

Department of Legislative Services
 Maryland General Assembly
 2026 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 587 (Delegate Phillips, *et al.*)
 Government, Labor, and Elections

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 \$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, 2026.**

Fiscal Summary

State Effect: Special fund (Transportation Trust Fund TTF) expenditures increase by \$180,000 and nonbudgeted fund expenditures increase by \$90,00 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. 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 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 5 weeks for MDOT to do internal reviews prior to submission, the award of affected construction contracts could be delayed by at least two months and require significant staff time to prepare the items for presentation to and review by BPW staff and members. The delays in getting contract approval for MDOT procurements related to roads, bridges, and highways may negatively affect the costs of those projects, and the increased workload to submit those projects 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.

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.

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

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jg/mcr

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