

**J00H01 Maryland Department of Transportation
Maryland Transit Administration
Fiscal Year 2025 Operating Budget
Response to Department of Legislative Services Analysis**

Senate Budget and Taxation Committee
Public Safety, Transportation, and Environment Subcommittee
Chair Sarah Elfreth
March 1, 2024

House Appropriations Committee
Transportation and the Environment Subcommittee
Chair Courtney Watson
March 4, 2024

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DLS Budget Analysis Issues

1. Updates on Major Projects: Purple Line Hits Another Snag; Planning and Outreach for Red Line Continues (Page 32)

The agency should discuss how the additional delay and contract modification may impact other projects and priorities, particularly given the current strain on the TTF and anticipated reductions in fiscal 2026. The Department of Legislative Services (DLS) recommends budget bill language requiring MTA to provide bimonthly status updates on the Purple Line Light Rail project.

MDOT Response:

The Purple Line is a critical east-west connector across Montgomery and Prince George's counties that will improve travel time and provide access to hundreds of thousands of Marylanders.

On April 6, 2016, the Board of Public Works (BPW) voted unanimously to approve a 36-year, performance-based public-private partnership (P3) Agreement with Purple Line Transit Partners to design, build, finance, operate, and maintain the Purple Line Transit Project. On August 3, 2016, the Project's Record of Decision was vacated as a result of a lawsuit filed against the Federal Transit Administration. The Record of Decision was later reinstated through the appeals process but resulted in project delays. After more than two years of inability to reach agreement on the amount of time and compensation for the delay, the design-build contract held by Concessionaire was terminated, construction work stopped, and MTA assumed control of over 150 contracts and purchase orders. To continue to advance the project while the contractual issues were resolved, MTA identified a package of work that it would continue to advance while MTA and Concessionaire continued settlement discussions.

The BPW approved a Settlement Agreement (BPW Modification No. 2) between MTA and Concessionaire in December 2020 to settle all claims and terminate litigation related to the project. Pursuant to the Settlement Agreement, the Concessionaire remained on the project, a process and timeline was established for the Concessionaire to procure a replacement design-build contractor and to obtain new financing for the remaining cost to complete the Project, and settlement payments were paid to the Concessionaire. Three modifications were later made to the Settlement Agreement (BPW Modification Nos. 3, 4, and 5) to provide additional time to select a new design-build contractor.

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In accordance with the Settlement Agreement, the BPW approved the selection of Maryland Transit Solutions, a joint venture of Dragados USA, Inc. and OHLA USA, Inc., as the replacement design-build contractor and approved an increase to the contract amount, an extension of the contract term, and revisions to language contained in the P3 Agreement as BPW Modification No. 6 in January 2022. Financial close occurred in April 2022 and the Concessionaire resumed construction activities. BPW Modification No. 6 included modifications to the P3 Agreement to reflect the construction work being completed by MTA and provided a contractual relief event, including both time and compensation, if the completion of the MTA work was delayed and those delays impacted completion of the Project.

The MTA encountered delays in the completion of its work that impacted the project schedule. In accordance with the P3 Agreement, those delays are considered a relief event and the Concessionaire was due certain time and compensation. BPW Modification No. 7 provided interim contractual relief of additional time and money, as well as modification of certain contract terms, for delayed completion of work being completed by MTA and concurrent project delays by the Concessionaire. The relief was interim relief only since the MTA work was not yet complete and the delays were continuing.

In late 2023, the MTA completed the work that it had undertaken to advance the project when the previous design-build contractor left the project. With completion of MTA work, MTA and Concessionaire negotiated a final settlement of various project issues, including time and compensation for project delays that resulted from delays in MTA work, closure of numerous open claims from Concessionaire, and commitments from Concessionaire on several key issues. The MTA will seek BPW approval of BPW Modification No. 8 in mid-March. This modification will include increased net compensation to the Concessionaire and additional time for project completion.

The FY 2025-2030 Draft CTP will reflect the updated project cost. As with any project change, MTA will work with MDOT to identify funding for this critical project. MDOT will continue to focus on funding safety critical and State of Good Repair projects as the budget is adjusted to accommodate the Purple Line.

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DLS Budget Analysis Issues (continued)

2. Safety and Maintenance Issues Across Modes Put a Spotlight on State of Good Repair (Page 35)

MTA should comment on current funding levels not meeting figures cited in the CNI report to ensure that the system is in a state of good repair, with a particular focus on how underfunding state of good repair may impact federal award eligibility.

MDOT Response:

The MTA’s Capital Needs Inventory (CNI) was updated and published in July 2022 to assess MTA’s ongoing unconstrained capital needs over a 10-year period, as required by Section 7-309 of the Transportation Article, Maryland Annotated Code. It presents a snapshot from MTA’s ongoing transit asset management analyses and annual call for projects process and is intended to support improved decision-making regarding the maintenance and enhancement needs of MTA’s transit assets over the long term. The 2022 CNI highlights MTA’s progress in reducing its State of Good Repair backlog by prioritizing State of Good Repair investments since 2019.

Capital needs may include, but are not limited to, the costs to maintain assets in a State of Good Repair; meeting existing or new regulatory requirements; investing in transit infrastructure, assets, or service enhancements; and modernizing or adapting to new technologies or new mobility options.

The 2022 CNI presented the conclusion that the availability of additional funding since 2019 had provided MTA the resources required to reduce the backlog of State of Good Repair needs, as programmed at that time. Multiple state and federal funding sources continue to be programmed to help address State of Good Repair needs; however, a shortfall in Transportation Trust Fund revenues has reduced funds programmed in the FY 2024-2029 Final CTP and therefore impacted the projected progress toward meeting CNI needs. The MTA continues to invest available resources in alignment with CNI identified needs and prioritize safety critical projects across modes through projects including:

- Eastern Bus Division reconstruction as a fully electric bus facility;
- Metro fleet and train control replacement program;
- Zero-emission bus (ZEB) infrastructure at Kirk and Northwest Bus Divisions;
- Light Rail vehicle mid-life overhaul;
- Light Rail Traction Power substations and 5kV power system;
- Metro station rehabilitation and lighting program;

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DLS Budget Analysis Issues (continued)

- Locally Operated Transit Systems (LOTS) program;
- MARC passenger and locomotive overhauls;
- Bush Division boiler replacement;
- Wabash Shop equipment upgrades;
- Elevators rehabilitation;
- Bus shelters and transit priority treatments; and
- Agencywide rail maintenance of way improvements.

The MTA continues to aggressively apply for competitive grants to leverage available state funds and the agency, along with partners, was awarded over \$6 billion in discretionary federal funds in 2023.

The Governor’s Supplemental Budget No. 1 added \$15 million to MTA’s capital budget in FY 2025. Due to this, the current MTA budget is sufficient to meet the required funding levels in the Transit Safety and Investment Act. The MTA will continue to pursue discretionary grants to help address future state of good repair needs and will continue to manage resources to ensure service is safe and reliable. MTA is starting the process to update the CNI for 2025 which will likely show higher needs, primarily due to inflation.

Additionally, the MTA is focused on improving project delivery practices to ensure that all allocated funding is fully spent. The MTA added PINs to the Procurement department and has brought on consultant support to identify process and procedure changes that will allow the agency to increase spending. The MTA also created a Project Management Oversight department that is assisting to better bundle, schedule, and plan for projects to minimize rider disruption. Project delivery is a main focus of the agency in the coming years.

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DLS Budget Analysis Issues (continued)

3. Renewed Effort on Service Reliability Amid Previous Concerns (Page 37)

DLS recommends that MTA describe progress on implementation of the recommendation identified in the DOJ report and any barriers to full implementation to ensure ADA compliance.

MDOT Response:

The MTA operates Mobility paratransit, which is a specialized transit service available to those who, because of a functional or cognitive disability, are unable to get to a bus stop, wait unassisted at a stop or station or board or ride a bus or train by themselves. Mobility is a shared ride door-to-door service, which is federally required to operate within three-quarters of a mile radius of MTA's fixed route service.

The MTA recognizes the critical service that Mobility provides to riders. To understand existing and future needs, the MTA will undertake an internal study of Mobility, including but not limited to six key tasks: the collection and review of existing information, interviews with Mobility riders and MTA staff, defining existing conditions, updating service strategies, ridership and fleet forecasting, and developing a fleet and operations management plan. As a result, MTA will be producing a 10-year projection on ridership and staffing levels needed to operate Mobility services, as well as determining information on system improvements and any necessary vehicle replacements.

The MTA is still in ongoing discussions with the Department of Justice and cannot share details of those negotiations at this time. The agency is working closely with DOJ and remains committed to continuous improvements in Mobility paratransit service.

DLS recommends that MTA discuss the Youth Transit Council and the Office of Customer Experience and how these initiatives can address current and future concerns surrounding transit reliability.

The MTA Youth Transit Council provides opportunities for young people to learn about how MTA works and gain real-life skills through exposure to the full range of MTA career options. The Youth Transit Council is a volunteer advisory group that offers a forum for young people, in the Baltimore area, to raise awareness and understanding of the topics most important to their transit experience.

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The Youth Transit Council is designed to be a dynamic forum where the voices of young people interact directly with the MTA. The MTA is committed to fostering an environment that embraces and values the voices of young people. By fostering understanding and collaboration between MTA and its young customers, we ensure that their views are not only heard but also respected. Through our efforts, we aim to bridge the gap between MTA and young individuals to create a more connected transportation system that addresses their unique aspirations.

The MTA launched the inaugural Youth Transit Council this year. The members have been selected and held their first virtual meeting. In person meetings will be held later this spring and senior MTA officials will participate.

The Office of Customer Experience was created in fall of 2023. This new department is focused on improving how riders experience transit services at each stage of their trip. The Customer Experience Office will integrate performance management data, rider experience studies and real-time information with the goal of creating impactful improvements for riders.

In its first major initiative, the office created a Customer Experience Dashboard, replacing the Performance Improvement webpage, launched in 2019. The new dashboard will allow the public to track multiple service performance indicators, including on-time performance, ridership, service delivered, real-time information availability, and operator hiring efforts. The dashboard will be updated regularly with additional metrics based on feedback from riders.

In 2024, the Office of Customer Experience will lead the implementation of projects designed to gain rider feedback, including focus groups, internal riding campaigns, experience surveys, a rider liaison program and other initiatives to gain a better understanding of transit riders and how to improve their experience before, during, and after their ride.

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Operating Budget Recommended Actions

- 1. Add language restricting funds pending regular construction progress reports for the Purple Line rail project. (Page 40)**

MDOT Response:

The MTA agrees with providing the reports but respectfully disagrees with withholding the funding. The MTA has been providing these reports as requested for two years now and due to the timing of the last report, the funds will not be released until right at the end of FY 2025. Given current budget challenges, this adds another layer of funding considerations the MTA will have to navigate to provide critical transit services..

PAYGO Budget Recommended Actions

- 1. Concur with Governor’s allowance. (Page 41)**

MDOT Response:

The Department concurs with the DLS recommendation.

Budget Reconciliation and Financing Act Recommended Actions

- 1. The Department of Legislative Services recommends striking the provision to alter the state of good repair funding mandate in fiscal 2025 only. (Page 42)**

MDOT Response:

The Department concurs with the DLS recommendation, contingent on passage of Supplemental Budget No.1 providing the necessary funding to address the shortfall in FY 2025