth
March 3, 2023

House Appropriations Committee
Transportation and the Environment Subcommittee
Chair Marc Korman
March 2, 2023

**J00J00 MDOT – Maryland Transportation Authority
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Response to Department of Legislative Services Analysis**

DLS Budget Analysis

1. *E-ZPass® Use Drops Substantially (Page 5)*

MDTA should discuss the AET challenges during fiscal 2022 and the agency's efforts in prioritizing processing E-ZPass and video tolls as they worked through the backlog.

MDOT Response:

In response to the COVID-19 pandemic, the MDTA paused the collection of video tolls from March 2020 to October 2020. Once this period ended, the MDTA began mailing Notices of Toll Due (NOTD) to the impacted customers. In FY 2021, as part of the MDTA's strategy to address the pandemic backlog of unprocessed transactions, the MDTA placed a heavy emphasis on processing home and away agency *E-ZPass* transactions. This led to a temporary artificial increase in the FY 2021 *E-ZPass* collection rate. In FY 2022, the MDTA focused on processing and collecting paused NOTD mailings which resulted in a corresponding reduction in the FY 2022 *E-ZPass* collection. In September 2022, the MDTA completed posting online at DriveEzMD.com all Maryland customer tolls that were deferred during the COVID-19 pandemic. Going forward, the MDTA anticipates a relatively flat *E-ZPass* collection rate.

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DLS Budget Analysis (continued)

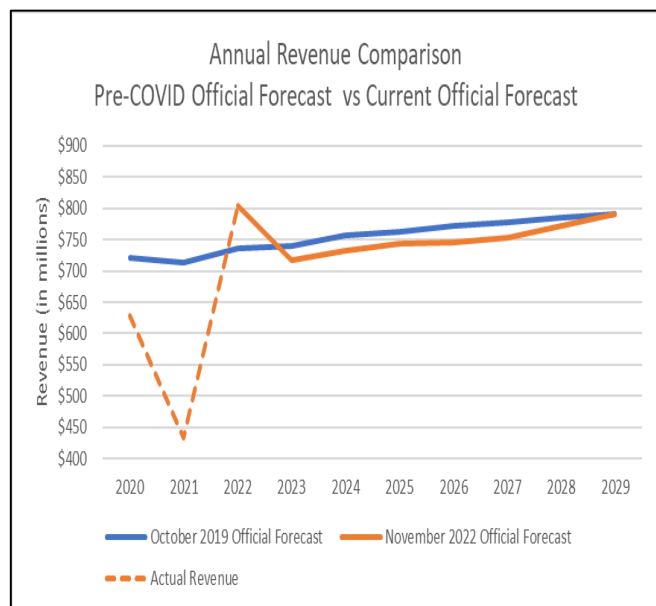
2. Vacancy Data (Page 14)

The agency should comment on the high vacancy rate, particularly how long-term vacancies have impacted critical operations, including customer support or law enforcement/public safety objectives during operational challenges during and after the COVID-19 pandemic. The agency should also be prepared to discuss the rationale for the extended hiring freeze and if it substantially offset reduced revenues as intended. Finally, the agency should discuss specific strategies to reduce the vacancy rate or consolidate unneeded positions.

MDOT Response:

Like many other State agencies and businesses, the MDTA experienced staffing shortages and retention challenges that stemmed from the COVID-19 pandemic. The high vacancy rate has posed challenges such as increased overtime/compensatory leave which is often appreciated by employees but can also lead to employee burnout and retention issues. MDTA leadership was open and transparent with employees about the COVID-19 challenges ahead of the MDTA and the strategies being considered, including temporarily extending the hiring freeze which was seen as a much better alternative than long-term permanent actions.

As shown in the graph, to help mitigate the financial impact of nearly \$375 million in reduced revenues from the temporary decrease in tolled traffic during the pandemic, consistent with every other State agency, the MDTA implemented a hiring freeze from April 2020 through December 2021. However, because the MDTA is an independent, self-funded agency, the actions taken by the MDTA were specific to the MDTA’s financial position and necessary for the agency to maintain its operations, comply with its legal and MDTA Board-approved operating policies, and preserve its Aa2 credit ratings.



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DLS Budget Analysis (continued)

Given that the MDTA had limited alternative revenue sources, the agency used various strategies at its disposal to mitigate the impact of COVID-19. The decision to constrain operating budget expenses by extending the hiring freeze was one of many mitigating strategies that included reducing the capital budget, delaying capital projects, and pursuing innovative financing options such as advance funding a portion of debt service.

While challenging, the temporary decision to extend the hiring freeze was necessary to help control costs given that more than half of the MDTA's operating budget (excluding debt service) comprises personnel expenses. While sworn personnel were excluded from the hiring freeze, exceptions for critical civilian positions were granted on a case-by-case basis. As noted by DLS, the MDTA has taken multiple actions to reduce the vacancy rate and similar to many other State agencies, the MDTA continues to make every effort to fill vacant positions as expeditiously as possible.

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DLS Budget Analysis Issues

1. MDTA’s Financial Outlook Projects Challenges (Page 20)

MDTA should comment on its strategies to mitigate projected fiscal challenges in the years to come, including a potential toll increase.

MDOT Response:

The specific timing of a toll increase is dependent on many factors that impact MDTA’s financial standards, such as inflationary pressures, deferred maintenance policies, toll revenue attainment, mandated operating budget increases, and debt issuance costs and timing. The timing of a toll increase will largely be driven by the two times debt service coverage requirement, because toll increases are needed when debt service coverage drops below two times coverage. While previously, the MDTA was able to strategically constrain capital and operating expenses to effectively manage financial standards and the timing of a toll increase, construction market volatility coupled with rising inflationary pressures may make it difficult for the MDTA to defer maintenance for budget constraints while also maintaining its facilities in a state of good repair. In consultation with the MDTA’s financial advisors and the MDTA Board, the agency will leverage every appropriate financial strategy at its disposal to ensure that it meets its financial obligations.

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DLS Budget Analysis Issues (continued)

3. Future Uncertain for Op Lanes Maryland (Page 26)

MDTA should comment on the future of the Op Lanes Maryland project and when a decision will be made on the future of the project, given significant planned investments.

MDOT Response:

This project will be viewed under the same lenses of social equity, environmental protection, and local participation as all transportation projects. MDTA and MDOT will continue to work with all our partners, including local stakeholders, toward a solution for congestion in the Washington suburbs along portions of I-495 and I-270, as well as addressing the maintenance and safety of the American Legion Bridge, in a way that meets the needs of Marylanders.

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Operating Budget Recommended Actions

1. Nonbudgeted (Page 27)

MDOT Response:

The Department concurs with the DLS recommendation.

PAYGO Budget Recommended Actions

1. Nonbudgeted (Page 27)

MDOT Response:

The Department concurs with the DLS recommendation.