



Wes Moore  
Governor  
Aruna Miller  
Lieutenant Governor  
Paul J. Wiedefeld  
Secretary

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**J00A01 Maryland Department of Transportation  
The Secretary's Office  
Fiscal Year 2026 Operating Budget  
Response to Department of Legislative Services Analysis**

Senate Budget and Taxation Committee  
Public Safety, Transportation, and Environment Subcommittee  
Chair Michael Jackson  
February 20, 2025

House Appropriations Committee  
Transportation and the Environment Subcommittee  
Chair Courtney Watson  
February 24, 2025

**J00A01 MDOT – The Secretary’s Office  
Fiscal Year 2026 Operating Budget  
Response to Department of Legislative Services Analysis**

***DLS Budget Analysis Issues***

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**1. New Focus on Transit-Oriented Development (Page 22)**

**MDOT should brief the committees on the level that it anticipates for utilization of the TOD Fund and the annual appropriation to the fund that will be required as a result.**

**MDOT Response:**

This is the first year of the fund, and MDOT is seeing strong interest in initial responses to the Notice of Funding Opportunity released on February 5, 2025. Applications for the fund are due April 8. Additional information is available from the [Notice of Funding Opportunity](https://www.mdot.maryland.gov/OPCP/TOD-Fund-NOFO.pdf) (link: <https://www.mdot.maryland.gov/OPCP/TOD-Fund-NOFO.pdf>) and the second of two information sessions will be held on March 4, 2025.

In our initial, conservative estimate MDOT expects to be able to award 75% (\$3,750,000) of the funds allotted for TOD-related projects in this first round. As the legislation requires the fund to maintain a \$5 million balance, the depleted amount would have to be replenished.

Going forward, MDOT expects the \$5 million fund to be fully utilized in subsequent years as the number of eligible sites grows. As of now, there are 14 TOD Designated sites, 4 new sites in the approval pipeline, and more requests are expected in the future. As the pool of eligible sites grows, so will the demand for funding from the program. As the program matures, the funding sources for the fund could include federal funds, ground rents or land sale proceeds, and loan proceeds.

**2. Requested Report on Project Funding Reductions Needed to Cover Purple Line Construction Cost Increases Not Submitted**

**TSO should (1) provide an explanation on why the report was not submitted by the requested extension date and (2) provide the requested information as part of its response to this budget analysis.**

**MDOT Response:**

The Department apologizes for the delay in submitting the report requested in the 2024 Joint Chairmen’s Report. The report relied on final decisions made on the FY 2025-2030 Consolidated Transportation Program and accompanying six-year financial plan and that led to the delay. The report was submitted on February 12, 2025, and is included here as well.

**J00A01 MDOT – The Secretary’s Office  
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***Operating Budget Recommended Actions***

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- 1. Delete funding for a new cybersecurity position; the agency should instead reclassify an existing vacant position. (Page 24)**

**MDOT Response:**

The Department respectfully does not concur with the DLS recommendation. This position will support the Department’s cybersecurity efforts. Security of the nation’s critical transportation infrastructure requires focus on both physical security as well as cybersecurity of the State’s transportation assets. The Department has been aggressively filling vacancies through its ‘Taking you Places’ recruitment campaign and has one of the lowest vacancy rates amongst all State agencies.

- 2. Add annual language restricting operating grants-in-aid funding. (Page 24)**

**MDOT Response:**

The Department concurs with the DLS recommendation.

***PAYGO Budget Recommended Actions***

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- 1. Add annual language limiting capital project and grant funding to the projects and grants identified in the Consolidated Transportation Program. (Page 25)**

**MDOT Response:**

The Department concurs with the DLS recommendation.

**Funding for the Purple Line Settlement  
(2024 Joint Chairmen's Report, pg. 78)**

**A Report to  
the Senate Budget and Taxation Committee and  
the House Appropriations Committee**

**Maryland Department of Transportation**

**February 2025**

The Maryland Department of Transportation (MDOT) prepared this report in response to language contained in the 2024 Joint Chairmen’s Report (JCR). The language states:

*“On March 1, 2024, the Maryland Transit Administration (MTA) announced a delay for the Purple Line Light Rail project associated with utility relocation work. The delay is anticipated to result in an additional cost of \$425 million, subject to Board of Public Works approval of the contract modification. The programming of this additional funding will be reflected in the draft 2025 Consolidated Transportation Program, which will be released in fall 2024. As is typical when certain project costs are greater than anticipated, funds planned for other projects will need to be adjusted to balance the entire program. MTA anticipates that the cost escalation will be spread over several fiscal years and will largely be tied to the concessionaire’s completion of certain project milestones. The estimated \$102 million in fiscal 2024 consists of \$62 million due at contract modification signing and an additional \$40 million tied to a project milestone; while MTA anticipates that an additional \$100 million, also tied to various project milestones, will be added to the plan in fiscal 2025. The committees are concerned about the impact that this cost escalation may have on other projects that are currently in the capital plan throughout the department. The committees therefore request that the Secretary’s Office (TSO) submit a report including:*

- an itemized list of projects in which funding was reduced in fiscal 2024 to cover the anticipated \$102 million cost escalation, including an explanation of the rationale to reduce funding for these projects, and the impacts that the reduction will have on the project’s timeline or milestones, if any; and*
- an itemized list of projects in which funding is anticipated to be reduced in fiscal 2025 to cover the anticipated \$100 million cost escalation, including an explanation of the rationale to reduce funding for these projects, and the impacts that the reduction will have on the project’s timeline or milestones, if any.”*

**Response:**

The Purple Line is a critical investment in Maryland’s transportation system that will provide reliable east-west travel in Montgomery and Prince George’s counties, help reduce congestion, improve our environment, increase transit connectivity, create jobs, and drive economic growth.

The Purple Line will transform the region by:

- advancing the shared mission to improve the quality of life and economic vitality in our communities by creating and sustaining an integrated, convenient, and reliable transportation network;
- creating several new multimodal connections across the region, linking to three Washington Metropolitan Area Transit Authority (WMATA) Metro lines, three Maryland Area Regional Commuter (MARC) commuter rail lines, Amtrak, and a host of bus services;
- greatly expanding transit opportunities in Maryland’s two most populous and fastest-growing counties in the State;

- creating convenient, dependable east-west access to jobs, educational centers, shopping, recreation, and attractions;
- supporting more than 6,000 jobs, with 26% for design services going to small and minority-owned businesses and 22% for construction going to small and minority-owned businesses;
- relieving automobile congestion on major arteries and local roads in one of the most congested areas in the nation;
- providing significant environmental benefits through the operation of clean electric energy light rail vehicles and taking thousands of vehicles off the road daily, thereby reducing vehicle emissions caused by single occupancy vehicle drivers;
- spurring economic growth along the Purple Line alignment and having a positive impact on property values by improving access and mobility; and
- revitalizing communities and providing much-needed opportunities for transit-oriented developments, several of which are already under development.

The Purple Line is being delivered through a public-private partnership agreement entered into in 2016. In 2020, the Maryland Transit Administration (MTA) assumed control of over 150 contracts and purchase orders for the Purple Line after the prior design-build contract was terminated. To continue to advance the project while contractual issues with the concessionaire were resolved, MTA identified a package of work that it would continue to advance while MTA and the concessionaire continued settlement discussions. The work that MTA advanced included significant utility relocation work to help reduce project risk and continue to advance the project.

Following a competitive solicitation by the concessionaire, in 2022, the Board of Public Works approved the selection of a new design-build contractor for the project. Even with the new design-build contractor in place, MTA continued to finish the work that it had agreed to complete. The P3 Agreement required the timely completion of MTA's work to allow the design-build contractor to advance its work and required MTA to provide additional time and money if MTA's schedule was not met. Unfortunately, MTA encountered significant delays while completing its work and additional time and money for project completion was required to be paid to the concessionaire. In March 2024, the Board of Public Works approved these changes.

Contract changes approved by the Board of Public Works in March 2024 included compensation of up to \$425 million to the Concessionaire paid over several years contingent on achieving certain project milestones, including arrival and assembly of the first light rail vehicle in Maryland (achieved), completion of major construction work on the University of Maryland campus (achieved), the commencement of systems testing, delivery of all light rail vehicles, and the re-opening of the Capital Crescent Trail. In accordance with the payment schedule, \$62 million was paid in FY 2024 and \$100 million is expected to be paid in FY 2025. These payments, as well as future payments, are budgeted in MDOT's final six-year capital program that was released in January 2025.

No projects had funding reduced directly as a result of the additional funding need for the Purple Line. MDOT's six-year capital program includes thousands of projects that are advancing across the state. Although the best estimates are made for each project's schedule and cashflow needs, there are inevitably delays in projects due to weather, contractor availability, procurement, third-party coordination, utility relocation, permitting, and right-of-acquisitions. These delays result in budgeted funding that goes unspent in that fiscal year.

At the time of the approval of the Purple Line settlement by the Board of Public Works, MDOT's capital budget for FY 2024 was \$1,689.2 million in special (Transportation Trust Fund) funds. When MDOT closed out FY 2024, actual spending for the capital budget, including the Purple Line milestone payments, was \$1,625.4 million. Spending less than the budgeted amount was the result of normal project delays across the capital program and not any project reductions due to the milestone payments. Thus, underspending across MDOT's capital program provided the funding necessary to make the FY 2024 Purple Line construction milestone payments.

During the 2024 legislative session, the General Assembly increased transportation revenues by an estimated \$233 million annually beginning in FY 2025 and increasing to about \$325 million annually in FY 2027 and beyond. MDOT utilized these additional revenues to restore grant funding to local jurisdictions, maintain increased funding to the Washington Metropolitan Area Transit Authority, provide matching funds for newly awarded federal discretionary grants, and ensure full funding for projects already under construction. Therefore, MDOT was able to fully fund the additional contractual requirements for the Purple Line without impacting other projects.

Significant progress on the construction of the Purple Line continues. Work is now more than 75% complete across the alignment. Nineteen of the system's 21 stations are under construction and 32% of the tracks have been laid. Eight light rail vehicles are now on site. Since 2023, the Purple Line project team selected a word of the year to capture the essence of project work in that year. In 2023, the project made *progress*; in 2024, the project built *momentum*; and in 2025, we are witnessing *transformation* as tracks, stations, overhead catenary lines, and new light rail vehicles appear across the project alignment. The Purple Line will provide a needed east-west transit option connecting New Carrollton in Prince George's County and Bethesda in Montgomery County and connecting multiple transit systems, communities, job centers, and opportunities along the way.



# Maryland Department of Transportation Secretary's Office

Fiscal Year 2026 Budget Overview  
Presentation to Budget Committees

*2025 Session*





# MDOT's Statewide Transportation Goals

## Enhance Safety and Security:

Protect the safety and security of all residents, workers, and visitors.



## Promote Environmental Stewardship:

Minimize and mitigate the environmental effects of transportation.



## Deliver System Quality:

Deliver a reliable, high-quality, integrated transportation system.



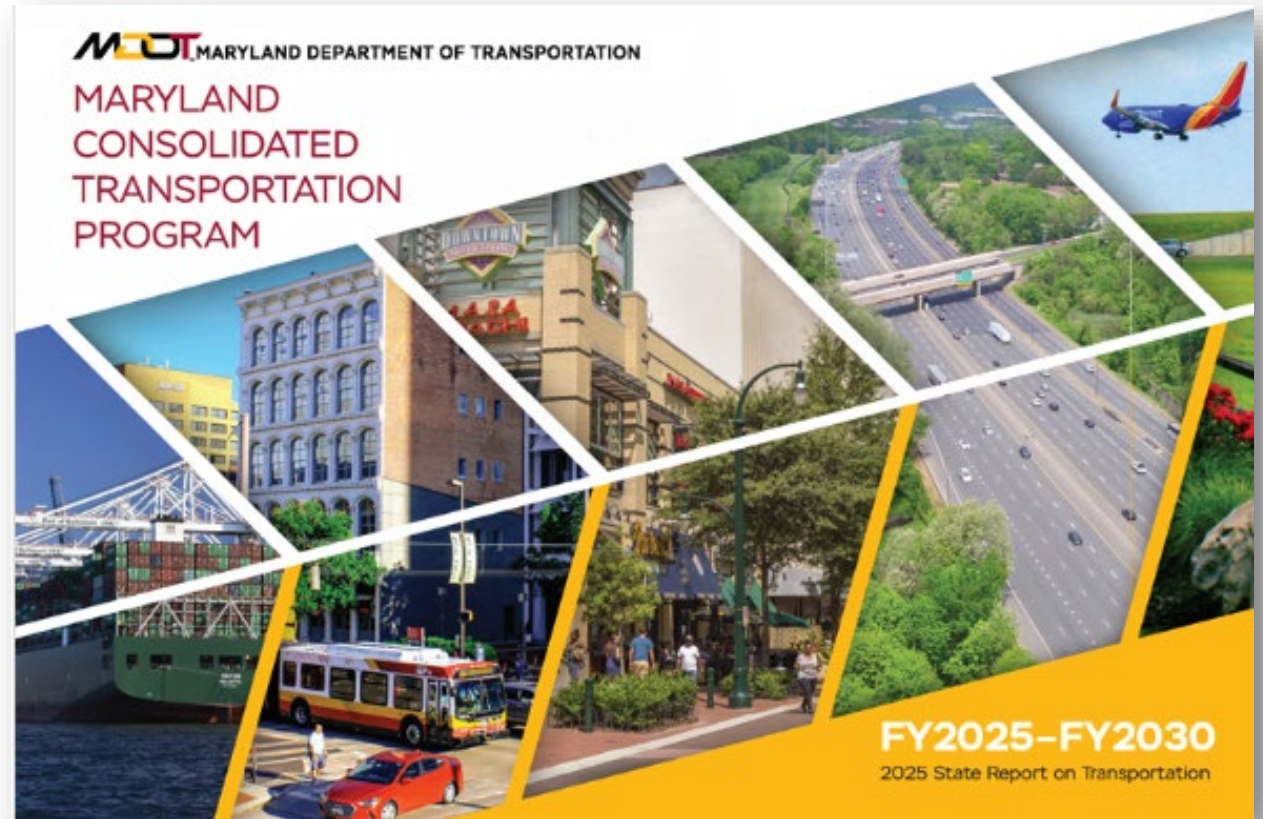
## Serve Communities & Support the Economy:

Expand transportation options to allow Maryland's diverse communities to access opportunities and to support the movement of goods.



# Capital Budget Plan

- **Balanced Six-Year Budget**
- **\$21.2 Billion** Over Six Years
- **\$420 Million** Annual Additional State Transportation Funding

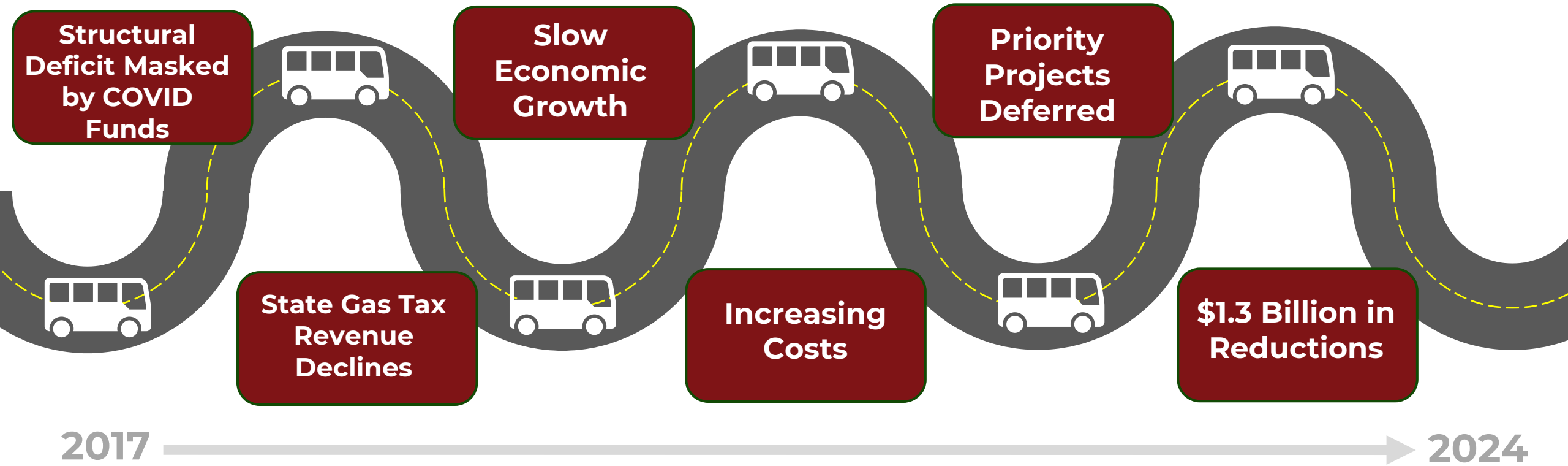


# Revived Priority Projects\*

- US 15
- I-81
- MD 97
- MD 90
- Medical Center Drive
- Baltimore Light Rail Modernization
- Port of Baltimore Economic Competitiveness
- BWI Thurgood Marshall & Martin State Airport System Preservation & Safety Needs

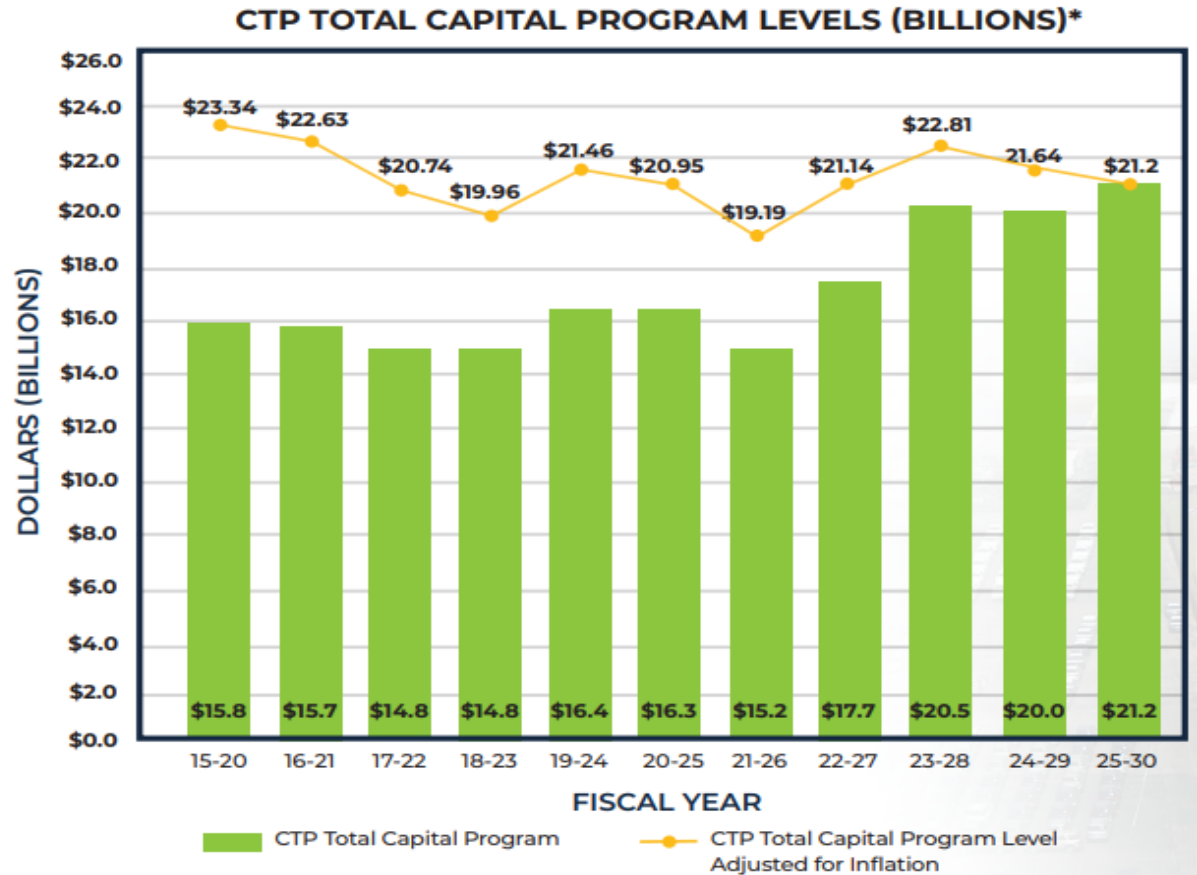


# How We Got Here



# CTP Spending Grows but Does Not Keep Pace With Inflation

- MDOT has the largest six-year capital program in its history, but after adjusting for inflation, the program is smaller than a decade ago

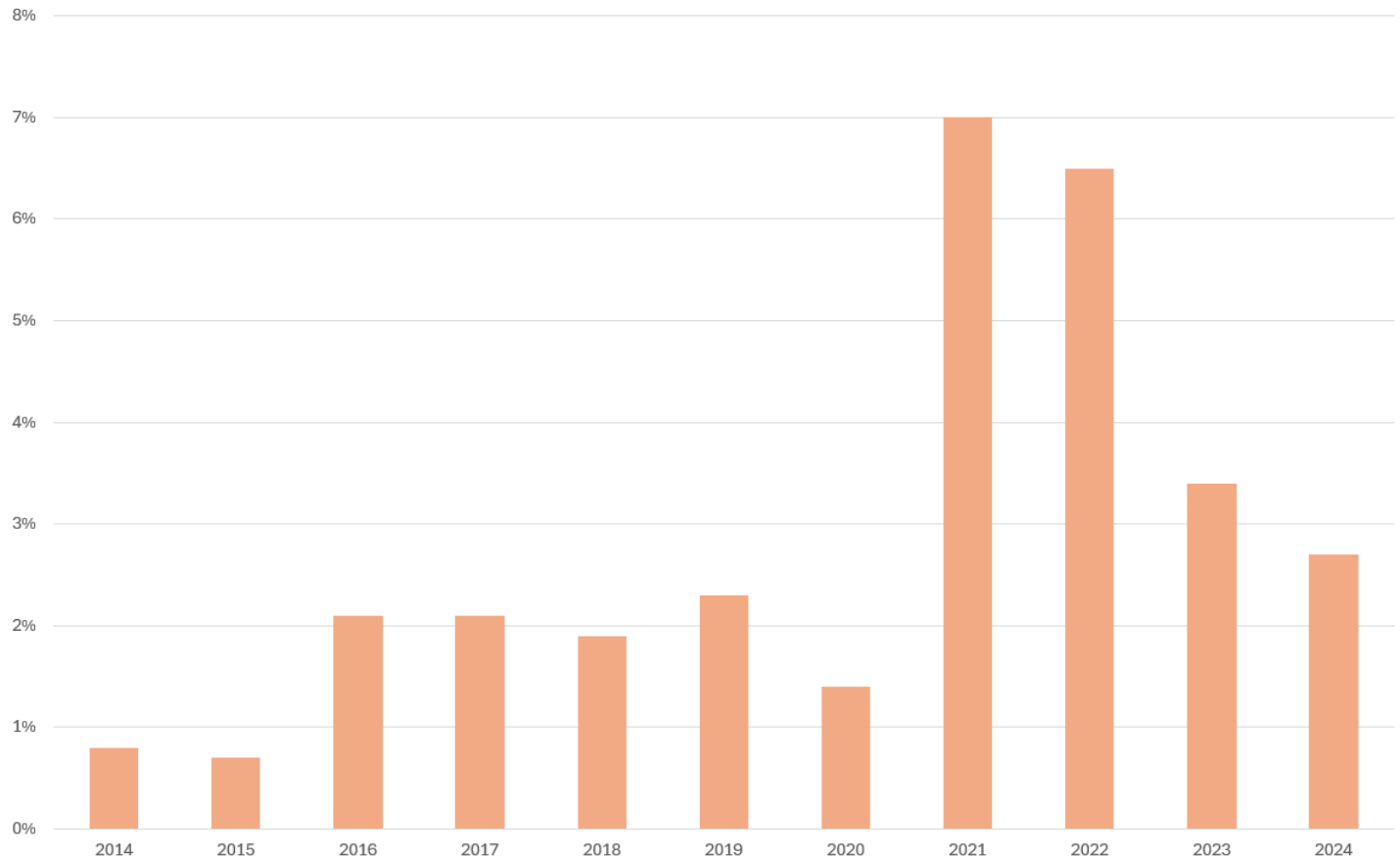


\* CTP Total Capital Program Levels in previous years are adjusted to inflation according to the ENR Construction Cost Index as outlined in the Capital and Real Estate Inflation Factors Memorandum disseminated by MDOT in April 2024.

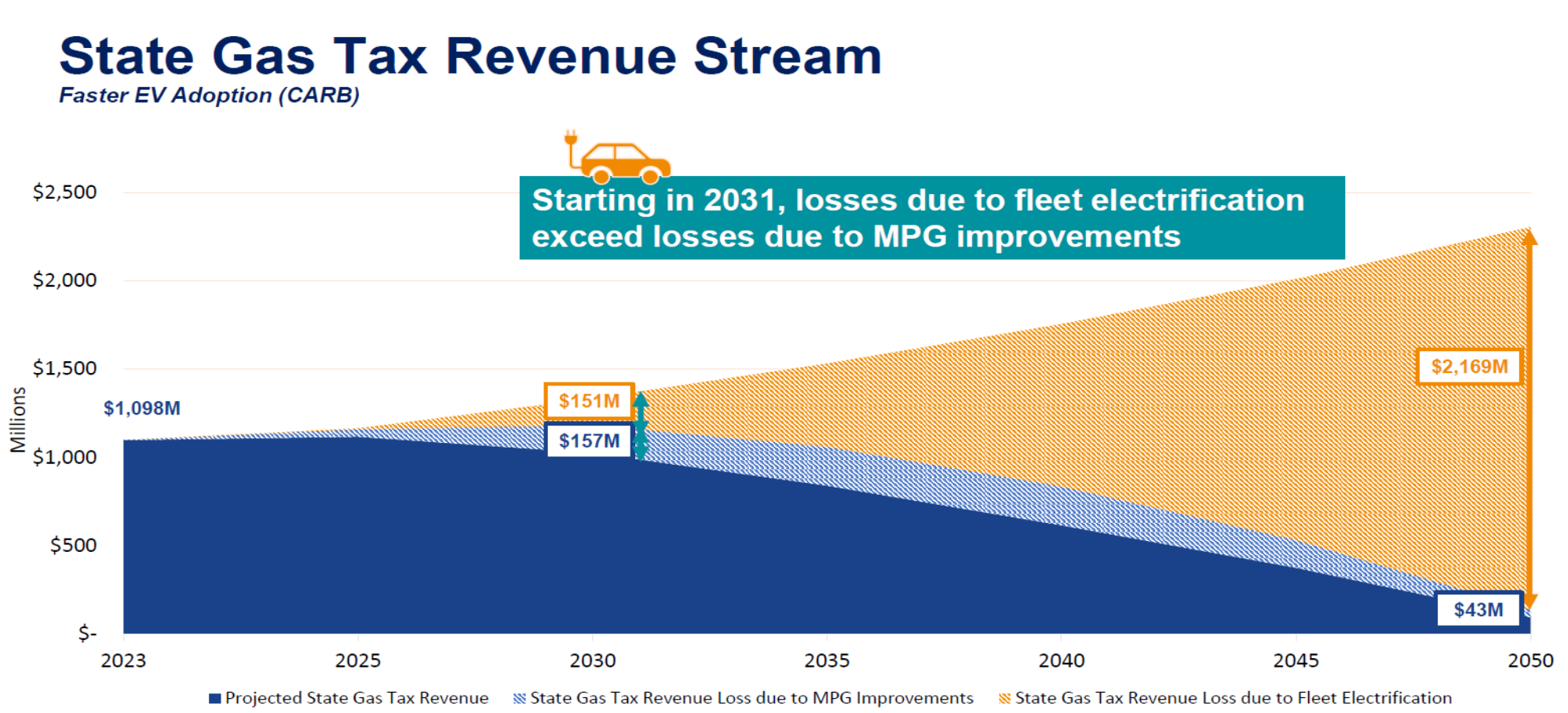
# High Inflation Increased the Cost of Providing Services

- Post-COVID period of high inflation has a lasting impact on the cost of providing services
- Lasting impacts on bids submitted during this period
- Most transportation revenues are not inflation-sensitive, so buying power was reduced

U.S. Inflation Rate



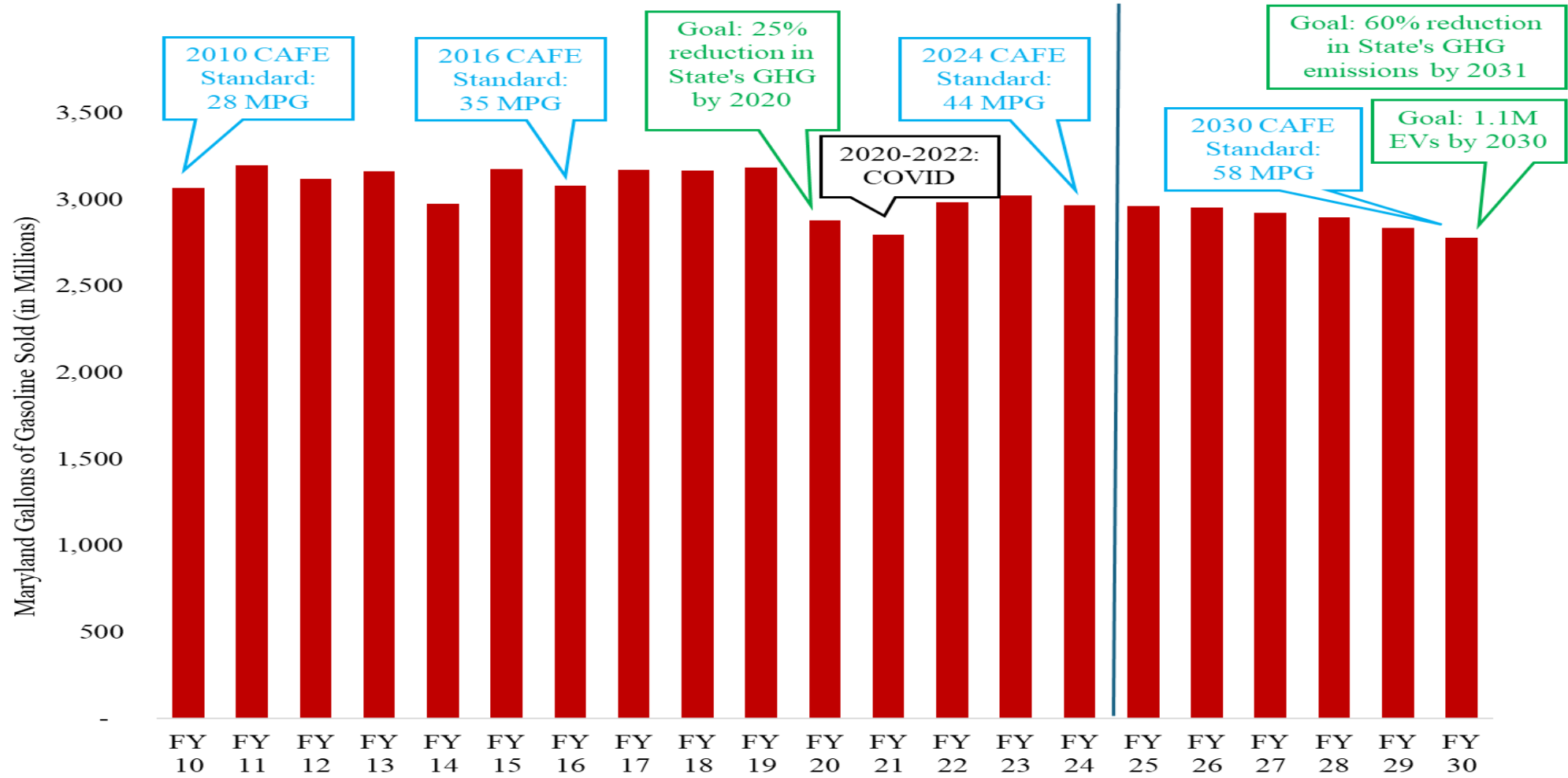
# Motor Fuel Tax Revenues Will Decline Over Time



Note: Nominal dollars.

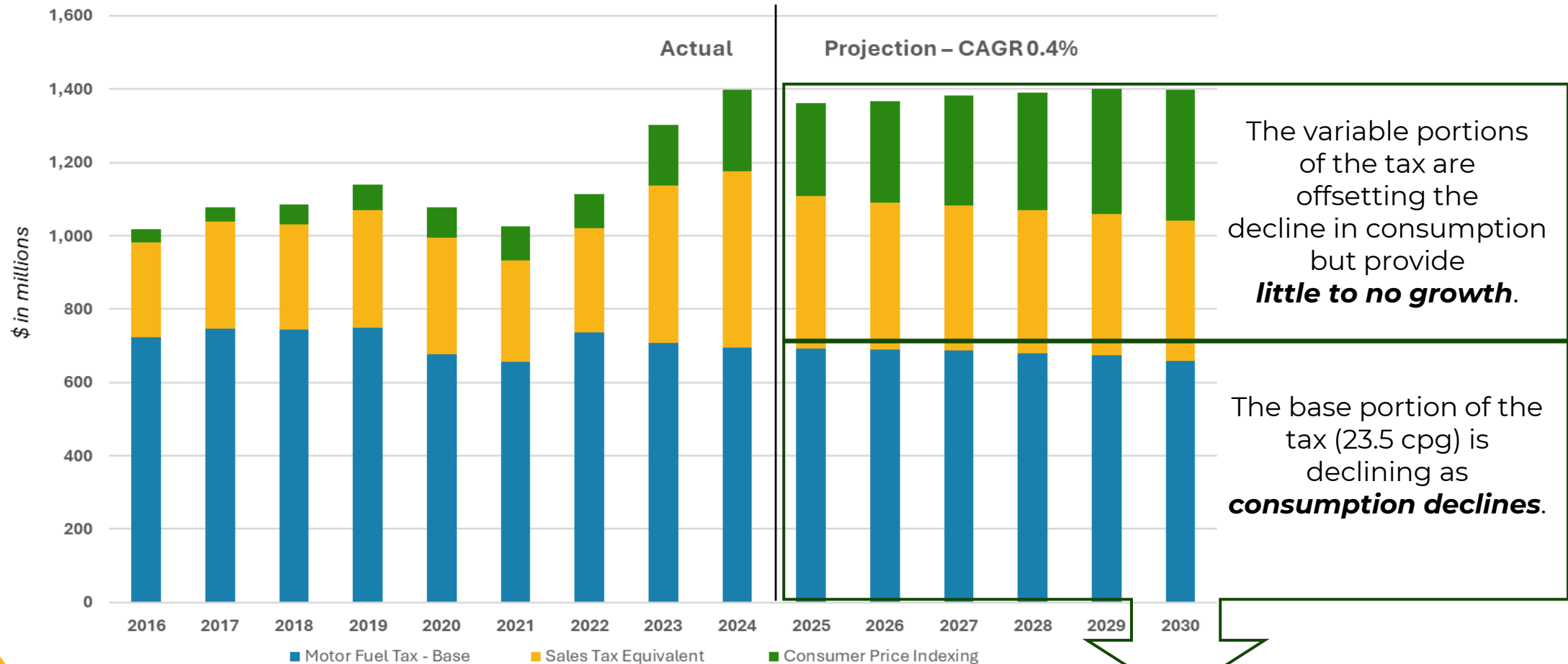
Source: The Eastern Transportation Coalition

# Gallons of Fuel Sold Declining as Vehicle Fuel Efficiency Improves and EV Sales Increase





# Motor Fuel Tax – 6-Year Revenue Estimate

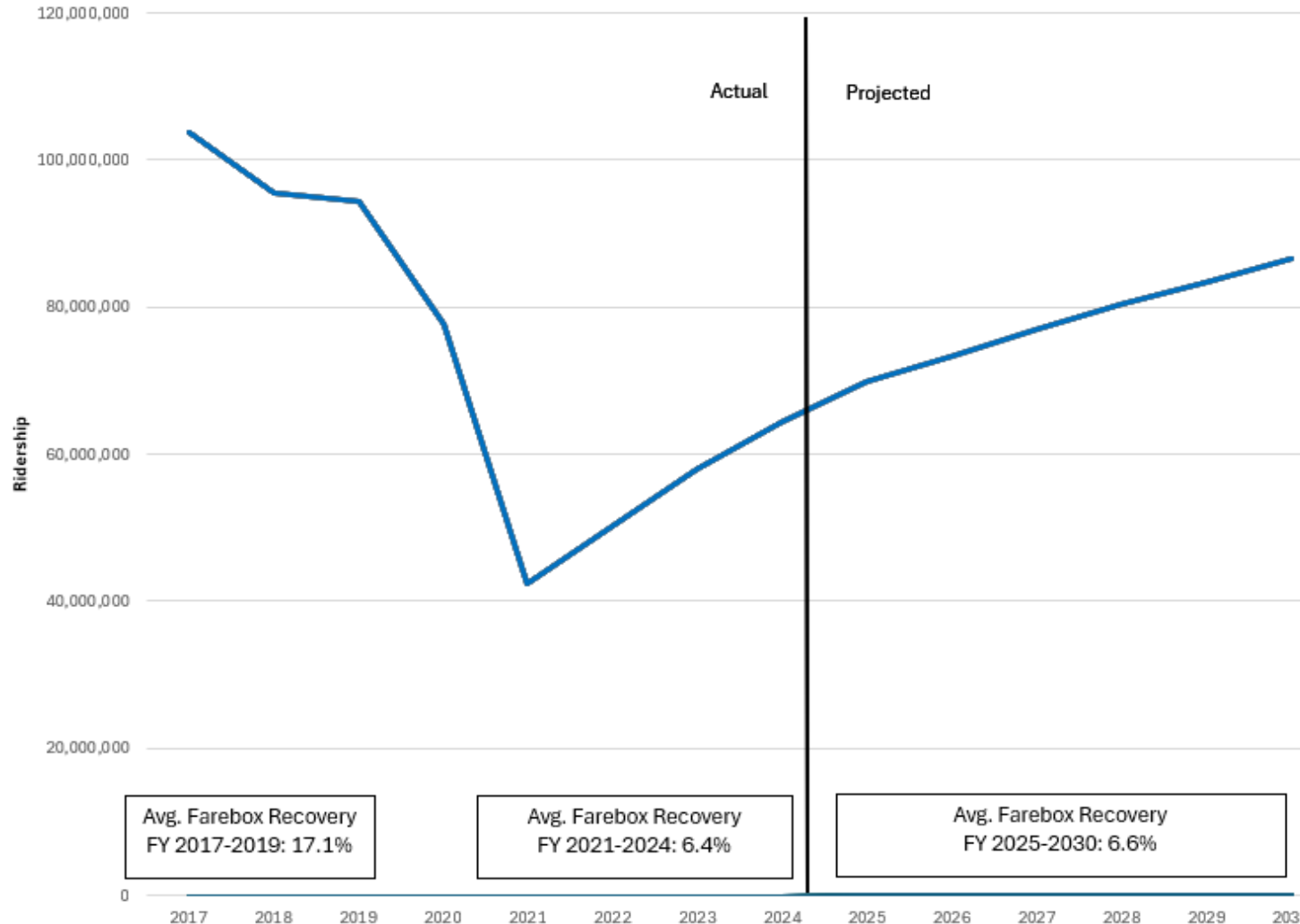


The variable portions of the tax are offsetting the decline in consumption but provide **little to no growth.**

The base portion of the tax (23.5 cpg) is declining as **consumption declines.**



# Lasting Impacts of COVID on Transit - MTA



With fewer transit riders and revenue, more TTF dollars are required to maintain current services.

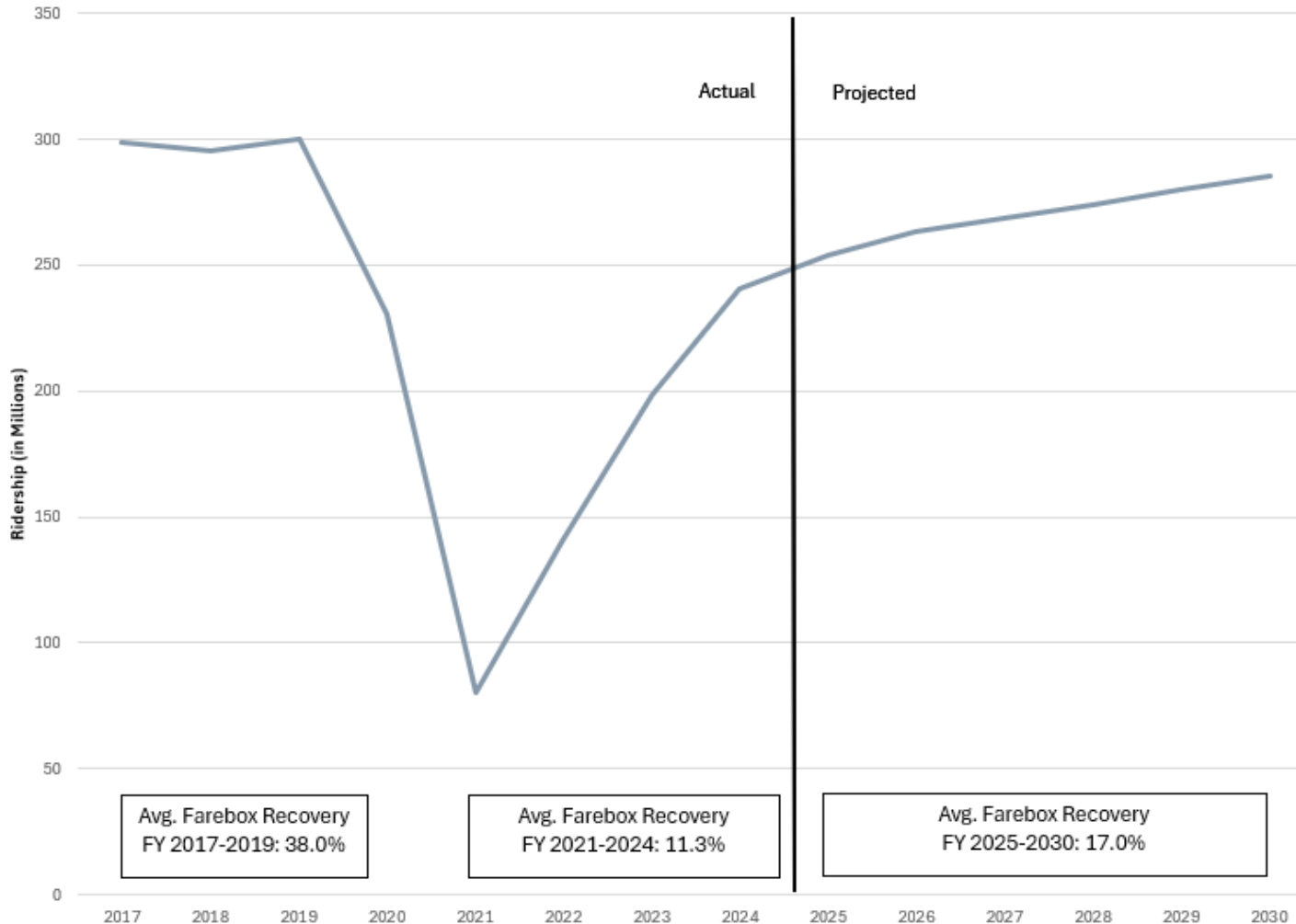
Avg. Farebox Recovery  
FY 2017-2019: 17.1%

Avg. Farebox Recovery  
FY 2021-2024: 6.4%

Avg. Farebox Recovery  
FY 2025-2030: 6.6%



# Lasting Impacts of COVID on Transit - WMATA



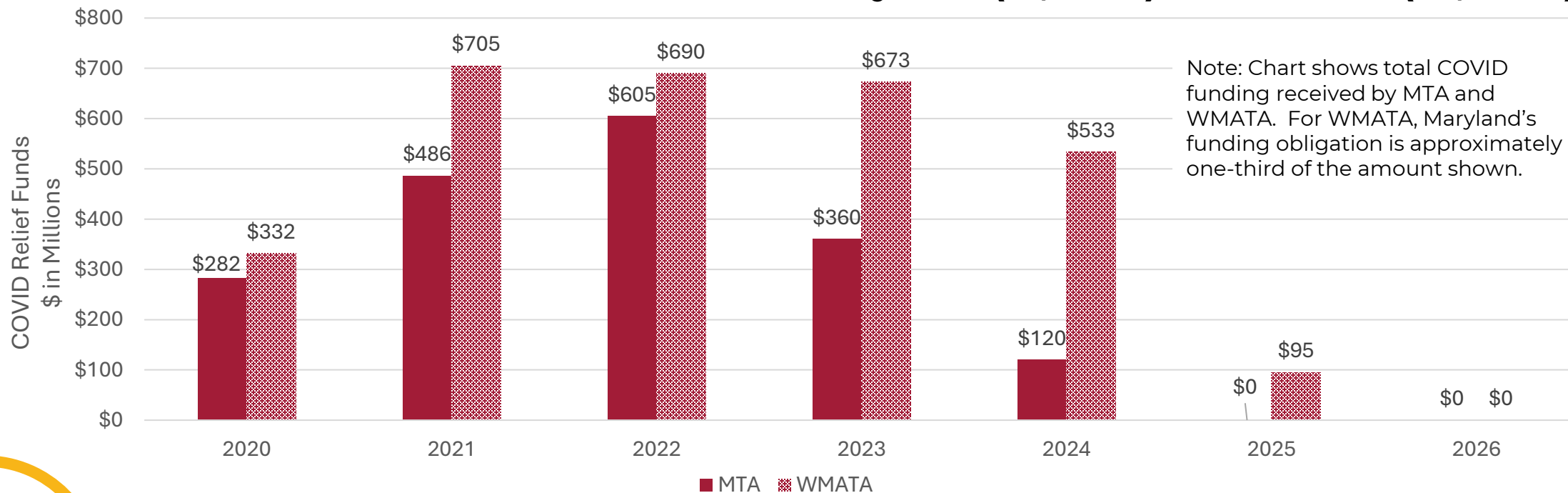
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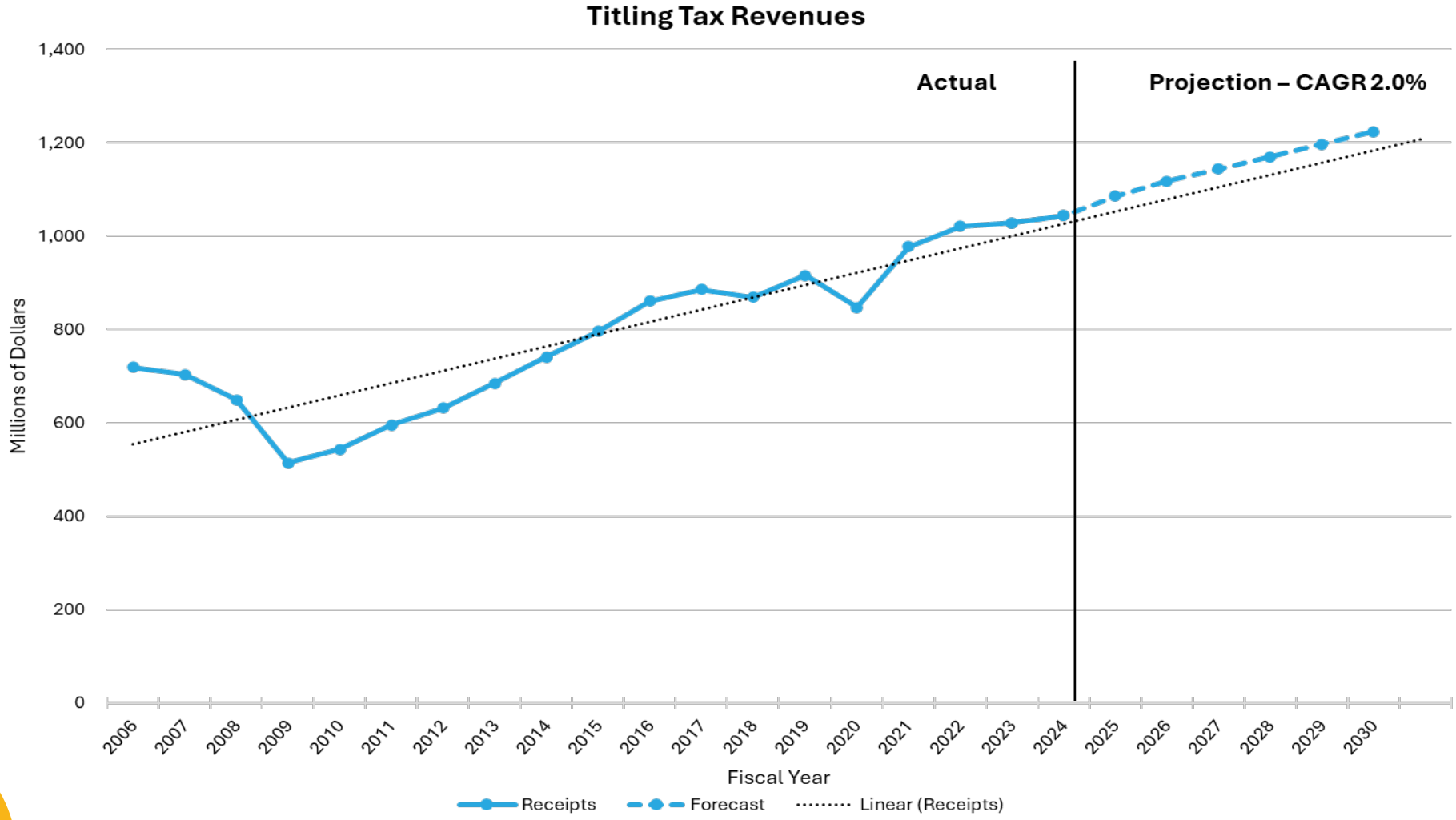
# COVID Funds Masked the Extent of These Issues... Until They Ran Out

Maintaining current transit services at MTA and WMATA required a significant increase in funding from the TTF to backfill for the depleted COVID funds

## Total Federal COVID Relief Funds Received by MTA (\$1,853M) and WMATA (\$3,028M)

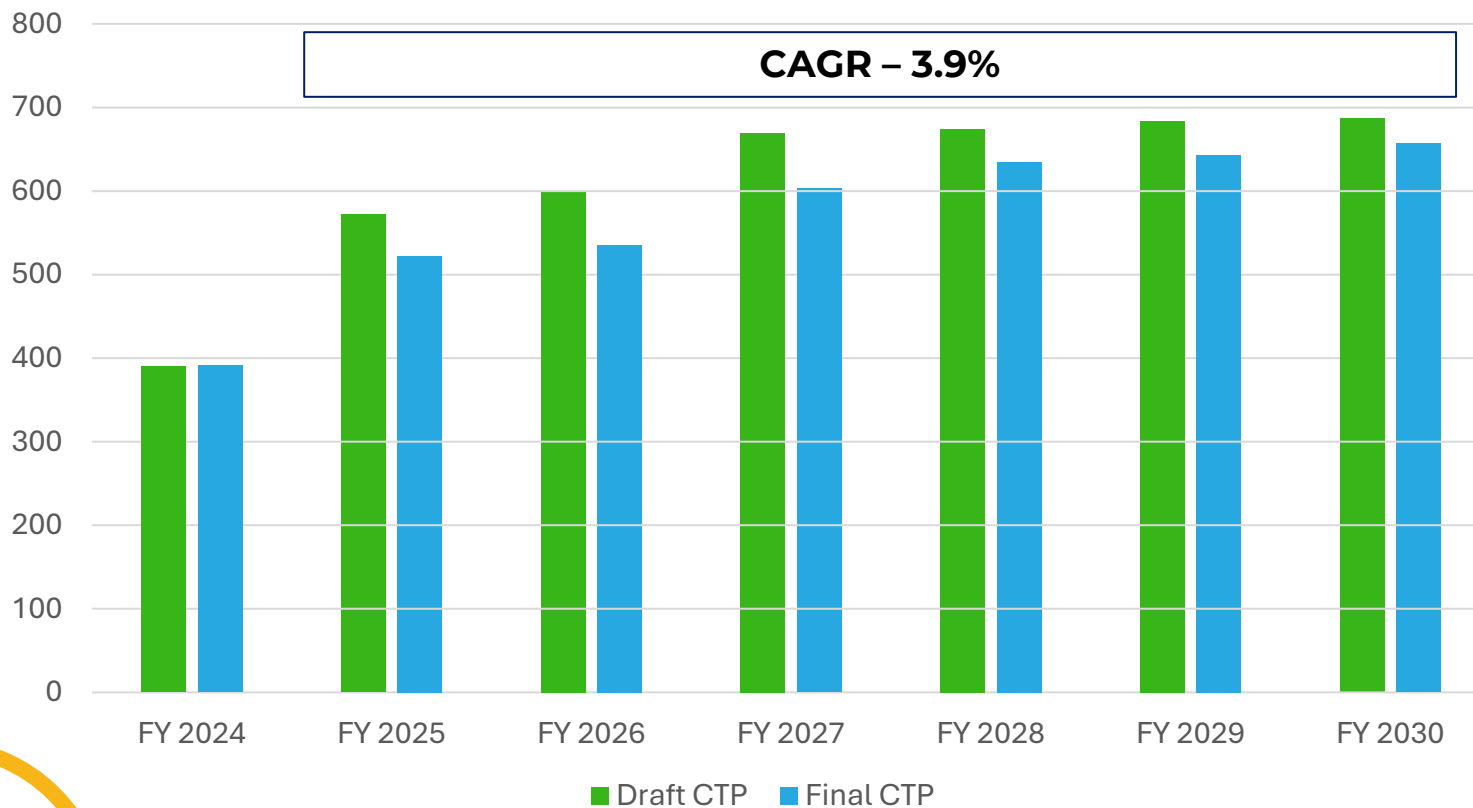


# Titling Tax – 6-Year Revenue Estimate

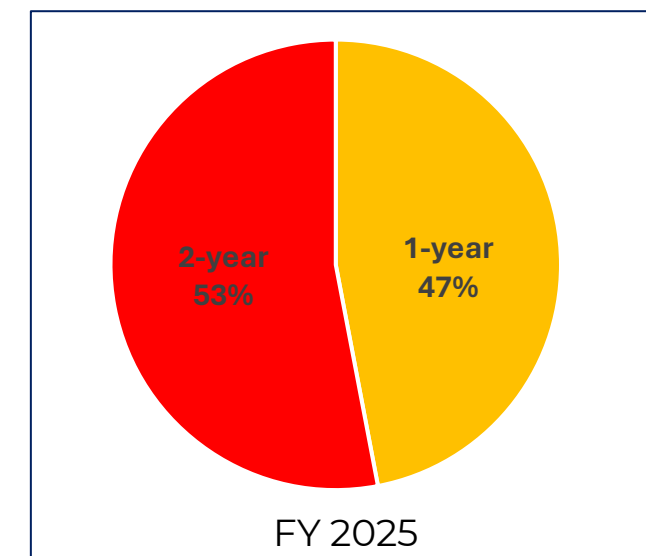
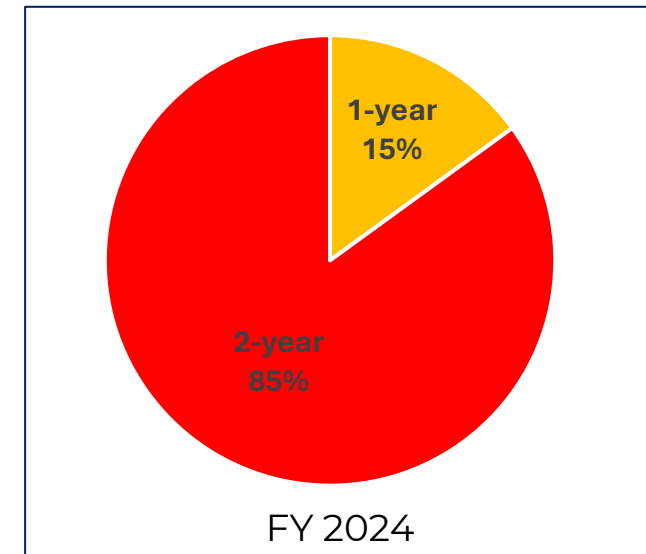


# Registration Fee Revenue

Revised downward due to significant increase in payment plan utilization

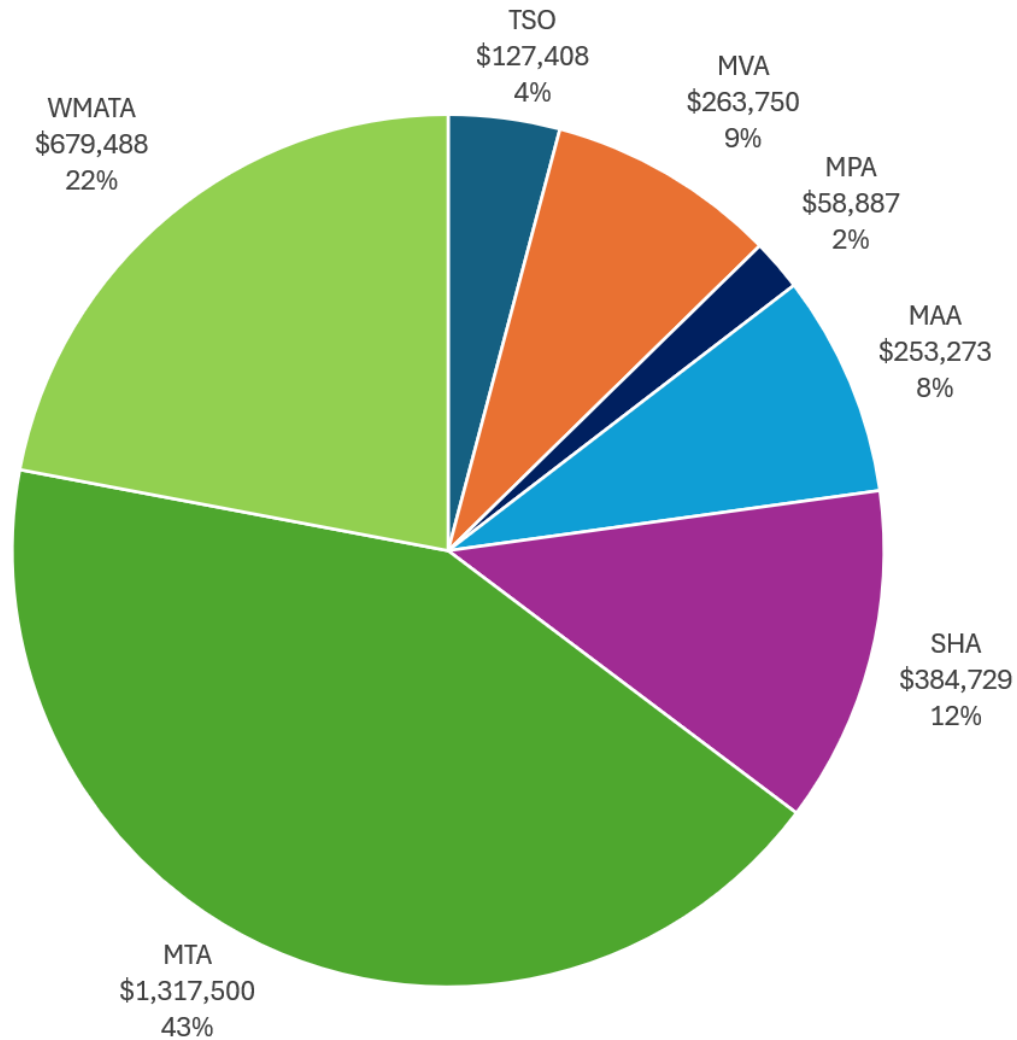


## Payment Plan Utilization



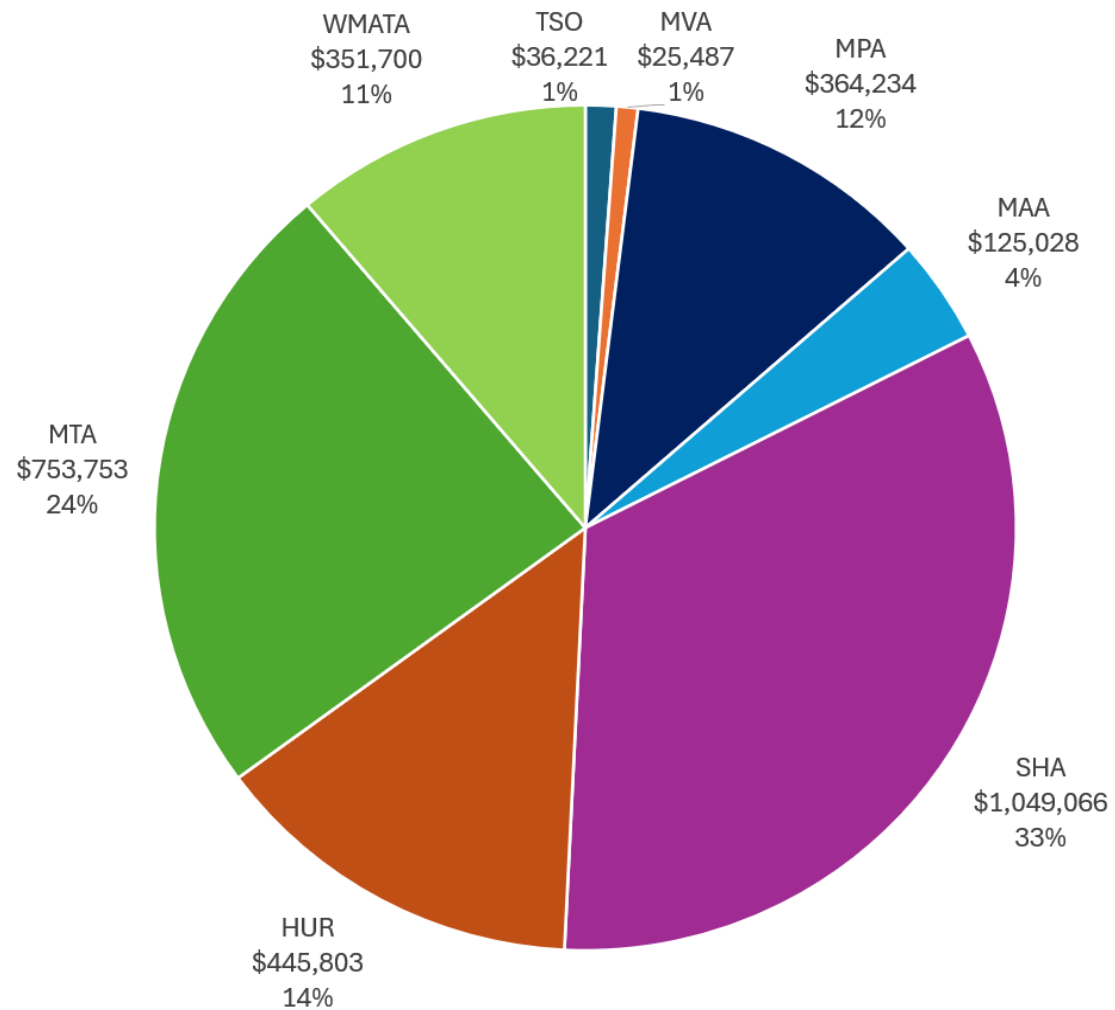
# MDOT's FY 2026 Operating Budget

\$ in Thousands



# MDOT's FY 2026 Capital Budget

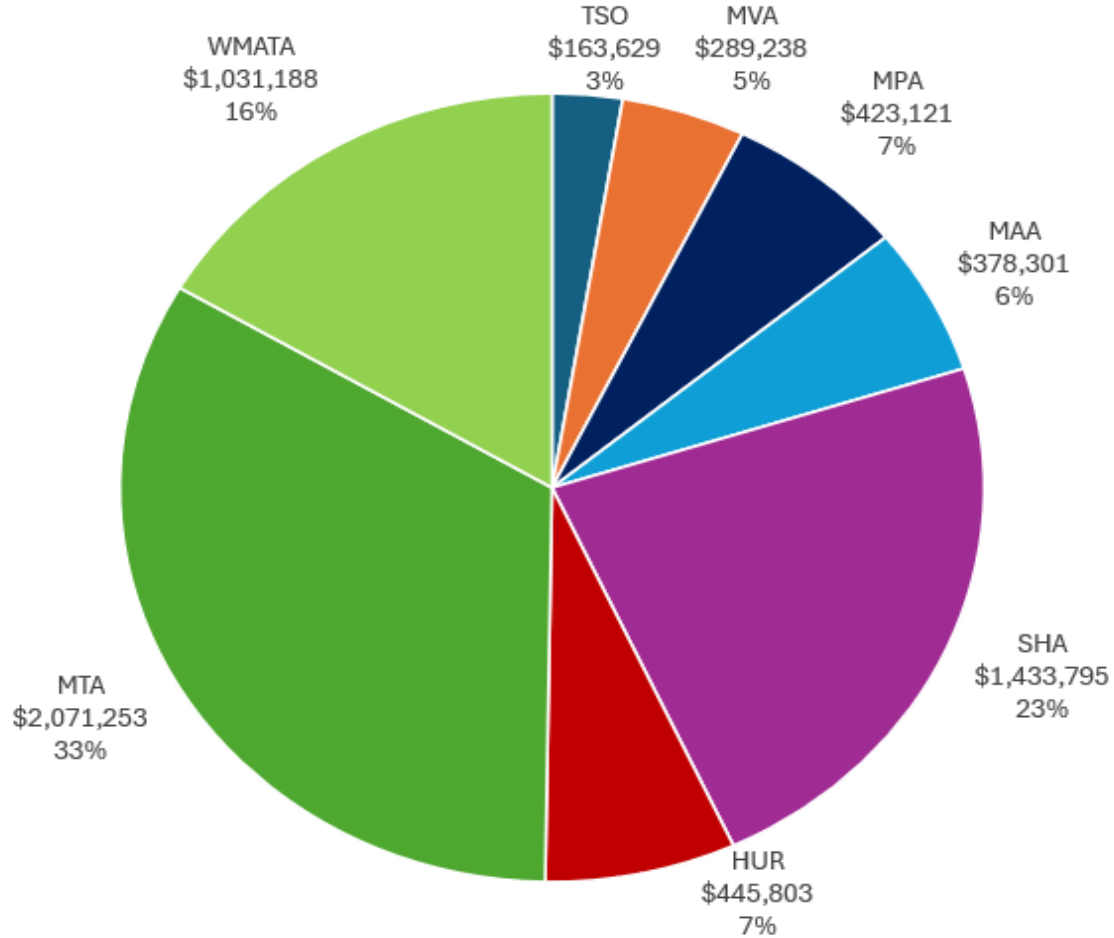
## \$ in Thousands



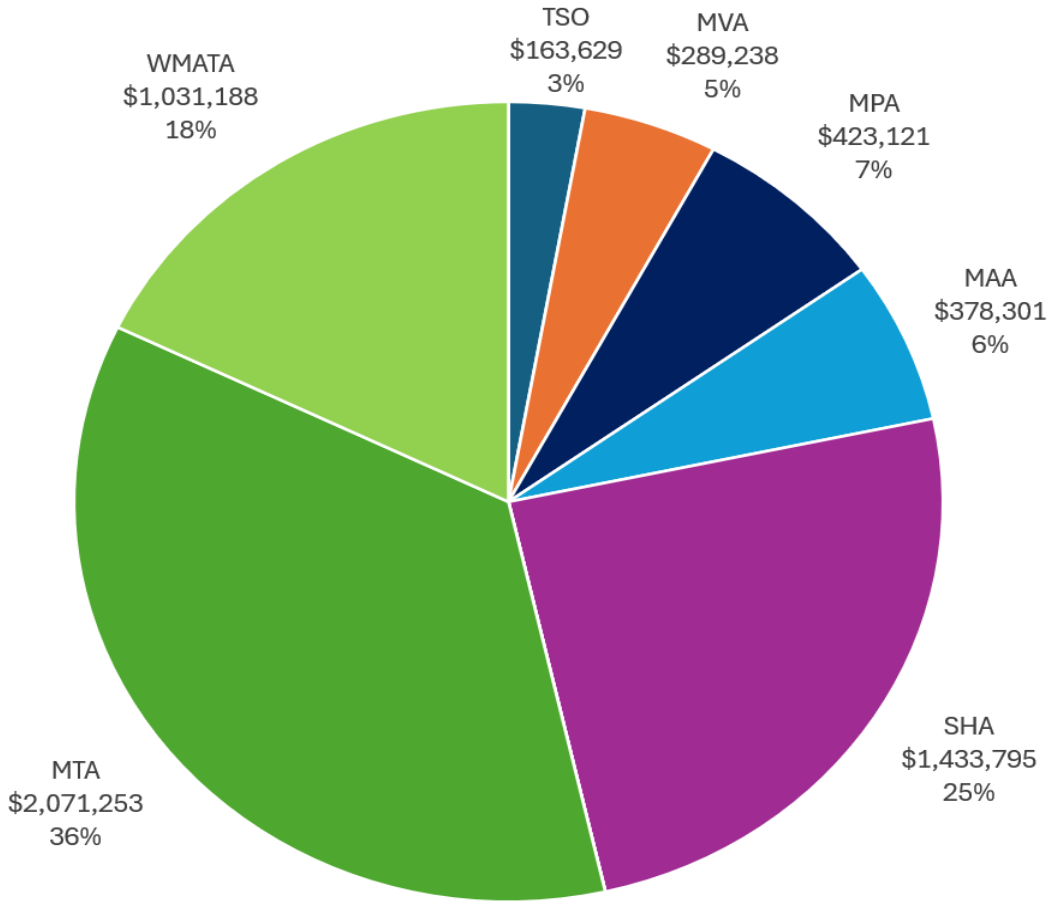


# Total FY 2026 Operating and Capital Budgets

## \$ in Thousands



**With Mandated HUR Grants**



**MDOT-Directed Spending (without HUR)**



# MDOT's Statewide Transportation System



17,800

State-maintained lane miles of roadways which carry 70% of the traffic in Maryland



2,966

Bridges and elevated structures



1,200

Electric vehicle charging stations



1,148

Miles of road-separated active transportation routes



900

Miles of state truck route system



886

Miles of active rail track



700

Miles of sidewalks on state-owned roads



103

MTA-operated bus and rail routes



36

Public use airports



6

State-operated cargo terminals



3

Commercial service airports



2

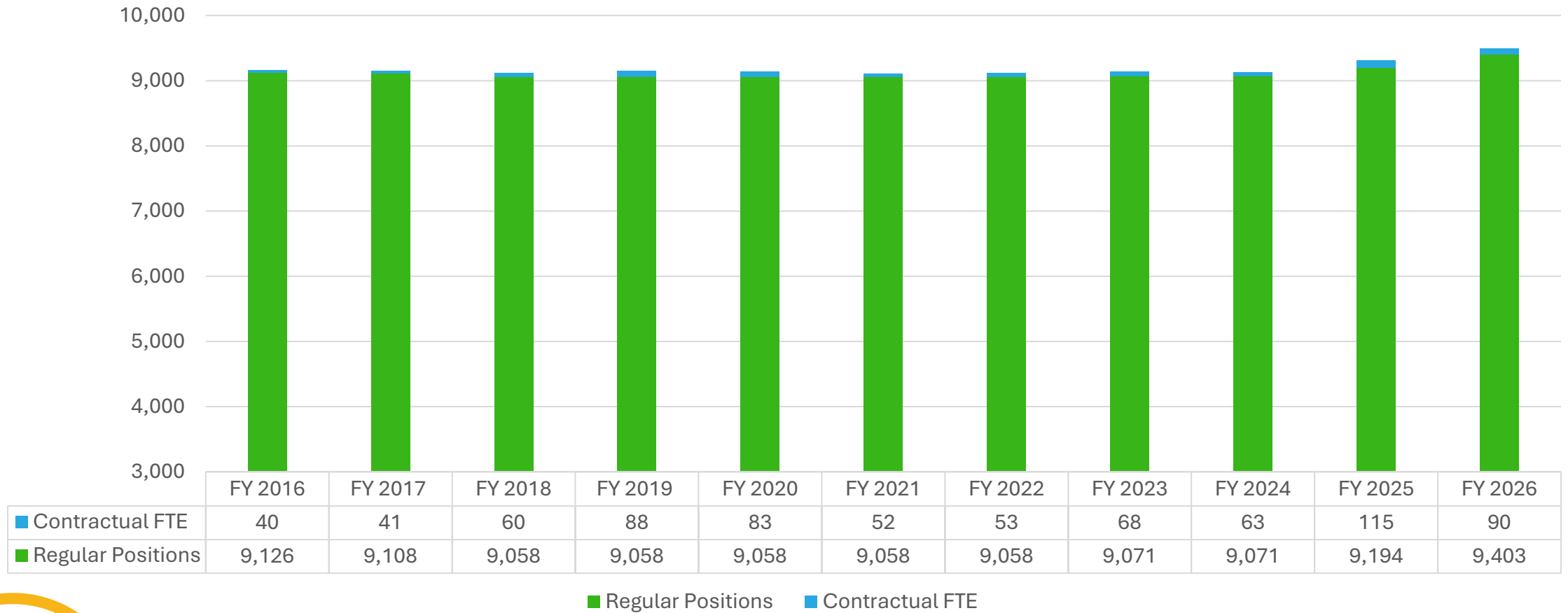
MAA-operated airports



1

International cruise terminal

# MDOT Budgeted Positions



■ Regular Positions ■ Contractual FTE

Note: Axis does not start at 0 to help illustrate changes.

# Key Differences Between the General Fund and the Transportation Trust Fund

## General Fund (GF)

- Includes revenues and operating budget only
- Capital budget primarily funded through GO Bonds, not included in GF forecast
- Federal aid typically received upfront and spent as needed
- Current Year and Budget Year must be balanced
- Structural deficit has been in place for many years, typically "solved" one year at a time
- GO debt affordability benchmarks of 8% debt service to revenues and 4% debt outstanding to personal income

## Transportation Trust Fund (TTF)

- Includes, revenues, operating budget, and capital budget
- Capital budget primarily funded through pay-as-you-go funding from the TTF
- Federal aid typically received on a reimbursable basis
- Entire 6-year period must be balanced and debt coverage met in all years
- Structural deficit can only exist outside the 6-year forecast period; has to be re-solved each time a new year comes into the 6-year period
- MDOT debt affordability includes net income test, which reduces revenues available for debt service by amount needed for operating budget