



Larry Hogan
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Lt. Governor
Gregory Slater
Secretary

**J00I00 MDOT Maryland Aviation 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

**J00100 - MDOT – MARYLAND AVIATION ADMINISTRATION
MDOT RESPONSE TO DLS ANALYSIS
FY 2022 BUDGET**

DLS Budget Analysis

1. Fiscal 2020 (Page 7)

MAA should comment on the status of the CARES Act funds, what they were used for, and if any amount is unspent.

MDOT Response:

The MDOT MAA was offered \$87,800,261 of funding through the federal Coronavirus Aid, Relief, and Economic Security (CARES) Act, comprised of \$87,643,261 for BWI Marshall Airport and \$157,000 for Martin State Airport. The MDOT MAA received \$87,690,550 of the funds to date which leaves \$109,711 remaining to be requested with the close out report. The \$87,690,550 received included \$72,741,965 for BWI Marshall Airport operating costs, including \$14,302,036 of debt service; \$2,365,430 for Martin State Airport operating costs; \$12,054,262 for BWI Marshall Airport capital costs; and \$528,893 for Martin State Airport capital costs.

Airports receiving CARES funds were committed to retaining at least 90% of the workforce to accept the funding. MDOT MAA has exceeded the employee baseline total of 449 in the reporting quarters through December 30, 2020 (currently 459).

2. Fiscal 2021 (Page 8)

MAA should comment on how the federal Coronavirus Response and Relief Supplemental Appropriations Act will be used and if any of the funds have been spent.

MDOT Response:

Under the Federal Aviation Administration (FAA) Airport Coronavirus Response Grant Program (ACRGP) BWI Marshall Airport can request grants totaling \$24,140,591 made up of allocations from Primary Entitlements and Enplanements (\$17,158,749), Unallocated CARES (\$4,136,608), and Concessions Relief (\$2,845,234). The Concession Relief grant is to be used for rent relief for airport terminal concessionaires, rental car concessions and other concession operators. Martin State Airport can request \$91,162 and any cost associated with the FAA Contract Tower Program. The grant requests from Primary Entitlements and Unallocated CARES can cover payroll, utilities, personal protective equipment, cleaning supplies, and service contract expenses incurred after January 20, 2020, along with debt service costs after December 27, 2020. As with CARES Act funding, the grant assurances will require MAA to retain at least 90% of the workforce (449 employees). The Concessions Relief grant has a specific set of criteria and thresholds to ensure equitable allocation, along with its own set of grant assurance requirements.

MDOT is currently finalizing its plans for the use of this money and intends to recognize any additional funding in FY 2021 or 2022 through the supplemental budget process during the 2021 session.

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DLS Budget Analysis Issues

1. Impact of COVID-19 on Operations at BWI Marshall Airport (Page 16)

MAA should comment on the ongoing impact of COVID-19 on airport operations and finances.

MDOT Response:

BWI Marshall Airport is recovering from the pandemic at a faster pace than other airports in the Baltimore/Washington region primarily due to the more sustained level of the leisure travel segment. For the week ending February 6th, BWI Marshall had the lowest decline in TSA throughput among large hub airports in the Mid-Atlantic and Northeast at -64.6%. Southwest, our main carrier with 76% of BWI Marshall's seat capacity, tops some of the world's financial and operational airline industry metrics in the areas of market capitalization, profit, customer satisfaction and seat capacity. BWI Marshall is Southwest's third largest station and their largest hub in the East coast. We expect our two largest airline partners, Southwest and Spirit with their strong balance sheets, low cost ticket prices and focus on leisure travel to lead our road to recovery.

Due to COVID-19, the reduction in enplaned passengers and flight operations has led to a 42.2% reduction in MDOT MAA revenues remitted to the Transportation Trust Fund (TTF) for the first six months of FY 2021 from \$128.6M in FY 2020 to \$74.4M for FY 2021. Among the more reduced MAA revenue streams, retail food and beverage revenue is down 77.9%, transportation network company (Uber/Lyft) and other forms of ground transportation is down 65.8% and rental car activity is down 60.7%. Flight Activities, based on landed weight, is down 30.6% and rents and user fees down 11.1%. Passenger volume and revenues are expected to fully recover over the next several years.

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FY 2022 BUDGET**

2. Issuance of Airport Revenue-backed Bonds (Page 18)

MAA should comment on the issuance of revenue bonds to refund existing debt and on the planned issuance to cover the A/B Connector project.

MDOT Response:

On February 10, 2021, MDOT refinanced prior Series 2012A and B Parking Revenue Refunding Bonds and Series 2012 MEDCO Lease Revenue Refunding Bonds with a new debt issuance of \$220 million in airport revenue bonds. The new debt will be repaid through MDOT MAA pledged revenues, which are derived from all airport operations, excluding passenger facility charges and customer facility charges.

The new issuance received investment grade ratings of A from Fitch and A1 from Moody's. Over 50 investors expressed interest in the new credit. Pricing was oversubscribed by five times, meaning that there were five times more investors willing to buy the bonds than were available for sale. The refinancing resulted in a net present value savings of over \$13 million.

MDOT expects to issue additional bonds in the summer of 2021 to finance the A/B Connector and Baggage Handling System Replacement project.

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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.