
Maryland Department of Transportation

Fiscal 2020 Budget Overview

**Department of Legislative Services
Office of Policy Analysis
Annapolis, Maryland**

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

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Analysis of the FY 2020 Maryland Executive Budget, 2019

Executive Summary

This analysis provides an overview of the status of the six-year Transportation Trust Fund forecast, including revenue and spending projections as well as a summary of the entire fiscal 2020 budget for the Maryland Department of Transportation (MDOT).

Budget Discussion

MDOT's total adjusted fiscal 2020 allowance of \$5.4 billion is an increase of \$194.8 million (3.7%) over the current year working appropriation. The \$79.2 million increase in operations spending comprises nearly 41% of the increase between the working appropriation and the allowance with capital spending accounting for just over 38% of the increase (\$74.8 million) and debt service and State aid mandated capital grant funding accounting for nearly 11% (\$21.0 million) and just over 10% (\$19.9 million) of the increase, respectively.

Key Observations

- The fiscal 2019 to 2024 transportation capital plan grows by \$1.6 billion over the prior year plan. The conversion of State transportation aid from revenue sharing to mandated capital grants adds \$1.3 billion to the six-year capital program. New mandated funding for the Washington Metropolitan Area Transit Authority (WMATA) adds just over \$1.0 billion to the six-year program. General funds of nearly \$800 million are programmed to support the new WMATA grant.
- MDOT and the Maryland Transportation Authority jointly submitted a public-private partnership presolicitation report to advance the project to add toll lanes to the Maryland portion of I-495 and to I-270.

Operating Budget Recommended Actions

1. Add annual budget bill language requiring notification of capital budget changes.
2. Add annual budget bill language establishing a position cap.

Updates

- In response to committee narrative in the 2018 *Joint Chairmen's Report* stating the committees' intent that an ombudsman be created within MDOT to respond to concerns or complaints about private-sector transportation projects being tested or developed in the State, the department indicated that the Secretary's Office is the best place to which concerns or complaints be directed.

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Transportation Trust Fund Overview

The Transportation Trust Fund (TTF) is a nonlapsing special fund that provides funding for transportation. It consists of tax and fee revenues, operating revenues, bond proceeds, and fund transfers. The Maryland Department of Transportation (MDOT) issues bonds backed by TTF revenues and invests the TTF fund balance to generate investment income. The Maryland Transit Administration (MTA), the Motor Vehicle Administration, the Maryland Port Administration, and the Maryland Aviation Administration generate operating revenues that cover a portion of their operating expenditures.

The tax and fee revenues include motor fuel taxes, rental car sales taxes, titling taxes, vehicle registration fees, a portion of the corporate income tax, and other miscellaneous motor vehicle fees. A portion of these revenues is credited to the Gasoline and Motor Vehicle Revenue Account (GMVRA), the balance of which is used as the basis to calculate the amount of local aid to be provided through mandated capital appropriations. The funds retained by the TTF support the capital program, debt service, and operating costs.

Fiscal 2018 TTF Revenue Closeout

As shown in **Exhibit 1**, the TTF ended fiscal 2018 with a fund balance of \$142 million, an amount \$17 million higher than the \$125 million projected ending balance. Both revenues and expenditures were higher than projected.

State (special fund) spending was a net \$28 million higher than estimated with department operating expenses accounting for the majority of the increase. Increased spending, however, was more than offset by the \$45 million net increase in revenues over original projections. Motor fuel tax revenue closed out \$25 million higher than projected, and bond proceeds and premiums were \$14 million higher than originally projected.

Exhibit 1
Fiscal 2018 Transportation Trust Fund Closeout
State Funds Only
(\$ in Millions)

	<u>Projected</u>	<u>Actual</u>	<u>Variance</u>
Starting Fund Balance	\$163	\$163	\$0
Revenues			
Motor Fuel Taxes	\$1,059	\$1,084	\$25
Titling Taxes	871	869	-2
Corporate Income Tax, Registrations, and Miscellaneous Motor Vehicle Administration Fees	842	826	-16
Sales Tax – Rental Vehicles	32	32	0
MDOT Operating Revenues (MAA, MPA, and MTA)	453	460	7
Other Receipts and Adjustments	103	120	17
Bond Proceeds and Premiums	633	647	14
Total Revenues	\$3,993	\$4,038	\$45
Uses of Funds			
MDOT Operating Expenditures	\$1,924	\$1,948	\$24
MDOT Capital Expenditures	1,526	1,529	3
MDOT Debt Service	340	340	0
Highway User Revenues	174	175	1
Other Expenditures	67	66	-1
Total Expenditures	\$4,031	\$4,059	\$28
Final Ending Fund Balance	\$125	\$142	\$17

MAA: Maryland Aviation Administration
MDOT: Maryland Department of Transportation
MPA: Maryland Port Administration
MTA: Maryland Transit Administration

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

Source: Maryland Department of Transportation

Fiscal 2019 Year-to-date Revenue Receipts

Fiscal 2019 revenue attainment for the TTF’s three largest revenue sources – motor fuel taxes, titling taxes, and vehicle registration fees – is exceeding projections based on five-year average attainment rates. With collections recorded through November 2018, combined attainment was up \$11.6 million. This puts attainment from these sources on pace to exceed estimates by approximately

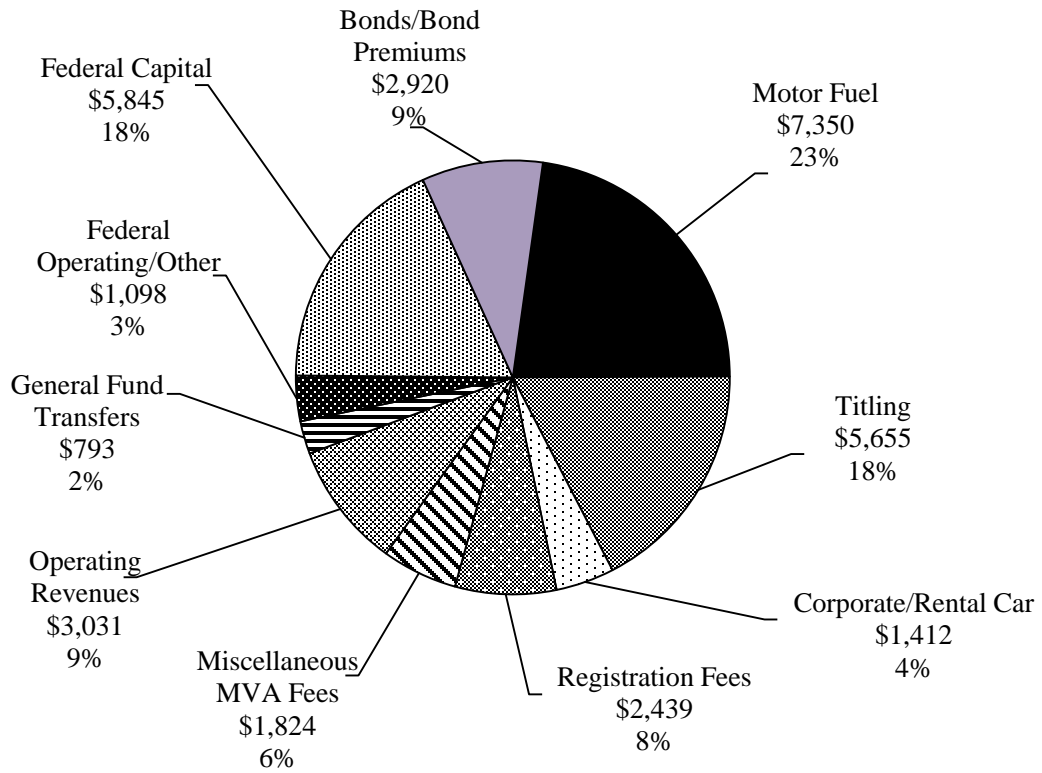
\$30 million. It is worth noting, however, that at this same point in fiscal 2016, attainment from these sources was on track to end the year \$74 million above estimates, but the actual attainment that year fell \$16.7 million short of the estimate.

As of mid-January 2019, MDOT reported that the partial federal government shutdown had not had an impact on the TTF. The Washington Metropolitan Area Transit Authority (WMATA), however, which receives operating and capital grants through the TTF, reports that it lost approximately \$400,000 in fare and parking revenue per weekday. Due to the shutdown, particularly if it begins again for an extended period, WMATA may request additional support from its funding jurisdictions. On January 24, 2019, the Administration announced that MTA would begin providing free transit for affected federal workers. MTA estimates that the weekly revenue loss from this effort would be approximately \$370,000. While this initiative began just prior to the government reopening, were it to be implemented in future shutdowns, it would have a direct impact on the operating revenues assumed in the TTF forecast.

Fiscal 2019 through 2024 Revenues

Exhibit 2 shows that the TTF's three largest revenue sources in the fiscal 2019 to 2024 forecast period are motor fuel taxes, federal capital assistance, and titling taxes, which collectively represent 58.2% of all projected revenue. In support of the capital program, MDOT is projecting \$2.9 billion in bond proceeds and bond premiums, representing 9.0% of projected revenues.

Exhibit 2
Transportation Trust Fund
State-sourced Revenues and Federal Funds
Fiscal 2019-2024
(\$ in Millions)



Total Revenues: \$32.4 Billion

MVA: Motor Vehicle Administration

Source: Maryland Department of Transportation, Fiscal 2019-2024 *Transportation Trust Fund Forecast*, January 2019

Six-year Transportation Trust Fund Forecast Summary

Exhibit 3 shows the TTF forecast summary that includes the fiscal 2018 actual and the fiscal 2019 to 2024 projections. It reflects the decision to increase the target closing balance beginning in fiscal 2021 to \$175 million from the \$150 million used in the prior two years. The increased fund balance is intended to accommodate working cash flow requirements during the year.

Exhibit 3 Transportation Trust Fund Forecast Summary Fiscal 2018-2024 (\$ in Millions)

	<u>Actual</u> <u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>Total</u> <u>2019-2024</u>
Opening Fund Balance	\$163	\$142	\$150	\$150	\$175	\$175	\$175	
Closing Fund Balance	\$142	\$150	\$150	\$175	\$175	\$175	\$175	
Net Revenues								
Taxes and Fees	\$2,571	\$2,683	\$2,941	\$2,997	\$3,086	\$3,155	\$3,198	\$18,059
Operating and Miscellaneous	679	662	662	684	706	719	696	4,129
Subtotal	\$3,250	\$3,345	\$3,603	\$3,681	\$3,792	\$3,874	\$3,894	\$22,188
Bond Proceeds	\$555	\$631	\$635	\$445	\$400	\$350	\$415	\$2,876
Bond Premiums	92	44	0	0	0	0	0	44
General Fund Transfers	0	0	125	167	167	167	167	793
Fund Balance Increase/Use	21	-8	0	-25	0	0	0	-33
Total Net Revenues	\$3,918	\$4,012	\$4,363	\$4,268	\$4,359	\$4,391	\$4,476	\$25,868
Expenditures								
Debt Service	\$340	\$338	\$355	\$423	\$469	\$516	\$489	\$2,589
Operating Budget	2,048	2,099	2,201	2,231	2,279	2,345	2,413	13,568
Purple Line Availability Payments	0	0	0	0	31	119	154	304
State Capital (including State Aid)	1,530	1,575	1,807	1,614	1,580	1,410	1,420	9,408
Total Expenditures	\$3,918	\$4,012	\$4,363	\$4,268	\$4,359	\$4,391	\$4,476	\$25,868
Debt								
Debt Outstanding	\$2,912	\$3,343	\$3,772	\$3,962	\$4,066	\$4,073	\$4,170	
Debt Service Coverage: Net Income	3.6	2.8	2.5	2.7	2.7	2.8	2.7	
Local Highway User Revenue	\$175	\$181	\$0	\$0	\$0	\$0	\$0	\$181
Capital Summary								
State Capital	\$1,530	\$1,575	\$1,551	\$1,354	\$1,314	\$1,139	\$1,148	\$8,082
State Aid – Capital Grants	0	0	256	260	266	271	273	1,326

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	<u>Actual</u> <u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>Total</u> <u>2019-2024</u>
Net Federal Capital (Cash Flow)	882	1,049	1,210	1,165	924	760	737	5,845
Other Funds	220	241	302	188	217	114	101	1,163
Total Capital Expenditures	\$2,631	\$2,865	\$3,319	\$2,967	\$2,721	\$2,284	\$2,258	\$16,416
Cumulative Difference from CTP								
Programmed Spending	\$0	\$2	\$2	-\$4	-\$10	-\$15	-\$20	-\$20
GARVEE Debt Service	\$86	\$86	\$51					

CTP: *Consolidated Transportation Program*

GARVEE: Grant Anticipation Revenue Vehicle

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

Source: Maryland Department of Transportation, Fiscal 2019-2024 *Transportation Trust Fund Forecast*, January 2019; Department of Legislative Services

Revenues are first used to pay debt service and then to cover the department’s operating expenses. Remaining revenues are used for the capital program, which is also funded through the sale of bonds; federal aid; and beginning in fiscal 2020, general fund transfers from the Dedicated Purpose Account (DPA). Over the six-year forecast period, bond proceeds and premiums are projected to cover just over 31% of State capital expenditures. The projected issuance of debt will increase the amount of debt outstanding from \$2.9 billion in fiscal 2018 to nearly \$4.2 billion by the end of fiscal 2024. Bond covenants require MDOT to maintain a net income to maximum future debt service ratio of at least 2.0, and the department has an administrative practice of maintaining the ratio at no less than 2.5. As shown in Exhibit 3, the debt service coverage ratio that is projected to be 2.8 in fiscal 2019 declines to the minimum target level of 2.5 in fiscal 2020 and improves slightly in the remaining years of the forecast. Debt service as a percent of net revenues to the department averages 11.7% for the forecast period. In fiscal 2024, debt service will consume 12.6% of net revenues.

Capital Program Trends

As shown in **Exhibit 4**, total programmed spending in the fiscal 2019 to 2024 *Consolidated Transportation Program* (CTP) is a net \$1.6 billion more than in the prior year CTP. Conversion of State aid to local governments to mandated capital grants beginning in fiscal 2020 (discussed later in the State Aid – Mandated Capital Grants section of this analysis) adds \$1.3 billion to the six-year program. A new mandated capital grant for WMATA, along with increases in the base WMATA capital program grant, adds just over \$1.0 billion to the CTP compared to the prior six-year plan. These increases are partially offset by a six-year total decrease of \$767.5 million for State Highway Administration (SHA) projects. Exhibit 4 also shows the nearly \$800 million in planned general fund support for the MDOT capital program. The general funds are programmed to support the new mandated grant to WMATA established in Chapters 351 and 352 of 2018.

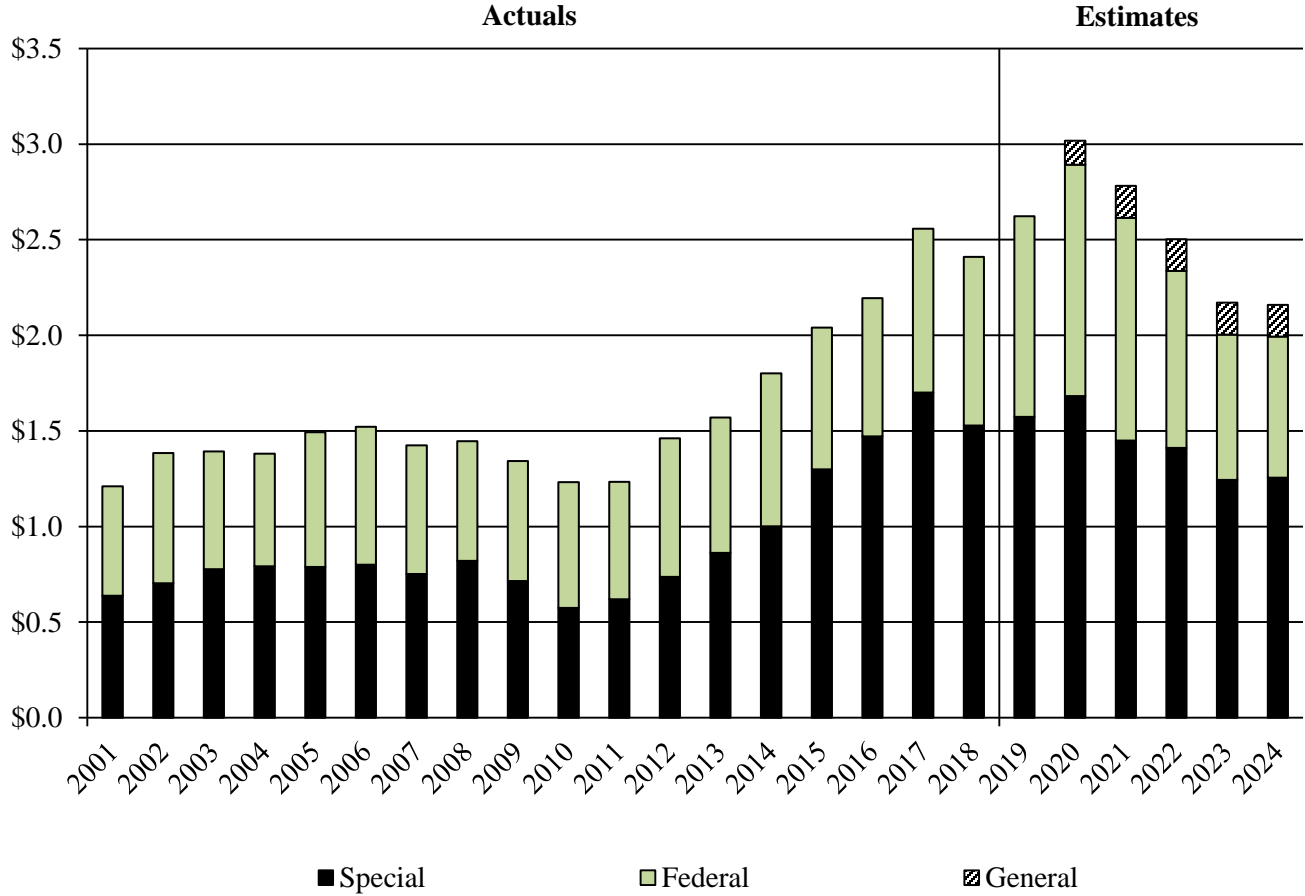
Exhibit 4
Transportation Capital Program Six-year Funding
January 2018 Plan vs. January 2019 Plan
(\$ in Millions)

	<u>2018 Plan</u>	<u>2019 Plan</u>	<u>Change</u>
Secretary’s Office	\$280.9	\$244.4	-\$36.5
Motor Vehicle Administration	125.5	143.4	17.9
Maryland Aviation Administration	572.1	644.7	72.6
Maryland Port Administration	800.8	842.6	41.8
Maryland Transit Administration	3,381.6	3,310.1	-71.5
Washington Metropolitan Area Transit Authority	1,534.8	2,574.9	1,040.1
State Highway Administration	8,119.7	7,352.2	-767.5
State Aid	0.0	1,326.3	1,326.3
Six-year Funding Total	\$14,815.4	\$16,438.6	\$1,623.2
Funds			
Special Funds	\$7,949.0	\$8,636.5	\$687.5
Federal Funds	5,707.5	5,845.6	138.1
General Fund Transfer	0.0	793.0	793.0
Other Funds	1,158.9	1,163.5	4.6
Total Funds	\$14,815.4	\$16,438.6	\$1,623.2

Source: Maryland Department of Transportation; Department of Legislative Services

Exhibit 5 shows the level of planned capital spending by year compared with actual spending from past years. Combined special and federal capital spending exceeded \$2.0 billion for the first time in 2015. With the addition of general fund transfers to support the capital program (\$793 million six-year total), spending is projected to peak in fiscal 2020 at just over \$3.0 billion and then decline through the rest of the forecast.

Exhibit 5
Capital Spending Trends
Fiscal 2001-2024
(\$ in Billions)

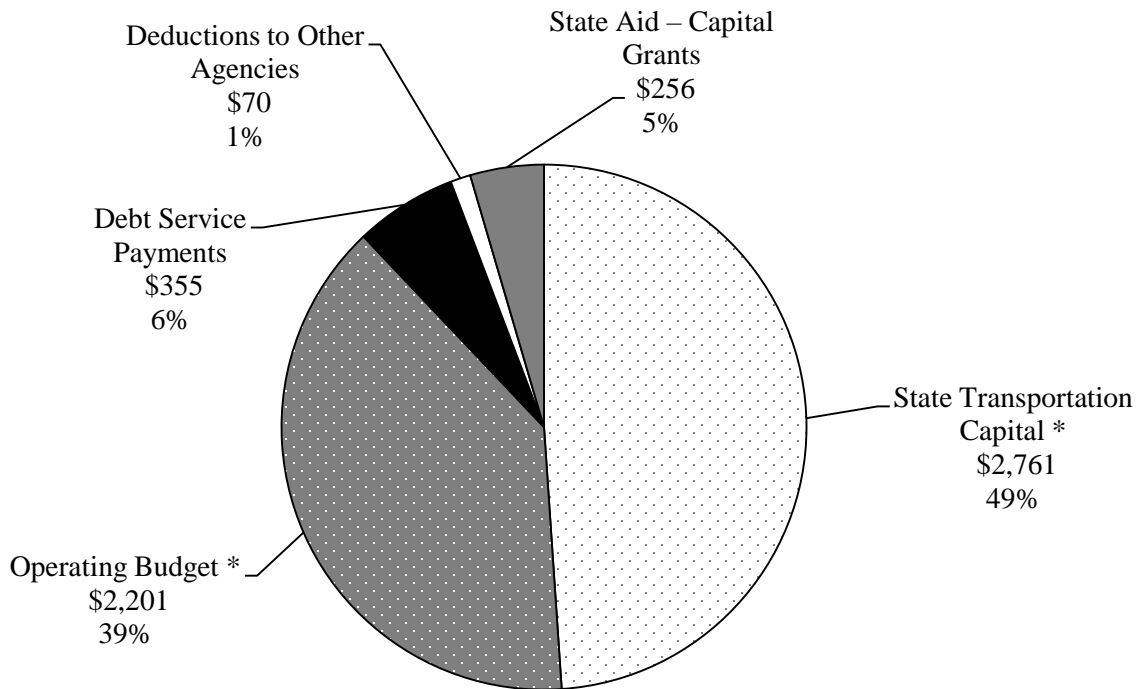


Source: Maryland Department of Transportation; Department of Legislative Services

Budget Overview

Exhibit 6 shows all expenditures from the TTF by category for fiscal 2020. The State capital program (excluding State aid capital grants) accounts for 49% of TTF spending in fiscal 2020 with departmental operations comprising an additional 39%. The remainder of TTF expenditures cover debt service payments, State aid capital grants, and deductions to other State agencies.

Exhibit 6
Fiscal 2020 Transportation Trust Fund Uses
(\$ in Millions)



Total Spending: \$5.2 Billion

* Excludes general salary increases.

Note: The chart includes special funds from the Transportation Trust Fund, a general fund transfer to support the capital program, and federal funds only. It excludes \$302 million in other funding for the capital program. For illustrative purposes, other funding can include the Maryland Transportation Authority, passenger facility charges, customer facility changes, local county participation, pass-through federal funding for the Washington Metropolitan Area Transit Authority, and funding from the Transportation Security Administration.

Source: Maryland Department of Transportation, *Transportation Trust Fund Forecast*, January 2019

Proposed Budget

General Salary Increase

The fiscal 2020 allowance includes funds for a 3.0% general salary increase for all State employees (except for members of the State Law Enforcement Officers Labor Alliance (SLEOLA) who will receive a 5% general salary increase) effective July 1, 2019. These funds are budgeted in the Department of Budget and Management’s statewide program and will be distributed to agencies during the fiscal year. MDOT’s share of the general salary increase is \$14,160,216 (\$13,466,766 in special funds and \$693,450 in federal funds). In addition, employees will receive another 1.0% increase effective January 1, 2020, if actual fiscal 2019 general fund revenues exceed the December 2018 estimate by at least \$75 million. These funds have not been budgeted. The Administration will need to process a deficiency appropriation if revenues are \$75 million or more than projected.

Exhibit 7 shows the operating and capital budgets for the modal administrations, along with the amounts budgeted for debt service and State aid capital grants. The exhibit includes the fiscal 2018 actual through the fiscal 2020 allowance. The fiscal 2018 to 2019 capital grants to local governments are included in the local aid line and subtracted from the capital budget line for the Secretary’s Office. Fiscal 2019 has been adjusted to reflect funding for the fiscal 2019 \$500 employee bonuses and the 0.5% general salary increase. Fiscal 2020 has been adjusted to reflect the 3.0% general salary increase (5.0% for SLEOLA members) and to annualize the 0.5% fiscal 2019 general salary increase.

MDOT’s total adjusted fiscal 2020 allowance of \$5.4 billion is an increase of \$194.8 million (3.7%) over the current year working appropriation. The \$79.2 million increase in operations spending comprises nearly 41% of the increase between the working appropriation and the allowance with capital spending accounting for just over 38% of the increase and debt service and State aid mandated capital grant funding accounting for nearly 11% and just over 10% of the increase, respectively.

Exhibit 7
Transportation Budget Overview
Fiscal 2018-2020
(\$ in Thousands)

	<u>Actual</u> <u>2018</u>	<u>Working App.</u> <u>2019¹</u>	<u>Allowance</u> <u>2020¹</u>	<u>\$ Change</u> <u>2019-2020</u>	<u>% Change</u> <u>2019-20</u>
Operating					
Secretary’s Office	\$90,313	\$93,291	\$101,557	\$8,266	8.9%
WMATA	362,519	388,939	392,948	4,009	1.0%
State Highway Administration	294,566	294,388	310,016	15,628	5.3%
Port Administration	45,857	50,355	51,121	766	1.5%
Motor Vehicle Administration	199,557	205,302	209,601	4,299	2.1%
Maryland Transit Administration	858,845	851,250	893,117	41,867	4.9%
Aviation Administration	196,278	201,581	205,932	4,351	2.2%
Subtotal	\$2,047,934	\$2,085,107	\$2,164,292	\$79,185	3.8%
Debt Service	\$340,060	\$333,816	\$354,848	\$21,033	6.3%
State Aid – Highway User/Mandated Capital	\$213,796	\$236,064	\$255,932	\$19,867	8.4%
Capital					
Secretary’s Office	\$36,197	\$57,687	\$54,149	-\$3,538	-6.1%
WMATA	134,179	155,922	225,133	69,211	44.4%
State Highway Administration	1,434,991	1,494,823	1,435,718	-59,105	-4.0%
Port Administration	94,201	117,575	137,437	19,862	16.9%
Motor Vehicle Administration	18,746	32,394	43,884	11,490	35.5%
Maryland Transit Administration	536,174	604,185	653,814	49,629	8.2%
Aviation Administration	117,823	101,937	89,147	-12,790	-12.5%
Subtotal	\$2,372,312	\$2,564,523	\$2,639,283	\$74,759	2.9%
Total of All Funds					
Special Fund	\$3,992,937	\$4,071,539	\$4,095,360	\$23,821	0.6%
Federal Fund	981,165	1,147,971	1,318,995	171,024	14.9%
Grand Total	\$4,974,102	\$5,219,510	\$5,414,355	\$194,845	3.7%

WMATA: Washington Metropolitan Area Transit Authority

¹ Fiscal 2019 is adjusted to reflect funding for the \$500 employee bonuses and the 0.5% general salary increase. Fiscal 2020 is adjusted to reflect the 3.0% general salary increase (5% for State Law Enforcement Officers Labor Alliance members) and to annualize the fiscal 2019 0.5% general salary increase.

Note: Fiscal 2018 and 2019 funding for capital grants to local governments has been added to the State Aid – Highway User/Mandated Capital line and subtracted from the capital line for the Secretary’s Office.

Source: Governor’s Fiscal 2020 Budget Books

Operating Budget Analysis

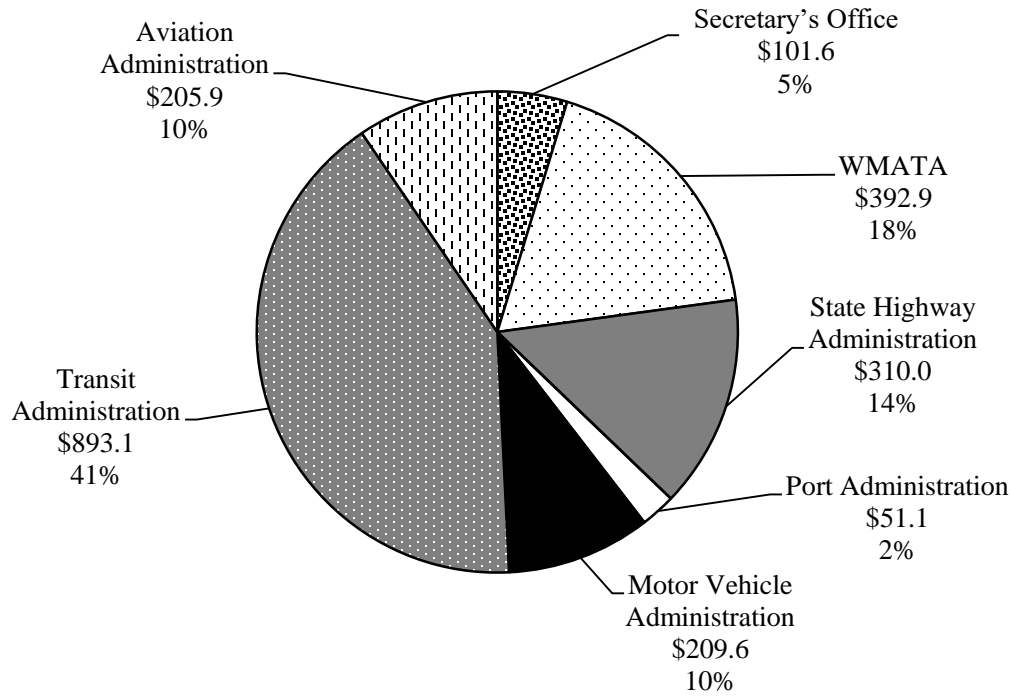
MDOT’s operating allowance includes funding for the operations of each of the modes and for paying debt service on bonds issued to support capital spending. MDOT’s fiscal 2020 operating budget allowance totals just over \$2.5 billion, an increase of \$100.2 million (4.1%) over the current year working appropriation. Almost 86% of the operating allowance is used for the operating expenses of each of the modes with debt service accounting for the remaining 14% of operating spending.

Fiscal 2020 Proposed Budget

Operating Programs

The fiscal 2020 allowance for the modal operating budgets, adjusted to reflect the general salary increase, totals nearly \$2.2 billion, an increase of \$79.2 million, or 3.8%, over the fiscal 2019 working appropriation. The Secretary’s Office receives the largest percent increase at 8.9% (\$8.3 million), while the largest dollar increases occur in MTA (\$41.9 million or 4.9%) and SHA (\$15.6 million or 5.3%). **Exhibit 8** shows the fiscal 2020 operating budget allowances by mode and provides the percentage of total operating spending that the budget for each mode represents. Transit spending, the combined operating budget allowances for MTA and WMATA, represents the largest share of the MDOT operating budget at 59.4%.

Exhibit 8
Fiscal 2020 Operating Budget Allowance by Mode
(\$ in Millions)



Total Spending: \$2.2 Billion

WMATA: Washington Metropolitan Area Transit Authority

Source: Department of Legislative Services; Governor's Fiscal 2020 Budget Books

Personnel

As shown in **Exhibit 9**, the fiscal 2020 allowance contains 9,059.5 regular positions – an increase of 2.0 over the fiscal 2019 working appropriation. The new positions are transfers from other agencies, and MDOT advises that one of the new positions was actually intended for the Governor's Office of Crime Control and Prevention. The remaining new position is for the Secretary's Office and will provide support for special research projects on topics such as Maryland's electric vehicle infrastructure, alternative transportation options, and transit ridership. A number of transfers were made between modal administrations, but this did not affect the total number of positions for the department. The number of contractual full-time equivalents remains unchanged between the working appropriation and the allowance.

Exhibit 9
Regular and Contractual Full-time Equivalents
Operating and Capital Programs
Fiscal 2018-2020

	<u>2018</u>	<u>Working 2019</u>	<u>Allowance 2020</u>	<u>Change 2019-20</u>	<u>% Change 2019-20</u>
Regular Positions					
Secretary’s Office	318.0	319.5	320.0	0.5	0.2%
State Highway Administration	2,961.5	2,959.5	2,961.5	2.0	0.1%
Port Administration	210.0	209.0	210.0	1.0	0.5%
Motor Vehicle Administration	1,707.5	1,707.5	1,707.5	0.0	0.0%
Transit Administration	3,366.0	3,367.5	3,366.0	-1.5	0.0%
Aviation Administration	494.5	494.5	494.5	0.0	0.0%
Total Regular Positions	9,057.5	9,057.5	9,059.5	2.0	0.0%
Contractual Positions					
Secretary’s Office	8.8	10.0	10.0	0.0	0.0%
State Highway Administration	37.5	88.0	88.0	0.0	0.0%
Port Administration	0.7	1.2	1.2	0.0	0.0%
Motor Vehicle Administration	0.0	6.5	6.5	0.0	0.0%
Transit Administration	13.0	16.0	16.0	0.0	0.0%
Aviation Administration	0.5	0.5	0.5	0.0	0.0%
Total Contractual Positions	60.4	122.2	122.2	0.0	0.0%

Source: Department of Budget and Management

Debt Service

The fiscal 2020 allowance for debt service payments is \$354.8 million, an increase of \$21.0 million, or 6.3%, over the fiscal 2019 working appropriation. The increase is the result of debt service on currently outstanding debt plus the estimated debt service due to the planned issuance of \$635 million in fiscal 2020. At the end of fiscal 2020, debt outstanding on the department’s Consolidated Transportation Bonds is projected to total nearly \$3.8 billion, which is within the statutory cap of \$4.5 billion. The MDOT forecast indicates that debt service coverage ratios will be adequate throughout the forecast period although the fiscal 2020 ratio will be at the minimum acceptable level under the department’s debt management practices.

State Aid – Mandated Capital Grants

Prior to fiscal 2020, local governments shared in a portion of the tax and fee revenues that are deposited into GMVRA, commonly referred to as Highway User Revenues (HUR). Since fiscal 2009, the local share of HUR had been 9.6% of GMVRA with MDOT retaining 90.4% of revenues to support its operating and capital budgets. Chapters 330 and 331 of 2018 converted this aid to local governments from a share of GMVRA revenues to mandated capital grants based on a percentage of total GMVRA and also increased the amount local governments would receive to an amount equivalent to 13.5% of GMVRA for fiscal 2020 to 2024. This change increased MDOT’s bonding capacity since it now retains all GMVRA revenue.

In recent years, local governments have received discretionary capital grants to supplement the HUR funding. These discretionary grants were provided in lieu of increasing the local share of GMVRA. These grants totaled \$38.4 million in fiscal 2018 and \$57.9 million in fiscal 2019. Since Chapters 330 and 331 provide for a five-year increase in the amount of funding provided to local governments, discretionary capital funding is not needed over this period.

Exhibit 10 provides a summary of State transportation aid – HUR and discretionary capital grant funding for fiscal 2018 and 2019 and mandated capital grant funding for fiscal 2020. The fiscal 2020 mandated capital grant funding of \$255.9 million is \$17.5 million more than the combined HUR/discretionary capital grant funding locals received in fiscal 2019.

Exhibit 10
State Aid – Highway User Revenues and Capital Grants
Fiscal 2018-2020

	2018	2019	2020
	<u>HUR</u> <u>% of GMVRA</u>	<u>HUR</u> <u>% of GMVRA</u>	<u>Mandated Capital Grants</u> <u>% of GMVRA</u>
MDOT	90.4%	90.4%	n/a
Baltimore City	7.7%	7.7%	8.3%
Counties	1.5%	1.5%	3.2%
Municipalities	0.4%	0.4%	2.0%
Total	100.0%	100.0%	13.5%
Highway User Revenues			
MDOT	\$1,647,294,684	\$1,700,102,740	\$1,895,789,000
Local Share	174,933,949	180,541,883	\$0
Total GMVRA	\$1,822,228,633	\$1,880,644,623	\$1,895,789,000
Local Distribution			
Baltimore City	\$140,311,605	\$144,809,636	\$0
Counties	27,333,429	28,209,669	0
Municipalities	7,288,915	7,522,578	0
Total	\$174,933,949	\$180,541,883	\$0
Capital Grants			
Baltimore City	\$5,484,423	\$5,558,937	\$157,350,487
Counties	12,796,987	29,892,204	60,665,248
Municipalities	20,109,551	22,480,289	37,915,780
Total	\$38,390,961	\$57,931,430	\$255,931,515
Combined Highway User Revenues and Capital Grants			
Baltimore City	\$145,796,028	\$150,368,573	\$157,350,487
Counties	40,130,416	58,101,873	60,665,248
Municipalities	27,398,466	30,002,867	37,915,780
Total	\$213,324,910	\$238,473,313	\$255,931,515

GMVRA: Gasoline and Motor Vehicle Revenue Account

HUR: Highway User Revenues

MDOT: Maryland Department of Transportation

Source: Governor's Fiscal 2020 Budget Books

PAYGO Capital Budget Analysis

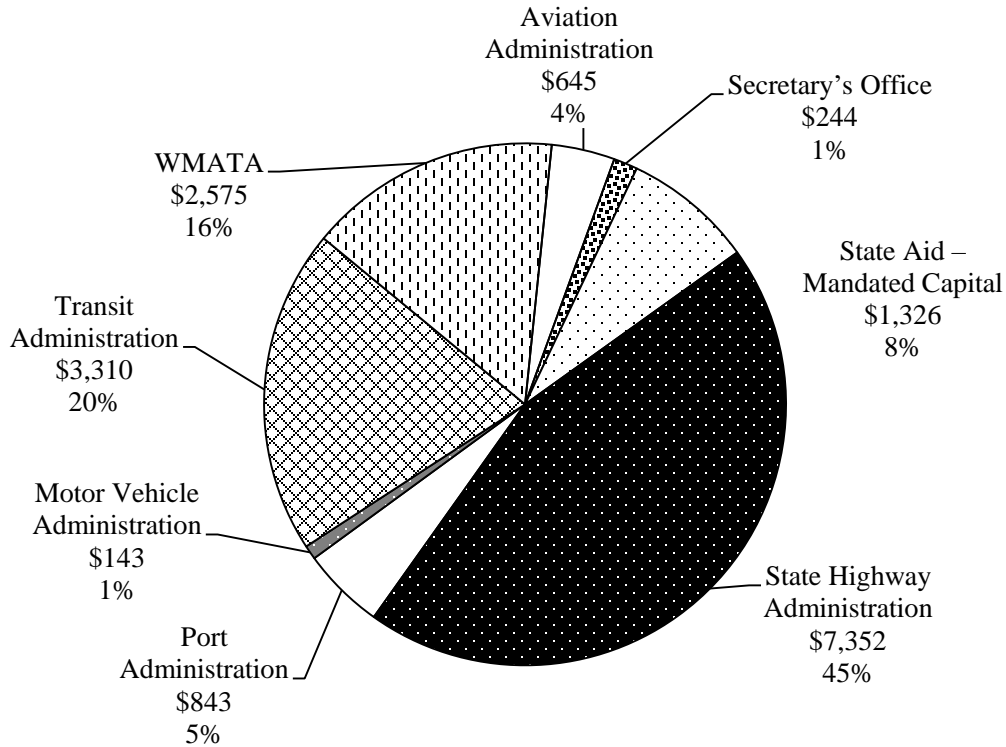
The CTP is issued annually and is posted on the MDOT website. It provides a description of major projects proposed by MDOT for development and evaluation or construction over the next six-year period.

Fiscal 2019 to 2024 CTP

The fiscal 2019 to 2024 CTP totals over \$16.4 billion for projects supported by State, federal, and other funds. This is an increase of \$1.6 billion over the fiscal 2018 to 2023 CTP; however, \$1.3 billion of the increase is due to the conversion of State aid from HUR to mandated capital grants. **Exhibit 11** shows the six-year funding by mode. SHA, exclusive of State aid mandated capital grant funding, accounts for nearly 45% of six-year capital spending.

Exhibit 12 shows the fund splits for each year of the capital program. Federal funds are the largest source of six-year capital funding at 35.6% with special funds accounting for a further 35% of six-year funding. General funds comprise 4.8% of six-year funding and are included for the new \$167 million annual capital grant to WMATA mandated by Chapters 351 and 352. In fiscal 2020, special funds cover \$42 million of the new WMATA grant with general funds providing \$125 million. For fiscal 2021 to 2024, general funds provide the entire \$167 million for the mandated grant. Other funds, which do not flow through the Maryland State budget, account for the remaining 7.1% of six-year capital funding.

Exhibit 11
Proposed Six-year Capital Funding by Mode
Fiscal 2019-2024
(\$ in Millions)



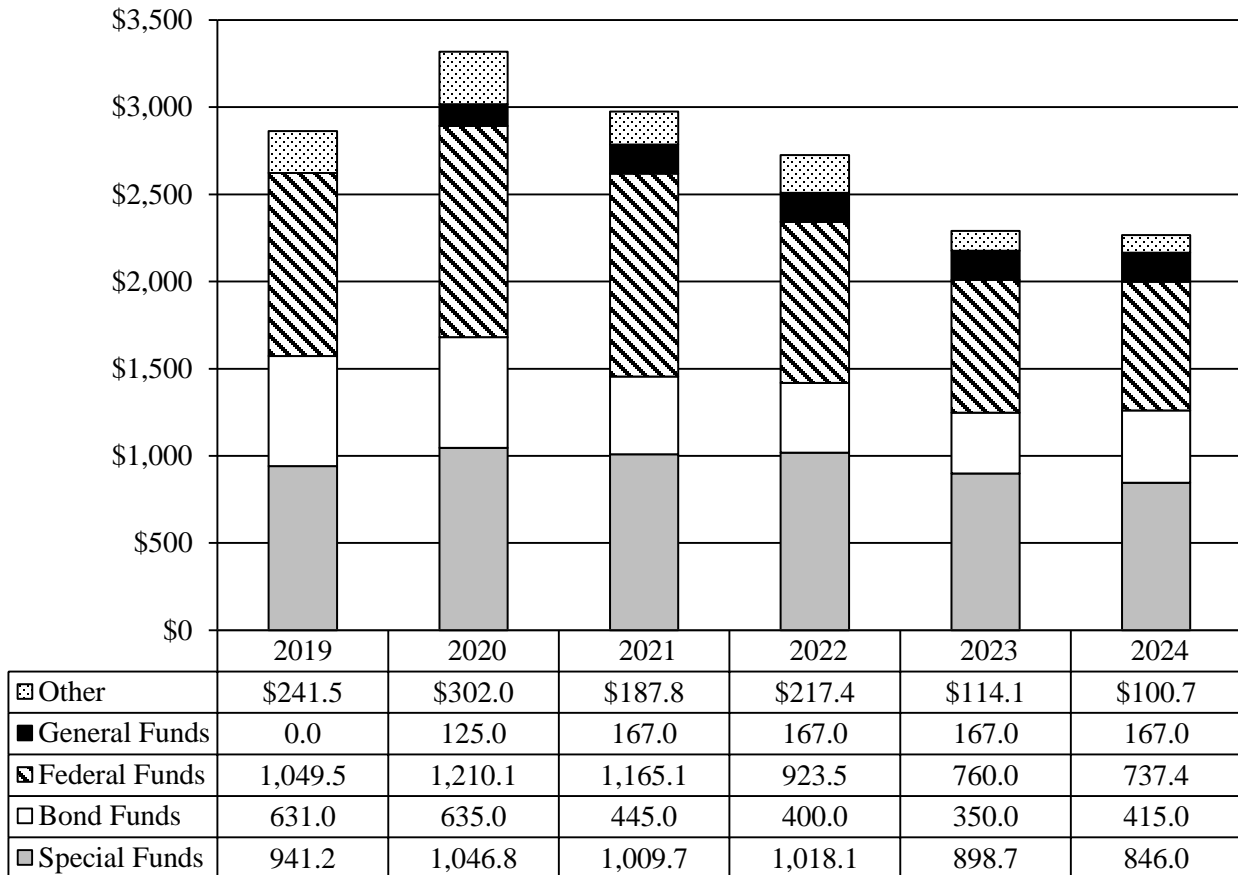
Total Spending: \$16.4 Billion

WMATA: Washington Metropolitan Area Transit Authority

Note: State Aid Mandated Capital Grant funding is included in the State Highway Administration in the *Consolidated Transportation Program* but is shown separately here.

Source: Maryland Department of Transportation, *Fiscal 2019-2024 Consolidated Transportation Program*; Department of Legislative Services

Exhibit 12
Proposed Capital Funding by Year and Source
Fiscal 2019-2024
(\$ in Millions)

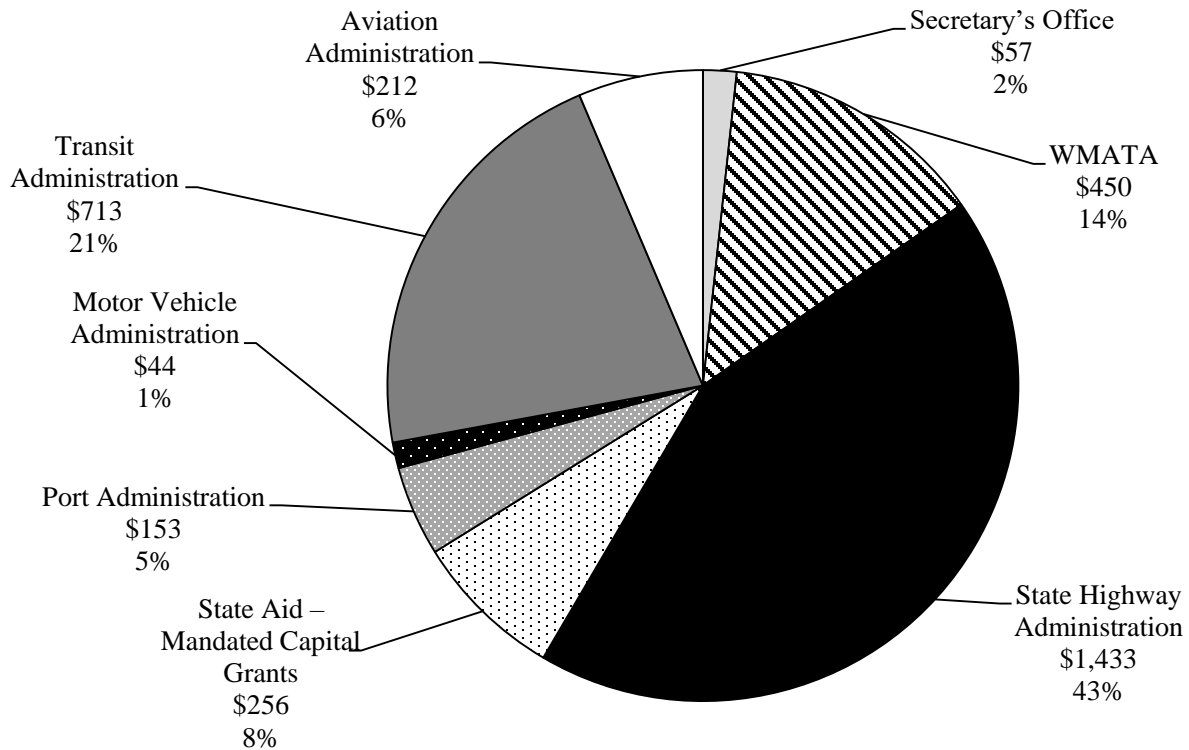


Source: Maryland Department of Transportation, Fiscal 2019-2024 Consolidated Transportation Program; Department of Legislative Services

Fiscal 2020 Capital Budget

Exhibit 13 shows the MDOT fiscal 2020 capital budget by mode. Including other funds, which do not flow through the MDOT budget, fiscal 2020 capital spending is projected at \$3.3 billion, an increase of \$455.7 million (15.9%) from planned capital spending for the current year. Over 56% of the increase, however, is due to the conversion of State transportation aid from HUR to mandated capital grants. If the State aid mandated capital funding is excluded, spending in fiscal 2020 grows by \$199.6 million (7.0%) compared to the current year.

Exhibit 13
Fiscal 2020 Capital Funding by Mode
(\$ in Millions)



Total Spending: \$3.3 Billion

WMATA: Washington Metropolitan Area Transit Authority

Note: State Aid Mandated Capital Grant funding is included in the State Highway Administration in the *Consolidated Transportation Program* but is shown separately here.

Source: Maryland Department of Transportation, *2019-2024 Consolidated Transportation Program*

Other Funds

The fiscal 2019 to 2024 CTP shows \$426.9 million in other funds for fiscal 2020 as shown in **Exhibit 14**. Normally, other funds only represent funding for projects that does not flow through the Maryland budget. For fiscal 2020, however, \$125 million in general funds appropriated to the DPA is included in the other funds total. The nongeneral fund portion of other funds in fiscal 2020 comprises passenger and customer facility charges at the Baltimore-Washington International Thurgood Marshall Airport, county participation, private funds, and federal funds received directly by WMATA.

Exhibit 14 Fiscal 2020 Other Funds (\$ in Thousands)

<u>Project</u>	<u>Funding Source</u>	<u>Amount</u>
Residential Sound Insulation Program	Passenger Facility Charges	\$880
BWI Federal Inspection Service Hall Reconfiguration	Passenger Facility Charges	2,637
BWI Restroom Improvement Program	Passenger Facility Charges	12,578
BWI Shuttle Bus Service Fleet Replacement	Certificates of Participation	11,685
Midfield Cargo Apron Deicing Expansion	Passenger Facility Charges	8,870
BWI Concourse D HVAC Replacement	Passenger Facility Charges	4,689
Airline Maintenance Facility Infrastructure	Maryland Transportation Authority Loan	31,949
BWI Concourse A Improvements – Phase 2	Maryland Transportation Authority Loan/ Passenger Facility Charges	48,625
BWI Mobile Lounge Refurbishment	Passenger Facility Charges	1,060
CRCF – Facility Reevaluation	Customer Facility Charges	100
CRCF – BMF Bus Wash Replacement	Customer Facility Charges	300
Subtotal – Maryland Aviation Administration		\$123,373
Seagirt Modernization – Berth Improvements	Ports America Chesapeake	\$16,000
Subtotal – Maryland Port Administration		\$16,000
Purple Line	Montgomery/Prince George’s	\$20,000
Purple Line Capital Crescent Trail	Montgomery	13,700
Non-State Purple Line (Bethesda Metro)	Montgomery	19,364
North Avenue Rising	Baltimore City/Local Federal Funding	1,300
TMDL compliance	Local Federal Funding	3,598
LOTS Ocean City Facility Replacement	Ocean City	1,138
LOTS Elderly and Disabled Non-Profit Services	Local Governments	350
LOTS Baltimore City Harbor Connector	Baltimore Ferry	325

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<u>Project</u>	<u>Funding Source</u>	<u>Amount</u>
LOTS TDP	Local Governments	33
<i>Subtotal – Maryland Transit Administration</i>		<i>\$59,808</i>
Maglev	Private Company	\$2,860
<i>Subtotal – The Secretary’s Office</i>		<i>\$2,860</i>
WMATA Federal Funding	Federal Government	\$99,870
Dedicated Purpose Account appropriation	General Fund	125,000
<i>Subtotal – WMATA</i>		<i>\$224,870</i>
Total – Other Funds		\$426,911

BMF: bus maintenance facility
 BWI: Baltimore-Washington International Thurgood Marshall Airport
 CRCF: consolidated car rental facility
 HVAC: heating, ventilation, and air conditioning
 LOTS: locally operated transit systems
 TDP: transportation development plan
 TMDL: Total Maximum Daily Load
 WMATA: Washington Metropolitan Area Transit Authority

Source: Maryland Department of Transportation; Department of Legislative Services

Not included in the other funds total is \$32.5 million in other fund support for planning for the I-495 and I-270 Public-private Partnership (P3) Program. This funding is being provided by the Maryland Transportation Authority (MDTA) and is in addition to \$17.5 million that MDTA is providing for this purpose in fiscal 2019 (this funding was not included in the other funds total in the fiscal 2018 to 2023 CTP). If the State receives an upfront concession payment as part of P3, the repayment to MDTA will be taken off the top. If there is no upfront concession payment, or an insufficient concession payment is received, MDTA will be repaid by SHA over 13 annual payments.

Issues

1. Report on February 2018 Baltimore Metro Shutdown Not Yet Submitted

On February 9, 2018, MTA shut down the Baltimore Metro system to conduct track inspections and subsequently extended the shutdown for a month to conduct track repairs. Committee narrative in the 2018 *Joint Chairmen’s Report* (JCR) requested a report from MTA by September 1, 2018, summarizing the findings and recommendations of reviews to be conducted internally by MTA and the State Safety Oversight Agency located within MDOT and externally by the Federal Transit Administration and the American Public Transit Administration. For any reviews that had not been completed by September 1, 2018, MTA was requested to submit follow-up reports within 30 days of the completion of outstanding reviews. As of late January 2019, MTA has yet to submit any report to the budget committees related to the Metro shutdown. The decision to implement an emergency shutdown of this duration points to deficiencies in the management and oversight of the transit system. Failure to provide the requested reports on the findings and recommendations of internal and external reviews hinders oversight by the General Assembly and raises questions about the seriousness with which the department is addressing the underlying financial and management issues. **A recommendation will be included in the budget analysis for the Secretary’s Office to withhold funding pending receipt of the requested reports.**

2. Fiscal 2020 Budget as Introduced Does Not Include the Required Appropriation for the Mandated Capital Funding for WMATA

Among other things, beginning in fiscal 2020, Chapters 351 and 352 require the Governor to include an appropriation of \$167 million to pay the capital costs of WMATA from the revenues available for the State capital program in the TTF. This is new funding that is in addition to the base capital grant to WMATA that also becomes a mandated appropriation under the provisions of Chapters 351 and 352. Since the funds available for the State capital program in the TTF are special funds in the TTF, the budget must include a special fund appropriation of \$167 million from the TTF. As introduced, however, the appropriation for the WMATA capital grant includes only the base capital grant funding and \$42 million of the \$167 million new mandated grant – an amount that is \$125 million short. The budget contains a \$125 million appropriation of general funds to the DPA for WMATA; however, that appropriation is not an appropriation from the TTF and, therefore, does not satisfy the requirements imposed by Chapter 351 and 352. An advice of counsel letter on this issue has been requested from the Office of the Attorney General. **This omission should be corrected in a supplemental budget.**

3. Department Advancing Toll Lane P3 Project for I-495 and I-270

On December 12, 2018, MDOT, together with MDTA, submitted a presolicitation report providing their justification to conduct a series of P3 procurements to add priced managed toll lanes (toll lanes that utilize variable tolling to optimize traffic flow) to the Maryland portion of the Capital

Beltway (I-495) and to I-270 extending from I-495 to Frederick (I-495 and I-270 P3 Program). This is the second P3 project submitted for review under the procedures established by P3 legislation passed during the 2013 session (Chapter 5). Pursuant to this legislation, § 10A-201 of the State Finance and Procurement Article requires the submission of a presolicitation report to the budget committees, the Comptroller, the State Treasurer, and the Department of Legislative Services (DLS). The budget committees have no more than 45 days to review and comment on the presolicitation report unless the value of the proposed P3 exceeds \$500 million, in which case the committees may request an additional 15 days. The budget committees requested the additional days by letter dated January 17, 2019, which extended the review period to February 10, 2019.

In its review of the presolicitation report, DLS raised two issues:

- ***Lack of Specificity for What Will Actually Be Procured:*** There are 15 alternatives being considered in the required Environmental Impact Study (EIS) for the corridor, 7 of which involve priced managed lanes that would be procured as a P3 if selected. Within the subset of alternatives involving priced managed lanes, the number of lanes that would be constructed vary from one in each direction on I-495 only (with conversion of the I-270 high-occupancy vehicle lane (HOV) lanes, one in each direction, to priced managed lanes) to two lanes in each direction on both I-495 and I-270. The complexity and capital costs of constructing two lanes in each direction on both roadways would be considerably higher than the construction of a single lane in each direction on I-495 and conversion of the HOV lanes on I-270. This difference could lead to different conclusions on the costs and benefits of using a P3 procurement.
- ***Lack of a Rigorous Effort to Evaluate an MDTA Procurement as a Alternative:*** The purpose of a presolicitation report is to justify the use of a P3 in lieu of a conventional procurement. Without a good understanding of how a conventional procurement would work for a particular project, it is impossible to adequately evaluate whether a P3 procurement would be better. The presolicitation report notes that MDTA has insufficient room under its debt cap; however, the cap could be increased, or a separate, project-specific debt cap could be established through legislation. If toll revenues are sufficient to cover a concessionaire’s debt service, operating and maintenance costs, and return on investment, they should be sufficient to allow MDTA to procure the project using one or more design build contracts. The report does not provide a complete analysis to demonstrate that a P3 is more financially advantageous to the State.

DLS recommended that:

- the budget committees ask MDOT/MDTA to withdraw the presolicitation report and resubmit it only upon completion of the draft EIS and only if priced managed lanes were part of the selected alternative and further ask that any future presolicitation report include a detailed comparison between the proposed P3 and procurement by MDTA using design-build contracts; and
- the General Assembly amend the P3 statute to prohibit the submission of a presolicitation report prior to the availability of a draft EIS for any project that would require development of an EIS.

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HB 91 of 2019, as introduced, would implement the DLS recommendations. It is designated as an emergency bill that would take effect immediately upon enactment.

Operating Budget Recommended Actions

1. Add the following language:

Provided that it is the intent of the General Assembly that projects and funding levels appropriated for capital projects, as well as total estimated project costs within the Consolidated Transportation Program, shall be expended in accordance with the plan approved during the legislative session. The department shall prepare a report to notify the budget committees of the proposed changes in the event that the department modifies the program to:

- (1) add a new project to the construction program or development and evaluation program meeting the definition of a “major project” under Section 2-103.1 of the Transportation Article that was not previously contained within a plan reviewed in a prior year by the General Assembly and will result in the need to expend funds in the current budget year;
or
- (2) change the scope of a project in the construction program or development and evaluation program meeting the definition of a “major project” under Section 2-103.1 of the Transportation Article that will result in an increase of more than 10% or \$1,000,000, whichever is greater, in the total project costs as reviewed by the General Assembly during a prior session.

For each change, the report shall identify the project title, justification for adding the new project or modifying the scope of the existing project, current year funding levels, and the total project cost as approved by the General Assembly during the prior session compared with the proposed current year funding and total project cost estimate resulting from the project addition or change in scope.

Further provided that notification of project additions, as outlined in paragraph (1) above; changes in the scope of a project, as outlined in paragraph (2) above; or moving projects from the development and evaluation program to the construction program, shall be made to the General Assembly 45 days prior to the expenditure of funds or the submission of any contract for approval to the Board of Public Works.

Explanation: This annual budget bill language requires the department to notify the budget committees of proposed changes to the transportation capital program that will add a new project that was not in the fiscal 2019-2024 Consolidated Transportation Program (CTP) or will increase a total project’s cost by more than 10%, or \$1 million, due to a change in scope. Reports are to be submitted with the draft and final versions of the CTP, with each using the 2019 session CTP as the basis for comparison. In addition, notification is required as needed throughout the budget year if certain changes to projects are made.

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Information Request	Author	Due Date
Capital budget changes from one CTP version to the next	Maryland Department of Transportation (MDOT)	With draft CTP With final CTP
Capital budget changes throughout the year	MDOT	45 days prior to the expenditure of funds or seeking Board of Public Works approval

2. Add the following language:

The Maryland Department of Transportation (MDOT) may not expend funds on any job or position of employment approved in this budget in excess of X,XXX.X positions and XXX.X contractual full-time equivalent (FTE) positions paid through special payments payroll (defined as the quotient of the sum of the hours worked by all such employees in the fiscal year divided by 2,080 hours) of the total authorized amount established in the budget for MDOT at any one time during fiscal 2020. The level of contractual FTE positions may be exceeded only if MDOT notifies the budget committees of the need and justification for additional contractual personnel due to:

- (1) business growth at the Helen Delich Bentley Port of Baltimore or Baltimore/Washington International Thurgood Marshall Airport, which demands additional personnel; or
- (2) emergency needs that must be met, such as transit security or highway maintenance.

The Secretary shall use the authority under Sections 2-101 and 2-102 of the Transportation Article to implement this provision. However, any authorized job or position to be filled above the regular position ceiling approved by the Board of Public Works shall count against the Rule of XXX imposed by the General Assembly. The establishment of new jobs or positions of employment not authorized in the fiscal 2020 budget shall be subject to Section 7-236 of the State Finance and Procurement Article and the Rule of XXX.

Explanation: This annual budget bill language establishes a position ceiling for MDOT each year to limit growth in regular positions and contractual FTEs.

Information Request	Author	Due Date
Need for additional regular or contractual positions	MDOT	As needed

Updates

1. Secretary’s Office as Ombudsman

The 2018 JCR included committee narrative stating the intent of the committees that MDOT establish an ombudsman within the department to respond to concerns or complaints from Maryland residents and local government officials related to private-sector transportation projects being developed or tested within the State. MDOT indicates that the Secretary’s Office is the best place to which questions, concerns, or complaints on this or any other transportation topic be directed.