

**J00H01**  
**Maryland Transit Administration**  
Maryland Department of Transportation

***Operating Budget Data***

(\$ in Thousands)

	<u>FY 16 Actual</u>	<u>FY 17 Working</u>	<u>FY 18 Allowance</u>	<u>FY 17-18 Change</u>	<u>% Change Prior Year</u>
Special Fund	\$722,830	\$728,191	\$768,874	\$40,682	5.6%
Adjustments	0	0	-248	-248	
<b>Adjusted Special Fund</b>	<b>\$722,830</b>	<b>\$728,191</b>	<b>\$768,626</b>	<b>\$40,434</b>	<b>5.6%</b>
Federal Fund	58,940	59,501	59,501	0	
<b>Adjusted Federal Fund</b>	<b>\$58,940</b>	<b>\$59,501</b>	<b>\$59,501</b>	<b>\$0</b>	<b>0.0%</b>
<b>Adjusted Grand Total</b>	<b>\$781,769</b>	<b>\$787,692</b>	<b>\$828,127</b>	<b>\$40,434</b>	<b>5.1%</b>

Note: Includes targeted reversions, deficiencies, and contingent reductions.

- The fiscal 2018 Maryland Transit Administration (MTA) adjusted allowance is \$40.4 million (5.1%) higher than the current year working appropriation.
- Section 19 of the fiscal 2018 budget bill makes reductions to funding for pension contributions contingent on provisions in the Budget Reconciliation and Financing Act of 2017. This provision will reduce the MTA fiscal 2018 budget by \$248,000.

***PAYGO Capital Budget Data***

(\$ in Thousands)

	<u>Fiscal 2016 Actual</u>	<u>Fiscal 2017</u>		<u>Fiscal 2018 Allowance</u>
		<u>Legislative</u>	<u>Working</u>	
Special	\$244,639	\$217,472	\$235,315	\$278,227
Federal	\$145,349	\$457,758	\$400,708	\$356,051
<b>Total</b>	<b>\$389,987</b>	<b>\$675,230</b>	<b>\$636,023</b>	<b>\$634,278</b>

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

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- The fiscal 2017 working appropriation is a net \$39.2 million lower than the legislative appropriation. This does not include “other funds” that do not flow through MTA’s budget but that support some of MTA’s capital projects. Special funds increase by \$17.8 million but are more than offset by a decrease in federal funds of \$57.1 million. Some of the larger changes include:
  - \$10.4 million – Kirk Bus Facility Replacement;
  - -\$10.5 million – Purple Line;
  - -\$10.6 million – Light Rail Vehicle Overhaul;
  - -\$13.0 million – Maryland Area Regional Commuter (MARC) Locomotives Overhauls and Replacements; and
  - -\$20.5 million – Purple Line – Montgomery County Funded Projects.
  
- The fiscal 2018 allowance decreases a net \$1.7 million from the current year working appropriation, exclusive of other funds. An increase in special funds of \$42.9 million is more than offset by a federal fund decrease of \$44.7 million. Some of the larger changes include:
  - \$26.5 million – Light Rail Vehicle Overhaul;
  - \$21.4 million – Metro Railcar and Signal System Overhauls and Replacement;
  - \$18.5 million – MARC Locomotives Overhauls and Replacements;
  - -\$14.5 million – Kirk Bus Facility Replacement;
  - -\$15.4 million – Metro Safety Improvements; and
  - -\$52.0 million – Purple Line.

***Operating and PAYGO Personnel Data***

	<b><u>FY 16 Actual</u></b>	<b><u>FY 17 Working</u></b>	<b><u>FY 18 Allowance</u></b>	<b><u>FY 17-18 Change</u></b>
Regular Operating Budget Positions	3,263.50	3,297.50	3,279.50	-18.00
Regular PAYGO Budget Positions	<u>94.00</u>	<u>92.00</u>	<u>88.00</u>	<u>-4.00</u>
<b>Total Regular Positions</b>	<b>3,357.50</b>	<b>3,389.50</b>	<b>3,367.50</b>	<b>-22.00</b>
Operating Budget FTEs	16.00	16.00	16.00	0.00
PAYGO Budget FTEs	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
<b>Total FTEs</b>	<b>16.00</b>	<b>16.00</b>	<b>16.00</b>	<b>0.00</b>
<b>Total Personnel</b>	<b>3,373.50</b>	<b>3,405.50</b>	<b>3,383.50</b>	<b>-22.00</b>

**Vacancy Data: Regular Positions**

Turnover and Necessary Vacancies, Excluding New Positions	94.62	3.02%
Positions and Percentage Vacant as of 1/1/17	182.00	5.4%

- Regular positions decrease by 22.0 in the fiscal 2018 budget compared to the current year working appropriation. This reduction results from the abolition of vacant positions as part of the Maryland Department of Transportation’s long-term cost containment efforts.
- Contractual full-time equivalents remain unchanged between the current year working appropriation and the fiscal 2018 allowance.
- As of January 1, 2017, there were 182.0 vacant positions (excluding vacant positions being abolished in fiscal 2018) for a vacancy rate of 5.4%. Turnover in the fiscal 2018 allowance is budgeted at 3.02%, which will require that an average of 94.6 positions remain vacant the entire year.

## *Analysis in Brief*

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### Major Trends

**Boardings Decrease in Fiscal 2016:** For all modes of MTA service, there were 110.7 million boardings in fiscal 2016, representing a 4.6% decrease from the prior year.

**On-time Performance:** For the first time, going back to at least fiscal 2005, all modes met or exceeded the on-time performance goal.

**Farebox Recovery:** The farebox recovery rates improved in fiscal 2016 for all modes except MARC service, which remained unchanged from the prior year. Despite these improvements, no mode other than MARC met the 35% requirement set in statute.

**Transit Performance Measures:** Passengers per revenue vehicle mile declined in fiscal 2016 from a year prior for core bus, light rail, and Metro. Operating expenses per passenger trip were higher for all modes; however, operating expenses per revenue vehicle mile declined for all three modes from fiscal 2015 levels.

**Peer Performance:** MTA's performance on operating expenses per vehicle revenue mile, operating expenses per passenger trip, and passenger trips per vehicle revenue mile for local bus service compared favorably to its nationwide peers based on fiscal 2015 data.

### Issues

**Collective Bargaining Agreement Includes Annual Cost-of-living Increases, Requires Employee Pension Contribution:** On May 22, 2016, a Memorandum of Understanding between MTA and its largest union was executed amending the Collective Bargaining Agreement (CBA) that had expired on June 30, 2014. The amended CBA is covering the period from July 1, 2014, through June 30, 2018, and includes pay increases (with retroactive requirements) and a requirement for the first time that union employees contribute 2% of their gross pay to the MTA Pension Plan. **MTA should brief the committees on when it expects to process the budget amendment to cover the retroactive pay or if it intends to request a supplemental deficiency appropriation for this purpose. MTA should also discuss with the committees the impediments to negotiating a new agreement prior to the expiration of the current one and what actions it can take to remove these impediments.**

**Fare Increase Due:** Statute requires MTA, beginning in fiscal 2015 and on a biennial basis thereafter, to increase base fares and the cost of multiuse passes to the nearest 10¢ for core transit services, by the same percentage as the biennial increase in the Consumer Price Index (CPI) for all urban consumers. Fare increases for MARC are required every five years based on the five-year increase in the CPI. Under these provisions, MTA must increase fares before the end of the current fiscal year. **MTA should inform the committee of when the new rates will be effective and when they will be announced to the public.**

## **Operating Budget Recommended Actions**

1. Concur with Governor's allowance.

## **PAYGO Budget Recommended Actions**

1. Concur with Governor's allowance.

## **Updates**

***BaltimoreLink Transit Initiative on Track:*** In October 2015, MTA announced the beginning of a \$135 million, multi-phase initiative to improve transit services in the Baltimore region called BaltimoreLink. Full implementation, planned for June 2017, is to include a redesign of local and express bus routes, new and enhanced commuter bus service, the creation of 12 high-frequency routes along major arterials connecting to downtown, and 5 new suburb-to-suburb express bus routes. Existing transit services are renamed with “Link” appended to denote each service being part of a greater transit network. MTA held the required public hearings for the local bus route changes in January 2017. Implementation of the new local routes is still scheduled for June 2017.

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**Maryland Department of Transportation**

***Budget Analysis***

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**Program Description**

The Maryland Department of Transportation 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:

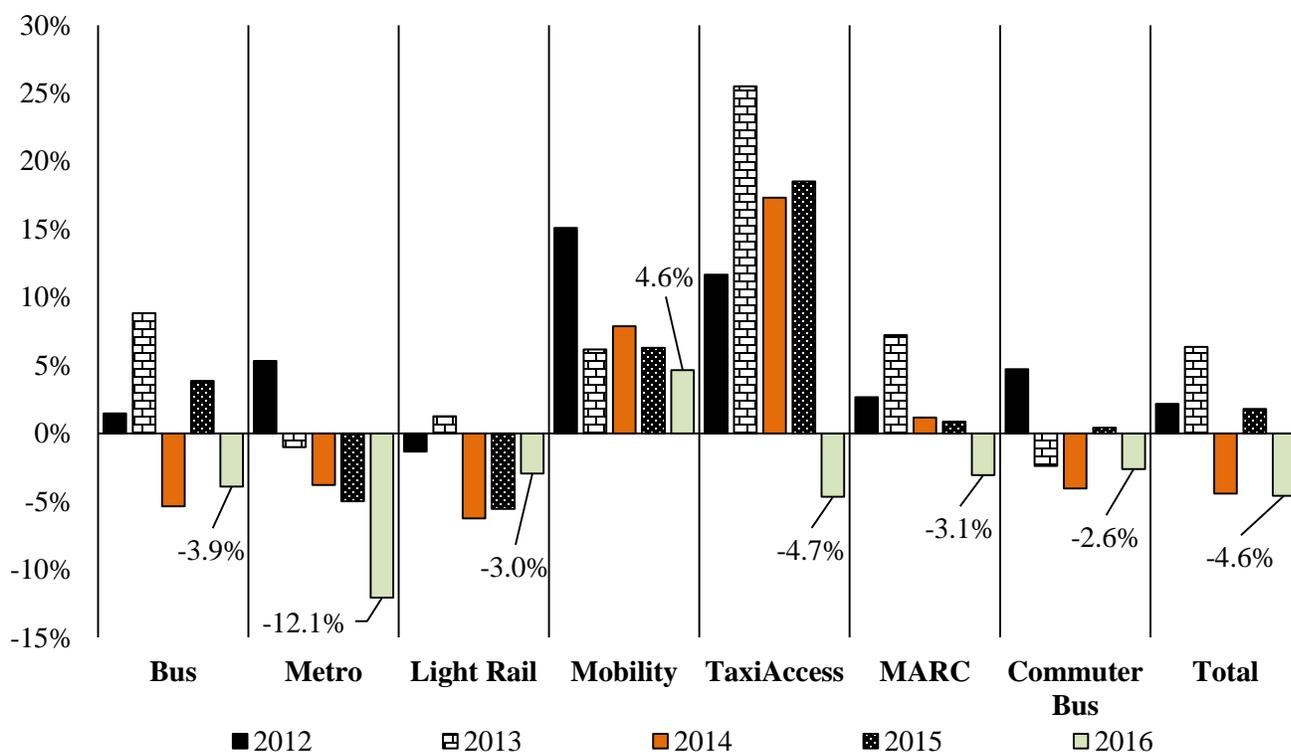
- to provide outstanding service;
- to encourage transit ridership in Maryland;
- to use MTA resources efficiently and effectively and be accountable to the public, customers, and employees with performance measured against prior years; and
- to provide a safe environment for customers and employees.

## Performance Analysis: Managing for Results

### 1. Boardings Decrease in Fiscal 2016

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 110.7 million boardings in fiscal 2016 representing a 4.6% decrease from the prior year. **Exhibit 1** shows the percent change in boardings from the prior year for fiscal 2012 through 2016. Core bus services, which accounted for 68.3% of all boardings in fiscal 2016, decreased by 3.9% from the prior year. Boardings were down for all services in fiscal 2016 except for Mobility (4.6%). **MTA should brief the committees on the factors that contributed to the decreased boardings in fiscal 2016.**

**Exhibit 1**  
**Percent Change in MTA Boardings**  
**Fiscal 2012-2016**



MARC: Maryland Area Regional Commuter

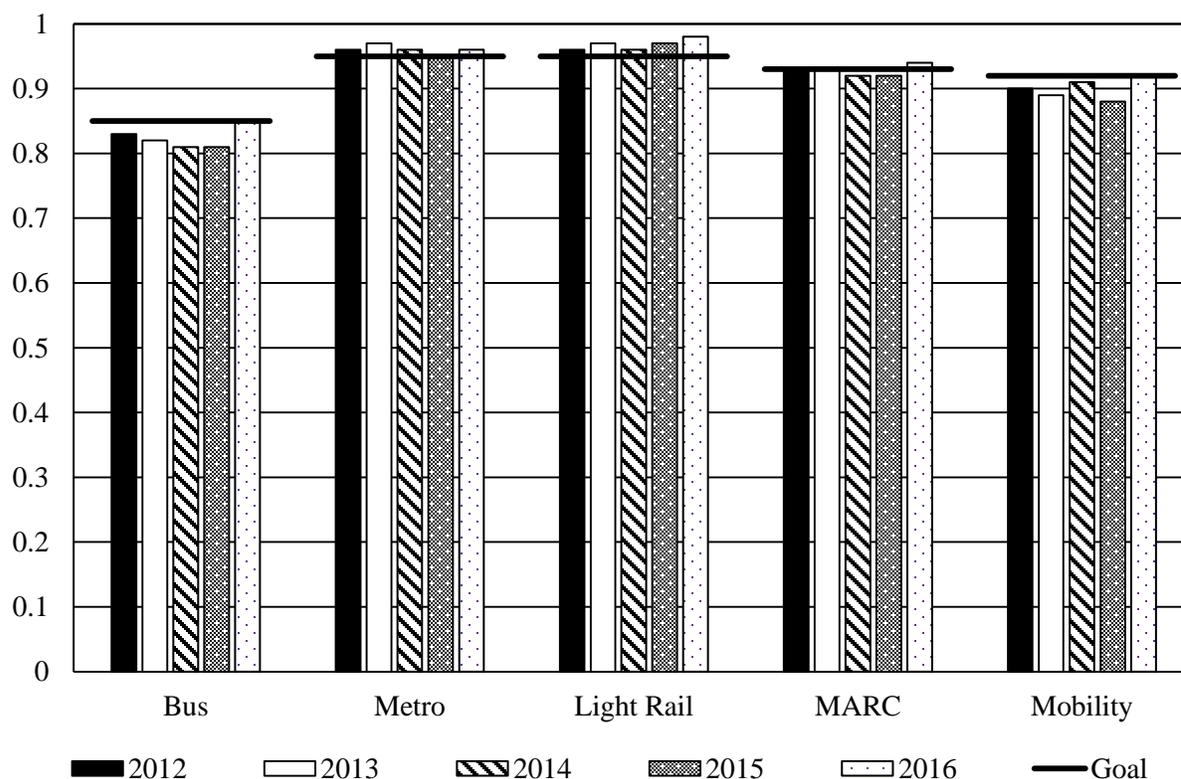
MTA: Maryland Transit Administration

Source: Department of Budget and Management

## 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, 93% for MARC service, and 92% for mobility services. **Exhibit 2** shows the percent of on-time service by mode for fiscal 2012 through 2016. For the first time, going back to at least fiscal 2005, all modes met or exceeded the on-time performance goal. For bus and MARC service, it was only the third time this goal was met since fiscal 2005 and for mobility it was only the second time. Metro and light rail service has met or exceeded the on-time goal every year going back to fiscal 2007.

**Exhibit 2**  
**On-time Performance**  
**Fiscal 2012-2016**



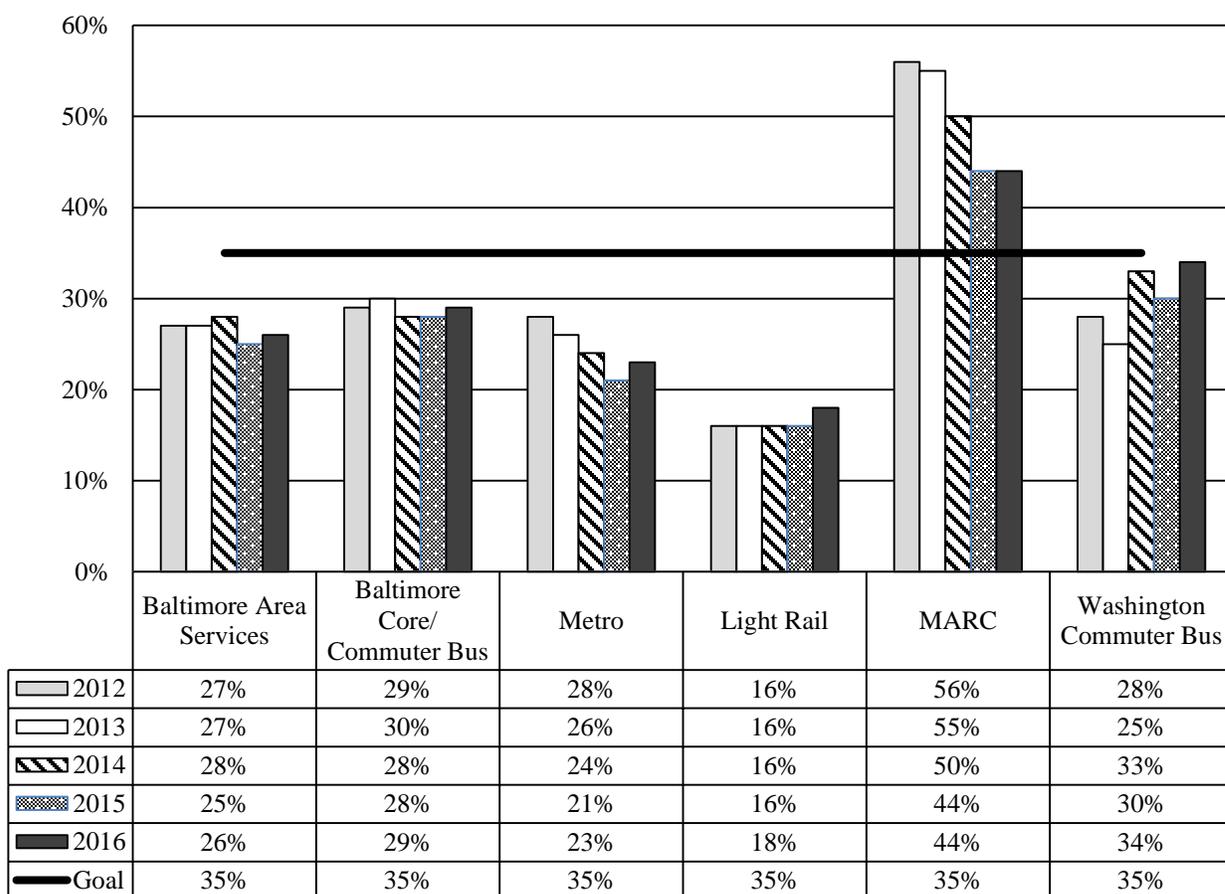
MARC: Maryland Area Regional Commuter

Source: Department of Budget and Management

### 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 2012 through 2016. The farebox recovery rates improved in fiscal 2016 for all modes except MARC service, which remained unchanged from the prior year. Despite these improvements, no mode other than MARC met the 35% requirement set in statute. The MARC farebox recovery rate of 44% in fiscal 2016, while still well above the 35% threshold, remained well below its 10-year average of 51%.

**Exhibit 3**  
**Farebox Recovery Rates**  
**Fiscal 2012-2016**



MARC: Maryland Area Regional Commuter

Source: Department of Budget and Management

#### **4. Transit Performance Measures**

Section 7-208 of the Transportation Article 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 2015 and 2016 and the projections for fiscal 2017 and 2018. MTA’s goal with respect to these measures is to minimize increases in operating costs per passenger and maximize passenger trips per revenue mile.

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**Exhibit 4**  
**Performance Goals**  
**Fiscal 2015-2018 Est.**

	<u>2015</u>	<u>2016 Est.</u>	<u>2016</u>	<u>2017 Est.</u>	<u>2018 Est.</u>
<b>Core Bus</b>					
Passengers Per Revenue Vehicle Mile	3.92	3.85	3.80	3.73	3.65
Operating Expenses Per Passenger Trip	\$3.48	\$3.18	\$3.61	\$3.67	\$3.78
Operating Expenses Per Revenue Vehicle Mile	\$13.64	\$12.23	\$13.55	\$13.68	\$13.82
<b>Light Rail</b>					
Passengers Per Revenue Vehicle Mile	2.59	2.59	2.37	2.25	2.12
Operating Expenses Per Passenger Trip	\$5.85	\$4.74	\$5.86	\$6.20	\$6.66
Operating Expenses Per Revenue Vehicle Mile	\$15.11	\$12.28	\$13.82	\$13.96	\$14.10
<b>Metro</b>					
Passengers Per Revenue Mile	2.77	2.92	2.44	2.34	2.17
Operating Expenses Per Passenger Trip	\$4.06	\$3.15	\$4.33	\$4.56	\$4.97
Operating Expenses Per Revenue Vehicle Mile	\$11.25	\$9.19	\$10.56	\$10.67	\$10.78

Source: Department of Budget and Management

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For all three modes, passengers per revenue mile declined in fiscal 2016 and fiscal 2016 levels were lower than MTA had estimated. Operating expenses per passenger trip were higher for all modes than both fiscal 2015 levels and the MTA estimate; however, operating expenses per revenue vehicle mile declined for all three modes from fiscal 2015 levels. For fiscal 2017 and 2018, MTA is projecting continued declines in passengers per revenue vehicle mile and increased operating expenses both per passenger and per revenue vehicle mile.

## **5. 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 vehicle revenue mile, operating expenses per passenger trip, and passenger trips per vehicle revenue mile based on fiscal 2015 data. MTA’s performance on these measures compares favorably to its peers with its operating expenses, both per vehicle revenue mile and per passenger trip are lower than the average for the group, and its passenger trips per vehicle revenue mile are higher than the group average.

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**Exhibit 5**  
**Performance Indicators for MTA and Peer Local Bus Service**  
**Fiscal 2015**

	<u>Operating Expenses Per Vehicle Revenue Mile</u>	<u>Operating Expenses Per Passenger Trip</u>	<u>Passenger Trips Per Vehicle Revenue Mile</u>
Baltimore	\$13.64	\$3.48	3.9
Average	14.04	5.14	3.1
Atlanta	9.37	3.45	2.7
Dallas	8.54	6.42	1.3
Houston	9.24	5.35	1.7
New York	30.38	3.58	8.5
Pittsburgh	15.57	7.28	2.7
San Jose	15.88	7.25	2.1
Seattle	13.88	4.44	3.1
Utah	7.63	5.44	1.4
Washington, DC	16.24	4.66	3.5

MTA: Maryland Transit Administration

Source: Maryland Transit Administration; National Transit Database

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## Fiscal 2017 Actions

### Section 20 Position Abolitions

Section 20 of the fiscal 2017 budget bill required the Governor to abolish 657 vacant positions. Pursuant to this section, 55 MTA positions were abolished. **Exhibit 6** lists the positions abolished by job title.

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### Exhibit 6 Fiscal 2017 Budget Bill Section 20 Position Reductions

<u>Job Title</u>	<u>Reduction</u>
Administrative Officer III	1
Administrator II	1
A-Repairman	4
A-Repairman Bus	2
A-Repairman Plumber	1
A-Repairman Rail	4
A-Repairman Track and Way	1
B-Repairman	3
B-Repairman Bus	2
Bus Operator	5
Civilian Uniformed Personnel	2
Cost Price Clerk	1
C-Repairman	3
C-Repairman Bus	1
Dispatcher	1
Electric Technician	1
Executive Project Director New Starts – Capital	1
Information Services Clerk	4
Information Technology Programmer Analyst Supervisor	1
Payroll Clerk	1
Personnel Officer I	1
Planner V – Capital	1
Senior Transit Analyst	1
Starter	1
Superintendent – Transportation	2
Supervisor Service and Inspection	1
Supervisor Systems Maintenance	1
Supervisor Transportation	3
Technician Rail	4
<b>Total</b>	<b>55</b>

Source: Department of Budget and Management

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## Proposed Budget

As shown in **Exhibit 7**, MTA’s fiscal 2018 allowance is \$40.4 million higher than the current year working appropriation. Personnel expenses increase by a net \$17.2 million driven primarily by salary increases required by the Collective Bargaining Agreement reached in May 2016. For nonpersonnel expenses, bus and rail operations each contribute just over \$8.0 million to the increase with transit administration adding another \$5.7 million, and statewide operations increasing by \$1.2 million to reflect operating costs for the newly opened Takoma Park/Langley transit center.

**Exhibit 7**  
**Proposed Budget**  
**MDOT – Maryland Transit Administration**  
**(\$ in Thousands)**

<b>How Much It Grows:</b>	<b>Special Fund</b>	<b>Federal Fund</b>	<b>Total</b>
Fiscal 2016 Actual	\$722,830	\$58,940	\$781,769
Fiscal 2017 Working Appropriation	728,191	59,501	787,692
Fiscal 2018 Allowance	<u>768,626</u>	<u>59,501</u>	<u>828,127</u>
Fiscal 2017-2018 Amount Change	\$40,434	\$0	\$40,434
Fiscal 2017-2018 Percent Change	5.6%		5.1%

**Where It Goes:**

**Personnel Expenses**

Union Collective Bargaining Agreement costs .....	\$13,936
Union health insurance subsidies .....	2,974
BaltimoreLink position expense annualization and overtime .....	1,900
Turnover adjustments .....	314
Employee and retiree health insurance.....	-153
Workers’ compensation.....	-207
Accrued leave payout .....	-379
Vacant position abolitions .....	-1,112
Other fringe benefit adjustments .....	-35

**Transit Administration**

Software system maintenance – police closed circuit television system.....	3,317
Automated fare collection system contract .....	1,000
Software system maintenance information technology contracts .....	600
Office assistance.....	468
Transit insurance claims adjuster contract .....	360
Rent paid to the Department of General Services .....	106

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**Where It Goes:**

Computer maintenance contracts .....	97
Office of Administrative Hearings allocated costs.....	29
Vehicle insurance allocated costs.....	-17
Contractual health insurance .....	-56
Insurance allocated cost.....	-205

**Bus Operations**

Washington commuter bus service.....	4,041
Vehicle maintenance and repair .....	3,300
Paratransit contact increases.....	2,567
Tire contact escalation.....	2,000
BaltimoreLink Eco-Seal seat cushion stain resistance coating .....	1,100
BaltimoreLink schedule analysis network design contract .....	1,100
System software maintenance – computer aided dispatch/automatic vehicle locator ...	435
Grounds maintenance – snow removal.....	381
Office assistance.....	261
Natural gas/propane.....	-142
Electricity .....	-269
Diesel fuel based on actual mileage and current prices.....	-6,689

**Rail Operations**

Maryland Area Regional Commuter third-party contract cost escalation .....	7,231
Maryland Area Regional Commuter contract cost escalation .....	2,674
Electricity .....	582
Grounds maintenance – snow removal.....	173
Office assistance.....	171
Natural gas/propane.....	-135
Diesel fuel based on actual mileage and current prices.....	-2,483

**Statewide Operations**

Takoma Park/Langley transit center operations and maintenance contract .....	1,211
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<b>Other Changes</b> .....	-12
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<b>Total</b>	<b>\$40,434</b>
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MDOT: Maryland Department of Transportation

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

## **Potential Underfunding**

Two areas of the MTA budget have historically experienced significant underfunding. The first is salary and benefit funding for its union workforce during periods in which Collective Bargaining Agreements (CBA) are not in effect. The second area where underfunding has occurred is in funding for mobility services where the amount included in the allowance was less than the amount actually spent in the most recently ended fiscal year. Neither of these situations apply to the fiscal 2018 budget. MTA has signed an agreement with two of its three unions covering 93% of its union workforce. Funding for mobility services is higher by \$3.3 million in the current year compared to the fiscal 2016 actual and the allowance increases funding for mobility services by an additional \$2.5 million.

The fiscal 2017 budget does not yet, however, reflect the retroactive pay due to union members to cover pay increases agreed to in the CBA for fiscal 2015 through 2017 (See Issue 1). MTA has a projected \$24.5 million projected budget amendment for fiscal 2017 to provide retroactive pay to union members as well as to cover other operating expenses. Some or all of this funding could be included as a supplemental deficiency instead of a budget amendment.

## **Across-the-board Reductions**

The fiscal 2018 budget bill includes a \$54.5 million (all funds) across-the-board contingent reduction for a supplemental pension payment. Annual payments are mandated for fiscal 2017 through 2020 if the Unassigned General Fund balance exceeds a certain amount at the close of the fiscal year. MTA's share of these reductions is \$247,631 in special funds. This action is tied to a provision in the Budget Reconciliation and Financing Act of 2017.

## PAYGO Capital Program

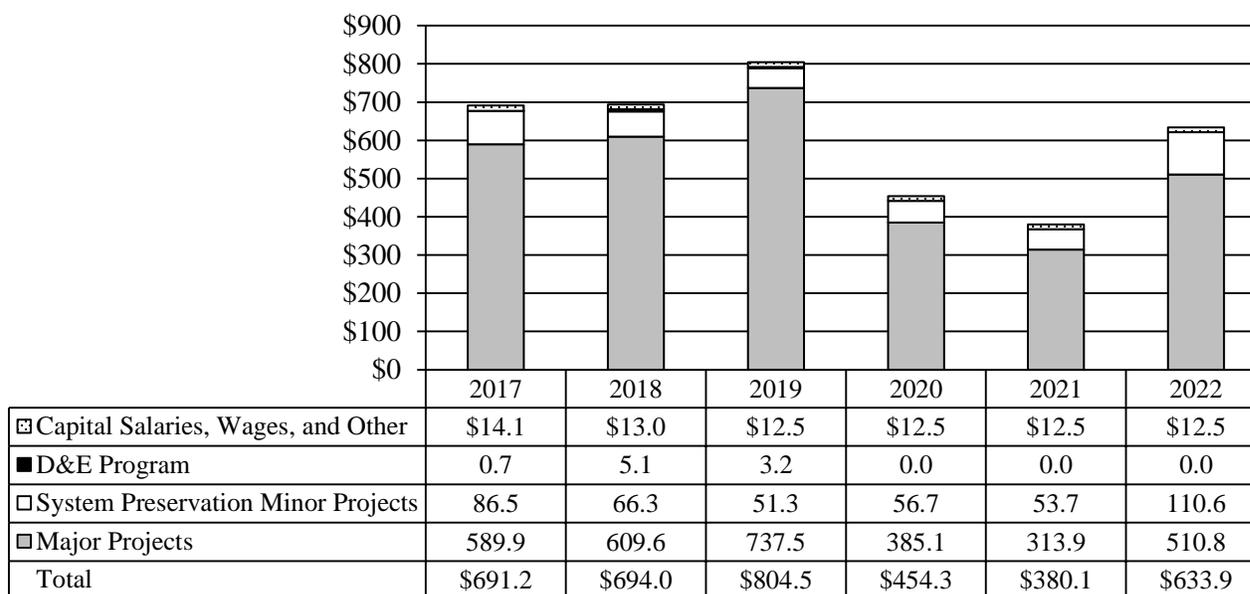
### Program Description

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 2017 to 2022 Consolidated Transportation Program

The fiscal 2017 to 2022 six-year capital program for MTA totals \$3.7 billion (including “other funding” that does not flow through the MTA budget), a decrease of \$86.1 million from the prior year six-year program. Six-year funding decreases for major projects (-\$141.3 million) and the development and evaluation program (-\$5.9 million) while system preservation and minor project funding increases by \$61.7 million. **Exhibit 8** shows the programmed spending by category for fiscal 2017 to 2022.

**Exhibit 8**  
**Programmed Spending by Category**  
**Fiscal 2017-2022**  
**(\$ in Millions)**



D&E: development and evaluation

Source: Maryland Department of Transportation, 2017-2022 *Consolidated Transportation Program*

**Fiscal 2018 PAYGO Capital Allowance**

MTA’s capital program for fiscal 2018, including other funds that do not flow through MTA’s budget, totals \$694.0 million, an increase of \$2.8 million over the current year working appropriation. **Exhibit 9** shows the programmed fiscal 2018 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 9**  
**Maryland Transit Administration PAYGO Capital**  
**Fiscal 2018**  
**(\$ in Millions)**

<u>Project/Program Title</u>	<u>2018</u>	<u>Total Cost</u>	<u>Six-year Total</u>
<b>Projects</b>			
MARC Maintenance, Layover, and Storage Facility	\$1.5	\$43.9	\$42.3
MARC Improvements on Camden, Brunswick, and Penn Lines	20.2	316.7	144.9
MARC Coaches – Overhauls and Replacement	10.0	224.4	57.3
MARC Locomotives – Overhauls and Replacements	20.0	73.5	55.0
MARC Positive Train Control	5.8	16.6	9.0
MARC BWI Station Upgrades and Repairs	2.6	13.8	8.6
Homeland Security	1.4	18.1	6.5
Freight Bridge Rehabilitation	1.6	26.7	10.0
Light Rail Vehicle Overhaul	48.9	196.7	123.6
Light Rail Safety Improvements	4.6	39.2	36.0
Metro Railcar and Signal System Overhauls and Replacement	32.3	578.6	467.7
Metro Safety Improvements	4.0	67.6	57.8
Kirk Bus Facility Replacement	4.4	157.5	90.8
Bus Communications Systems Upgrade	11.0	45.1	38.4
Bus Network Improvements	13.7	36.9	34.0
North Avenue Rising	7.9	27.3	27.3
Montgomery County Bus Rapid Transit	9.0	40.5	40.5
Fare Collection System Enhancements and Equipment Preservation	4.0	61.7	17.6
Agencywide Roof Replacement Program	3.5	30.7	20.5
Agencywide Elevator and Escalator Rehabilitation	0.3	40.0	40.0
Agencywide Radio and Telecommunications Upgrade	6.5	30.2	30.0

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<u>Project/Program Title</u>	<u>2018</u>	<u>Total Cost</u>	<u>Six-year Total</u>
Purple Line	286.5	1,480.3	1,095.1
Purple Line – Montgomery County Funded Projects	25.2	147.2	143.3
D&E: Corridor Cities Transitway	5.0	260.8	5.4
D&E: MARC Growth and Investment Plan	0.1	5.1	3.4
<b><i>Subtotal – Projects</i></b>	<b><i>\$530.3</i></b>	<b><i>\$3,979.2</i></b>	<b><i>\$2,605.1</i></b>
 <b>Programs</b>			
System Preservation and Minor Projects	\$66.3	n/a	\$425.1
Bus Procurement	45.0	n/a	300.2
Mobility Vehicle Procurement	8.6	n/a	54.9
Locally Operated Transit Systems Capital Procurement Projects	20.7	n/a	119.2
Assistance to Private Nonprofit Agencies for the Transportation of the Elderly and Persons with Disabilities	4.8	n/a	30.0
Montgomery County Local Bus Program	4.3	n/a	19.8
Prince George’s County Local Bus Program	1.0	n/a	4.8
Capital Salaries and Wages	13.0	n/a	77.1
<b><i>Subtotal – Programs</i></b>	<b><i>\$163.7</i></b>	<b><i>\$0.0</i></b>	<b><i>\$1,031.0</i></b>
 <b>Total – Projects and Programs</b>	 <b>\$694.0</b>	 <b>\$3,979.2</b>	 <b>\$3,636.1</b>

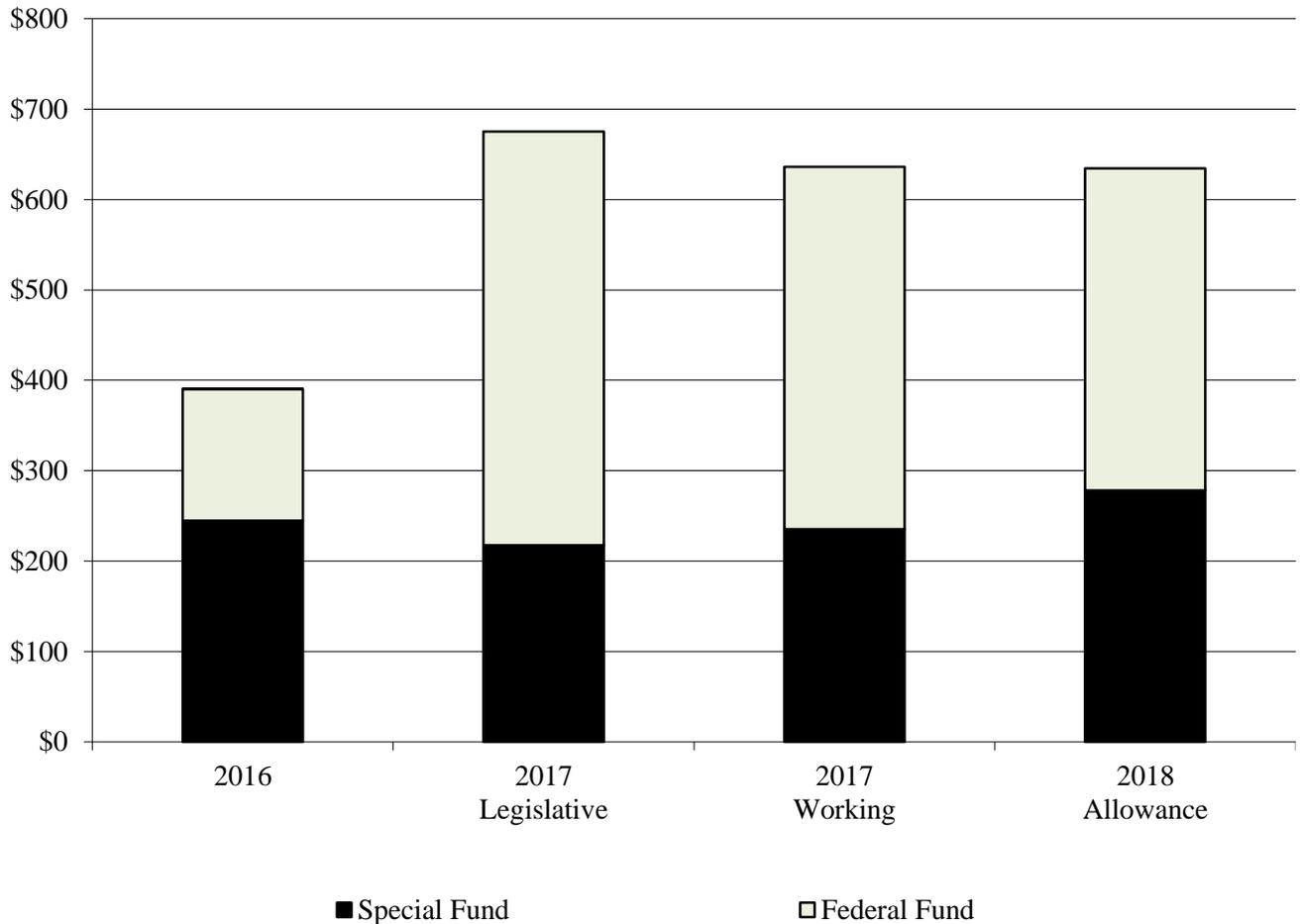
BWI: Baltimore-Washington International Thurgood Marshall Airport  
D&E: development and evaluation  
MARC: Maryland Area Regional Commuter  
PAYGO: pay-as-you-go

Source: Maryland Department of Transportation, 2017-2022 *Consolidated Transportation Program*

**Fiscal 2017 and 2018 Cash Flow Analysis**

**Exhibit 10** shows the changes in MTA capital spending (exclusive of “other funds) for fiscal 2016 through the 2018 allowance and includes both the 2017 legislative and working appropriations. The fiscal 2017 working appropriation is \$39.2 million lower than the legislative appropriation, and the fiscal 2018 allowances decreases a further \$1.7 million from the working appropriation. If other funds are included, the fiscal 2017 working appropriation decreases by \$42.4 million from the legislative appropriation, and the fiscal 2018 increase over the current year working appropriation grows to \$2.7 million.

**Exhibit 10  
Cash Flow Changes  
Fiscal 2016-2018 Allowance  
(\$ in Millions)**



Source: Maryland State Budget, Volume I

**Cash Flow Analysis – Fiscal 2017 Changes**

As seen in **Exhibit 11**, the net decrease of \$42.4 million (including other funds) between the fiscal 2017 legislative and working appropriations comprises reductions in major projects (-\$37.3 million) and development and evaluation projects (-\$22.7 million) partially offset by increases in funding for system preservation and minor projects (\$16.0 million) and capital salaries and wages (\$1.6 million).

**Exhibit 11**  
**Cash Flow Changes**  
**Fiscal 2017 Legislative to Working Appropriations**  
**(\$ in Thousands)**

<u>Projects</u>	<u>Change</u>
<b>Major Projects</b>	<b>-\$37,274</b>
Kirk Bus Facility Replacement	\$10,441
Bus New Main Shop	5,517
Metro Safety Improvements	5,078
Bus Network Improvements	4,659
MARC Coaches – Overhauls and Replacement	3,501
Montgomery County Bus Rapid Transit	2,500
Southern Maryland Commuter Bus Initiative	1,680
North Avenue Rising	1,360
Homeland Security	1,315
Montgomery County Local Bus Program	1,303
Light Rail Safety Improvements	994
Agencywide Roof Replacement Program	976
MARC Positive Train Control	715
Agencywide Elevator and Escalator Rehabilitation	639
Paul S. Sarbanes Transit Center	618
MARC Halethorpe Station Improvements	613
Fare Collection System Enhancements and Equipment Preservation	406
MARC West Baltimore Station Parking Expansion	356
Takoma/Langley Park Transit Center (ARRA)	352
MARC Maintenance, Layover, and Storage Facility	283
MARC BWI Station Upgrades and Repairs	-120
MARC Improvements on Camden, Brunswick, and Penn Lines	-361
Freight Bridge Rehabilitation	-482
Prince George’s County Local Bus Program	-742
Agencywide Radio and Telecommunications Upgrade	-895
Locally Operated Transit Systems Capital Procurement Projects	-988
Union Payroll System Procurement	-1,171
Mobility Vehicle Procurement	-1,729

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<b><u>Projects</u></b>		<b><u>Change</u></b>
Assistance to Private Nonprofit Agencies for the Transportation of the Elderly and Persons with Disabilities	-1,994	
Bus Procurement	-4,886	
Bus Communications Systems Upgrade	-5,504	
Metro Railcar and Signal System Overhauls and Replacement	-7,185	
Purple Line	-10,487	
Light Rail Vehicle Overhaul	-10,597	
MARC Locomotives – Overhauls and Replacements	-12,955	
Purple Line – Montgomery County Funded Projects	-20,484	
<b>Development and Evaluation Projects</b>		<b>-\$22,728</b>
MARC Growth and Investment Plan	-\$1,119	
Southern Maryland Mass Transportation Analysis	-1,331	
MARC Northeast Maintenance Facility	-7,653	
Corridor Cities Transitway	-12,625	
<b>System Preservation and Minor Projects</b>		<b>\$16,000</b>
<b>Capital Salaries and Wages</b>		<b>\$1,600</b>
<b>Total Change</b>		<b>-\$42,402</b>

ARRA: American Recovery and Reinvestment Act of 2009

BWI: Baltimore-Washington International Thurgood Marshall Airport

MARC: Maryland Area Regional Commuter

Source: Maryland Department of Transportation, 2016-2021 and 2017-2022 *Consolidated Transportation Programs*

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**Cash Flow Analysis – Fiscal 2017 to 2018 Changes**

As shown in **Exhibit 12**, the fiscal 2018 capital appropriation increases by a net \$2.7 million (including other funds) over the current year working appropriation. Funding increases for major projects (\$19.7 million) and development and evaluation projects (\$4.3 million) are partially offset by decreases in funding for system preservation and minor projects (-\$20.2 million) and capital salaries and wages (-\$1.1 million).

**Exhibit 12**  
**Cash Flow Changes**  
**Fiscal 2017 Working Appropriation to Fiscal 2018 Allowance**  
**(\$ in Thousands)**

<u>Projects</u>	<u>Change</u>
<b>Major Projects</b>	<b>\$19,717</b>
Light Rail Vehicle Overhaul	\$26,499
Metro Railcar and Signal System Overhauls and Replacement	21,438
MARC Locomotives – Overhauls and Replacements	18,500
Mobility Vehicle Procurement	7,702
MARC Improvements on Camden, Brunswick, and Penn Lines	7,154
Bus Communications Systems Upgrade	6,852
North Avenue Rising	6,510
Montgomery County Bus Rapid Transit	6,500
Agencywide Radio and Telecommunications Upgrade	5,385
Purple Line – Montgomery County Funded Projects	4,997
Locally Operated Transit Systems Capital Procurement Projects	4,528
Assistance to Private Nonprofit Agencies for the Transportation of the Elderly and Persons with Disabilities	4,089
MARC Positive Train Control	2,572
MARC BWI Station Upgrades and Repairs	2,243
MARC Maintenance, Layover, and Storage Facility	621
Freight Bridge Rehabilitation	390
Prince George’s County Local Bus Program	242
Agencywide Roof Replacement Program	190
Takoma/Langley Park Transit Center (ARRA)	-352
MARC West Baltimore Station Parking Expansion	-356
Agencywide Elevator and Escalator Rehabilitation	-361
Homeland Security	-606
MARC Halethorpe Station Improvements	-613
Paul S. Sarbanes Transit Center	-618
Fare Collection System Enhancements and Equipment Preservation	-795
MARC Coaches – Overhauls and Replacement	-1,220
Southern Maryland Commuter Bus Initiative	-1,780
Montgomery County Local Bus Program	-2,277

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<b><u>Projects</u></b>		<b><u>Change</u></b>
Bus Procurement	-2,414	
Light Rail Safety Improvements	-2,904	
Bus Network Improvements	-4,920	
Bus New Main Shop	-5,517	
Kirk Bus Facility Replacement	-14,528	
Metro Safety Improvements	-15,434	
Purple Line	-52,000	
<b>Development and Evaluation Projects</b>		<b>\$4,330</b>
Corridor Cities Transitway	\$4,625	
MARC Northeast Maintenance Facility	-1	
MARC Growth and Investment Plan	-22	
Southern Maryland Mass Transportation Analysis	-272	
<b>System Preservation and Minor Projects</b>		<b>-\$20,200</b>
<b>Capital Salaries and Wages</b>		<b>-\$1,100</b>
<b>Total Change</b>		<b>\$2,747</b>

ARRA: American Recovery and Reinvestment Act of 2009

BWI: Baltimore-Washington International Thurgood Marshall Airport

MARC: Maryland Area Regional Commuter

Source: Maryland Department of Transportation, 2017-2022 *Consolidated Transportation Program*

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## Significant Changes in Major Projects from the Fiscal 2016-2021 Consolidated Transportation Program

The fiscal 2017 to 2022 CTP lists significant changes to three major projects from what was shown in the fiscal 2016 to 2021 CTP. These changes are shown in **Exhibit 13**.

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### Exhibit 13 Significant Changes to Major Projects Between Fiscal 2016-2021 and 2017-2022 Consolidated Transportation Programs (\$ in Millions)

<u>Project</u>	<u>Total Cost</u>
<b>Projects Added to the Construction Program</b>	
North Avenue Rising	\$27.3
Montgomery County Bus Rapid Transit	40.5
<b>Projects Moved to the Development and Evaluation Program from the Construction Program</b>	
Corridor Cities Transitway	\$260.8

Source: Maryland Department of Transportation, 2017-2022 Consolidated Transportation Program

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## ***Issues***

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### **1. Collective Bargaining Agreement Includes Annual Cost-of-living Increases, Requires Employee Pension Contribution**

MTA and its largest union, Amalgamated Transit Union Local 1300 representing 2,326 members, ratified a Memorandum of Understanding (MOU) on May 22, 2016, amending the CBA that expired on June 30, 2014, to cover the period from July 1, 2014, through June 30, 2018. Major changes to the CBA with fiscal impacts included:

- annual pay increases with retroactive pay due for fiscal 2015 through as follows:
  - 1.5% effective July 1, 2014;
  - 2.5% effective July 1, 2015;
  - 3.5% effective July 1, 2016;
  - 3.5% effective July 1, 2017; and
- a requirement imposed for the first time and effective July 1, 2016, that union employees contribute 2.0% of their gross pay to the MTA Pension Plan until the plan achieves 100.0% funding (as of June 30, 2016, the funded ratio was 40.0%).

MTA's fiscal 2017 budget does not include funding for fiscal 2017, the pay increase provided in the CBA since the budget was developed prior to execution of the MOU. Funding for retroactive pay for fiscal 2015 and 2016, to which union members are entitled under the CBA, is not included in the fiscal 2018 allowance. MTA has reported the need for a budget amendment totaling \$24.5 million to cover the retroactive pay and for additional maintenance and other costs for operating expenses in fiscal 2017. **MTA should brief the committees on when it expects to process the budget amendment to cover the retroactive pay or if it intends to request a supplemental deficiency appropriation for this purpose.**

Operating for extended periods without a CBA in effect distorts the budget evaluation process. The true rate of growth in MTA operations is masked when budgets do not reflect the full cost of employee compensation and when the large retroactive payments are included. Having a new agreement in place, prior to the expiration of the existing one, would remove these distortions. **MTA should discuss with the committees the impediments to negotiating a new agreement prior to the expiration of the current one and what actions it can take to remove these impediments.**

## **2. Fare Increase Due**

Statute requires MTA, beginning in fiscal 2015 and on a biennial basis thereafter, to increase base fares and the cost of multi-use passes to the nearest 10¢, for core transit services, by the same percentage as the biennial increase in the Consumer Price Index (CPI) for all urban consumers. Fare increases for MARC are required every five years based on the five-year increase in the CPI. Under these provisions, MTA must increase fares before the end of the current fiscal year. In fiscal 2015, the fare increase went into effect five days before the end of the fiscal year.

In fiscal 2015, based on a 2.82% increase in the CPI, MTA increased the base one-way fare from \$1.60 to \$1.70, an increase of 6.25%. The larger percentage increase resulted from the statutory requirement that fares be increased to the nearest 10¢ combined with MTA's interpretation that a calculation which resulted in a fare that would round down to the starting fare was not permissible because that is not an increase. Thus, unless the CPI decreases or remains unchanged, base fare prices will increase at least 10¢ every two years. The CPI increase, upon which the fiscal 2017 fare increase will be based, is 1.12%. A base fare of \$1.80, the minimum increase under the MTA methodology, is an increase of 5.88% over the current base fare of \$1.70.

The first public announcement of the fiscal 2015 fare increase was made on May 26, 2015, just a month prior to the new rates going into effect. Fare increases due to changes in the CPI were exempted from the public hearing requirements that would apply to any other proposed increase in fares.

**MTA should inform the committee of when the new rates will be effective and when they will be announced to the public.**

## ***Operating Budget Recommended Actions***

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1. Concur with Governor's allowance.

***PAYGO Budget Recommended Actions***

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1. Concur with Governor's allowance.

## ***Updates***

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### **1. BaltimoreLink Transit Initiative on Track**

In October 2015, MTA announced the beginning of a \$135 million, multi-phase initiative to improve transit services in the Baltimore region called BaltimoreLink. Full implementation, planned for June 2017, is to include a redesign of local and express bus routes, new and enhanced commuter bus service, the creation of 12 high-frequency routes along major arterials connecting to downtown, and 5 new suburb-to-suburb express bus routes. Existing transit services are renamed with “Link” appended to denote each service being part of a greater transit network. MTA held the required public hearings for the local bus route changes in January 2017. Implementation of the new local routes is still scheduled for June 2017.

**Appendix 1**  
**Current and Prior Year Budgets**  
**MDOT – Maryland Transit Administration**  
**(\$ in Thousands)**

	<b><u>General</u></b> <b><u>Fund</u></b>	<b><u>Special</u></b> <b><u>Fund</u></b>	<b><u>Federal</u></b> <b><u>Fund</u></b>	<b><u>Reimb.</u></b> <b><u>Fund</u></b>	<b><u>Total</u></b>
<b>Fiscal 2016</b>					
Legislative Appropriation	\$0	\$691,872	\$57,843	\$0	\$749,714
Deficiency Appropriation	0	564	0	0	564
Budget Amendments	0	30,412	1,658	0	32,070
Reversions and Cancellations	0	-18	-561	0	-579
<b>Actual Expenditures</b>	<b>\$0</b>	<b>\$722,830</b>	<b>\$58,940</b>	<b>\$0</b>	<b>\$781,769</b>
<b>Fiscal 2017</b>					
Legislative Appropriation	\$0	\$727,431	\$59,501	\$0	\$786,932
Cost Containment	0	0	0	0	0
Budget Amendments	0	760	0	0	760
<b>Working Appropriation</b>	<b>\$0</b>	<b>\$728,191</b>	<b>\$59,501</b>	<b>\$0</b>	<b>\$787,692</b>

MDOT: Maryland Department of Transportation

Note: Does not include targeted reversions, deficiencies, and contingent reductions. Numbers may not sum to total due to rounding.

## **Fiscal 2016**

The fiscal 2016 budget for the Maryland Transit Administration closed out \$32.1 million higher than the legislative appropriation. Deficiency appropriations added special funds totaling \$563,810 to support the BaltimoreLink transit initiative. Special and federal fund budget amendments added a net of \$32.1 million. These additions were slightly offset by year-end cancellations totaling \$579,115 due primarily to lower than anticipated federal grant levels for locally operated transit systems.

- Special fund budget amendments added a net \$30,411,943 as follows:

Maryland Area Regional Commuter contract and ridership increases	\$7,538,582
Mobility new contract and ridership increases	7,349,433
Overtime and Social Security	6,346,881
Snow removal\winter maintenance expenses	5,632,325
Additional funds for local transit properties based on current grant agreement	4,924,432
Washington and InterCounty Connector commuter bus contract and ridership increase	4,671,373
2% salary reduction restoration	2,871,008
Washington commuter bus new rates and added service	2,756,657
Supplies and materials	1,531,352
Janitorial contracts	1,416,820
Baltimore commuter bus	1,115,331
Benefits technical and consultant support	981,236
Information technology contracts/expenditures	554,166
Grounds maintenance	513,005
Rent	90,496
Vehicle insurance	5,845
Travel expenses	-67,161
Maintenance savings	-265,626
Voluntary Separation Program savings	-438,898
Salaries, fringes, and accrued leave	-548,057
Realign the Office of Administrative Hearings, communications, and workers' compensation charges	-650,306
Utilities	-2,056,223
Diesel savings	-13,860,728
<b>Total</b>	<b>\$30,411,943</b>

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- Federal fund budget amendments added \$1,658,033 for the following purposes:

Additional funds for local transit properties based on current grant agreement	\$1,544,983
Preventative maintenance	100,000
Canine Unit additional grant	13,050
<b>Total</b>	<b>\$1,658,033</b>

**Fiscal 2017**

The fiscal 2017 special fund working appropriation is \$759,956 higher than the legislative appropriation due to a budget amendment adding funds for salary increments.

**Appendix 2**  
**Object/Fund Difference Report**  
**MDOT – Maryland Transit Administration**

<u>Object/Fund</u>	<u>FY 16</u> <u>Actual</u>	<u>FY 17</u> <u>Working</u> <u>Appropriation</u>	<u>FY 18</u> <u>Allowance</u>	<u>FY 17 - FY 18</u> <u>Amount Change</u>	<u>Percent</u> <u>Change</u>
<b>Positions</b>					
01 Regular	3,263.50	3,297.50	3,279.50	-18.00	-0.5%
02 Contractual	16.00	16.00	16.00	0.00	0%
<b>Total Positions</b>	<b>3,279.50</b>	<b>3,313.50</b>	<b>3,295.50</b>	<b>-18.00</b>	<b>-0.5%</b>
<b>Objects</b>					
01 Salaries and Wages	\$ 319,123,925	\$ 322,869,095	\$ 340,355,144	\$ 17,486,049	5.4%
02 Technical and Spec. Fees	598,664	1,192,706	1,136,586	-56,120	-4.7%
03 Communication	1,711,757	1,210,718	1,210,718	0	0%
04 Travel	469,921	434,855	434,855	0	0%
06 Fuel and Utilities	14,051,939	14,190,577	14,254,374	63,797	0.4%
07 Motor Vehicles	58,931,922	64,038,613	60,150,201	-3,888,412	-6.1%
08 Contractual Services	286,069,390	283,202,835	310,378,234	27,175,399	9.6%
09 Supplies and Materials	8,322,225	5,643,653	5,643,653	0	0%
10 Equipment – Replacement	423,022	111,490	111,490	0	0%
11 Equipment – Additional	153,357	130,635	130,635	0	0%
12 Grants, Subsidies, and Contributions	84,221,417	86,659,042	86,659,042	0	0%
13 Fixed Charges	7,691,534	8,007,882	7,909,238	-98,644	-1.2%
14 Land and Structures	88	0	0	0	0.0%
<b>Total Objects</b>	<b>\$ 781,769,161</b>	<b>\$ 787,692,101</b>	<b>\$ 828,374,170</b>	<b>\$ 40,682,069</b>	<b>5.2%</b>
<b>Funds</b>					
03 Special Fund	\$ 722,829,550	\$ 728,191,437	\$ 768,873,506	\$ 40,682,069	5.6%
05 Federal Fund	58,939,611	59,500,664	59,500,664	0	0%
<b>Total Funds</b>	<b>\$ 781,769,161</b>	<b>\$ 787,692,101</b>	<b>\$ 828,374,170</b>	<b>\$ 40,682,069</b>	<b>5.2%</b>

MDOT: Maryland Department of Transportation

Note: Does not include targeted reversions, deficiencies, and contingent reductions.

**Appendix 3  
Fiscal Summary  
MDOT – Maryland Transit Administration**

<u>Program/Unit</u>	<u>FY 16 Actual</u>	<u>FY 17 Wrk Approp</u>	<u>FY 18 Allowance</u>	<u>Change</u>	<u>FY 17 - FY 18 % Change</u>
01 Transit Administration	\$ 54,260,520	\$ 55,246,549	\$ 87,724,258	\$ 32,477,709	58.8%
02 Bus Operations	348,341,746	355,312,182	429,323,359	74,011,177	20.8%
04 Rail Operations	244,444,188	239,366,007	222,594,584	-16,771,423	-7.0%
05 Facilities and Capital Equipment	388,256,104	628,989,000	620,828,000	-8,161,000	-1.3%
06 Statewide Programs Operations	134,722,707	137,767,363	88,731,969	-49,035,394	-35.6%
08 Major Information Technology Development Projects	1,731,044	7,034,000	13,450,000	6,416,000	91.2%
<b>Total Expenditures</b>	<b>\$ 1,171,756,309</b>	<b>\$ 1,423,715,101</b>	<b>\$ 1,462,652,170</b>	<b>\$ 38,937,069</b>	<b>2.7%</b>
Special Fund	\$ 967,468,197	\$ 963,506,437	\$ 1,047,100,506	\$ 83,594,069	8.7%
Federal Fund	204,288,112	460,208,664	415,551,664	-44,657,000	-9.7%
<b>Total Appropriations</b>	<b>\$ 1,171,756,309</b>	<b>\$ 1,423,715,101</b>	<b>\$ 1,462,652,170</b>	<b>\$ 38,937,069</b>	<b>2.7%</b>

MDOT: Maryland Department of Transportation

Note: Does not include targeted reversions, deficiencies, and contingent reductions.

**Appendix 4**  
**Budget Amendments for Fiscal 2017**  
**Maryland Department of Transportation**  
**Maryland Transit Administration – Operating**

<u>Status</u>	<u>Amendment</u>	<u>Fund</u>	<u>Justification</u>
Approved	\$759,956	Special	Funding for increments.
Projected	24,514,734	Special	Union agreement retroactive pay (fiscal 2015 to 2017); new systems maintenance, bus maintenance, MARC funding, and other operating needs.
Projected	1,467,571	Federal	Greyhound and Bayrunner subsidies in locally operated transit systems program.
	<b>\$25,982,305</b>	<b>Total Projected</b>	

MARC: Maryland Area Regional Commuter

Source: Maryland Department of Transportation

**Appendix 5**  
**Budget Amendments for Fiscal 2017**  
**Maryland Department of Transportation**  
**Maryland Transit Administration – Capital**

<u>Status</u>	<u>Amendment</u>	<u>Fund</u>	<u>Justification</u>
Approved	\$138,392	Special	Funding for increments.
Pending	17,704,383	Special	Adjusts the amended appropriation to agree with the final fiscal 2017 to 2022 <i>Consolidated Transportation Program</i> .
	-57,050,000	Federal	
	<b>-\$39,345,617</b>	<b>Total Pending</b>	

Source: Maryland Department of Transportation