

**JB.01**  
**State Highway Administration**  
**Maryland Department of Transportation**

***Operating Budget Data***

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(\$ in Thousands)

	<b>FY 00</b>	<b>FY 01</b>	<b>FY 02</b>		<b>% Change</b>
	<b><u>Actual</u></b>	<b><u>Working</u></b>	<b><u>Allowance</u></b>	<b><u>Change</u></b>	<b><u>Prior Year</u></b>
Special Fund	\$596,702	\$591,602	\$605,642	\$14,039	2.4%
Federal Fund	<u>8,587</u>	<u>8,291</u>	<u>8,791</u>	<u>500</u>	<u>6.0%</u>
<b>Total Funds</b>	<b>\$605,289</b>	<b>\$599,893</b>	<b>\$614,433</b>	<b>\$14,539</b>	<b>2.4%</b>

- Local highway user revenue grants increase by \$6.6 million.
- Salary and wages increase by \$4.9 million.
- The allowance includes new landscaping (\$700,000) and vehicle replacement (\$550,000) initiatives.

***PAYGO Capital Budget Data***

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(\$ in Thousands)

	<b>Fiscal 2000</b>	<b>Fiscal 2001</b>		<b>Fiscal 2002</b>	
	<b><u>Actual</u></b>	<b><u>Legislative</u></b>	<b><u>Working</u></b>	<b><u>Request</u></b>	<b><u>Allowance</u></b>
Special Fund	\$270,674	\$267,802	\$295,861	\$279,558	\$295,994
Federal Fund	342,594	460,818	500,915	556,890	602,990
<b>Total</b>	<b>\$613,268</b>	<b>\$728,620</b>	<b>\$796,776</b>	<b>\$836,448</b>	<b>\$898,984</b>

Note: Numbers do not include general funds for the Woodrow Wilson Bridge replacement in the State Reserve Fund.

- The increase in fiscal 2002 is primarily attributable to the Woodrow Wilson Bridge replacement.
- The department added 18 projects totaling \$249 million to the six-year capital program.
- Another \$426 million was added due to increasing project costs or expanding project scopes over the six-year program.

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

For further information contact: Patrick S. Frank

Phone: (410) 946-5530

## ***Personnel Data***

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	<b><u>FY 00 Actual</u></b>	<b><u>FY 01 Working</u></b>	<b><u>FY 02 Allowance</u></b>	<b><u>Change</u></b>
Regular Positions	3,488.50	3,487.50	3,509.50	22.00
Contractual FTEs	<u>20.25</u>	<u>24.05</u>	<u>24.05</u>	<u>0.00</u>
<b>Total Personnel</b>	<b>3,508.75</b>	<b>3,511.55</b>	<b>3,533.55</b>	<b>22.00</b>

### ***Vacancy Data: Regular***

Budgeted Turnover: FY 02	156.87	4.47%
Positions Vacant as of 01/01/01	159.50	4.57%

- The allowance includes 22 new positions to support capital program activities such as Smart Growth and community-based initiatives, the Woodrow Wilson Bridge replacement, and capital planning and project management.

## ***Analysis in Brief***

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### **Issues**

***Status of Woodrow Wilson Bridge Replacement:*** An update of funding issues and Project Labor Agreement issues is provided. **The department should brief the committees on the status of the project.**

***Federal Sanctions and Incentive Grants:*** Federal transportation grants to states include incentives and sanctions based on State laws concerning individuals that drive while intoxicated. The analysis examines the effect of these grants on Maryland. **The department should brief the committees on the status of these federal grants.**

***Department Examines Variable Pricing Strategies:*** In a report to the budget committees, the department outlined some issues concerning variable pricing. Variable pricing involves a system of fees or tolls to manage congestion. **The department should brief the committees on its findings.**

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**Operating Budget Recommended Actions**

	<u><b>Funds</b></u>
1. Reduce information technology equipment purchases.	\$ 375,000
2. Reduce landscaping initiative to constrain State spending.	350,000
3. Reduce vehicle replacement funds to constrain State spending.	275,000
4. Adopt annual budget bill language stipulating Prince George's County repayment of for road improvements for Jack Kent Cooke Stadium infrastructure.	
<b>Total Reductions</b>	<b>\$ 1,000,000</b>

**PAYGO Capital Budget Recommended Actions**

	<u><b>Funds</b></u>
1. Reduce funds for the Neighborhood Conservation Program.	\$ 20,000,000
<b>Total Reductions</b>	<b>\$ 20,000,000</b>

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**JB.01**  
**State Highway Administration**  
**Maryland Department of Transportation**

***Budget Analysis***

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**Program Description**

The State Highway Administration (SHA) is responsible for over 5,200 miles of interstate, primary, and secondary roads, and over 2,400 bridges. SHA employees plan, design, build, and maintain these roads and bridges to safety and performance standards while paying attention to social, ecological, and economic concerns.

The administration employs personnel in seven engineering districts throughout the State and at the Baltimore City headquarters. Each district encompasses a number of adjacent counties, with a district office serving as its headquarters. There is at least one maintenance facility in each county. The districts are responsible for the management of highway and bridge construction contracts, and maintenance functions such as pavement repairs, bridge repairs, snow removal, roadside management, equipment maintenance, and traffic engineering operations.

SHA attempts to manage traffic and congestion through the Coordinated Highways Action Response Team (CHART) program. CHART provides information about traffic conditions and clears incidents on major roadways.

The highway safety program funds the Motor Carrier Division and the State Highway Safety Office. The Motor Carrier Division manages the State's enforcement of truck weight and age limits by inspecting drivers, trucks and cargo, as well as auditing carriers. The State Highway Safety Office administers highway safety programs and grants to State and local agencies.

**Governor's Proposed Operating Budget**

**Exhibit 1** shows that the fiscal 2002 allowance increases by \$14.5 million to \$614.4 million, compared to the fiscal 2001 working appropriation. The allowance for the State System Maintenance program totals \$174.2 million (\$7.2 million increase), the Highway Safety Operating program totals \$10.1 million (\$712,302 increase), and county and municipal funds total \$430.1 million (\$6.6 million increase).

**System Maintenance and Highway Safety Programs**

Funding for system maintenance and highway safety increases by \$7.9 million, or 4.3%, to \$184.4 million in fiscal 2002. Much of the increase is attributable to \$4.9 million in additional salary and wage costs. Other increases in the allowance support vehicle replacement, information technology hardware and engineering equipment purchases, and electricity for lighting roads. These expenses are offset somewhat by reductions in major contract maintenance, which support the maintenance of

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roadways, signs, drainage ditches, and landscaping around roadways. The allowance also includes two new initiatives to support additional landscaping, and replace heavy vehicles (i.e., such as dump trucks and tractor mowers) to reduce the average age of the fleet.

**Exhibit 1**

**Governor's Proposed Budget  
State Highway Administration  
(\$ in Thousands)**

<b>How Much It Grows:</b>	<b>Special Fund</b>	<b>Federal Fund</b>	<b>Total</b>
2001 Working Appropriation	\$591,602	\$8,291	\$599,893
2002 Governor's Allowance	605,642	8,791	614,433
Amount Change	\$14,039	\$500	\$14,539
Percent Change	2.4%	6.0%	2.4%
<b>Where It Goes:</b>			
<b>Personnel Expenses</b>			
Increments and other compensation			\$2,887
Employee and retiree health insurance			1,164
General salary increase			1,149
Turnover, workers' compensation, and other fringe benefit adjustments			197
Retirement contribution rate reduction			(466)
<b>Fiscal 2002 Initiatives</b>			
Landscaping			700
Reduce age of heavy equipment			550
<b>State System Maintenance and Highway Safety Programs</b>			
Engineering equipment and information technology hardware			939
Vehicle replacement			695
Additional federal funds for highway safety grants			500
Electricity			457
Telephone charges and supplies and materials			379
Major contract maintenance			(1,756)
<b>County and Municipal Funds</b>			
Local highway user revenue grants			6,617
<b>Other Changes</b>			527
<b>Total</b>			<b>\$14,539</b>

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

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### **County and Municipal Funds**

This program allocates highway user revenues to the counties, Baltimore City, and municipalities. By law, 30% of highway user revenues, which are deposited in the Gasoline and Motor Vehicle Revenue Account (GMVRA), are provided to the counties, Baltimore City, and municipalities in the form of local aid grants. GMVRA includes taxes and fees deposited into the Transportation Trust Fund, less statutory deductions including the Comptroller's Gasoline Tax Division, State Police Commercial Vehicle Enforcement, and funds retained by the Maryland Department of Transportation (MDOT). In fiscal 2002, the allowance for highway user revenue aid increases by \$6.6 million, or 1.6%, to \$430.1 million. This is primarily based on higher motor fuel and titling tax receipts.

### **Performance Analysis: Managing for Results**

The administration's Managing for Results (MFR) initiative attempts to provide agencies with a planning framework which identifies appropriate results and concentrates resources on achieving results. Within the budget, MFR provides a context for evaluating an agency's performance or outcome, instead of evaluating the agency's resources or inputs. The SHA has developed the following key goals:

- **Systems Preservation:** To improve the quality of pavements and bridges in Maryland;
- **Community Enhancement:** To support Smart Growth and enhance the quality of life in our communities;
- **Environmental Responsibility:** To develop and maintain highways in an environmentally responsible manner;
- **Mobility:** To reduce the time it takes to restore normal flow along State highways after incidents occur and to reduce recurring congestion at priority locations;
- **Highway Safety:** To provide a safe highway system;
- **Economic Development:** To provide a highway system that supports Maryland's economy;
- **Managing Resources:** To improve workplace safety and to reduce the age of the heavy equipment fleet; and
- **Customer Service:** To provide products and services that exceed customer expectations.

The MFR goals developed by the SHA reflect not just consistency in the agency's mission, but also how that mission has evolved. MDOT's top priority has always been system preservation, which is listed as the SHA's first MFR goal. The SHA also has such traditional highway agency goals as mobility, highway safety, resource management, and customer service.

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In recent years, the SHA has also expanded its mission and goals to focus more on non-traditional goals such as community enhancement and environmental responsibility. This has resulted in the introduction of new programs. Community enhancement reflects the administration's Smart Growth objectives by funding such programs as the Neighborhood Conservation and Urban Reconstruction Program, the Sidewalk Program, and Thinking Beyond the Pavement (TBTP) practices which encourage more community involvement in SHA projects.

The SHA is also providing additional funds in support of environmental goals. For example, the capital program now includes \$500,000 a year in the federal Enhancement Program to restore wetlands lost in previous years. Federal regulations require that wetlands lost each year be replaced at a ratio of at least 1:1 and as high as 3:1, depending on the quality of the wetland. SHA advises that it replaces an average of 20 acres of wetlands a year that are lost. In 1999 an agreement was reached between MDOT, the Department of Natural Resources, and the Maryland Department of the Environment to provide additional funds to restore previously lost wetlands, resulting in the additional \$500,000 a year for this new program.

**Exhibit 2** lists some of the SHA's MFR program measurement data relating to systems preservation, environmental responsibility, mobility, and resource management goals. Generally, the performance indicators show moderate improvements (e.g., percent of pavements rated fare to very good) or holding the line (e.g., percent of recurring congestion projects advertised). However, in some areas, such as the number of wetlands restored or the number of assists and responses by emergency traffic patrols, the SHA is attempting to substantially increase performance and has invested additional resources in these areas in recent years.

The SHA has revised much of its performance measures since the 2000 legislative session. The measures were revised to be consistent with the new business plan completed during the 2000 interim. The SHA is encouraged to keep these performance measures.

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**Exhibit 2**

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**Program Measurement Data  
State Highway Administration  
Fiscal 1999 through 2002**

	<u>Actual 1999</u>	<u>Actual 2000</u>	<u>Est. 2001</u>	<u>Est. 2002</u>	<u>Ann. Chg. 99-00</u>	<u>Ann. Chg. 00-02</u>
Percent of pavements rated fair to very good (calendar year measure) <sup>(1)</sup>	80%	82%	85%	85%	2.5%	1.8%
Percent of structurally deficient SHA bridges (calendar year measure) <sup>(1) (2)</sup>	3.8%	3.3%	3.0%	3.0%	-13.2%	-4.7%
Number of acres of wetlands restored (calendar year measure) <sup>(1)</sup>	n/a	n/a	40	160	-100.0 %	n/a
Number of assists and responses by emergency traffic patrols <sup>(3)</sup>	24,752	41,538	50,000	55,000	67.8%	15.1%
Percent of recurring congestion projects advertised	100%	93%	90%	90%	-7.0%	-1.6%
Lost workdays (calendar year measure) <sup>(1)</sup>	1,088	847	805	765	-22.2%	-5.0%

<sup>(1)</sup> Calendar year measures reflect actual data from previous calendar year.

<sup>(2)</sup> The national rate for structurally deficient bridges was 7 % in 1998 and 6.3% in 1999.

<sup>(3)</sup> Fiscal 2000 data is through May 2000.

Source: Maryland Department of Transportation

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## **PAYGO Capital Budget**

### **Program Description**

The State System Construction program provides funds for the capital program of the SHA. Financing is available from current revenues, federal aid, and bond proceeds for construction and reconstruction projects on the State highway system, program-related planning and research, acquisition of major capital equipment, and all other capital expenditures. Funding is also provided for local capital programs through the State Aid in Lieu of Federal Aid program and various federal grants, including bridge replacement and rehabilitation, and the national highway system.

The Consolidated Transportation Program (CTP) includes a development and evaluation program (D&E) and a construction program. Generally, projects are first added to the D&E program. In the D&E program, projects are evaluated by planners/engineers and rights-of-way may be purchased. MDOT also prepares final and draft Environmental Impact Statements for projects in the D&E program. These studies examine a number of alternatives which include a no-build option and a number of different alignments. Spending on a project while in the D&E program is usually less than 15% of the total project cost. When MDOT wants to move a project forward and begin construction, it is moved into the construction program.

### **Fiscal 2001 to 2006 Consolidated Transportation Program**

Moderate revenue growth and project completions have allowed MDOT to add projects to the fiscal 2001 to 2006 CTP. Another 18 projects totaling \$249.3 million have been added to the CTP or moved from D&E to the construction program. A complete listing of new projects added to the CTP is included in the MDOT Overview analysis. Highlights include:

- nine projects totaling \$113.7 million have been added to the construction program, including National Harbor interchanges at I-295 and I-495 in Prince George's County (\$55.8 million) and reconstructing U.S. 29 between MD 100 and MD 99 in Howard County (\$20.3 million);
- three projects requiring an additional \$131.3 million have been moved from the D&E program to the construction program, including upgrading MD 450 from Bell Station Road to Stonybrook Drive in Prince George's County (\$55.7 million), constructing grade-separated crossing and intersection improvements at MD 450 in Prince George's County (\$54.1 million), and relocating and upgrading MD 216 between I-95 and U.S. 29 in Howard County (\$21.5 million); and
- six projects totaling \$4.3 million have been added to the D&E program, including Owings Mills access improvements (Baltimore County), MD 404 Shore Highway upgrades (Caroline County), MD 140 interchanges (Carroll County), U.S. 15 interchanges (Frederick County), U.S. 219 reconstruction (Garrett County), and MD 28 Norbeck Road corridor study (Montgomery County).

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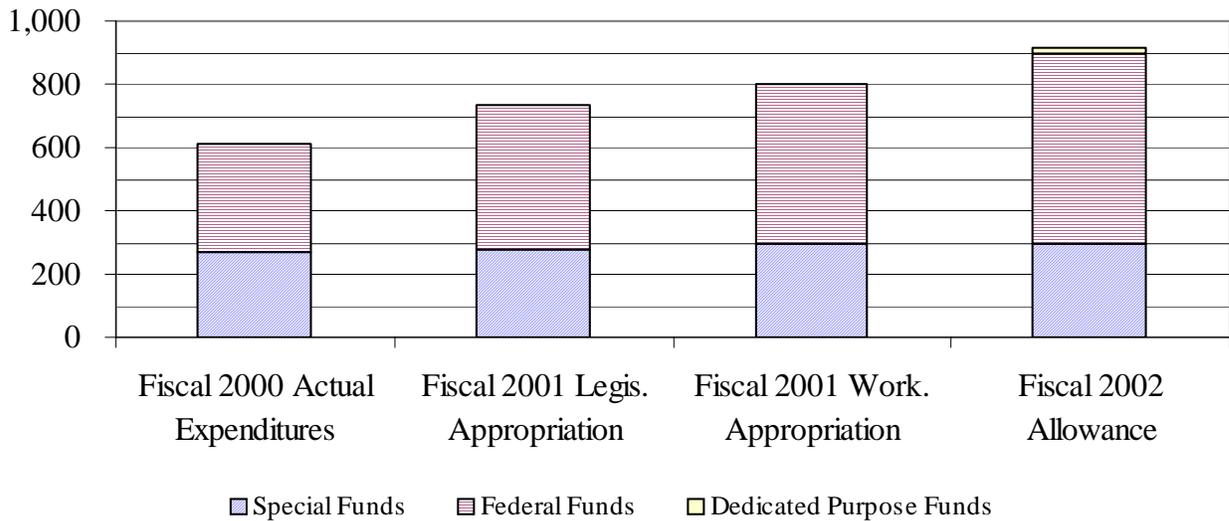
MDOT also added \$426 million to the six-year capital program to expand the scope of projects, including \$270.1 million for the Woodrow Wilson Bridge replacement and \$62.5 million for the Neighborhood Conservation Program.

**Fiscal 2001 and 2002 Cash Flow Analysis**

Since the 2000 CTP, the SHA capital program has continued to grow and cash flow changes reflect this. **Exhibit 3** shows that the fiscal 2002 allowance is \$917 million, which is \$119 million greater than the fiscal 2001 working appropriation. The fiscal 2001 working appropriation has also increased by \$60 million to almost \$799 million, when compared to the legislative appropriation.

**Exhibit 3**

**State Highway Administration Capital Program Cash Flow  
Fiscal 2000 through 2002  
(\$ in Millions)**



Note: Includes appropriations from the Dedicated Purpose Fund for Woodrow Wilson Bridge construction and federal grants for local jurisdictions.

Source: Maryland Department of Transportation, *2001 Consolidated Construction Program*

Cash flow changes are attributable to a number of different factors, including new projects added to the CTP, projects moved from the D&E program to the construction program, projects deleted from the CTP, and project delays. **Exhibit 4** shows how these changes have affected total capital program cash flows.

**Exhibit 4**

**Fiscal 2001 and 2002 Project Cash Flow Changes**

**Fiscal 2001 and 2002**

**(\$ in Thousands)**

	<b>FY 2001 Leg. Approp.</b>	<b>Change Leg. App. to Work.</b>	<b>Change Work. to Allow.</b>	<b>FY 2002 Allow.</b>
<b>New Projects Added to the D&amp;E and Construction</b>				
I-295/I-495: National Harbor (Prince George's)	\$0	\$300	\$5,005	\$5,305
<b>Projects Moved from D&amp;E to Construction</b>				
MD 450: Improve from Bell Station Rd. to Stonybrook Dr. (Prince George's)	3,911	4,975	(2,162)	6,724
<b>Changes in Scope</b>				
Neighborhood Conservation Program (statewide)	19,000	11,000	300	30,300
Sound Barrier Program (statewide)	5,600	(800)	11,200	16,000
<b>Major Project Delays</b>				
CHART (statewide)	25,878	(8,078)	(6,400)	11,400
I-270: Add interchange at Rockledge Drive and upgrade interchange at MD 187 (Montgomery)	9,649	(7,241)	2,086	4,494
<b>Project Phasing</b>				
Minor Projects (statewide)	254,400	37,500	(41,200)	250,700
I-695: Add Southbound Lane from MD 144 to I-695 (Baltimore County)*	1,111	639	25,266	27,016
Woodrow Wilson Bridge Replacement (Prince George's)**	42,290	4,200	151,873	198,363
East-West Intersection Improvements Program (Montgomery and Prince George's)	12,929	5,607	(12,697)	5,839
University of MD. Access (Prince George's)	12,331	3,769	(14,362)	1,738
Green Line Metro Access (Prince George's)	3,442	2,095	(5,537)	0
MD 235: Three Notch Road (St. Mary's)	15,916	4,517	(4,282)	16,151
U.S. 113: Worcester Highway (Worcester)	8,860	271	10,589	19,720
<b>Other Changes</b>	n/a	1,135	(415)	n/a
<b>Total Changes</b>	<b>\$738,620</b>	<b>\$59,889</b>	<b>\$119,264</b>	<b>\$917,773</b>

\*Though cash flow changes are primarily attributable to project schedules, they are affected by changes in scope and project costs.

\*\*Includes appropriations from the Dedicated Purpose Fund.

Source: Maryland Department of Transportation, 2001 Consolidated Transportation Program

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The cash flow changes demonstrate how the SHA's capital program has changed since the last CTP. These cash flow changes provide the following insights concerning MDOT's transportation spending policies:

- ***SHA's Spending Increases Are Largely Due to the Woodrow Wilson Bridge Replacement:*** Although fiscal 2002 spending increases by \$119.3 million, this is attributable to a projected \$151.9 million increase in Woodrow Wilson Bridge replacement costs. Adjusting for this project actually results in a \$32.6 million decrease in other spending.
- ***The SHA Is Also Emphasizing Minor Projects:*** Compared to the fiscal 2001 legislative appropriation, fiscal 2002 funding for the Neighborhood Conservation Program and the Sound Barrier Program increases by \$21.7 million, or 88%, to a total of \$46.3 million. Although these programs provide some benefits to local communities, they do not provide additional capacity on major roads or provide congestion relief in densely populated areas.
- ***MDOT Uses Minor Projects to Reduce Rollover in the Current Fiscal Year:*** A substantial part of the fiscal 2001 increase, in addition to the Neighborhood Conservation Program, is in minor system preservation projects. As in previous years, minor project spending increases substantially from the legislative to the working appropriation. Since the 2000 CTP, SHA has added \$37.5 million to these preservation projects. In fiscal 2002 spending is reduced by \$41.2 million, to bring total spending back down to about \$250 million. Because the projects are small in scale and tend to be funded with special funds, it is relatively easy to move them forward in the schedule. This allows MDOT to reduce its capital program rollover, or underspending each year, by spending more on system preservation during the year.

Taken together, these observations suggest that MDOT's capital program focus is moving away from major project capacity and congestion improvements and into the Woodrow Wilson Bridge replacement and minor projects (i.e., one major project, and numerous small projects that don't enhance capacity). Although the SHA capital program plans to spend \$917 million in fiscal 2002, major project spending remains relatively flat at approximately \$340 million, after adjusting for the Woodrow Wilson Bridge replacement. This spending could actually decline if there is a large rollover in fiscal 2002.

## Issues

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### 1. Status of Woodrow Wilson Bridge Replacement

The Woodrow Wilson Bridge provides a link for commuters traveling between Maryland and Virginia and for interstate commercial traffic on the East Coast. Designed to accommodate approximately 75,000 daily vehicle crossings when it opened in 1961, the bridge now carries over 190,000 vehicles. The bridge also suffers an accident rate twice as high as other area interstates and traffic backups average three to five miles daily. This increased burden has also accelerated the deterioration of the bridge, which now has a projected useful life of only five to six more years without significant renovation, and requires constant maintenance to ensure that it remains safe and open to all traffic. The steel deck of the bridge has weakened to the point that \$4 million to \$6 million of the federal funds for replacement of the movable span bridge will have to be diverted to replace the deck in 2001.

The replacement design calls for a 12-lane, 70-foot high drawbridge that parallels the existing structure, as well as the reconstruction of four Maryland and Virginia interchanges on the Capital Beltway. The new bridge will contain two lanes for some form of mass transit and will offer bicycle and pedestrian access that is not available now. Over the next 20 years, daily traffic on the new bridge is expected to increase from 200,000 to 300,000 cars and trucks. **Exhibit 5** shows that the total project is estimated to cost \$2.2 billion over six years, including funds for the construction of the bridge, the interchanges, enhancements, and approach roads on the Maryland and Virginia sides.

### Exhibit 5

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#### Woodrow Wilson Bridge Funding Sources (\$ in Millions)

<u>Sources</u>	<u>Amount</u>
Maryland	\$200
Virginia	200
Transportation Equity Act-21* (federal)	900
Additional federal funds	600
Other federal and local (including District of Columbia)	107
<b>Total Funded under Agreement</b>	<b>\$2,007</b>
Additional Maryland interchange (Rt. 210, HOV)	81
Additional Virginia interchange (Telegraph Rd.)	103
<b>Total Project Cost</b>	<b>\$2,191</b>

\*Assumes full authorization.  
HOV - high occupancy vehicle

Source: Maryland Department of Transportation, February 2002

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## **Woodrow Wilson Bridge Replacement Funding Issues**

With respect to funding, DLS raises the following concerns:

- ***Transportation Equity Act for the 21st Century (TEA-21) Spending Limits Result in a \$110 Million Shortfall in Federal Funds:*** Under normal federal budgeting practices, the United States Department of Transportation withholds a percentage of approved TEA-21 funds. As it relates to this project, this means that Maryland and Virginia are only authorized to spend about 88 percent of the \$900 million TEA-21 appropriation (i.e., \$790 million) for the bridge replacement. MDOT advises that it is working with the Congressional delegation to secure the entire authorization. **The department should brief the committees on the status of federal funds and efforts to secure sufficient funding for the project.**
- ***It Is Unclear What Process, If Any, Is in Place to Manage Cost Overruns:*** It is not unusual for the projected cost of capital projects to change as the projects move through design and construction. For example, since the 2000 session, costs for this project have increased from \$1.9 billion to \$2.2 billion. Because of the size of this project, minor cost changes (that would barely be noticed on a smaller project) can amount to a substantial increase in costs. It is possible, given the size of the project, that the State will be faced with additional cost increases. MDOT can respond to these cost increases in a number of ways such as accepting the cost increase, value engineering, and reducing the scale of the project. Because this is a joint project with Virginia, Washington, D.C., and the federal government, the State will also have to negotiate with other jurisdictions as to the course of action to pursue. The State will also have to negotiate who will pay for what costs. **The department should brief the committees on its process to manage costs and potential cost increases.**

## **Proposed Project Labor Agreement**

Governor Glendening supports the potential use of a project labor agreement (PLA), which is a contract negotiated between the construction owner and participating unions that outlines project working conditions and provides guarantees against strikes or other work stoppages. Labor agreements have been used for State capital projects such as the Fort McHenry tunnel. The agreements can vary widely, from covering a few work rules to being very restrictive. Concerns have been raised that requiring any type of set-aside for union labor could increase costs.

MDOT commissioned a study to examine PLAs and their fiscal impact. The study could not determine the potential cost impact of a PLA but suggested that a project of this magnitude will require a larger workforce than is available through the local non-union contracting community. MDOT decided in late November to begin negotiations for the terms of a possible project labor agreement. Terms regarding a PLA were reached in January 2001. The Federal Highway Administration has not approved the PLA or released federal funds. So that the PLA could be in place before finalizing the foundation contract, whose bidding was to be complete in January 2001, the State has delayed the foundation contract bidding process pending a decision on the PLAs.

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In February 2001 MDOT was notified that the Bush administration plans on issuing an executive order prohibiting PLAs. MDOT advises that it now plans on rebidding the foundation contract without a PLA. Ideally, these bids will be awarded in March 2001. **The department should brief the committees on the status of the foundation contract, and if the delay in awarding the contract will affect the project schedule.**

## **2. Federal Sanctions and Incentive Grants**

The federal TEA-21 re-authorized federal transportation funding for the states. In addition to authorizing funding for major programs such as the National Highway System and Surface Transportation Program, the federal act attempts to encourage highway safety through incentive grants and sanctions. Examples of incentives include grants based on a state's seat belt usage and motor carrier safety investments. Sanctions could result if a state's open container laws or repeat driving while intoxicated (DWI) offender minimum penalties are insufficient. Maryland does not qualify for all the incentive grants and is subject to sanctions. Specifically, the following issues affect Maryland:

- **Sanctions for Open Container Laws:** TEA-21 provides for sanctions to states that do not have a law prohibiting consumption of an alcoholic beverage as well as possession of an open alcoholic beverage container by a driver or passenger of a motor vehicle located on a public highway or right-of-way. Maryland's current law only prohibits consumption of a beverage by the driver on a State highway, and does not prohibit possession of an open container by a passenger. The sanction requires the transfer of \$3.85 million from highway construction programs to highway safety programs. The sanction increases to \$7.7 million annually in federal fiscal 2003.
- **Sanctions for Repeat Offender DWI Offenders:** TEA-21 provides for sanctions to states that do not require certain penalties for individuals with repeat DWI or driving under the influence violations within five years of a violation. Federal requirements for repeat offenders include drivers license suspension for at least one year; vehicles subject to impoundment, immobilization or installation of ignition interlock systems; and assessment of community service or a jail sentence. At this time, Maryland's law is not sufficiently stringent enough to meet the federal requirements. The sanction requires the transfer of \$3.85 million from highway construction programs to highway safety programs. The sanction increases to \$7.7 million annually in federal fiscal 2003.
- **Safety Incentives To Prevent Operation of Motor Vehicles by Intoxicated Persons:** TEA-21 provides for a formula-based incentive grant to states that have a per se .08 blood alcohol content (BAC) law in effect. Currently, Maryland has a .10 BAC per se law, and, consequently does not qualify for the incentive grant. SHA estimates that enacting a .08 BAC per se law before the end of fiscal 2002 would qualify the State for \$2.25 million in additional incentive grant funds in fiscal 2002. The federal fiscal 2001 transportation appropriation includes a provision to withhold 2% of funds authorized for federal aid highway programs beginning in federal fiscal 2004, for all states whose BAC law is inconsistent with the federal .08 per se requirements.

**Exhibit 6** shows that these federal sanctions and incentives affect \$140.7 million of federal grants. Of this \$56.0 million associated with the State's BAC law is federal funding for State highway construction that the State will not receive if the law is not changed. The remaining \$84.7 million associated with

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repeat offender and open container laws represents highway funds that the State would have to reprogram from federal highway capital construction funds to highway safety programs. Insofar as State spending in highway safety programs currently exceeds the federal sanction amount, these sanctions do not affect the construction program until federal fiscal 2003, when the total sanctions increase to \$15.4 million.

**Exhibit 6**

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**Cumulative Federal Fund Sanctions and Lost Federal Fund Incentives**  
**Federal Fiscal 2002 through 2007**  
**(\$ in Millions)**

<u>Federal Fiscal</u>	<u>BAC .08</u>	<u>Open Container</u>	<u>Repeat Offender</u>	<u>Total</u>
2002	\$2.0	\$3.9	\$3.9	\$9.7
2003	2.0	7.7	7.7	17.4
2004	5.2	7.7	7.7	20.6
2005	10.4	7.7	7.7	25.8
2006	15.6	7.7	7.7	31.0
2007	20.8	7.7	7.7	36.2
<b>Total</b>	<b>\$56.0</b>	<b>\$42.4</b>	<b>\$42.4</b>	<b>\$140.7</b>

Notes: Estimates assume that no additional states will adopt new laws. If other states amend their requirements, estimates would be lower.

Numbers may not sum to total due to rounding.

Source: Maryland Department of Transportation, State Highway Administration, February 2001

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SB 108 and HB 3 have been introduced to amend the State's BAC laws, and other legislation has been introduced to amend open container and repeat offender laws. **The department should brief the committees on its position concerning bills introduced that would meet TEA-21 requirements. The department should also discuss how its programs would be affected if the department were required to transfer additional funds to the highway safety program.**

### **3. Department Examines Variable Pricing Strategies**

According to a recent Texas Transportation Institute congestion study, the Washington, D.C. area has the second worst congestion in the nation. The Baltimore area also has peak congestion on the Interstate and arterial roadway system. The budget committees have expressed concerns about traffic congestion in Maryland. During the 1999 and 2000 legislative sessions, the budget committees required that MDOT examine variable pricing strategies. In November 1999 MDOT submitted a preliminary report outlining some issues. In December 2000 MDOT submitted an updated report. MDOT advises that it will organize

### *JB.01 - MDOT - State Highway Administration*

public workshops to obtain feedback in the winter of 2001, and that the final report will be completed in the spring of 2001.

Variable pricing involves a system of fees or tolls, which can be modified according to the level of congestion. Variable pricing of congested facilities can be applied to new or existing toll-free roads, toll facilities, or high occupancy vehicle (HOV) facilities. Higher tolls can be charged when traffic is heaviest. Variable pricing could include optional fees paid by drivers of lower-occupancy vehicles to gain access to faster-moving, dedicated road facilities (high occupancy toll or HOT lanes). The goal is to rationalize limited road capacity by encouraging some peak period users to shift to off-peak periods, HOV facilities, transit, or less congested routes.

The map in **Exhibit 7** shows the facilities that MDOT has identified as candidates for variable pricing. Specifically, this includes:

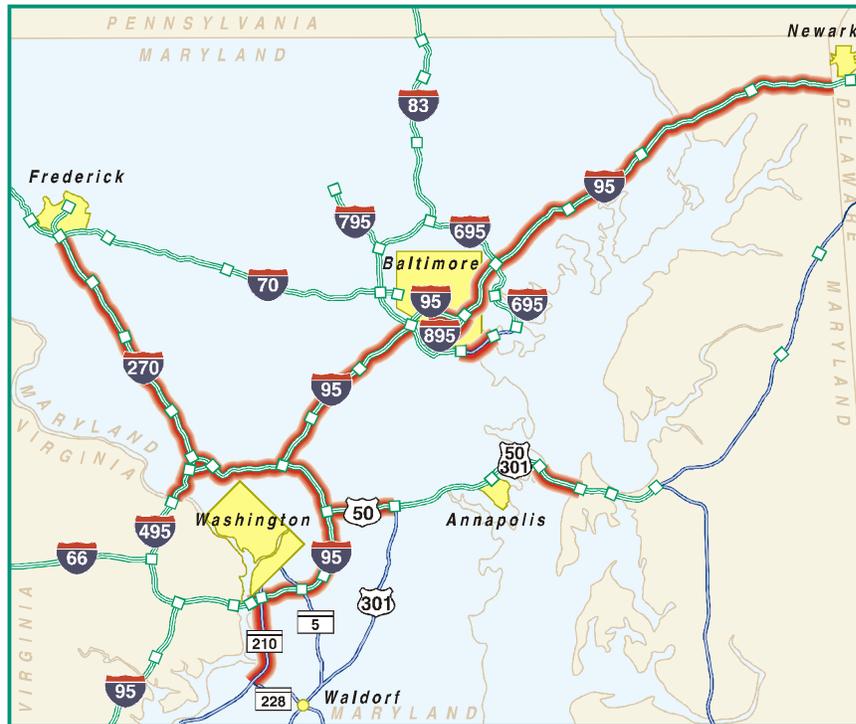
- I-270 from I-495 (Capital Beltway) to I-70 in Frederick County;
- the Maryland portion of I-495;
- MD 210 from I-495 to MD 228;
- U.S. 50 from I-495 to U.S. 301; and
- I-95 South from the Baltimore Beltway to the Washington Beltway.

The department has also identified the following Maryland Transportation Authority (MdTA) facilities:

- the Baltimore harbor crossings, Fort McHenry Tunnel, Baltimore Harbor Tunnel, and Francis Scott Key Bridge;
- William Preston Lane Memorial (Chesapeake Bay) Bridge; and
- I-95 North from the Fort McHenry Tunnel to the Delaware State line (Kennedy Highway).

## Exhibit 7

### Potential Variable Pricing Facilities



Source: Maryland Department of Transportation

Variable pricing involves a number of strategies that can be tailored to each facility based on the demands on the facility and the transportation system. Strategies to consider include:

- the scale or extent of the program; for example, a program can be implemented in a specific area to manage a bottleneck, or for an entire roadway, corridor or region;
- pricing the program, including static pricing (where vehicles are charged the same price regardless of the day and time), variable pricing (where tolls prices change based on the time of day), and dynamic pricing (where prices change continuously based on congestion);
- design of the facility, such as whether to use a barrier to separate lanes or separating lanes by striping only; and
- supporting measures used to manage traffic such as transit.

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### **Policy Considerations**

Currently, Maryland has not implemented variable pricing on its roads. To do so would be a change in policy, which raises the following issues:

- **Equity Issues:** Variable pricing has been criticized as benefitting upper income individuals, as being "double taxation," and as diverting traffic around toll facilities and through neighborhoods.
- **Funding Issues:** Variable pricing generates additional revenues. It is necessary to define what these additional revenues will support. At the least, the revenues will need to support the operations and maintenance of the facility. The surplus revenues could also support new programs, such as transit, and other variable pricing projects. The State may also want to clarify if funds raised in an area will be limited to supporting programs and projects in that area.
- **Legislative Issues:** As organized, the MdTA operates and maintains all toll roads and facilities and the SHA operates and maintains free State-owned roads in Maryland. Based on its preliminary review of State law, MDOT advises that "there is no law precluding SHA from operating a tolled facility." If variable pricing is implemented in Maryland, the General Assembly may want to consider legislation establishing program parameters.

### **Report Recommends Pilot Program Be Considered**

The report noted that MDOT will recommend that a public outreach and education program be initiated. The report also recommended a pilot program be considered. The report identified the following three facilities as candidates:

- U.S. 50 for which construction of HOV lanes is expected to begin in 2001;
- I-270 which already has HOV lanes between I-370 and I-495; and
- the Chesapeake Bay Bridge, which already has toll facilities.

To date, the department has not made a final decision to implement a pilot project. MDOT advises that no decision will be made until after public meetings. **The department should brief the committees on its variable pricing report; its proposal to implement a pilot program; and equity, funding, and legislative issues.**

**Operating Budget Recommended Actions**

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	<b><u>Amount Reduction</u></b>	
1. Reduce information technology equipment purchases to the fiscal 2001 working appropriation level. In fiscal 2000, \$866,422 was appropriated for information technology hardware and actual expenditures were \$728,579. The fiscal 2001 appropriation included \$1.25 million and the working appropriation has been reduced to \$500,547. To constrain spending, it is recommended that the appropriation be reduced.	\$ 375,000	SF
2. Reduce landscaping initiative. The allowance includes \$700,000 for a landscaping initiative. To constrain State spending, it is recommended that the initiative be reduced.	350,000	SF
3. Reduce vehicle replacement funds. The allowance includes a \$550,000 initiative to reduce the age of vehicles. It is recommended that the funds be reduced to constrain State spending.	275,000	SF
4. Adopt the following language:		

, provided that \$1,000,000 of this appropriation, made for the purpose of distributing the share of revenues from the Gasoline and Motor Vehicle Revenue Account to Prince George’s County (i.e., “highway user revenues”) shall be deducted prior to the distribution of funds to the county and be retained by the Transportation Trust Fund. The deduction would occur after the deduction of sinking fund requirements for county transportation bonds from highway user revenues.

**Explanation:** In 1996 an agreement was reached between the State, Prince George’s County, and Jack Kent Cooke, Inc. (then owner of the Washington Redskins) concerning road and infrastructure improvements adjacent to a stadium in Prince George’s County for the Redskins. The agreement included a State grant for local roadway improvements around the stadium, which the county agreed to reimburse the State \$1 million annually through fiscal 2012. The agreement gives the county the option to choose a \$1 million deduction or quarterly payments of \$250,000. Previously, the county opted for the \$1 million deduction. The budget bill language adjusts the county’s share of highway user revenues, consistent with the 1996 agreement.

<b>Total Special Fund Reductions</b>	<b>\$ 1,000,000</b>
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***PAYGO Capital Budget Recommended Actions***

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	<b><u>Amount Reduction</u></b>
1. Reduce funds for the Neighborhood Conservation Program. These funds focus transportation resources on the revitalization of communities, instead of expanding road capacity, managing congestion, and addressing transit needs. Since the 1999 Consolidated Transportation Program (CTP) six-year funding has increased from \$40.7 million to \$188 million. Fiscal 2002 funding has increased from a total of \$7 million planned in the 1999 CTP to a total of \$30.3 million planned in the 2001 CTP. In addition, there is \$70 million for new general funded Smart Growth programs in the fiscal 2002 budget that could be utilized for community revitalization or neighborhood conservation projects. To align the department's spending more closely with the State's transportation needs, it is recommended that these funds be deleted. It is also recommended that the department be allowed to appropriate these funds by budget amendment for programs and projects that directly support transportation needs.	\$ 20,000,000 SF
<b>Total Special Fund Reductions</b>	<b>\$ 20,000,000</b>

***Current and Prior Year Operating Budgets***

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**Current and Prior Year Operating Budgets  
State Highway Administration  
(\$ in Thousands)**

	<b><u>General Fund</u></b>	<b><u>Special Fund</u></b>	<b><u>Federal Fund</u></b>	<b><u>Reimb. Fund</u></b>	<b><u>Total</u></b>
<b>Fiscal 2000</b>					
Legislative Appropriation	\$0	\$533,794	\$8,596	\$0	\$542,391
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	0	62,926	0	0	62,926
Reversions and Cancellations	0	(18)	(10)	0	(28)
<b>Actual Expenditures</b>	<b>\$0</b>	<b>\$596,702</b>	<b>\$8,586</b>	<b>\$0</b>	<b>\$605,289</b>
<b>Fiscal 2001</b>					
Legislative Appropriation	\$0	\$572,247	\$8,291	\$0	\$580,538
Budget Amendments	0	19,355	0	0	19,355
<b>Working Appropriation</b>	<b>\$0</b>	<b>\$591,602</b>	<b>\$8,291</b>	<b>\$0</b>	<b>\$599,893</b>

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

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## *JB.01 - MDOT - State Highway Administration*

### **Fiscal 2000**

Fiscal 2000 actual expenditures totaled \$605.3 million, which is \$62.9 million greater than the legislative appropriation. The increase is almost entirely attributable to adding special fund appropriations by budget amendment, including:

- \$41.2 million supporting additional local highway user revenue grants because of higher-than-anticipated revenue attainments;
- \$18 million to support winter highway cleanup efforts necessary because of extreme weather conditions;
- \$2.1 million to implement the new deferred compensation plan, salary plan, and pay for performance plan;
- \$1.4 million to increase the number of steps in the pay plan to 16;
- \$1 million for accident repairs reimbursed by third parties; and
- \$0.7 million attributable to increased fuel costs.

These amendments were offset slightly by an amendment that reduced special fund appropriations by \$285,000. The amendment was necessary to allocate an across-the-department reduction to personnel.

### **Fiscal 2001**

The SHA's fiscal 2001 working appropriation totals \$599.9 million, which is \$19.4 million, or 3.3%, greater than the working appropriation. The increase is attributable to the following special fund amendments:

- \$18.6 million to support additional local highway user revenue grants because of higher-than-anticipated revenue attainments;
- \$0.5 million to support the general salary increase and the annual salary review; and
- \$0.3 million attributable to higher gas and oil costs for the agency's vehicle fleet.

**Object/Fund Difference Report  
MDOT - State Highway Administration**

<b>Object/Fund</b>	<b>FY01</b>		<b>FY02</b>		<b>FY01 - FY02 Amount Change</b>	<b>Percent Change</b>
	<b>FY00 Actual</b>	<b>Working Appropriation</b>	<b>Allowance</b>			
<b>Positions</b>						
01 Regular	1643.00	1642.00	1642.00	0		0%
02 Contractual	4.94	4.60	7.00	2.40		52.2%
<b>Total Positions</b>	<b>1647.94</b>	<b>1646.60</b>	<b>1649.00</b>	<b>2.40</b>		<b>0.1%</b>
<b>Objects</b>						
01 Salaries and Wages	\$ 76,617,647	\$ 73,653,554	\$ 78,584,449	\$ 4,930,895		6.7%
02 Technical & Spec Fees	8,600,031	6,550,954	6,904,256	353,302		5.4%
03 Communication	1,419,443	1,250,954	1,356,665	105,711		8.5%
04 Travel	820,874	686,112	704,025	17,913		2.6%
06 Fuel & Utilities	7,537,161	7,117,567	7,598,725	481,158		6.8%
07 Motor Vehicles	18,026,742	16,215,323	17,351,755	1,136,432		7.0%
08 Contractual Services	52,092,844	48,950,384	48,247,766	(702,618)		(1.4%)
09 Supplies & Materials	19,477,314	15,967,192	16,180,103	212,911		1.3%
10 Equip - Replacement	403,493	571,329	1,335,469	764,140		133.7%
11 Equip - Additional	450,356	166,426	429,919	263,493		158.3%
12 Grants, Subsidies, Contr	418,409,253	427,537,035	434,563,499	7,026,464		1.6%
13 Fixed Charges	1,411,929	1,226,272	1,175,935	(50,337)		(4.1%)
14 Land & Structures	21,841	0	0	0		0.0%
<b>Total Objects</b>	<b>\$ 605,288,928</b>	<b>\$ 599,893,102</b>	<b>\$ 614,432,566</b>	<b>\$ 14,539,464</b>		<b>2.4%</b>
<b>Funds</b>						
03 Special Fund	\$ 596,702,078	\$ 591,602,213	\$ 605,641,677	\$ 14,039,464		2.4%
05 Federal Fund	8,586,850	8,290,889	8,790,889	500,000		6.0%
<b>Total Funds</b>	<b>\$ 605,288,928</b>	<b>\$ 599,893,102</b>	<b>\$ 614,432,566</b>	<b>\$ 14,539,464</b>		<b>2.4%</b>

Note: Full-time and contractual positions and salaries are reflected for operating budget programs only.

Fiscal Summary  
MDOT - State Highway Administration

<u>Unit/Program</u>	FY00	FY01	FY01	FY00 - FY01	FY02	FY01 - FY02
	<u>Actual</u>	<u>Legislative Appropriation</u>	<u>Working Appropriation</u>	<u>% Change</u>	<u>Allowance</u>	<u>% Change</u>
01 State System Construction and Equipment	\$ 587,027,030	\$ 689,544,205	\$ 757,700,000	29.1%	\$ 861,636,000	13.7%
02 State System Maintenance	181,774,680	166,293,717	167,038,774	(8.1%)	174,248,506	4.3%
03 County and Municipality Capital Funds	26,241,044	39,075,719	39,075,719	48.9%	37,348,344	(4.4%)
04 Highway Safety Operating Program	9,140,859	9,379,741	9,402,504	2.9%	10,114,806	7.6%
05 County and Municipality Funds	414,373,389	404,864,284	423,451,824	2.2%	430,069,254	1.6%
<b>Total Expenditures</b>	<b>\$ 1,218,557,002</b>	<b>\$ 1,309,157,666</b>	<b>\$ 1,396,668,821</b>	<b>14.6%</b>	<b>\$ 1,513,416,910</b>	<b>8.4%</b>
Special Fund	\$ 867,376,058	\$ 840,048,866	\$ 887,462,932	2.3%	\$ 901,636,021	1.6%
Federal Fund	351,180,944	469,108,800	509,205,889	45.0%	611,780,889	20.1%
<b>Total Appropriations</b>	<b>\$ 1,218,557,002</b>	<b>\$ 1,309,157,666</b>	<b>\$ 1,396,668,821</b>	<b>14.6%</b>	<b>\$ 1,513,416,910</b>	<b>8.4%</b>

**Budget Amendments for Fiscal 2001  
State Highway Administration  
Maryland Department of Transportation**

<u>Status</u>	<u>Amount</u>	<u>Fund</u>	<u>Description</u>
<b>Approved (1)</b>	\$467,820	SF Oper	Provides funding for the 4% cost-of-living adjustment (COLA) that went into effect November 15, 2000. The current appropriation funds the 2% COLA from January 1, 2001, through the end of the fiscal year. This amendment also funds the increased cost of salaries associated with the Annual Salary Review (ASR) that was effective July 1, 2000, for certain classifications related to attorneys as well as the ASR that takes effect January 1, 2001, for certain fiscal and clerical classifications.
<b>Approved (2)</b>	15,331,109	SF Oper	Funds for increased Highway User Revenues to be distributed to the counties and municipalities based on the June 2000 financial forecast.
<b>Approved (3)</b>	300,000	SF Oper	Partially funds the increased cost of oil and gas for the SHA's extensive fleet of maintenance trucks and vehicles.
<b>Pending (4)</b>	3,256,431	SF Oper	Funds for increased Highway User Revenues to be distributed to the counties and municipalities based on the December 2000 financial forecast.
<b>Projected (5)</b>	270,000	SF Oper	Fully fund the increased cost of fuel for maintenance vehicles.
<b>Projected (6)</b>	1,512,392	SF Oper	Provide funding for the actual cost of the sick leave incentive program enacted in 2000.
<b>Projected (7)</b>	\$28,058,706 <u>40,097,089</u> \$68,155,795	SF Cap FF Cap	Adjusts the amended appropriation to agree with the anticipated expenditures for the current year as reflected in the fiscal 2001 through 2006 CTP.

**State Highway Administration**  
**Fiscal 2000 through 2002**  
**(\$ in Thousands)**

<u>Project Title</u>	<u>FY 00 Actual</u>	<u>FY 01 Estimated</u>	<u>FY 02 Estimated</u>
<b>Major Projects</b>			
Primary	\$121,818	\$159,800	\$160,597
Secondary	53,194	102,700	70,439
Interstate	47,687	68,800	99,214
Woodrow Wilson Bridge	14,968	44,800	179,600
<b>Subtotal</b>	<b>\$237,667</b>	<b>\$376,100</b>	<b>\$509,850</b>
<b>System Preservation Projects</b>			
Bridge Replacement and Rehabilitation	\$52,732	\$79,000	\$45,800
Safety and Spot Improvements	34,482	39,600	38,300
Resurfacing and Rehabilitation	110,512	105,500	109,400
Traffic Management	21,329	25,300	21,600
Commuter Action Improvement	2,142	2,200	2,500
Environmental Projects	5,901	6,200	7,200
Noise Barriers	12,509	4,800	16,000
Transportation Enhancements	5,523	10,000	10,000
Statewide Planning and Research	16,551	15,500	15,787
Urban Street Reconstruction	8,691	10,800	5,900
Neighborhood Conservation	12,900	30,000	30,300
Sidewalk Projects	2,791	3,000	3,300
Emergency	1,121	2,100	1,000
Drainage Improvements	1,410	2,300	3,200
Truck Weight	8	1,100	1,100
CHART	25,879	17,800	11,400
Intersection Capacity	0	0	4,400
Bicycle Retrofit	0	1,100	0
<b>Subtotal</b>	<b>\$314,481</b>	<b>\$356,300</b>	<b>\$327,187</b>
Facilities and Equipment	\$10,134	\$14,300	\$13,600
Reimbursable Expenditures	24,674	10,000	10,000
Work Performed for Other Modal Administration	72	1,000	1,000
<b>Total</b>	<b>\$587,028</b>	<b>\$757,700</b>	<b>\$861,637</b>

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

Source: Maryland State Budget