

Department of Legislative Services
 Maryland General Assembly
 2025 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 578 (Delegate Phillips, *et al.*)
 Appropriations and Environment and
 Transportation

**Procurement - Department of Transportation and Maryland Transportation
 Authority Contracts - Board of Public Works Authority**

This bill repeals exemptions for capital expenditures and land purchases of \$500,000 or more by the Maryland Department of Transportation (MDOT) and the Maryland Transportation Authority (MDTA) in connection with State roads, bridges, and highways from the Board of Public Works’s (BPW) oversight and approval, thus requiring such contracts and land purchases to be submitted to and approved by BPW. The bill also repeals exemptions for the Maryland Aviation Administration (MAA), Maryland Port Administration (MPA), and Maryland Transit Administration (MTA) from specified notice requirements for capital expenditures with a value of \$500,000 or more. **The bill takes effect July 1, 2025.**

Fiscal Summary

State Effect: Special fund (Transportation Trust Fund TTF)) expenditures increase by \$172,200 and nonbudgeted fund expenditures increase by \$86,100 in FY 2026 for staffing; out-year expenditures reflect annualization and inflation. Revenues are not affected.

(in dollars)	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Revenues	\$0	\$0	\$0	\$0	\$0
SF Expenditure	172,200	204,900	214,000	223,600	233,100
NonBud Exp.	86,100	102,500	107,000	111,800	116,500
Net Effect	(\$258,300)	(\$307,400)	(\$321,000)	(\$335,300)	(\$349,600)

Note: () = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease

Local Effect: The bill does not materially affect local government finances or operations.

Small Business Effect: Minimal.

Analysis

Current Law:

Board of Public Works Procurement Authority

BPW may control procurements by units, and may set policy, adopt regulations, and establish internal operational procedures regarding procurement. BPW must ensure that primary procurement units' regulations establish procedures that align with general State procurement law and remain substantially consistent, except when specific procurement circumstances or unit needs require otherwise. BPW may delegate any of its authority that it determines appropriate to do so and may require prior board approval for specified procurement actions.

Procurement law and regulations generally require BPW approval for construction and service contracts valued at more than \$200,000, and for any contract funded with general obligation bond proceeds. However, capital expenditures by MDOT and MDTA, including purchases of land, in connection with State roads, bridges, or highways are not subject to oversight or approval by BPW; procurements by the Department of General Services (DGS) for the purpose of modernizing cybersecurity infrastructure for the State valued below \$1,000,000 are similarly exempt (but not affected by the bill).

Land Acquisition

BPW is responsible for supervising the expenditure of any money that the General Assembly appropriates for the acquisition of land. Before execution, a contract for land acquisition must be reviewed by the Secretary of General Services and, except as stated in regulations on the lease of real property, must also be reviewed and approved by BPW; capital expenditures by MDOT and MDTA related to roads, bridges, or highways are exempt from these requirements.

Except for capital expenditures by MAA, MPA, and MTA, at least 40 days before BPW may act on a land acquisition, DGS's Land Acquisition Division must give written notice to the governing body of the county in which the land is located and, if the land is located within a municipal corporation, to the governing body of the municipal corporation. The governing body may submit written comments to the Land Acquisition Division within 30 days of receiving the notice.

State Expenditures:

Board of Public Works

BPW advises that, although the bill results in an increased number of procurement items that are presented for review and approval by the board, it can handle any such increase with existing resources.

Maryland Department of Transportation

This bill has a significant operational and fiscal impact on some of MDOT’s modal units. Requiring BPW approval for most procurements using capital expenditures for roads, bridges, and highways significantly increases the number of items that MDOT needs to take to BPW, which creates operational inefficiencies. Considering the advanced notice of 4.5 weeks that is required to put an item on BPW’s agenda, plus an extra 2 to 3 weeks for MDOT to do internal reviews prior to submission, the award of affected construction contracts could be delayed by 6 to 8 weeks and require significant staff time to prepare the items for presentation to and review by BPW staff and members. Specifically, the State Highway Administration (SHA), and the Office of the Secretary of Transportation (TSO) cannot absorb the additional workload with existing resources.

Accordingly, special fund (TTF) expenditures increase by \$172,219 in fiscal 2026, which accounts for a 90-day start-up delay from the bill’s July 1, 2025 effective date. This estimate reflects the cost of hiring two BPW Coordinators (one each for SHA and TSO) to process contracts and perform quality assurance and quality control, as well as provide backup data for the increased volume of agenda items that are put before BPW. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses.

MDOT Positions	2.0
Salaries and Fringe Benefits	\$157,481
Operating Expenses	<u>14,738</u>
MDOT FY 2026 State Expenditures	\$172,219

Future year expenditures reflect full salaries with annual increases and employee turnover as well as annual increases in ongoing operating expenses.

Maryland Transportation Authority

Similar to MDOT, MDTA cannot absorb the additional workload required to prepare contracts for BPW review and approval with existing resources. Accordingly, nonbudgeted fund expenditures increase by \$88,109 in fiscal 2026, which accounts for a 90-day start-up delay from the bill’s July 1, 2025 effective date. This estimate reflects the cost of hiring

one BPW Coordinator to process and perform quality assurance and quality control, as well as provide backup data for the increased volume of agenda items that are put before BPW. It includes a salary, fringe benefits, one-time start-up costs, and ongoing operating expenses.

MDTA Position	1.0
Salary and Fringe Benefits	\$78,740
Operating Expenses	<u>7,369</u>
MDTA FY 2026 State Expenditures	\$86,109

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: None.

Information Source(s): Department of General Services; Board of Public Works; Maryland Department of Transportation; Department of Legislative Services

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