

Department of Legislative Services
 Maryland General Assembly
 2026 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

House Bill 587

(Delegate Phillips, *et al.*)

Government, Labor, and Elections

Budget and Taxation

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

This bill repeals exemptions for capital expenditures and land purchases of \$5.0 million 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. BPW must also adopt regulations for the review of contract modifications greater than \$1.0 million for such capital expenditures and land purchases. 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 \$5.0 million or more. **The bill takes effect July 1, 2026.**

Fiscal Summary

State Effect: Special fund (Transportation Trust Fund (TTF)) expenditures increase by at least \$180,000 and nonbudgeted fund expenditures increase by at least \$90,000 in FY 2027 for staffing; out-year expenditures reflect annualization and inflation. Delays in contract execution may negatively affect the cost of road, bridge, and highway projects, but any such effect cannot be reliably quantified. To the extent that the bill is interpreted to require review of change orders, expenditures likely increase further for staffing, as discussed below. Revenues are not affected.

(in dollars)	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Revenues	\$0	\$0	\$0	\$0	\$0
SF Expenditure	180,000	212,000	221,900	231,900	242,000
NonBud Exp.	90,000	106,000	110,900	116,000	121,000
Net Effect	(\$270,000)	(\$318,100)	(\$332,800)	(\$347,800)	(\$363,000)

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 of MDOT’s capital contracts valued at \$5.0 million or more for roads, bridges, and highways increases the number of items that MDOT needs to take to BPW, which creates operational delays and inefficiencies. BPW typically meets every two weeks, and BPW guidance requires that items be submitted at least two meetings before consideration (*i.e.*, one month in advance). In addition, MDOT has a five-week internal review process for items submitted to BPW for review. Although there are circumstances under which items can be submitted to BPW later than allowed by the guidance, the award of affected construction contracts is likely delayed by at least two months and requires significant staff time to prepare the items for presentation to and review by BPW staff and members. Similarly, requiring MDOT to notify local governments of related land purchases may delay such acquisitions if local governments object to the purchase. Delays in executing contracts can lead to cost overruns and other negative outcomes, so delays in getting contract approval for MDOT procurements related to roads, bridges, and highways may negatively affect the costs of those projects.

MDOT advises that over the past three years, it has awarded an average of more than 30 contracts annually valued at more than \$5.0 million. The increased workload to prepare and submit those contracts to BPW strains existing staff. 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 \$180,017 in fiscal 2027, which accounts for a 90-day start-up delay from the bill’s July 1, 2026 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.

Positions	2.0
Salaries and Fringe Benefits	\$161,735
Operating Expenses	<u>18,282</u>
Total FY 2027 MDOT Expenditures	\$180,017

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

MDOT further advises that provisions requiring BPW to adopt regulations for the review of contract modifications are not expected to have a meaningful impact on operations, as MDOT relies more heavily on change orders to make necessary adjustments to work being performed under a contract. As the bill only addresses contract modifications greater than \$1.0 million and does not directly affect change orders, it is not expected to have a meaningful effect on MDOT operations. However, to the extent that BPW interprets the provisions of the bill to also include review of change orders, MDOT requires at least one additional staff member to help manage the increased number of change orders that must be submitted for review, which it can request through the normal budget process; expenditures may increase accordingly for the additional staff.

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 \$90,008 in fiscal 2027, which accounts for a 90-day start-up delay from the bill's July 1, 2026 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.

Position	1.0
Salary and Fringe Benefits	\$80,867
Operating Expenses	<u>9,141</u>
Total FY 2027 MDTA Expenditures	\$90,008

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

Also like MDOT, to the extent that BPW interprets the bill to include change orders greater than \$1.0 million to be submitted to review, MDTA expenditures further increase to hire one additional staff member to manage the additional workload.

Additional Information

Recent Prior Introductions: Similar legislation has been introduced within the last three years. See HB 578 of 2025.

Designated Cross File: None.

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

Fiscal Note History: First Reader - February 19, 2026
jg/mcr Third Reader - April 2, 2026
Revised - Amendment(s) - April 2, 2026

Analysis by: Andrew Stover

Direct Inquiries to:
(410) 946-5510
(301) 970-5510