

J00H01
Maryland Transit Administration
Maryland Department of Transportation

Operating Budget Data

(\$ in Thousands)

	<u>FY 14</u> <u>Actual</u>	<u>FY 15</u> <u>Working</u>	<u>FY 16</u> <u>Allowance</u>	<u>FY 15-16</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
Special Fund	\$691,170	\$672,650	\$695,838	\$23,188	3.4%
Deficiencies and Reductions	0	0	-5,408	-5,408	
Adjusted Special Fund	\$691,170	\$672,650	\$690,429	\$17,779	2.6%
Federal Fund	60,631	56,735	57,843	1,108	2.0%
Adjusted Federal Fund	\$60,631	\$56,735	\$57,843	\$1,108	2.0%
Adjusted Grand Total	\$751,801	\$729,385	\$748,272	\$18,887	2.6%

Note: The fiscal 2015 working appropriation reflects deficiencies and the Board of Public Works reductions to the extent that they can be identified by program. The fiscal 2016 allowance reflects back of the bill and contingent reductions to the extent that they can be identified by program.

- Including back of the bill reductions, the fiscal 2016 allowance for the Maryland Transit Administration (MTA) increases by a net \$18,887,000 (2.6%) over the current year.
- Sections 20 and 21 reduce the fiscal 2016 special fund allowance by \$5,408,457 to remove the 2% general salary increase that State employees began receiving on January 1, 2015, and the salary merit and increments that would have been awarded in fiscal 2016.

Note: Numbers may not sum to total due to rounding.

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PAYGO Capital Budget Data

	(\$ in Thousands)			
	Fiscal 2014	Fiscal 2015		Fiscal 2016
	<u>Actual</u>	<u>Legislative</u>	<u>Working</u>	<u>Allowance</u>
Special	\$215,992	\$369,168	\$362,105	\$408,793
Federal	\$165,997	\$270,383	\$178,203	\$332,744
Total	\$381,989	\$639,551	\$540,308	\$741,537

- The fiscal 2015 working appropriation is \$99.2 million lower than the legislative appropriation. This does not include “other funds” which do not flow through the MTA budget but which support some of MTA’s capital projects. If other funds are included in the calculations, the decrease between the legislative and working appropriations is \$72.8 million.
- The fiscal 2016 allowance increases by \$201.2 million over the current year working appropriation, exclusive of other funds. If other funds are included, the increase between the two years drops to \$192.0 million. The largest changes in funding occur in the Purple Line and Red Line transit projects.

Operating and PAYGO Personnel Data

	<u>FY 14 Actual</u>	<u>FY 15 Working</u>	<u>FY 16 Allowance</u>	<u>FY 15-16 Change</u>
Regular Operating Budget Positions	3,040.50	3,233.50	3,233.50	0.00
Regular PAYGO Budget Positions	<u>92.00</u>	<u>94.00</u>	<u>94.00</u>	<u>0.00</u>
Total Regular Positions	3,132.50	3,327.50	3,327.50	0.00
Operating Budget FTEs	15.00	16.00	16.00	0.00
PAYGO Budget FTEs	<u>1.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Total FTEs	16.00	16.00	16.00	0.00
Total Personnel	3,148.50	3,343.50	3,343.50	0.00

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	93.17	2.80%
Positions and Percentage Vacant as of 1/1/15	233.00	7.00%

- The number of regular positions and contractual full-time equivalents remain unchanged in the fiscal 2016 allowance compared to the current year.
- Budgeted turnover for MTA is 2.8%, which will require the administration to keep an average of 93 positions vacant the entire year.
- As of January 1, 2015, MTA had 233 vacant positions for a vacancy rate of 7.0%. The high vacancy rate is due in large part to new positions added for fiscal 2015, which the administration is in the process of filling.

Analysis in Brief

Major Trends

Boardings Decrease in Fiscal 2014: For all modes of MTA service, there were 114 million boardings in fiscal 2014, representing a 4.4% decline from the prior year. Core bus services, which accounted for 66.5% of all boardings in fiscal 2014, declined 5.4%.

On-time Performance: The percent of on-time service decreased in fiscal 2014 for all service except mobility. Furthermore, core bus service has not met its on-time goal since 2011. Metro and light rail met on-time goals for the entire 2010 through 2014 period. The Maryland Area Regional Commuter has met its on-time goal since 2011.

Farebox Recovery: All three Baltimore area services (core bus, Metro, and light rail) had rates well below the statutory requirement of 35% in fiscal 2014. The farebox recovery rate for the Baltimore area services decreased from 27% in fiscal 2013 to 26% in 2014.

Peer Performance: MTA is required by statute to submit an annual report that compares MTA to other similar transit systems nationwide. MTA's local bus performance compares favorably to its peers. It is below average on the expense measures and above average on the number of passenger trips measure. Only four of its peers had lower operating expenses per revenue mile; only one peer had a lower operating expense per passenger trip; and only two systems had higher passenger trips per revenue mile.

Issues

Required Fare Increases Yet to Occur: Beginning in fiscal 2015 and biennially thereafter, MTA is statutorily required to increase most fares by an amount equal to the biennial increase in the Consumer Price Index. MTA has yet to announce when the fiscal 2015 fare increases will go into effect. **MTA should brief the committees on when the expected required fare increases will be implemented.**

MTA Implements Route Changes and New Technology to Improve Baltimore Area Transit Services: In February 2015, MTA made a series of changes to its local bus service as part of its multi-year plan known as the Bus Network Improvement Project (BNIP). It also launched a Global Positioning System-based system to enable customers to determine the estimated arrival time of their local bus via computer, tablet, smartphone, and standard phone. **MTA should brief the committees on the remaining phases of BNIP and any other technological improvements being planned to improve MTA transit services.**

Administration Proposals Would Result in Capital Program Unlikely to Support New Transit Line Projects: Legislation proposed by the Administration would reduce the fiscal 2016 to 2020 transportation capital program by \$4.1 billion, or 52%. A proportionate reduction to the MTA capital

program would not leave sufficient funding for both the Red Line and Purple Line projects as currently programmed in the *Consolidated Transportation Program*. The Purple Line public-private partnership procurement is underway, but bid submissions have been delayed to March 12, 2015. Further delays could result in some proposer groups dropping out of the competition. **The Maryland Department of Transportation (MDOT) should inform the committees on how it would distribute the reductions to the capital program proposed by the Administration, citing specific projects for all modes that would be canceled or delayed. MDOT should also describe for the committees what the department will do if the Administration’s various initiatives are not approved by the General Assembly.**

Operating Budget Recommended Actions

1. Concur with Governor’s allowance.

PAYGO Budget Recommended Actions

1. Concur with Governor’s allowance.

Updates

Metrorail Service to National Harbor Report: The 2014 *Joint Chairmen’s Report* requested MDOT to examine how the transportation conditions at National Harbor in Prince George’s County have changed with the award of a casino license and to refine a purpose and need statement for a transit solution looking at all prudent and feasible alternatives. The report identified expanded bus service as the only feasible solution to improving transit service to the National Harbor in the near term.

Maryland Central Regional Transit Structure Examined: Language added to the MTA fiscal 2015 budget prohibited disbursement of any grants for a new regional transit agency until a study group examined and reported to the budget committees on the overall cost structure of a regional transit agency to the State, to participating local jurisdictions, and to the public. In June 2014, MDOT submitted the required report. The funding restrictions were lifted as of August 1, 2014.

Red Line Local Contributions: Language added to the MTA fiscal 2015 budget restricted \$100,000 of its capital appropriation for planning and construction of the Baltimore Red Line Light Rail pending receipt of a report on the regional contributions expected to assist in funding the project. MDOT submitted a report, on behalf of MTA, providing the requested information.

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Budget Analysis

Program Description

The Maryland Department of Transportation (MDOT) supports transit in Maryland through the Maryland Transit Administration (MTA). MTA consists of the following operating budget programs:

- **Transit Administration** provides executive direction and support services for MTA.
- **Bus Operations** manages bus services in Baltimore City and surrounding counties. These services include the operation of fixed route and paratransit lines and contracts with commuter and paratransit service providers.
- **Rail Operations** includes the Baltimore Metro heavy rail line and the Baltimore area light rail line as well as the management of the Maryland Area Regional Commuter (MARC) contracts with Amtrak and Bombardier.
- **Statewide Operations** provides technical assistance and operating grants to local jurisdictions' transit services, including Montgomery County's "Ride-On," Prince George's County's "the Bus," and Baltimore City's "Charm City Circulator" services. Additionally, the program contracts with private carriers to operate commuter bus services throughout the State. Assistance is also provided to several short-line freight railroads to support the maintenance of State-owned rail lines.

MTA has identified the following goals:

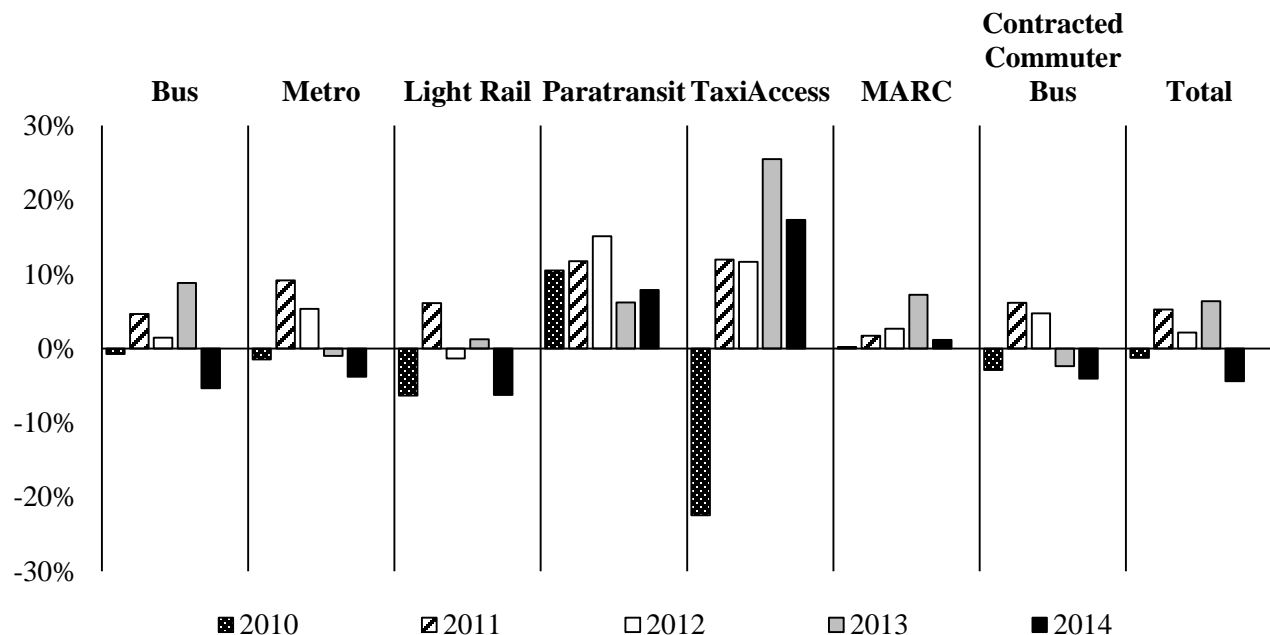
- to provide outstanding service;
- to encourage transit ridership in Maryland;
- to use MTA resources efficiently and effectively and be accountable to the public, customers, and employees with performance measured against prior years; and
- to provide a safe environment for customers and employees.

Performance Analysis: Managing for Results

1. Boardings Decrease in Fiscal 2014

MTA has a goal to encourage transit ridership. One method of measuring transit ridership is the number of boardings that occur during a specified period. For all modes of MTA service, there were 114 million boardings in fiscal 2014 representing a 4.4% decline from the prior year. **Exhibit 1** shows the percent change in boardings from the prior year for fiscal 2010 through 2014. Core bus services, which accounted for 66.5% of all boardings in fiscal 2014, declined 5.4%. MARC and Paratransit services are the only modes which increased in all five years. Chapter 429 of 2013 requires MTA to increase fares in fiscal 2015 and every two years thereafter by at least the rate of increase in the Consumer Price Index (CPI). Fare increases tend to lead to a decrease in ridership in the short term. **MTA should brief the committees on the actions it is taking to increase transit ridership and the likely impact the pending fare increase will have.**

Exhibit 1
Percent Change in MTA Boardings
Fiscal 2010-2014



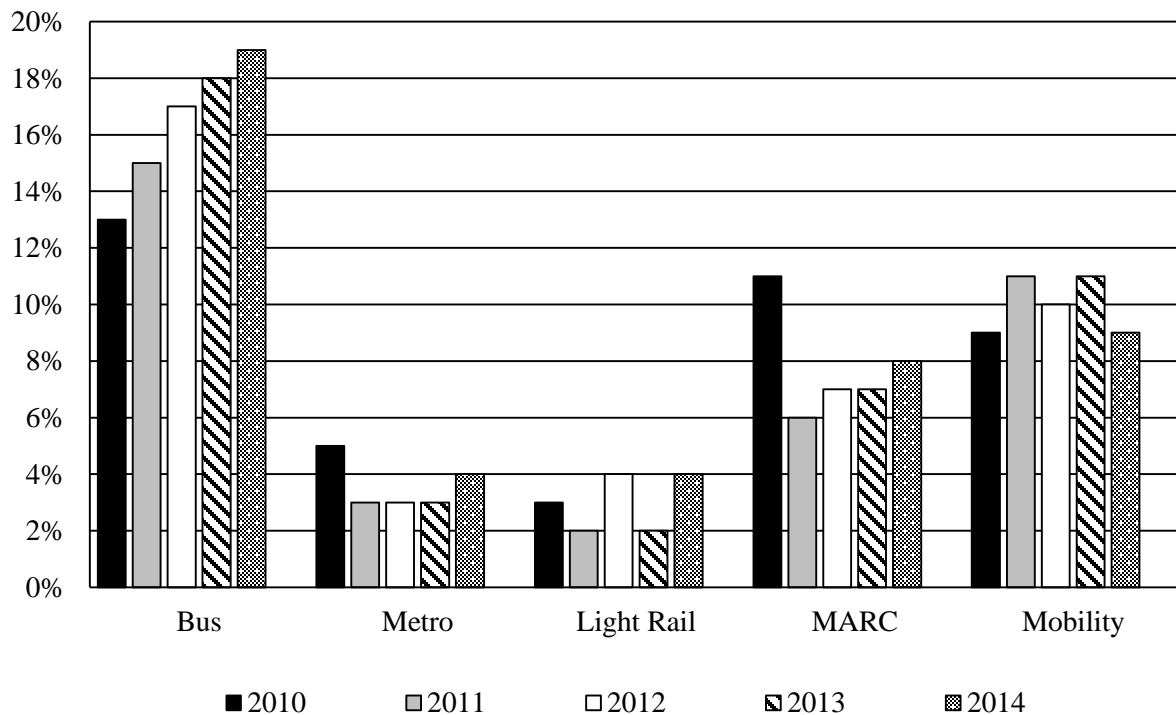
MARC: Maryland Area Regional Commuter
MTA: Maryland Transit Administration

Source: Maryland Transit Administration

2. On-time Performance

As part of its goal to provide outstanding service to customers, MTA attempts to provide high on-time performance with goals of 85% on-time performance for core bus service, 95% for Metro and light rail service, 82% for MARC service, and 90% for mobility services. **Exhibit 2** shows the percent of late service by mode for fiscal 2010 through 2014. The percent of on-time service decreased in fiscal 2014 for all service except mobility. Furthermore, core bus service has not met its on-time goal since 2011. Metro and light rail on-time performance met the goal for this entire period; MARC has met its goal since 2011; and mobility has failed to meet its goal twice in the past five years – 2011 and 2013. **MTA should comment on the factors contributing to the deterioration of on-time performance for most modes in fiscal 2014 and for the multi-year deterioration of on-time performance for core bus service. MTA should also comment on the steps that it is taking to ensure that on-time performance will meet the minimum standards for each service.**

Exhibit 2
Trips Not On-time
Fiscal 2010-2014



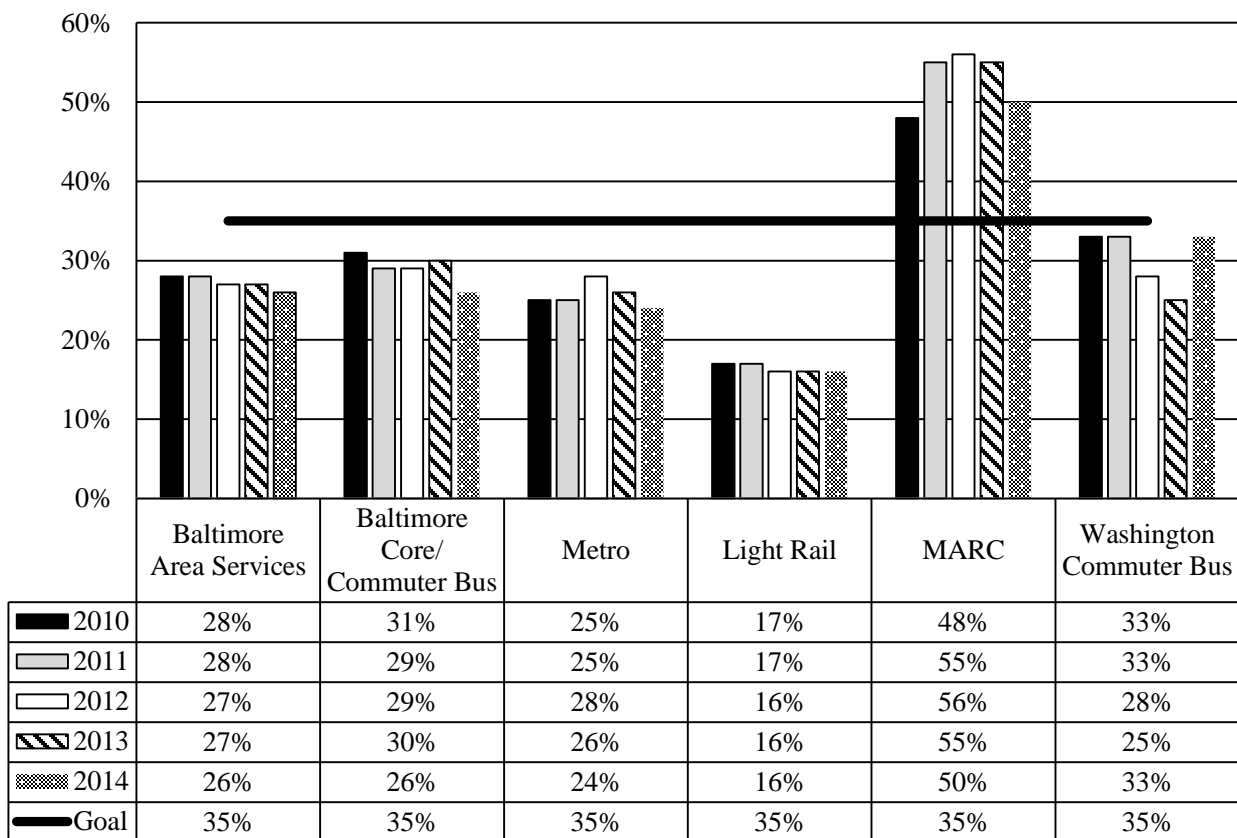
MARC: Maryland Area Regional Commuter

Source: Maryland Transit Administration

3. Farebox Recovery

Section 7-208 of the Transportation Article sets the statutory farebox recovery rate at 35% for Baltimore-area core services and MARC service. **Exhibit 3** shows the farebox recovery rates by mode of transit and for the Baltimore area services as a whole for fiscal 2010 through 2014. The farebox recovery rate for the Baltimore area services decreased from 27% in fiscal 2013 to 26% in 2014. This reduction reflects the decreased recovery rates for core bus from 30% to 26% and Metro from 26% to 24%. The light rail farebox recovery rate in fiscal 2014 remained unchanged from the prior year at 16%. All three Baltimore area services had rates well below the statutory requirement of 35%. The MARC farebox recovery rate fell from 55% in fiscal 2013 to 50% in 2014 but still remained well above the 35% threshold.

Exhibit 3
Farebox Recovery Rates
Fiscal 2010-2014



MARC: Maryland Area Regional Commuter

Source: Maryland Transit Administration

Performance Goals

Section 7-208 also requires MTA to develop performance goals for passenger trips per revenue vehicle mile, operating expenses per passenger trip, and operating expenses per revenue vehicle mile by transit mode. **Exhibit 4** shows the actual figures for fiscal 2013 and 2014 and the projections for fiscal 2015 and 2016. MTA's goals with respect to these measures are to minimize increases in operating costs per passenger and maximize passenger trips per revenue mile.

Exhibit 4 Performance Goals Fiscal 2013-2016 Est.

	<u>2013</u>	<u>2014</u>	<u>2015 Est.</u>	<u>2016 Est.</u>
Core Bus				
Passengers Per Revenue Vehicle Mile	3.4	3.8	3.3	3.3
Operating Expenses Per Passenger Trip	\$3.48	\$3.46	\$3.77	\$3.87
Operating Expenses Per Revenue Vehicle Mile	\$11.51	\$13.09	\$12.41	\$12.66
Light Rail				
Passengers Per Revenue Vehicle Mile	2.7	2.4	2.5	2.4
Operating Expenses Per Passenger Trip	\$4.37	\$5.92	\$4.95	\$5.08
Operating Expenses Per Revenue Vehicle Mile	\$11.60	\$14.45	\$12.27	\$12.27
Metro				
Passengers Per Revenue Mile	3.0	2.9	2.9	2.8
Operating Expenses Per Passenger Trip	\$3.40	\$4.17	\$3.81	\$3.92
Operating Expenses Per Revenue Vehicle Mile	\$10.12	\$12.08	\$10.94	\$10.94

Source: Maryland Transit Administration

From fiscal 2014 to 2016, the passengers per revenue vehicle mile are projected to decrease for core bus and Metro and fluctuate for light rail. Operating expenses per revenue vehicle mile and per passenger trip generally fluctuate for all three services.

4. Peer Performance

MTA is required by statute to submit an annual report that compares MTA to other similar transit systems nationwide. **Exhibit 5** shows this comparison for local bus systems for operating expenses per revenue vehicle mile, operating expenses per passenger trip, and passenger trips per revenue vehicle mile based on fiscal 2013 data. MTA's performance on these measures compares favorably to its peers. It is below average on the expense measures and above average on the number

Exhibit 5
Performance Indicators for MTA and Peer Local Bus Systems
Fiscal 2013

	<u>Operating Expenses Per Revenue Vehicle Mile</u>	<u>Operating Expenses Per Passenger Trip</u>	<u>Passenger Trips Per Revenue Vehicle Mile</u>
Baltimore	\$11.51	\$3.48	3.30
Average	13.20	4.82	3.06
Atlanta	9.69	3.69	2.62
Dallas	9.13	6.56	1.39
Houston	9.18	5.02	1.83
New York	28.24	3.23	8.76
Pittsburgh	14.32	5.09	2.81
San Jose	15.27	6.90	2.21
Seattle	13.29	4.46	2.98
Utah	7.28	5.68	1.28
Washington, DC	14.12	4.13	3.42

MTA: Maryland Transit Administration

Source: Maryland Transit Administration; National Transit Database

of passenger trips measure. Only four of its peers had lower operating expenses per revenue mile; only one peer had a lower operating expense per passenger trip; and only two systems had higher passenger trips per revenue mile.

Proposed Budget

As shown in **Exhibit 6**, MTA's fiscal 2016 allowance is \$18.9 million higher than the current year working appropriation. Personnel expenses increase by a net \$9.9 million driven primarily by retirement and health insurance contributions. Rail operations increase \$5.0 million, bus operations increase by \$888,000 and statewide operation, which provides aid to local governments increases \$3.1 million.

Exhibit 6
Proposed Budget
MDOT – Maryland Transit Administration
(\$ in Thousands)

How Much It Grows:	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Total</u>
Fiscal 2014 Actual	\$691,170	\$60,631	\$751,801
Fiscal 2015 Working Appropriation	672,650	56,735	729,385
Fiscal 2016 Allowance	<u>690,429</u>	<u>57,843</u>	<u>748,272</u>
Fiscal 2015-2016 Amt. Change	\$17,779	\$1,108	\$18,887
Fiscal 2015-2016 Percent Change	2.6%	2.0%	2.6%

Where It Goes:**Personnel Expenses**

Increments and other compensation (before cost containment)	\$8,083
Retirement contributions	7,912
Employee and retiree health insurance	3,420
Accrued leave payout	-259
Workers' compensation premium assessment	-1,653
Turnover adjustments	-2,188
Section 20: Abolition of fiscal 2015 general salary increase	-3,033
Section 21 : Abolition of fiscal 2016 salary increments	-2,376
Other fringe benefit adjustments	-44

Administration

Rent	73
State Insurance Trust Fund contribution	-54

Bus Operations

Consultant contract for origin and destination survey	600
Utilities – electricity, 3% increase over 2014 actual	472
Utilities – natural gas/propane, 3% increase over 2014 actual	199
Elimination of bus maintenance contractual full-time equivalent	-56
Automobile purchases	-327

Rail Operations

Utilities – electricity, 3% increase over 2014 actual	4,377
Elevator repair and maintenance contract	400
Computer aided dispatch/records management system software – MTA Police	201
Utilities – natural gas/propane, 3% increase over 2014 actual	30

Where It Goes:

Statewide Operations

Aid to locals – Small Urban Area Operating Assistance	4,511
Aid to locals – Large Urban State Funding.....	1,075
State coordination and technical assistance	341
Senior Rides Program	65
Aid to locals – Rural Area Operating Assistance.....	-18
Aid to locals – Metropolitan and Statewide Planning.....	-143
Aid to locals – New Freedom discontinued	-231
Aid to locals – Job Access Reverse Commute discontinued	-2,493
Other.....	3
Total	\$18,887

MTA: Maryland Transit Administration

Note: Numbers may not sum to total due to rounding. The fiscal 2015 working appropriation reflects deficiencies and the Board of Public Works reductions to the extent that they can be identified by program. The fiscal 2016 allowance reflects back of the bill and contingent reductions to the extent that they can be identified by program.

Potential Underfunding

Budgeting practices related to salary and benefits levels determined through labor negotiations and to funding for mobility contracts often result in the MTA budget allowance not being an accurate reflection of the true cost of operations. In some years, the magnitude of underfunding is in the tens of millions of dollars.

It has been a long-term practice of MTA not to include funds for salary and benefit increases for its union workforce until a new contract has been executed. The labor contract with the Amalgamated Transit Union – Local 1300, MTA’s largest employee union, expired on June 30, 2014. All parties have agreed to an extension pending a new collective bargaining agreement, and negotiations on a new agreement are currently underway. In the past, labor agreements have included provisions for pay and benefit increases to be paid retroactively. Assuming the new labor agreement includes salary increases and a provision for retroactive payments, both the fiscal 2015 and 2016 budgets for MTA are underfunded with respect to its salary account. **MTA should brief the committees on the status of the negotiations, when a new contract is likely to be finalized, and the potential magnitude of additional funding that will be required in fiscal 2015 and 2016.**

Another area of historic underfunding in the MTA budget is in mobility contracts. Federal law requires MTA to provide transit services to people that are eligible for paratransit under the Americans with Disabilities Act. Mobility/paratransit service is available within three quarters of a mile of any local bus route in Baltimore City and Anne Arundel and Baltimore counties and within three quarters of a mile radius of a Light Rail or Metro/Subway station. This does not include MARC train or

commuter bus routes. MTA contracts with several service providers. The fiscal 2015 working appropriation for these services is \$69.1 million, a 2.3% increase over the actual amount spent in fiscal 2014. There is no increase in funding included in the fiscal 2016 allowance. MTA's Managing for Results submission, however, projects an 8.5% increase in mobility ridership in fiscal 2015 and a 3.6% increase in fiscal 2016. This suggests that current funding levels will not be sufficient to meet the projected demand. **MTA should comment on the disconnect between its ridership projections and mobility contract funding and indicate what actions it is taking to contain costs for mobility services and the impacts, if any, such actions may have on the quality and reliability of mobility services.**

Cost Containment

Sections 20 and 21 of the budget bill eliminate the 2% general salary increase that took effect January 1, 2015, and eliminate funding for salary increment and merit increases in fiscal 2016. For MTA, special funds are reduced by \$3,032,905 for the general salary increase and \$2,375,552 for salary increment and merit increases for a total operating budget reduction of \$5,408,456. The MTA capital appropriation is reduced by an additional \$236,684 for these items.

PAYGO Capital Program

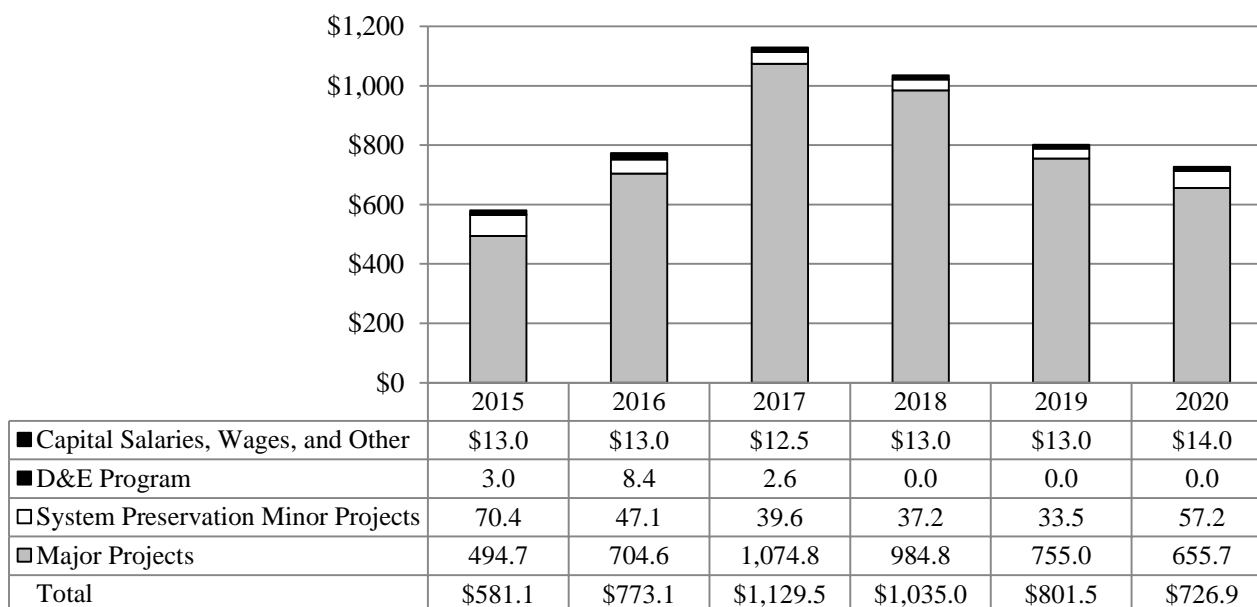
Program Description

MTA's capital program provides funds to support the design, construction, rehabilitation, and acquisition of facilities and equipment for bus, rail, and statewide programs. The program also provides State and federal grants to local jurisdictions and nonprofit organizations to support the purchase of transit vehicles and the construction of transit facilities.

Fiscal 2015 to 2020 Consolidated Transportation Program

The fiscal 2015 to 2020 six-year capital program for MTA totals \$5.0 billion (including "other funding" which does not flow through the State budget), a \$304.2 million increase over the prior year's six-year program. Six-year funding increases for major projects (\$318.5 million), the development and evaluation program (\$4.8 million), and capital salaries and wages (\$1.7 million), while system preservation and minor project funding decreases by \$20.8 million. **Exhibit 7** shows the programmed spending by category for fiscal 2015-2020.

Exhibit 7
Programmed Spending by Category
Fiscal 2015-2020
(\$ in Thousands)



D&E: development and evaluation

Source: Maryland Department of Transportation, 2015-2020 Consolidated Transportation Program

Fiscal 2016 PAYGO Capital Allowance

The fiscal 2016 allowance for MTA's capital program totals \$773.1 million, an increase of \$192.0 million over the current year working appropriation. **Exhibit 8** shows the programmed fiscal 2016 capital spending by project and program along with the estimated total project costs and six-year funding included in the *Consolidated Transportation Program* (CTP).

Exhibit 8
Maryland Transit Administration PAYGO Capital Allowance
Fiscal 2016
(\$ in Millions)

<u>Project/Program Title</u>	<u>2016</u>	<u>Total Cost</u>	<u>Six-year Total</u>
Projects			
MARC Maintenance, Layover and Storage Facility	\$1.4	\$49.5	\$4.7
MARC Improvements on Camden, Brunswick, and Penn Lines	14.4	252.5	117.7
MARC Coaches – Overhauls and Replacement	14.2	212.0	114.1
MARC Locomotives – Overhauls and Replacements	8.0	67.8	67.7
MARC Positive Train Control	0.7	14.1	9.5
MARC BWI Station Upgrades and Repairs	1.5	4.5	2.5
Homeland Security	1.9	38.9	21.0
Freight Bridge Rehabilitation	2.8	22.7	9.6
Light Rail Vehicle Overhaul	19.7	196.3	157.4
Metro Railcar Overhauls and Replacement	9.0	338.5	218.2
Metro Signal System Preservation and Replacement	19.8	335.5	257.6
Metro Interlocking Renewals	3.8	18.7	13.5
Kirk Bus Facility Replacement	19.6	147.5	124.0
Bus Communications Systems Upgrade	19.6	37.7	31.8
Bus New Main Shop	22.2	42.6	35.9
Southern Maryland Commuter Bus Initiative	2.9	20.3	10.2
Takoma/Langley Park Transit Center (ARRA)	4.3	34.8	15.6
Fare Collection System Enhancements and Equipment Preservation	1.8	87.9	27.0
Agencywide Roof Replacement Program	3.4	26.4	20.4
Union Payroll System Procurement	1.4	12.0	11.8
Baltimore Red Line	106.2	2,248.2	1,409.0
Purple Line	312.7	1,804.4	1,295.4

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<u>Project/Program Title</u>	<u>2016</u>	<u>Total Cost</u>	<u>Six-year Total</u>
Purple Line – Montgomery County Funded Projects	30.6	160.5	160.5
Corridor Cities Transitway	18.9	260.8	92.5
D&E: MARC Growth and Investment Plan	3.9	9.2	5.8
D&E: Southern Maryland Mass Transportation Analysis	3.6	6.2	4.6
D&E: MARC Northeast Maintenance Facility	0.9	7.2	3.7
<i>Subtotal – Projects</i>	<i>\$649.2</i>	<i>\$6,456.6</i>	<i>\$4,241.6</i>
Programs			
System Preservation and Minor Projects	\$49.8	n/a	\$287.5
Bus Procurement	20.1	n/a	196.2
Mobility Vehicle Procurement	6.8	n/a	40.0
Locally Operated Transit Systems Capital Procurement Projects	14.5	n/a	97.2
Assistance to Private Nonprofit Agencies for the Transportation of the Elderly and Persons with Disabilities	4.6	n/a	28.8
Montgomery County Local Bus Program	13.6	n/a	28.2
Prince George’s County Local Bus Program	1.5	n/a	4.5
Capital Salaries and Wages	13.0	n/a	78.5
<i>Subtotal – Programs</i>	<i>\$123.8</i>	<i>\$0.0</i>	<i>\$761.2</i>
Total – Projects and Programs	\$773.1	\$6,456.6	\$5,000.1

ARRA: American Recovery and Reinvestment Act of 2009
 BWI: Baltimore-Washington International Thurgood Marshall Airport
 D&E: development and evaluation
 MARC: Maryland Area Regional Commuter
 PAYGO: pay-as-you-go

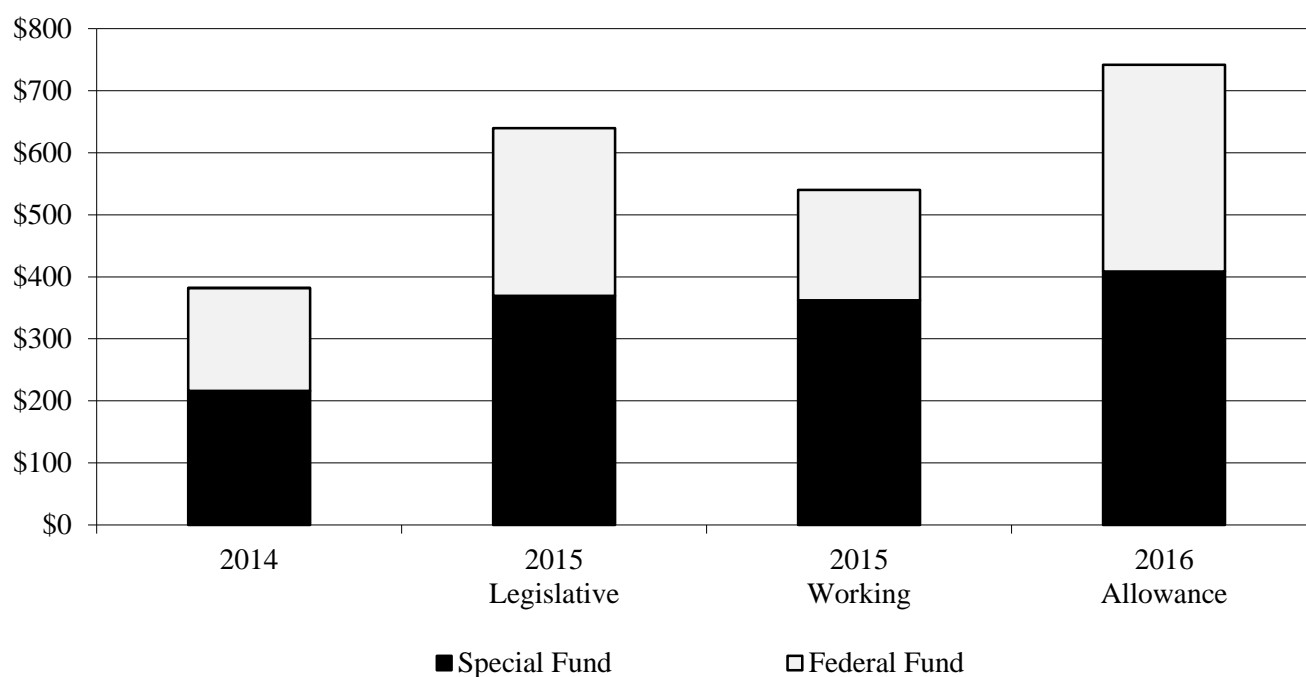
Note: Numbers may not sum to total due to rounding.

Source: Maryland Department of Transportation, 2015-2020 *Consolidated Transportation Program*

Fiscal 2015 and 2016 Cash Flow Analysis

Exhibit 9 shows the changes in MTA capital spending exclusive of nonbudgeted “other funds” for fiscal 2014 through the 2016 allowance and includes both the 2015 legislative and working appropriations. The fiscal 2015 working appropriation is \$99.2 million lower than the legislative appropriation, and the fiscal 2016 allowance increases by \$201.2 million over the current year working appropriation. If other funds are included, the fiscal 2015 working appropriations decreases by \$72.8 million from the legislative appropriation, and the fiscal 2016 increase over the current year working appropriation drops to \$192.0 million.

Exhibit 9
Cash Flow Changes
Fiscal 2014-2016



Source: Maryland Department of Transportation, 2015-2020 *Consolidated Transportation Program*

Cash Flow Analysis – Fiscal 2015 Changes

As seen in **Exhibit 10**, the net decrease of \$72.8 million between the fiscal 2015 legislative and working appropriations comprises reductions in major projects (-\$78.7 million) and development and evaluation projects (-\$2.0 million) partially offset by an increase in funding for system preservation and minor projects (\$7.9 million).

Exhibit 10
Cash Flow Changes
Fiscal 2015 Legislative to Working Appropriations
(\$ in Thousands)

<u>Projects</u>	<u>Change</u>
Major Projects	-\$78,708
MARC Coaches – Overhauls and Replacement	\$11,997
Paul S. Sarbanes Transit Center	11,744
Homeland Security	4,513
Central Maryland Transit Maintenance Facility	3,482
MARC Positive Train Control	2,395
Takoma/Langley Park Transit Center (ARRA)	2,320
Central Control Center	2,233
MARC West Baltimore Station Parking Expansion	2,086
MARC Maintenance, Layover and Storage Facility	1,788
Mobility Vehicle Procurement	1,675
Southern Maryland Commuter Bus Initiative	1,271
Closed Circuit Television Improvements	824
Locally Operated Transit Systems Capital Procurement Projects	675
Agencywide Roof Replacement Program	568
CAD/AVL Systems	457
MARC Halethorpe Station Improvements	430
Purple Line – Montgomery County Funded Projects	261
Union Payroll System Procurement	250
Fare Collection System Enhancements and Equipment Preservation	124
MARC BWI Station Upgrades and Repairs	-900
Prince George’s County Local Bus Program	-1,000
Freight Bridge Rehabilitation	-1,010
Light Rail Vehicle Overhaul	-1,378
Metro Signal System Preservation and Replacement	-1,493
Corridor Cities Transitway	-2,100
Metro Interlocking Renewals	-2,669
Assistance to Private Nonprofit Agencies for the Transportation of the Elderly and Persons with Disabilities	-3,000
Bus New Main Shop	-4,455
Baltimore Red Line	-5,335
Metro Railcar Overhauls and Replacement	-5,363
Montgomery County Local Bus Program	-8,593
Bus Procurement	-9,680

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<u>Projects</u>	<u>Change</u>
Bus Communications Systems Upgrade	-13,939
MARC Locomotives – Overhauls and Replacements	-14,292
MARC Improvements on Camden, Brunswick, and Penn Lines	-15,962
Kirk Bus Facility Replacement	-17,223
Purple Line	-19,409
Development and Evaluation Projects	-\$1,999
MARC Northeast Maintenance Facility	\$680
MARC Growth and Investment Plan	-629
Southern Maryland Mass Transportation Analysis	-2,050
System Preservation and Minor Projects	\$7,900
Total Change	-\$72,807

ARRA: American Recovery and Reinvestment Act of 2009

BWI: Baltimore-Washington International Thurgood Marshall Airport

CAD/AVL: Computer-aided Dispatch/Automated Vehicle Location

MARC: Maryland Area Regional Commuter

Note: Numbers may not sum to total due to rounding.

Source: Maryland Department of Transportation, 2015-2020 *Consolidated Transportation Program*

Cash Flow Analysis – Fiscal 2015 to 2016 Changes

As shown in **Exhibit 11**, the fiscal 2016 capital appropriation increases by a net \$192.0 million over the current year working appropriation. Funding increases for major projects (\$211.8 million), and development and evaluation projects (\$5.4 million) are offset slightly by a decrease of \$25.2 million for system preservation and minor projects.

Exhibit 11
Cash Flow Changes
Fiscal 2015 Working Appropriation to Fiscal 2016 Allowance
(\$ in Thousands)

<u>Projects</u>	<u>Change</u>
Major Projects	\$211,792
Purple Line	\$173,264
Purple Line – Montgomery County Funded Projects	30,308
Baltimore Red Line	20,656
Bus Communications Systems Upgrade	18,544
Metro Signal System Preservation and Replacement	17,445
Corridor Cities Transitway	10,962
Bus New Main Shop	8,488
Montgomery County Local Bus Program	7,025
MARC Locomotives – Overhauls and Replacements	6,792
Metro Railcar Overhauls and Replacement	5,461
Mobility Vehicle Procurement	4,825
Kirk Bus Facility Replacement	3,611
MARC BWI Station Upgrades and Repairs	1,390
Union Payroll System Procurement	1,100
Metro Interlocking Renewals	989
Freight Bridge Rehabilitation	981
Prince George’s County Local Bus Program	500
Assistance to Private Nonprofit Agencies for the Transportation of the Elderly and Persons with Disabilities	98
Light Rail Vehicle Overhaul	-122
Fare Collection System Enhancements and Equipment Preservation	-192
Bus Procurement	-302
MARC Halethorpe Station Improvements	-430
MARC Maintenance, Layover and Storage Facility	-608
CAD/AVL Systems	-1,458
Agencywide Roof Replacement Program	-1,496
Closed Circuit Television Improvements	-1,575
Central Control Center	-2,233
MARC West Baltimore Station Parking Expansion	-2,585
MARC Improvements on Camden, Brunswick and Penn Lines	-2,620
Locally Operated Transit Systems Capital Procurement Projects	-3,079
Southern Maryland Commuter Bus Initiative	-4,468
Takoma/Langley Park Transit Center (ARRA)	-7,030

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<u>Projects</u>	<u>Change</u>
MARC Positive Train Control	-8,015
Central Maryland Transit Maintenance Facility	-9,077
Paul S. Sarbanes Transit Center	-11,744
Homeland Security	-16,881
MARC Coaches – Overhauls and Replacement	-26,732
Development and Evaluation Projects	\$5,389
Southern Maryland Mass Transportation Analysis	\$2,676
MARC Growth and Investment Plan	2,511
MARC Northeast Maintenance Facility	202
System Preservation and Minor Projects	-\$25,193
Total Change	\$191,988

ARRA: American Recovery and Reinvestment Act of 2009

BWI: Baltimore-Washington International Thurgood Marshall Airport

CAD/AVL: Computer-aided Dispatch/Automated Vehicle Location

MARC: Maryland Area Regional Commuter

Note: Numbers may not sum to total due to rounding.

Source: Maryland Department of Transportation, 2015-2020 *Consolidated Transportation Program*

Issues

1. Required Fare Increases Yet to Occur

Chapter 429 of 2013 included provisions requiring MTA, beginning in fiscal 2015 and on a biennial basis thereafter, to increase base fare prices and the cost of multiuse passes to the nearest 10 cents for all transit services, except commuter bus and commuter rail, by the same percentage as the biennial increase in the CPI. Automatic fare increases for one-way zone fares and multiuse passes are required beginning in fiscal 2015 and every five years thereafter for commuter bus and commuter rail based on the five-year increase in the CPI. MTA is not required to hold public hearings before implementing fare increases based on the CPI.

MTA has yet to announce when the fare increases will go into effect. It has indicated that the base fare for core services may increase from \$1.60 to \$1.70 and that one-way zone fares may increase by \$1.00 for commuter bus and commuter rail. The Transportation Trust Fund (TTF) forecast includes \$25 million in fiscal 2016 attributable to the required fare increases and a total of \$197 million over the six-year forecast.

MTA should brief the committees on when it expects to implement the required fare increases.

2. MTA Implements Route Changes and New Technology to Improve Baltimore Area Transit Services

On February 22, 2015, MTA made a series of changes to its local bus service as part of its multi-year plan known as the Bus Network Improvement Project (BNIP). BNIP is a plan for updating and improving MTA's bus service through an up-to-date analysis of ridership and regional land-use data and with the assistance of public input. The February 2015 enhancements comprise:

- the addition of the new bus line No. 31 to better connect downtown, Harbor East, Fells Point, Canton Crossing, and Dundalk;
- the addition of the new bus line No. 26 to improve transit access to the Amazon Distribution Center along Broening Highway;
- improvement in the reliability of bus line Nos. 11 and 20 through shortening the lines and transferring some of their services to other lines; and
- improvement in the efficiency of service by discontinuing the No. 30 line and transferring its Edmondson Village to City Hall service to a revamped No. 20 line that serves the same corridor with high-frequency service during peak and midday service.

MTA has also launched a Global Positioning System-based system that enables customers to determine the estimated arrival time of their local bus via computer, tablet, smartphone and standard phone. The system uses the buses' radio system and piggybacks on the bus system's existing Computer Aided Dispatch and Automatic Location systems. Eventually, the system will be transitioned to the cellular network, which is generally more reliable. Bus stops will have unique four-digit codes assigned, which users will be able to input into the website to receive arrival time information. As currently designed, the tracking system will not be available as a smartphone mobile application.

MTA should brief the committees on the remaining phases of BNIP and any other technological improvements being planned to improve MTA transit services.

3. Administration Proposals Would Result in Capital Program Unlikely to Support New Transit Line Projects

The Administration's legislative program includes proposals to:

- repeal the CPI increases in the motor fuel tax;
- repeal scheduled increases in the Sales and Use Tax Equivalent on motor fuel sales;
- increase the share of the Gasoline and Motor Vehicle Revenue Account going to local governments; and
- require the TTF to bear the full cost of projects to comply with the Watershed Implementation Plan.

If enacted as introduced, these proposals would reduce funding to the TTF by \$2.3 billion over the fiscal 2016 to 2020 period. The reduction in revenue would also require MDOT to reduce the amount of debt it plans to issue over this period by \$2.1 billion in order to maintain the minimum debt service coverage ratios required by its covenants with current bondholders. While the reduced debt issuances would result in debt service savings of \$330 million for this period, the combined effect of the proposals would be a reduction of \$4.1 billion, or 52%, to the planned \$7.9 billion State-funded transportation capital program. **Exhibit 12** shows the estimated impact of the Administration proposals on the TTF and transportation capital program by fiscal year.

Exhibit 12
Effect of Administration Proposals on the Transportation Trust Fund and
Transportation Capital Program

Fiscal 2016-2020
(\$ in Millions)

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>Total 2016-2020</u>
Revenue Effects						
CPI Increase Repeal (HB483/SB589)	-\$15	-\$28	-\$43	-\$59	-\$74	-\$219
SUTE Increase Repeal (HB483/SB589)	-126	-233	-286	-332	-363	-1340
HUR Restoration (HB484/SB591)	0	-52	-97	-143	-191	-483
WIP Funding Elimination (HB72/SB57)	0	-85	-100	-100	0	-285
<i>Subtotal – Legislation Revenue Effects</i>	<i>-\$141</i>	<i>-\$398</i>	<i>-\$526</i>	<i>-\$634</i>	<i>-\$628</i>	<i>-\$2,327</i>
Bond Sale Reductions Needed to Maintain Required Minimum Debt Service Coverage Ratios	-\$592	-\$575	-\$369	-\$315	-\$247	-\$2,098
Total Revenue Effects	-\$733	-\$973	-\$895	-\$949	-\$875	-\$4,425
Expenditure Effects						
Debt Service Savings	\$13	\$41	\$65	\$93	\$118	\$330
Total Effects	-\$720	-\$932	-\$830	-\$856	-\$757	-\$4,095
Base State Capital Program	\$1,704	\$1,853	\$1,556	\$1,480	\$1,306	\$7,899
Revised State Capital Program	\$984	\$921	\$726	\$624	\$549	\$3,804
Revised as % of Base	58%	50%	47%	42%	42%	48%

CPI: Consumer Price Index
HUR: Highway User Revenue
SUTE: Sales and Use Tax Equivalent
WIP: Watershed Implementation Plan

Source: Department of Legislative Services

The 2015 to 2020 CTP includes \$2.2 billion in special funds for MTA capital projects for the fiscal 2016 to 2020 time period. Assuming the reduction to the capital program is distributed evenly across all modes, special funds available to MTA for capital projects would total \$1.05 billion. System

preservation, often cited by MDOT as the first priority for capital spending, totals \$217.0 million leaving \$830.0 million for the rest of the MTA capital program. During this period, the CTP anticipates special fund spending on the Red Line of between \$573.6 million and \$863.6 million (the difference being how quickly the local contributions are applied during this period) and special fund spending on the Purple Line of between \$331.0 million and \$571.0 million, for a combined total of between \$904.6 million and \$1.4 billion. These numbers make it clear that should the Administration proposals be enacted as introduced, the reduced capital program would be insufficient to support both the Red and Purple Line projects as currently programmed in the CTP.

Status of Red Line and Purple Line

Exhibit 13 summarizes the project status of the Red Line and the Purple Line.

Exhibit 13 Red Line and Purple Line Project Status

	<u>Red Line</u>	<u>Purple Line</u>
Estimated Project Cost	\$2.9 billion	\$2.4 billion
Begin Major Construction	Calendar 2016	Calendar 2016
Operations Begin	Calendar 2022	Calendar 2020
Procurement Method	Conventional/P3	P3
Federal Funding Anticipated	\$918.8 million	\$923.6 million
Local Funding Anticipated	\$290.0 million	\$240.0 million

P3: public-private partnership

Source: Maryland Department of Transportation, 2015-2020 *Consolidated Transportation Program*

According to MDOT, the Administration has not yet made a decision on whether to continue with construction of the Red Line and the Purple Line Projects. The MDOT Acting Secretary is currently reviewing the projects and has indicated the hope, but not the certainty, of completing the review and making recommendations on the projects to the Governor by the end of the 2015 legislative session. The purpose of the review is to examine the decisions that were made to bring the projects to their current state and examine if changes can be made to reduce costs should the decision be made to continue to construction.

Pending an Administration decision on the projects, MDOT has refrained as much as possible from taking contracts for the transit lines to the Board of Public Works. Limited exceptions to this have included right-of-way acquisitions in which offers had been made and hardship to the sellers would result from not executing the contract.

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On February 10, 2015, MDOT announced that the Purple Line public-private partnership request for proposals (RFP) response submission due date of March 12, 2015, had been changed in response to requests from all four proposer teams. The new proposal due date is August 19, 2015, to allow a project review period and a 90-day proposal finalization period.

MDOT should inform the committees on how it would distribute the reductions to the capital program proposed by the Administration, citing specific projects for all modes that would be canceled or delayed. MDOT should also describe for the committees what the department will do if the Administration's various initiatives are not approved by the General Assembly.

Operating Budget Recommended Actions

1. Concur with Governor's allowance.

PAYGO Budget Recommended Actions

1. Concur with Governor's allowance.

Updates

1. Metrorail Service to National Harbor Report

The 2014 *Joint Chairmen's Report* requested MDOT to examine how the transportation conditions at National Harbor in Prince George's County have changed with the award of a casino license and to refine a purpose and need statement for a transit solution looking at all prudent and feasible alternatives. MDOT was asked to specifically examine what economic benefits could be realized by extending rail to the National Harbor area.

MTA submitted the requested report in December 2014. The key findings of the report are:

- an extension of the Metrorail system to serve the National Harbor is not feasible in the short term and would require significant Metrorail improvements to be implemented in the long term; an extension could cost \$1.2 billion to \$4.0 billion in 2015 dollars and would have a lengthy project planning and development timeframe of between 30 and 50 years;
- a light rail transit or bus rapid transit connection to the National Harbor could connect with the existing Metrorail system at the Southern Avenue station at an estimated cost of \$300 million to \$500 million and an implementation timeframe of between 10 and 25 years; and
- expanded bus service to the National Harbor could be implemented in one to three years at an approximate cost of \$38 million to \$40 million in 2015 dollars.

2. Maryland Central Regional Transit Structure Examined

Language added to the MTA fiscal 2015 budget prohibited disbursement of any grants for a new regional transit agency until a study group examined and reported to the budget committees on the overall cost structure of a regional transit agency to the State, to participating local jurisdictions, and to the public. In June 2014, MDOT submitted the required report. The following summarizes the issues discussed in the report.

Background

Prior to the mid-1980s, public transit in Central Maryland consisted of a mixture of public and private, for-profit and nonprofit organizations, agencies, and companies providing a variety of services in Anne Arundel, Howard, and northern Prince George's counties and Laurel. In the mid-1980s, a need for expanded local transit in the greater Laurel area was identified. In response, the Corridor Transportation Corporation (CTC) was created as a nonprofit public-private demonstration project which initiated Connect-a-Ride service using a contract operator in mid-1989. Services were expanded into Anne Arundel County and in 1996, following a formal procurement process, Howard County awarded management of its transit services to CTC, which, in turn, subcontracted all transit services

by competitive procurement. Over time, service grew from 4 to 70 buses, staff grew to over 20 positions, and ridership grew to approximately 1.6 million annually over 25 years. In 2010, CTC reorganized and was renamed as the Central Maryland Regional Transit (CMRT).

Discussion

How regional public transportation services should be structured was the subject of numerous studies between 2001 and 2014. The need for regional transit services and cross-jurisdictional mobility in Central Maryland was a common need identified by the studies. The study group noted several issues related with the current structure of public transit service delivery in Central Maryland. These include:

- **Funding Complexity** – as a private nonprofit entity, CMRT cannot be the direct recipient of Federal Transit Administration transit funding. As a result, complex and intricate arrangements between the various stakeholders is required, which complicates oversight by MTA, MDOT, and local jurisdictions;
- **Accountability** – local jurisdictions that help fund transit services are nonvoting members of the CMRT board;
- **Role Conflicts** – CMRT is both a grant recipient and a private entity/competitive bidder for contract management services; and
- **Cost** – a public regional entity could realize lower costs through increased competition among contractors, economies of scale in procurements, and streamlined administrative/management structures.

The study group report indicated that these issues would be better addressed by transitioning to a planned regional public entity. It noted that operational savings of approximately \$2 million annually could be realized by a regional public entity compared with the current structure.

The local jurisdictions had been preparing for transition to a new regional entity for some time. In anticipation of the expiration of CMRT's contract on June 30, 2014:

- Howard County issued an RFP in September 2013 for transit management and operations services for all existing Anne Arundel, Howard, and Prince George's counties' services managed by CMRT, as well as the potential for additional services. A contract was awarded to First Transit in late December 2013;
- a memorandum of understanding regarding the participation in a regional transit agency was signed by Anne Arundel and Howard counties (March 24, 2014), Laurel (April 29, 2014), and Prince George's County (May 14, 2014); and

- in March 2014, construction began on a regional transit facility in Savage, Maryland funded by Anne Arundel and Howard counties and State and federal funds through MTA. The facility has capacity for 105 buses and houses approximately 200 employees.

As required by budget bill language, the study group also considered MTA's ongoing update of the State management plan and its conditions for grants to local entities. The report noted that regardless of the organizational structure for transit services in Central Maryland, MTA will continue to have oversight responsibilities for its grantees. As noted earlier, oversight is expected to be easier under the new regional public entity structure.

Conclusion

The report of the study group detailed the numerous studies which related how to best provide public transit services in Central Maryland. It also explains the reasons for and advantages of creating a regional public entity to manage public transit services for Central Maryland. The report satisfied the requirements of budget bill language, thus the restrictions on providing grant funding for the new regional entity were lifted beginning August 1, 2014.

3. Red Line Local Contributions

Language added to the MTA fiscal 2015 budget restricted \$100,000 of its capital appropriation for planning and construction of the Baltimore Red Line Light Rail pending receipt of a report on the regional contributions expected to assist in funding the project. MDOT submitted a report, on behalf of MTA, providing the requested information which follows.

Background

The Red Line is a proposed 14.1-mile, east-west transit line that will run between the Centers for Medicare and Medicaid Studies in Baltimore County to the Bayview MARC in Baltimore City and will provide connecting service to Baltimore's existing transit systems – MARC commuter service, metro, light rail, and local and commuter bus routes. The increased revenues derived from the enactment of Chapter 429 of 2013 (the Transportation Infrastructure Investment Act), which allowed MDOT to move the Red Line from the Development and Evaluation Program to the Construction Program in the 2014 to 2019 CTP at a projected cost of \$2.5 billion. The 2014 to 2019 CTP also indicated that local contributions totaling \$250 million would be expected to help fund the project. Because little information was available as to the amounts, sources, and timing of the local contributions, the General Assembly restricted \$100,000 of MTA's capital appropriation until a report providing this information was submitted.

Discussion

In its report, MDOT provides the rationale for requiring local contributions toward construction of the Red Line (and, as also noted in the report, the Purple Line). It indicates that, while the Red Line

is expected to provide significant benefits for the State, it would be of particular benefit to the residents and businesses where the stations are located – Baltimore City and Baltimore County. MDOT is, therefore, seeking local contributions for 10% of the project cost. With a current estimated cost of \$2.9 billion, the local contribution amount is \$290 million. The city/county split is based on the number of stations in each jurisdiction (15 in the city, 4 in the county) with \$230 million expected from Baltimore City and \$60 million expected from Baltimore County. The city has agreed to the \$230 million contribution, but the county has only committed to \$50 million, representing the amount it would pay based on the earlier \$2.5 billion estimated project cost. MDOT indicates that it will continue to work with county officials to secure a commitment for the additional \$10 million.

Local contributions will comprise both cash and in-kind. Baltimore City plans to provide \$86 million in cash by reallocating a portion of its share of federal formula funds (\$50 million) and matching funds from toll credits and transfer of unspent matching funds to MDOT. In-kind contributions will consist of:

- relocation, replacement, and rehabilitation of water mains in the vicinity of Red Line work areas (\$28 million);
- relocation of existing utility conduits and construction of dedicated conduits for the project (\$24 million);
- modification of city streets and bridges to accommodate the Red Line (\$26 million);
- relocation of city agencies – Department of Public Works, Department of General Services, Board of Elections, and Parking Authority (\$14 million); and
- waiving of franchise, design review, and permit fees (\$52 million).

The \$50.0 million committed by Baltimore County includes a cash contribution of \$33.0 million, identified only as county funds and the following in-kind contributions:

- right-of-way (\$1.7 million);
- design and construction of the realignment of Security Boulevard (\$1.0 million);
- traffic signal modifications (\$1.0 million);
- relocation of water and sewer facilities in the vicinity of Red Line work areas (\$2.3 million); and
- construction of stormwater management facilities (\$11.0 million).

The MDOT report includes a timetable for receipt of the local contributions by fiscal year. Cash contributions were assigned to specific years through negotiations with the city and county. In-kind contributions were assigned to specific years based on when the work is needed to support the overall project schedule. The projected contribution schedule is shown in **Exhibit 14**.

Exhibit 14
Projected Contribution Schedule
Fiscal 2015-Post 2020
(\$ in Millions)

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>Post 2020</u>	<u>Total</u>
Baltimore City	\$17.0	\$42.7	\$37.5	\$38.3	\$20.8	\$8.7	\$65.3	\$230.0
Baltimore County		2.2	0.5	12.2	12.8	5.6	16.8	50.0
Total	\$17.0	\$44.9	\$38.0	\$50.5	\$33.6	\$14.3	\$82.1	\$280.0

Note: Totals may not sum due to rounding.

Source: Maryland Department of Transportation

The MDOT report also indicates potential project scope reductions that could be made should the full amount of local contributions fail to be realized. The potential scope reductions comprise as follows:

- Baltimore City
 - deferral of Bayview MARC Station (\$9 million); and
 - deferral of the pedestrian tunnel between the Red Line Inner Harbor Station and the Metro Subway Charles Center Station (\$30 million).
- Baltimore County
 - deferral of the Security Square Mall and the Center for Medicare and Medicaid Services Stations (\$100 million).

Current and Prior Year Budgets

Current and Prior Year Budgets Maryland Transit Administration (\$ in Thousands)

	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
Fiscal 2014					
Legislative Appropriation	\$0	\$619,873	\$56,735	\$0	\$676,608
Deficiency Appropriation	0	811	0	0	811
Budget Amendments	0	70,607	3,935	0	74,542
Reversions and Cancellations	0	-120	-39	0	-159
Actual Expenditures	\$0	\$691,170	\$60,631	\$0	\$751,801
Fiscal 2015					
Legislative Appropriation	\$0	\$653,127	\$56,735	\$0	\$709,862
Cost Containment	0	0	0	0	0
Budget Amendments	0	19,523	0	0	19,523
Working Appropriation	\$0	\$672,650	\$56,735	\$0	\$729,385

Note: Numbers may not sum to total due to rounding. The fiscal 2015 working appropriation does not include January 2015 Board of Public Works reductions and deficiencies.

Fiscal 2014

The fiscal 2014 budget for MTA closed out \$75.2 million higher than the legislative appropriation. Increases by budget amendment and deficiency appropriation were only slightly offset by decreases through year-end cancellations as follows:

- Budget amendments added \$75,541,864:
 - Mobility contracts (\$24,497,239 in special funds);
 - revenue enhancement – local bus service grants (\$11,565,000 in special funds);
 - revenue enhancement – weekend MARC service (\$7,471,154 in special funds);
 - revenue enhancement – commuter bus service (\$1,169,660 in special funds);
 - union pension system contribution (\$10,300,000 in special funds);
 - increased operational spending (\$6,370,741 in special funds);
 - winter-related increased spending (\$7,474,022 in special funds);
 - additional federal operating assistance (\$3,929,198 in federal funds);
 - union cost-of-living allowance (\$865,000 in special funds);
 - general salary increase (\$695,371 in special funds); and
 - increments (\$198,318 in special funds and \$6,161 in federal funds),
- Deficiency appropriations added a net \$810,573 special funds:
 - revenue enhancement – Charm City Circulator (\$2,000,000);
 - statewide reduction for health savings (-\$349,495); and
 - statewide reduction for retirement – reduction to reinvestment (-\$839,932).

Year-end special and federal fund cancellations totaled \$159,055 primarily related to unspent Mobility contract funds.

Fiscal 2015

The fiscal 2015 working appropriation is \$19,523,431 higher than the legislative appropriation due to special fund budget amendments:

- adding funds to reflect higher Mobility contract costs (\$19,000,000); and
- adding funds for the general salary increase (\$523,431).

Audit Findings

Audit Period for Last Audit:	January 1, 2011 to December 15, 2013
Issue Date:	February 13, 2015
Number of Findings:	9
Number of Repeat Findings:	1
% of Repeat Findings:	11.1%
Rating: (if applicable)	n/a

Finding 1: MTA did not verify the accuracy of billed direct labor rates for the architectural and engineering contracts for the Red and Purple Lines.

Finding 2: An MTA error resulted in the Mobility Paratransit Program (MPP) vendors being overpaid for fuel costs by approximately \$10 million during the period from February 2013 to August 2014.

Finding 3: The MPP eligibility process was not sufficiently controlled.

Finding 4: MTA continued to pay State excise taxes to the Comptroller of Maryland for fuel used in MPP service vehicles, although MTA may be tax exempt. During fiscal 2012, MTA reimbursed vendors approximately \$498,300 for State excise taxes.

Finding 5: MTA did not ensure the value of a \$24 million contract change order that was determined by a contractor was reasonable, and certain billed contract costs were not adequately verified.

Finding 6: MTA did not always comply with State procurement regulations with respect to sole source procurements and contract award requirements.

Finding 7: Proper internal controls were not established over the processing of purchasing and disbursement transactions.

Finding 8: MTA did not have adequate procedures to ensure all fare collections were deposited and security over the collections needs improvement.

Finding 9: **MTA did not accurately maintain detail records and properly account for all of its equipment.**

*Bold denotes item repeated in full or part from preceding audit report.

**Object/Fund Difference Report
MDOT – Maryland Transit Administration**

<u>Object/Fund</u>	<u>FY 14 Actual</u>	<u>FY 15 Working Appropriation</u>	<u>FY 16 Allowance</u>	<u>FY 15 - FY 16 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	3,040.50	3,233.50	3,233.50	0.00	0%
02 Contractual	15.00	16.00	16.00	0.00	0%
Total Positions	3,055.50	3,249.50	3,249.50	0.00	0%
Objects					
01 Salaries and Wages	\$ 312,788,886	\$ 301,844,403	\$ 317,115,104	\$ 15,270,701	5.1%
02 Technical and Spec. Fees	1,276,920	1,193,664	1,136,586	-57,078	-4.8%
03 Communication	1,600,843	1,210,718	1,210,718	0	0%
04 Travel	443,785	502,016	502,016	0	0%
06 Fuel and Utilities	16,057,723	11,199,095	16,276,681	5,077,586	45.3%
07 Motor Vehicles	73,670,813	74,356,737	74,031,086	-325,651	-0.4%
08 Contractual Services	251,010,320	248,700,108	249,902,194	1,202,086	0.5%
09 Supplies and Materials	7,415,464	6,400,029	6,400,029	0	0%
10 Equipment – Replacement	321,154	111,490	111,490	0	0%
11 Equipment – Additional	88,996	130,635	130,635	0	0%
12 Grants, Subsidies, and Contributions	78,830,623	75,564,542	78,672,527	3,107,985	4.1%
13 Fixed Charges	8,295,667	8,171,510	8,191,374	19,864	0.2%
Total Objects	\$ 751,801,194	\$ 729,384,947	\$ 753,680,440	\$ 24,295,493	3.3%
Funds					
03 Special Fund	\$ 691,169,760	\$ 672,650,301	\$ 695,837,809	\$ 23,187,508	3.4%
05 Federal Fund	60,631,434	56,734,646	57,842,631	1,107,985	2.0%
Total Funds	\$ 751,801,194	\$ 729,384,947	\$ 753,680,440	\$ 24,295,493	3.3%

Note: The fiscal 2015 working appropriation does not include January 2015 Board of Public Works reductions and deficiencies. The fiscal 2016 allowance does not reflect contingent or across-the-board reductions.

Fiscal Summary
MDOT – Maryland Transit Administration

<u>Program/Unit</u>	<u>FY 14 Actual</u>	<u>FY 15 Wrk Approp</u>	<u>FY 16 Allowance</u>	<u>Change</u>	<u>FY 15 - FY 16 % Change</u>
01 Transit Administration	\$ 53,458,564	\$ 53,129,874	\$ 56,069,046	\$ 2,939,172	5.5%
02 Bus Operations	341,092,492	333,221,788	343,140,138	9,918,350	3.0%
04 Rail Operations	235,777,870	224,771,387	233,100,734	8,329,347	3.7%
05 Facilities and Capital Equipment	376,213,355	537,313,000	720,548,000	183,235,000	34.1%
06 Statewide Programs Operations	121,472,268	118,261,898	121,370,522	3,108,624	2.6%
08 Major IT Development Projects	5,775,293	2,995,000	20,989,000	17,994,000	600.8%
Total Expenditures	\$ 1,133,789,842	\$ 1,269,692,947	\$ 1,495,217,440	\$ 225,524,493	17.8%
Special Fund	\$ 907,161,588	\$ 1,034,755,301	\$ 1,104,630,809	\$ 69,875,508	6.8%
Federal Fund	226,628,254	234,937,646	390,586,631	155,648,985	66.3%
Total Appropriations	\$ 1,133,789,842	\$ 1,269,692,947	\$ 1,495,217,440	\$ 225,524,493	17.8%

Note: The fiscal 2015 working appropriation does not include January 2015 Board of Public Works reductions and deficiencies. The fiscal 2016 allowance does not reflect contingent or across-the-board reductions.

Budget Amendments for Fiscal 2015
Maryland Department of Transportation
Maryland Transit Administration – Operating

<u>Status</u>	<u>Amendment</u>	<u>Fund</u>	<u>Justification</u>
Approved	\$523,431	Special	General salary increase.
Approved	\$19,000,000	Special	Funds for rebid mobility contract to reflect higher prices and increased ridership.

Source: Maryland Department of Transportation

Budget Amendments for Fiscal 2015
Maryland Department of Transportation
Maryland Transit Administration – Capital

<u>Status</u>	<u>Amendment</u>	<u>Fund</u>	<u>Justification</u>
Approved	\$86,918	Special	General salary increase.
Pending	-\$7,150,085	Special	Adjusts the amended appropriation to agree with the final fiscal 2015-2020 <i>Consolidated Transportation Program</i> .
	-92,180,000	Federal	
	-\$99,330,085	Total	

Source: Maryland Department of Transportation