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Maryland Transportation Authority

Operating Budget Data

(\$ in Thousands)

	<u>FY 05</u> <u>Actual</u>	<u>FY 06</u> <u>Working</u>	<u>FY 07</u> <u>Budget</u>	<u>FY 06-07</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
Nonbudgeted Fund	\$198,880	\$221,410	\$222,550	\$1,140	0.5%
Total Funds	\$198,880	\$221,410	\$222,550	\$1,140	0.5%

- The fiscal 2007 operating budget increases by \$1.1 million, or 0.5%, over the 2006 working appropriation. Without a large decrease in debt service payments (\$9.0 million), the fiscal 2007 budget would have increased \$10.1 million, or 4.6%, over the fiscal 2006 working appropriation.
- Large increases in the fiscal 2007 budget include \$5.0 million for personnel costs, \$1.0 million for snow removal, \$1.1 million for advertising, \$0.8 million for utilities, \$0.8 million for the E-ZPass Services Center, \$0.6 million for vehicle expenses, and \$0.7 million for credit card fees associated with E-ZPass.

PAYGO Capital Budget Data

(\$ in Thousands)

	<u>Fiscal 2005</u> <u>Actual</u>	<u>Fiscal 2006</u>		<u>Fiscal 2007</u>	
		<u>Legislative</u>	<u>Working</u>	<u>Request</u>	<u>Budget</u>
Nonbudgeted	\$169,900	\$489,720	\$464,870	\$691,510	\$691,510
Total	\$169,900	\$489,720	\$464,870	\$691,510	\$691,510

- The fiscal 2007 PAYGO capital budget increases by \$226.6 million. The largest part of this increase is due to the project schedule for the InterCounty Connector (ICC).

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

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Operating and PAYGO Personnel Data

	<u>FY 05</u> <u>Actual</u>	<u>FY 06</u> <u>Working</u>	<u>FY 07</u> <u>Budget</u>	<u>FY 06-07</u> <u>Change</u>
Regular Positions	1,576.00	1,653.50	1,666.00	12.50
Contractual FTEs	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Total Personnel	1,576.00	1,653.50	1,666.00	12.50

Vacancy Data: Regular Positions

Turnover, Excluding New Positions	50.00	3.00%
Positions Vacant as of 12/31/05	206.00	12.44%

- The increase in personnel reflects a net increase of 0.5 positions in the operating budget and 12 positions in the capital budget.
- The net increase in positions in the operating budget reflects 24 position additions and 23.5 position reductions or reallocations.
- The increase in capital positions is due to the transfer of 2 positions in the Division of Strategic Development from operating to capital to better reflect their responsibilities and the creation of 10 positions in the Engineering Division to more efficiently manage a greater number of construction contracts.

Analysis in Brief

Major Trends

Number of Electronic Toll Collections Continues to Rise: In fiscal 2005, the percentage of electronic toll transactions reached 50% for the first time. This is continued evidence of the growing trend toward electronic tolling. E-ZPass is available at each of the seven toll facilities as well as throughout the northeast. Although the Maryland Transportation Authority (MdTA) loses some revenue from toll violators, the violation rate is relatively low at 1.34% across all toll facilities. For comparison purposes, the toll violation rate is 1.7% on the Dulles Toll Road in Virginia.

Issues

Security and Law Enforcement on the John F. Kennedy (JFK) Memorial Highway: Narrative in the 2005 *Joint Chairmen's Report* requested a report to examine the feasibility of transferring law enforcement services on the JFK Memorial Highway from the Maryland State Police (MSP) to the MdTA Police. MdTA submitted a report in November 2005 examining the issue. MdTA reports that any changes would require a minimum two year transition time because of an agreement in place between MSP and MdTA. **The Department of Legislative Services (DLS) recommends the**

adoption of committee narrative expressing the committees' intent that responsibility for law enforcement for JFK Memorial Highway should be transferred from MSP to MdTA Police. Notice of the termination of the Memorandum of Understanding should be made immediately by MdTA to MSP because of the two-year transition time requirement.

Task Force on Traffic Capacity Across the Chesapeake Bay: MdTA created a task force that met throughout the interim to gather information and identify issues relating to the findings of the 2004 *Transportation Needs Report* regarding traffic capacity constraints and projections for the William Preston Lane, Jr. Memorial Bridge (Bay Bridge) for 2025. The task force looked at issues surrounding the possibility of construction of another bridge crossing and possible locations and heard public comments on the issue. Members of the public raised similar concerns at each of the meetings. The task force was not charged with selecting a specific project or location for development. A final report of the information gathered is expected in mid-2006. **DLS recommends that MdTA comment on travel demand now and in the future, the possible environmental impact of a new crossing, the benefits and drawbacks of a possible crossing in each of the four zones, the public sentiment expressed at the task force meetings, and what the timeline looks like from this point. Furthermore, MdTA should also comment on the cost implications of a possible crossing and how long it would take to build if the “build” option is chosen.**

Large Increases in Anticipated Future Capital Spending: One of MdTA's goals is to finance and build new transportation facilities with the Maryland Department of Transportation (MDOT) to meet Maryland's transportation needs. One of the largest capital projects currently taking place at MdTA is the financing and construction of the ICC. The ICC, as well as other projects, will significantly increase MdTA's capital spending in the next few years. Additionally, MdTA has recently made substantial revisions to its 2006 through 2011 forecast. The forecast submitted in December 2005 projected that MdTA would fall below necessary minimum levels in regard to debt coverage and legal requirements beginning in fiscal 2010. MdTA changed its forecast in February 2006 and now shows that it will be meeting all requirements. **DLS recommends that MdTA comment on the changes in its forecast, the current economic outlook, anticipated future capital expenditures, and MdTA's ability to manage the large amounts of debt for capital expected in the near future.**

Operating Budget Recommended Actions

1. Adopt committee narrative to reflect it is the intent of the General Assembly that the Maryland State Police should no longer provide police services, in two years, on the John F. Kennedy Memorial Highway and that this duty should be transferred to the Maryland Transportation Authority police.

PAYGO Budget Recommended Actions

1. Nonbudgeted.

Updates

InterCounty Connector Project: Chapters 471 and 472, Acts of 2005 requires MdTA to submit an annual report to the General Assembly providing the status of the ICC. This report is required by December 1 of each year. MdTA submitted a report in December 2005 providing an update. The project is largely proceeding as planned. In 2005, the project progressed through the public and agency review of the Draft Environmental Impact Statement, the public hearings, an additional technical study, and the preliminary Final Environmental Impact Statement. There have been no changes to the conceptual financing plan.

Bay Bridge Reconstruction Advisory Group: In response to legislative interest, MdTA established the Bay Bridge Reconstruction Advisory Group to provide MdTA with an independent, citizen-based perspective on the authority's operations at the Bay Bridge. Following the initial meeting in July 2005, the group has met monthly to discuss a variety of issues surrounding the Bay Bridge. The meetings are regularly attended by group members, MdTA staff, and the public. The group continues to meet on the first Wednesday of each month.

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Maryland Transportation Authority

Budget Analysis

Program Description

The Maryland Transportation Authority (MdTA), established under Title 4 of the Transportation Article, has exclusive authority relating to the financing, construction, operation, maintenance, and repair of Maryland's toll facilities and any other revenue-generating projects authorized under that title. MdTA divides its facilities into three regions and has jurisdiction over the following facilities:

- **Northern Region**, including the John F. Kennedy (JFK) Memorial Highway (I-95) and the Thomas J. Hatem Memorial (Susquehanna River) Bridge;
- **Central Region**, including the Baltimore Harbor (I-895) and Fort McHenry (I-95) Tunnels and Thruways, the Francis Scott Key Bridge (I-695), and I-395 leading to Baltimore City; and
- **Southern Region**, including the Harry W. Nice Memorial Bridge (U.S. 301) and the William Preston Lane, Jr. Memorial Bridge (Bay Bridge). The Seagirt Marine Terminal, developed by MdTA, is leased to the Maryland Port Administration (MPA).

The authority is comprised of six members appointed by the Governor and the Secretary of the Maryland Department of Transportation (MDOT), who serves as chairman. MdTA's revenues are held separately from the Transportation Trust Fund (TTF), and the agency operates off-budget.

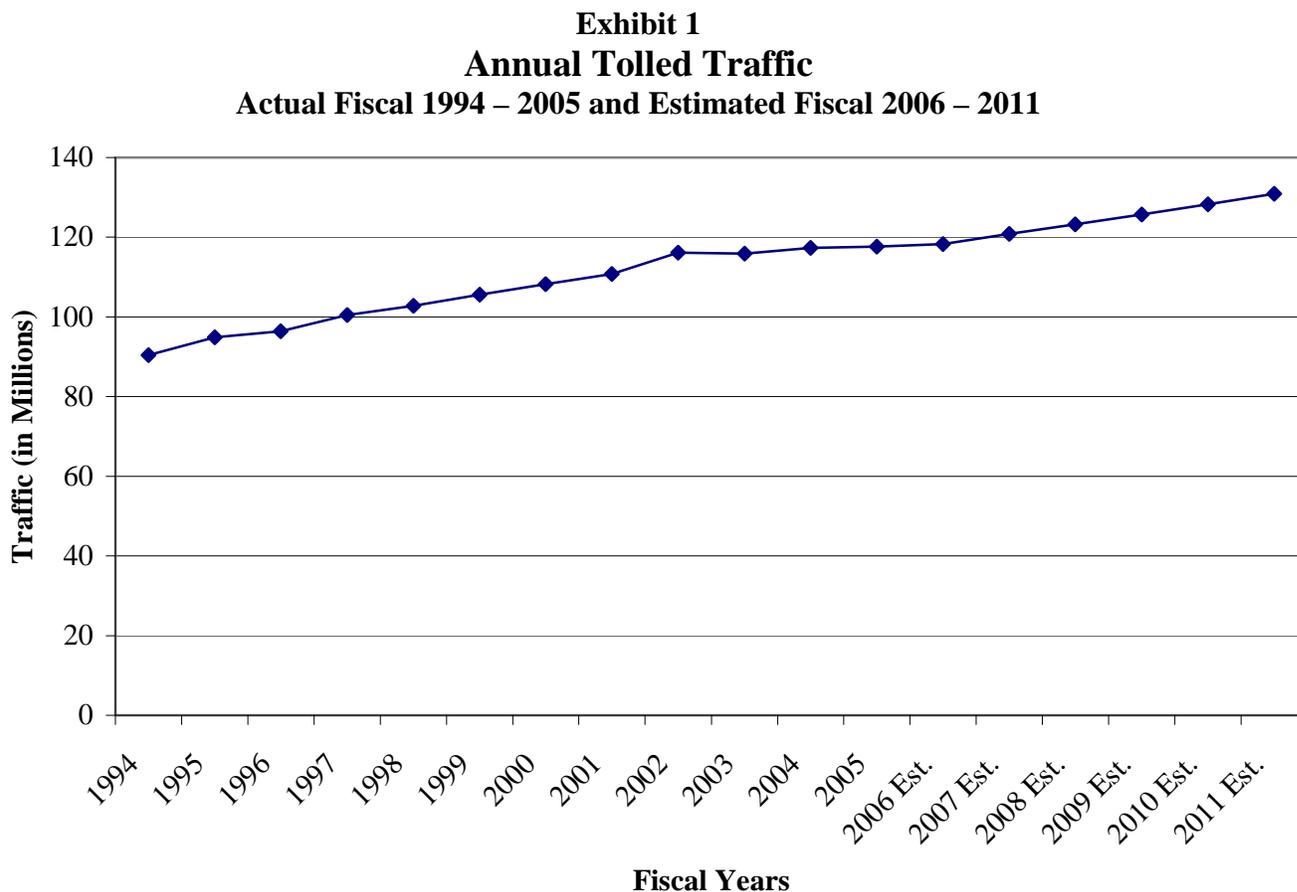
In addition, MdTA's police force is responsible for security and law enforcement services at the authority's toll facilities and is under contract with the Maryland Aviation Administration and MPA to provide law enforcement services at Baltimore/Washington International Thurgood Marshall Airport (BWI) and MDOT-operated facilities at the Port of Baltimore.

The authority has identified the following key goals:

- move people and goods efficiently;
- improve and maintain authority facilities;
- reduce the fatalities and injuries resulting from vehicle collisions;
- improve customer service and performance;
- protect people and property from unlawful activity; and
- invest, finance, and build new transportation facilities with MDOT to meet Maryland's transportation needs.

Performance Analysis: Managing for Results

From the period from fiscal 1994 through 2005, tolled traffic at MdTA facilities has increased by an annual average of 2.4%. **Exhibit 1** shows the increase in traffic at all MdTA facilities from fiscal 1994 through 2005. Total tolled traffic volume in fiscal 2005 was 117.6 million.

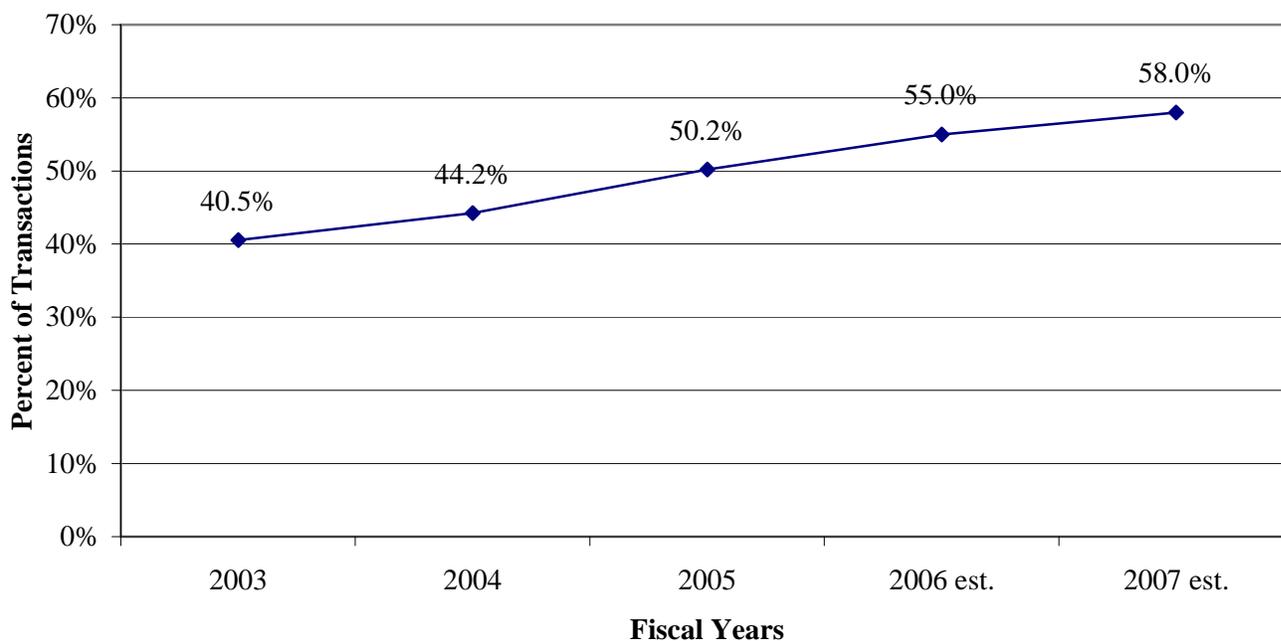


Source: Maryland Transportation Authority

Electronic Tolling

The use of electronic tolling continues to increase. For the first time, MdTA reported that electronic tolling across all toll facilities exceeded 50%. In fiscal 2005, the percentage of electronic toll transactions was 50.2%, up 6 percentage points from fiscal 2004. The number of vehicle transactions using electronic tolling is currently around 59.5 million, and MdTA hopes to reach 65.8 million, or 55%, by fiscal 2006. E-ZPass electronic toll collection is available at all seven toll facilities, as well as throughout the northeastern part of the United States. **Exhibit 2** provides data on electronic toll transactions at MdTA facilities from fiscal 2003 through 2007.

Exhibit 2
Percentage of Electronic Toll Transactions
Fiscal 2003 – 2007

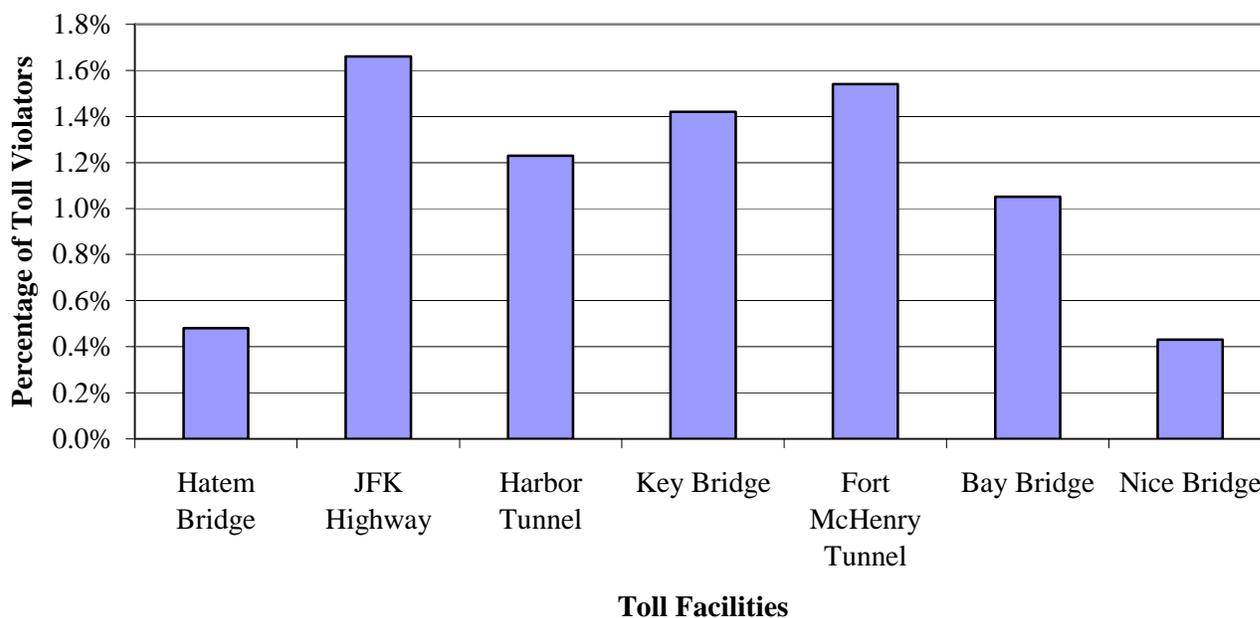


Source: Maryland Transportation Authority

Toll Violations

Electronic tolling comes with some risk, in that some people may be more willing to pass through an unmanned toll booth without paying than they would be with a manned one. For MdTA, the rate of toll violations (failing to pay the toll) is under 2% of all traffic at each of the toll facilities. The statewide average is 1.34%, up slightly from 1.29% last year. As shown in **Exhibit 3**, the highest toll violation rate is 1.66% on the JFK Memorial Highway, and the lowest rate of 0.43% is at the Harry W. Nice Memorial Bridge. To address toll violations, MdTA initially sends a bill to the motorist for the toll. If there is no response, a second notice is sent and an administrative fee of \$15 is added to the amount of the toll. Repeat violators are automatically assessed a \$15 administrative fee and are not given a grace period to pay just the toll amount. Motorists who repeatedly fail to pay tolls or who fail to respond to violation notices are referred to the Motor Vehicle Administration for non-renewal or suspension of the vehicle registration. These motorists can also be referred to the State's Central Collection Unit.

**Exhibit 3
Percentage of Toll Violations at All MdTA Toll Facilities
Fiscal 2005**



Source: Maryland Transportation Authority

Governor’s Proposed Budget

The fiscal 2007 operating budget increases by \$1.1 million, or 0.5%, over the fiscal 2006 working appropriation. Excluding a large decrease in debt service payments (\$9.0 million), the fiscal 2007 budget increases by \$10.1 million, or 4.6% over the fiscal 2006 working appropriation. The large decrease in debt service occurred as the result of the retirement in fiscal 2006 of the 1998 Series bonds. Large increases in the fiscal 2007 budget include \$5.0 million for personnel costs, \$1.0 million for snow removal, \$1.1 million for advertising, \$0.8 million for utilities, \$0.8 million for the E-ZPass Services Center, \$0.7 million for credit card fees associated with E-ZPass, and \$0.6 million for vehicle expenses. Costs for E-ZPass are directly tied to the number of E-ZPass accounts, so as electronic tolling continues to rise, so will the costs for this service. **Exhibit 4** provides additional detail regarding changes in the budget.

Exhibit 4
Governor’s Proposed Budget
Maryland Transportation Authority
(\$ in Thousands)

How Much It Grows:	<u>Nonbudgeted Fund</u>	<u>Total</u>
2006 Working Appropriation	\$221,410	\$221,410
2007 Governor’s Budget	<u>222,550</u>	<u>222,550</u>
Amount Change	\$1,140	\$1,140
Percent Change	0.5%	0.5%

Where It Goes:

Personnel Expenses

Health insurance.....	\$1,933
Salaries	1,274
State pension contribution.....	1,076
Deferred compensation	387
Overtime.....	174
Social Security	112
Contractual costs	48
Unemployment.....	-9

Other Changes

Publicity and advertising.....	1,142
Snow removal.....	977
Utilities.....	827
E-ZPass services center.....	800
Credit card fees	671
Vehicle expenses.....	640
Trust agreement expenses	159
Telephone.....	87
Uniforms	85
Training.....	64
Police operations supplies.....	63
Maintenance service and equipment rental	43
Office supplies, postage, and printing.....	34
Travel	25
Memberships and publications.....	20

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Recruitment costs	15
Authoritywide training	-11
Employee recognition	-24
Maintenance materials	-120
Reciprocity fees.....	-161
Miscellaneous.....	-211
Net change in debt service	-8,980
Total	\$1,140

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

Debt Service Payments

Exhibit 5 provides the schedule of debt service payments and total debt outstanding for MdTA debt (debt backed by MdTA facilities). MdTA currently has three bonds outstanding: (1) the 1992 Series bonds were issued in August 1992 for \$162.1 million and advance refunded a portion of the outstanding 1985 Series bonds, funded a deposit to the 1992 Series Reserve Subaccount, and paid bond issuance costs; (2) the 1998 Series bonds were issued in April 1998 for \$16.4 million and advance refunded a portion of the outstanding Transportation Facilities Projects Revenue Bonds, 1991 Series, and funded the 1998 Series Reserve Subaccount; and (3) the 2004 Series bonds were issued in June 2004 for \$160.0 million to fund MdTA's capital program. Total MdTA debt outstanding is expected to fall from \$285.6 million in fiscal 2005 to \$245.1 million in fiscal 2007.

Exhibit 5 **Debt Service Payments and Debt Outstanding (MdTA Debt)** **Fiscal 2005 – 2007** **(\$ in Thousands)**

<u>Debt Service Payments</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
Interest on Bonds – 1992 Series	\$1,632	\$845	\$9,222
Interest on Bonds – 1998 Series	730	475	0
Interest on Bonds – 2004 Series	8,033	8,033	8,033
Payment of Serial Bonds – 1992 Series	13,790	14,570	0
Payment of Capital Appreciation Bonds – 1992 Series	0	0	6,198
Payment of Serial Bonds – 1998 Series	5,675	9,510	0
Payment of Serial Bonds – 2004 Series	0	0	1,000
Total Debt Service Payments	\$29,860	\$33,433	\$24,453
<u>Debt Outstanding</u>			
1992 Series	\$116,065	\$101,495	\$86,075
1998 Series	9,510	0	0
2004 Series	160,000	160,000	159,000
Total Debt Outstanding	\$285,575	\$261,495	\$245,075

Source: Maryland Transportation Authority

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MdTA is currently meeting all of its coverage requirements. The ratio of total cash to toll revenues is an administrative ratio that MdTA strives to keep above 1.0. The 2007 ratio is projected to be 1.12. The other two coverage requirements are ones mandated by the Trust Agreement. The first is the debt service coverage, which requires that the ratio of net revenues must be 1.2 times debt service requirements (principal and interest). The expected fiscal 2007 ratio is 6.65. Finally, the rate covenant compliance requires that net revenues must be at least 1.0 times the amount deposited into the Maintenance and Operations (M&O) Reserve Account. The combined fiscal 2007 ratio for debt service coverage and the M&O deposit is projected at 1.81, which is in compliance with the 1.0 minimum. MdTA projects that it will continue to meet all of its coverage requirements throughout the forecast period.

Besides MdTA debt, MdTA also issues debt on behalf of other entities called conduit financing. Most of the recent stand-alone debt issued has related to the \$1.8 billion expansion project at BWI. Debt issued has helped finance the new Concourse A, parking facilities, pedestrian bridges, and a new consolidated rental car facility. This debt includes 2002 A&B Series, 2002 Series, and 2003 A&B Series and is backed by fees at BWI. MdTA has also issued debt on behalf of the Washington Metropolitan Area Transit Authority (WMATA) to finance three parking facilities at Largo, New Carrollton, and College Park. This debt, 2004 Series bonds, was issued for \$40 million and is backed by lease payments from WMATA. Most recently, MdTA issued \$23.8 million worth of bonds to finance the Calvert Street parking garage in Annapolis for State employees. Debt service will be pledged from revenues of lease payments made by the Department of General Services. **Exhibit 6** shows debt outstanding on MdTA stand-alone projects. The debt service for these projects is paid by the revenues from the projects and does not affect MdTA's budget.

Exhibit 6
Debt Outstanding on Stand-Alone Projects
Fiscal 2005 – 2007
(\$ in Thousands)

	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
<u>Debt Service Payments</u>			
Interest on Bonds – 2002 A&B Series – BWI Elm Road garage	\$13,243	\$13,070	\$12,835
Interest on Bonds – 2002 Series – BWI rental car facility	7,412	7,347	7,271
Interest on Bonds – 2003 A&B Series – various BWI projects ¹	1,178	2,060	2,947
Interest on Bonds – 2004 Series – WMATA parking garages	1,060	1,880	1,865
Interest on Bonds – 2005 Series – Calvert Street Parking Garage	0	479	985
Payments of Serial Bonds – 2002 A&B Series – BWI Elm Road garage	4,315	5,885	7,510
Payments of Serial Bonds – 2002 Series – BWI Rental car facility	1,630	1,690	1,760
Payments of Serial Bonds – 2003 A&B Series – various BWI projects	0	0	0
Payments of Serial Bonds – 2004 Series – WMATA Parking garages	0	0	1,040
Payments of Serial Bonds – 2005 Series – Calvert Street parking garage	0	0	0
Total Debt Service Payments	\$28,838	\$32,411	\$36,213

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	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
<u>Debt Outstanding</u>			
2002 A&B Series	\$259,760	\$253,875	\$246,365
2002 Series	115,115	113,425	111,665
2003 A&B Series	69,700	69,700	69,700
2004 Series	40,000	40,000	38,960
2005 Series	0	23,760	23,760
Total Debt Outstanding	\$484,575	\$500,760	\$490,450

¹ The fiscal 2006 and 2007 debt service payments are estimates only, as they are variable rate PFC revenue bonds.

Source: Maryland Transportation Authority

PAYGO Capital Program

Program Description

MdTA's capital program involves the construction and maintenance of revenue-generating transportation facilities throughout the State. In addition to the seven toll facilities for which it is responsible, MdTA finances construction of certain facilities at BWI and the Port of Baltimore. Projects at BWI are repaid through a passenger facility charge assessed on airplane tickets for enplaning passengers and a customer facility charge assessed on rental cars. MdTA also constructed the Seagirt Marine Terminal, for which the MPA provides a revenue-based operating payment for use of the terminal. Most recently, MdTA acquired the InterCounty Connector (ICC) project, a proposed east-west road connecting I-270 and I-95.

Fiscal 2006 through 2011 Consolidated Transportation Program

The Governor's budget book shows that the MdTA PAYGO capital program increases by \$226.6 million from the fiscal 2006 working budget to the fiscal 2007 budget. However, due to changes in the cash flow forecast, primarily for the ICC, fiscal 2006 and 2007 capital expenditures have changed dramatically. **Exhibit 7** illustrates these changes.

Exhibit 7
Changes in MdTA’s Capital Program
Fiscal 2005 – 2007
(\$ in Millions)

	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
Governor’s Proposed Budget Capital	\$133.7	\$165.0	\$283.4
Governor’s Proposed Budget ICC	36.2	299.9	408.1
Governor's Proposed Budget Total	\$169.9	\$464.9	\$691.5
MdTA Updated Forecast Capital	\$163.8	\$164.8	\$284.0
MdTA Updated Forecast ICC	37.9	55.2	355.6
MdTA Updated Forecast Total	\$201.7	\$220.0	\$639.6

Source: Maryland Transportation Authority and Governor’s budget books

According to the updated forecast based on the 2006 through 2011 *Consolidated Transportation Program* (CTP), the large increase from fiscal 2006 to 2007 is primarily due to the project schedule for the ICC. This includes an increase for right-of-way (\$254.0 million) and the start of construction (\$48.7 million). Other large increases from fiscal 2006 to 2007 include:

- \$27.1 million for the construction of two managed lanes on I-95 JFK Memorial Highway Section 100;
- \$25.3 million for system preservation projects;
- \$14.5 million for the rehabilitation of the Fort McHenry Tunnel;
- \$14.3 million for the Bay Bridge westbound deck rehabilitation; and
- \$11.1 million for the I-95/MD 24 interchange construction.

Major Projects Added to the Construction Program

As shown in **Exhibit 8**, MdTA has added two new projects to the construction program. The total cost of the two projects is \$54.4 million, and spending in fiscal 2007 equals \$15.1 million.

Exhibit 8
MdTA CTP Projects Added to the Construction Program
(\$ in Thousands)

	<u>FY 2006</u>	<u>FY 2007</u>	<u>Total Project Cost</u>
Thomas J. Hatem Memorial Bridge US 40 – deck replacement	\$243	\$6,705	\$32,240
John F. Kennedy Memorial Highway, Fort McHenry Tunnel and Baltimore Harbor Tunnel Thruway Higher Speed Toll Modifications – improvements will enable E-ZPass customers to pass through toll plazas at 30 miles per hour (similar to Francis Scott Key Bridge)	1,305	8,395	22,200
Total	\$1,548	\$15,100	\$54,440

Source: Maryland Transportation Authority, January 2006 *Consolidated Transportation Program*

Projects Added to the Development and Evaluation (D&E) Program

As shown in **Exhibit 9**, four projects were added to the D&E program. The total planning and engineering costs for these projects is \$9.2 million, of which \$3.3 million is allocated for fiscal 2007.

Exhibit 9 MdTA CTP Projects Added to the D&E Program (\$ in Thousands)

	<u>FY 2006</u>	<u>FY 2007</u>	<u>Total Project Cost</u>
I-95 John F. Kennedy Memorial Highway E-ZPass Study to allow customers to drive through toll plaza at normal highway speeds	\$100	\$1,200	\$2,900
Bay Bridge 50/301 – E-ZPass lane extension study to extend the dedicated E-ZPass approach lane to the toll plaza	250	0	250
I-95, I-895, and MD 695 Harbor Crossings Traffic Management Study – to review potential solutions to better manage traffic across the three harbor crossings	0	500	1,000
Harry W. Nice Memorial Bridge – study to investigate capacity and safety needs of the bridge and approaches	405	1,595	5,000
Total	\$755	\$3,295	\$9,150

Source: Maryland Transportation Authority, January 2006 *Consolidated Transportation Program*

Issues

1. Security and Law Enforcement on the Memorial Highway

Narrative in the 2005 *Joint Chairmen's Report* requested a report to examine the feasibility of transferring law enforcement services on the JFK Highway from the Maryland State Police (MSP) to the MdTA Police. MdTA submitted a report in November 2005 examining the issue.

The JFK Memorial Highway is a 50-mile section of Interstate 95 traversing northeastern Maryland from the Delaware state line to the Baltimore City line. MSP entered into an agreement with the Maryland State Roads Commission in 1963 to provide law enforcement services on the highway.

In 1971, MdTA was created, transferring all of the Maryland State Roads Commission's rights, responsibilities, duties, and obligations relating to toll roads to MdTA, which continued the contract with MSP to provide law enforcement services on the JFK Memorial Highway. The MdTA Police was officially created in 1994, although its origin dates back to the 1971 creation of the Maryland Toll Facilities Police. The MdTA Police currently has 430 sworn officers and more than 100 civilian employees with law enforcement responsibilities for the Bay Bridge, Thomas J. Hatem Memorial Bridge, Baltimore Harbor Tunnel, Harry W. Nice Bridge, Francis Scott Key Bridge, Fort McHenry Tunnel, BWI Airport, and the port facilities.

The Memorandum of Understanding (MOU) between the Executive Secretary of the Authority and the Superintendent of MSP is a continuous agreement, remaining in full effect unless terminated by one of the parties. To terminate the agreement, a party must give no less than two years written notice to the other party.

Highlights of the findings of the report include:

- The existing agreement for fiscal 2006 provides for MdTA to pay the operating expenses of MSP for the JFK Memorial Highway, \$5.1 million, which includes 49 State Police positions and 8 civilian support personnel and an indirect cost of \$750,000. (The fiscal 2007 budget provides for operating expenses of \$5.3 million, which includes 58 personnel positions.)
- If MdTA Police were to provide law enforcement for JFK Memorial Highway, it would be combined with the detachment at the nearby Thomas J. Hatem Memorial Bridge and would require 36 additional officer positions and 8 additional civilian support positions.
- MdTA Police estimates that it can provide law enforcement services for both the Hatem Bridge and the JFK Memorial Highway for \$5 million.

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- MdTA has an ongoing interest in policing its own facilities, but timing must be right for all parties.
- Resource allocation is also important for MdTA to consider with respect to future construction of the ICC.
- Any transfer of law enforcement responsibility will require a minimum two-year transition time in accordance with the MOU between MdTA and MSP.

As shown in **Exhibit 10**, cost savings would be realized if the MdTA Police took responsibility for law enforcement on the JFK Memorial Highway. The transfer of duties would eliminate the need for \$750,000 budgeted for indirect costs paid by MdTA to MSP. Additionally, through consolidation of law enforcement on JFK Memorial Highway and Hatem Bridge, only 44 additional personnel positions would be needed (36 police officers and 8 civilian support personnel). Since MSP requires 57 positions (49 State troopers and 8 civilian support personnel), this would result in a net decline of 14 police officer positions. Based on the lowest base pay for MSP (\$37,742), this would result in savings of at least \$528,388. After also taking into account the \$750,000 in fiscal 2006 indirect costs, as well as other personnel costs, such as fringe benefits, uniforms, and vehicles, savings could easily reach \$1.5 million annually.

Exhibit 10
Summary of Findings

	<u>MSP</u>	<u>MdTA Police (consolidation of Hatem Bridge and JFK Memorial Highway)</u>
Cost	Fiscal 2006 – \$5.1 million, which includes 57 positions and \$750,000 in indirect costs	Estimated – \$5.0 million for both JFK Memorial Highway and Hatem Bridge
Personnel	57 positions (49 troopers and 8 civilian support)	Would require 44 additional positions (36 officers and 8 civilian support)

Source: Report requested by the 2005 *Joint Chairmen’s Report* completed by the Maryland Transportation Authority in consultation with the Department of State Police and the Department of Budget and Management.

One of the major considerations of whether or not to transfer law enforcement for JFK Memorial Highway from MSP to MdTA Police is the effect that it will have on MSP. By eliminating the need for 58 MSP positions for the patrol of JFK Memorial Highway, there will have to be consideration if the positions should be eliminated or if they can be reallocated to other MSP patrol areas. If the positions are reallocated, an increase of roughly \$4.0 million in general funds to MSP will be required to pay personnel costs. Additional costs for vehicle expenses, uniforms, and other expenses may also be necessary. As of December 31, 2005, 135.0 positions in MSP were vacant.

MSP's personnel allowance for fiscal 2007 is 2,471.50 regular positions. It is possible that instead of eliminating or reallocating positions, MSP could absorb the 58 positions transferred from the JFK Memorial Highway by deleting vacant State trooper positions or not filling positions as they become available.

The Department of Legislative Services (DLS) recommends that the MdTA and MSP comment on the public safety, financial, and jurisdictional implications of the transfer of law enforcement responsibilities from MSP to the MdTA Police. DLS also recommends the adoption of committee narrative expressing the committees' intent that responsibility for law enforcement for JFK Memorial Highway be transferred from MSP to MdTA Police. MdTA and MSP should also provide a report outlining a transition plan to be submitted to the committees prior to November 1, 2006.

2. Task Force on Traffic Capacity Across the Chesapeake Bay

The Task Force on Traffic Capacity Across the Chesapeake Bay was appointed by the Secretary of MDOT to help identify and understand the need for capacity across the Chesapeake Bay, in light of the growing congestion on the existing Bay Bridge. The task force was voluntarily created by the MdTA after legislative interest was expressed. The 22-member task force met several times over the interim to gather information and to identify issues following the release of the 2004 *Transportation Needs Report* by MdTA, which presented an assessment of the traffic capacity constraints and traffic projections for the Bay Bridge for 2025. The task force was charged with gathering information and identifying issues only and was not to select a specific project or a location for development.

The first Bay Bridge was opened to traffic in 1952, followed by the second in 1973. Since that time, traffic on the bridge continues to grow. Commuters and summer weekend travelers provide the greatest source of traffic on the bridge, and demand is expected to continue to increase. By the year 2025, demand for access across the Bay Bridge is expected to grow by more than 40%. Although typical weekend traffic in the summer on and approaching the Bay Bridge currently results in delays of nearly six hours per day, it is expected to increase to twelve hours of delay during the weekends in 2025. Increased congestion is expected as a result of continued population and job growth on both shores of the Bay Bridge.

Four zones were studied as potential sites of a new bridge, if the "build" alternative is selected. The zones are:

- Zone 1: Baltimore County to Kent County (historic northern crossing);
- Zone 2: Anne Arundel County to Queen Anne's County (existing Bay Bridge);
- Zone 3: Anne Arundel/Calvert Counties to Talbot County (includes St. Michael's); and

J00J00 – Maryland Transportation Authority

- Zone 4: Calvert County to Dorchester County (historic southern crossing).

Considerations for each zone included crossing length, main span length, navigation channel width, water depth and foundation requirements, structure type and pier height, vertical clearance for vessel passage, and other considerations, such as security and maintenance. Potential construction of another bridge would also need to consider Chapter 495, Acts of 1978, which requires that a State agency may not construct any toll road, highway, or bridge, without the express consent of a majority of the governments of the affected counties, applicable to Caroline, Cecil, Dorchester, Kent, Queen Anne's, Somerset, Talbot, Wicomico, and Worcester counties.

In addition to information gathering, the task force also heard public comments on the possibility of construction of another bridge and on possible locations. Members of the public raised similar concerns at each meeting. They included:

- concern for irreparable changes to the farms, historic communities, and the rural way of life on the Eastern Shore;
- concern that a new crossing would cause increased development;
- potential impacts of a new bridge on natural resources, particularly the Chesapeake Bay, lands that protect the Bay, and the fishing industries that rely on it;
- support for study of transit alternatives, including a ferry or tunnel in lieu of a highway; and
- effect of a new bridge on homeland security.

A final report of the summary of findings is not due until at least April 2006. Following the task force process, State and federal agencies and officials could engage in the National Environmental Policy Act (NEPA) process, which would include a study of all reasonable alternatives for additional bay crossing capacity, as well as a "No-Build" Alternative.

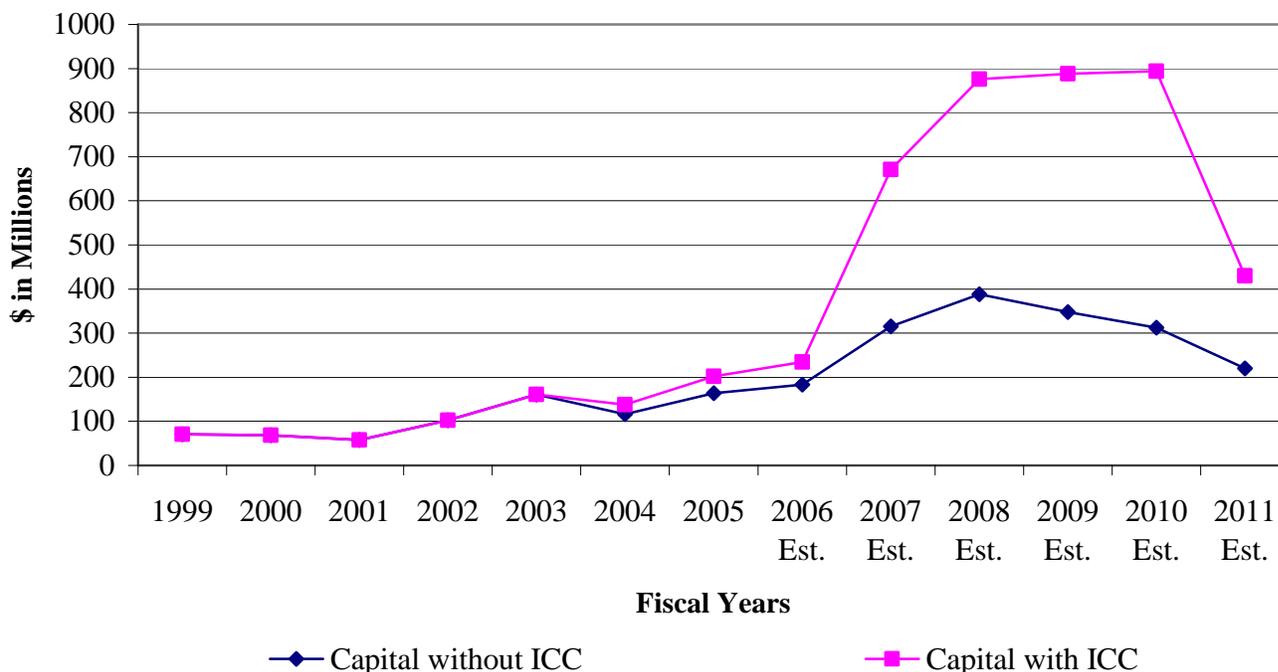
DLS recommends that MdTA comment on travel demand now and in the future, possible environmental impacts of a new crossing, the benefits and drawbacks of a possible crossing in each of the four zones, the public sentiment expressed at the task force meetings and what the timeline looks like from this point. Furthermore, MdTA should also comment on the cost implications of a possible crossing and how long it would take to build if the "build" option is chosen.

3. Large Increases in Anticipated Future Capital Spending

In 1971, MdTA was created and all of the rights, responsibilities, duties, and obligations of the Maryland State Roads Commission were transferred to it. MdTA was also given exclusive authority relating to the financing, construction, operation, maintenance, and repair of Maryland’s toll facilities and any other revenue generating projects authorized under Title 4 of the Transportation Article. One of MdTA’s goals is to finance and build new transportation facilities with MDOT to meet Maryland’s transportation needs. To achieve this goal, MdTA is authorized to issue debt on behalf of itself and others.

The largest capital project currently being undertaken through MdTA, and throughout the State’s transportation infrastructure, is the ICC. The ICC is a \$2.4 billion project financed through a variety of financing mechanisms. As shown in **Exhibit 11**, the ICC is going to have a significant impact on MdTA’s capital budget. Although MdTA has maintained its capital program at or under \$200 million from fiscal 1999 to 2005, this will significantly increase over the next few years, as it reaches a peak of \$893.8 million in fiscal 2010.

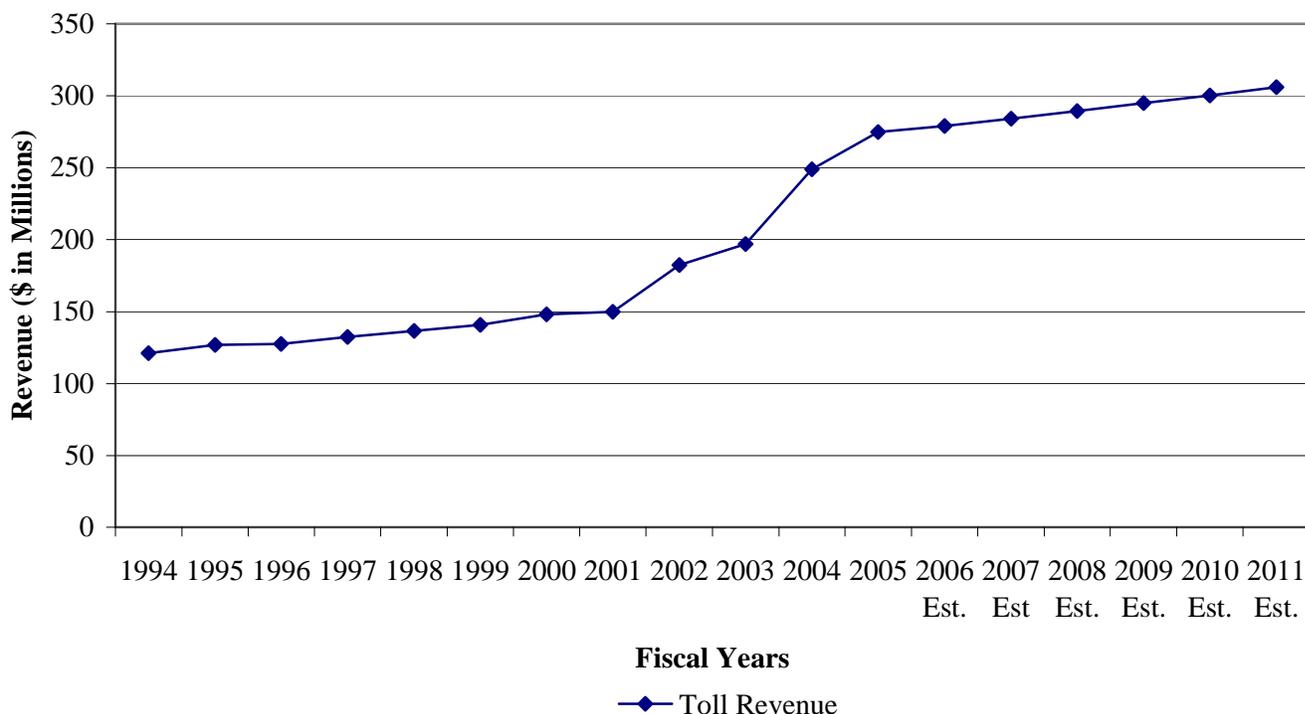
Exhibit 11
MdTA’s Total Capital Program
Actual Fiscal 1999 – 2005 and Estimated 2006 – 2011
(\$ in Millions)



Source: Department of Legislative Services for past year data, 2006 through 2011 *Consolidated Transportation Plan* for projected data

Continued increases in projected traffic, which means higher toll revenues, will partially fund the future capital program. Additionally, toll rate increases in 2001 and 2003 have substantially increased revenues. **Exhibit 12** shows historical and projected toll revenues to demonstrate that the increased capital program will be partially offset by increased revenues.

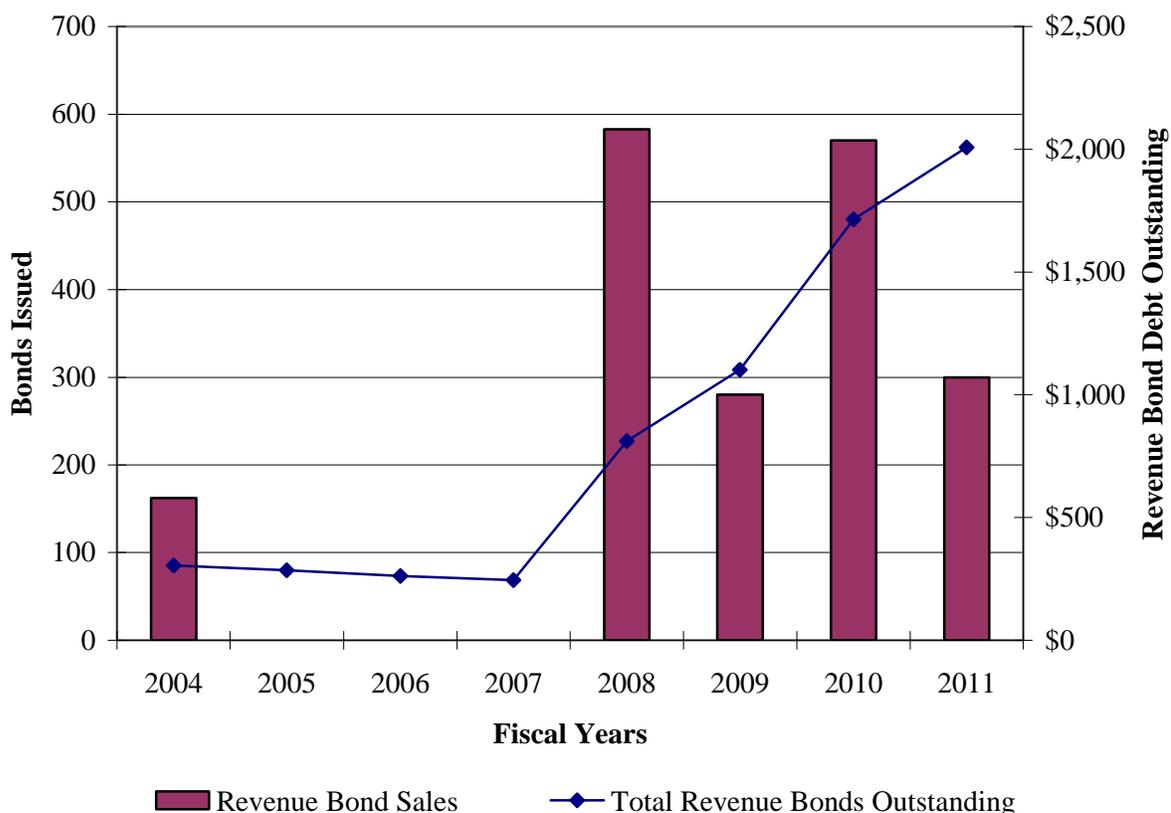
Exhibit 12
Toll Revenues
Actual Fiscal 1994 – 2005 and Estimated Fiscal 2006 – 2011
(\$ in Millions)



Source: Maryland Transportation Authority

Another source of funding for the expected increase in capital projects will come from the sale of revenue bonds. As shown in **Exhibit 13**, MdTA expects to issue large amounts of debt in the near future to finance its capital program. From 2008 through 2011, MdTA expects to issue \$1.7 billion in revenue bonds. In 2011, total revenue bonds outstanding will exceed \$2 billion.

Exhibit 13
Bond Sales and Debt Outstanding
Fiscal 2004 – 2005 Actual Data and Fiscal 2006 – 2011 Estimated Data
(\$ in Millions)



Source: Maryland Transportation Authority

MdTA Forecast

The forecast that MdTA originally provided in December 2005 projected that beginning in fiscal 2010, debt coverage and legal requirement ratios would fall below necessary minimum levels. This would have required some combination of revenue enhancement (i.e. toll increases) and/or expenditure reduction measures.

In February 2006, MdTA submitted to DLS a revised forecast which shows that MdTA will now be meeting all of its debt coverage and legal requirements throughout the forecast period (2006 through 2011). Although the forecast was originally revised to match the MdTA forecast to the projected spending in the final draft of the CTP, it also slightly increased revenues in the out-years,

reduced operating expenses in the out-years, and reduced debt service payments to reflect the use of capitalized interest. **Exhibit 14** outlines some of the major changes in MdTA’s forecast.

Exhibit 14
Net Changes in MdTA’s Financial Forecast from December 2005 to February 2006
(\$ in Millions)

	<u>FY</u> <u>2005</u>	<u>FY</u> <u>2006</u>	<u>FY</u> <u>2007</u>	<u>FY</u> <u>2008</u>	<u>FY</u> <u>2009</u>	<u>FY</u> <u>2010</u>	<u>FY</u> <u>2011</u>	<u>Total</u> <u>Change</u> <u>FY 05-11</u>
Revenues		-\$1.8	-\$1.6	\$3.1	\$3.2	\$2.3	\$1.1	\$6.3
Toll Revenues						-1.2	-2.2	-3.4
Investment Income and Other		-1.8	-1.6	3.1	3.2	3.5	3.3	9.7
Expenditures								
Operating Account Budget					-1.6	-10.8	-10.0	-22.4
Debt Service				-21.8	-13.9	-50.9	-70.1	-154.9
Total Operating Expenditures	\$0	\$0	\$0	-\$21.8	-\$15.5	-\$61.7	-\$80.1	-\$177.3
Capital Expenditures	\$30.1	-\$16.5	\$16.1	\$7.5	\$1.9	\$0.1	\$0.1	\$39.3
ICC	1.7	-244.7	-52.5	-83.9	-68.1	162.0	116.2	-169.3
Total Capital Expenditures	\$31.8	-\$261.2	-\$36.4	-\$76.4	-\$66.2	\$162.1	\$116.3	-\$130.0
Capital Funding Sources	\$31.8	-\$261.2	-\$6.4	-\$76.4	-\$66.2	\$162.1	\$116.3	-\$100.0
Revenue Bonds			-\$300.0	\$203.0	-\$424.0	\$135.0	\$30.0	-\$356.0
GARVEE Bonds		-\$375.0	380.0	-325.0	370.0	-50.0		0.0
MDOT PAYGO	\$22.0							22.0
Special Federal Funds		18.5						18.5
Other Funds	-2.0		30.0					28.0
Current Toll Revenues (PAYGO)	11.8	95.3	-116.4	45.6	-12.2	77.1	86.3	187.5
Annual Cash Surplus/Deficit	-\$11.8	-\$97.1	\$1,14.8	-\$20.7	\$30.9	-\$13.1	-\$5.1	
Total Cash Balance	-\$11.9	-\$109.0	\$5.8	-\$14.9	\$16.0	\$2.9	-\$2.2	

Note: This chart contains only items from the forecast that changed from the December 2005 forecast to the February 2006 forecast.

Source: Maryland Transportation Authority

The most recent MdTA forecast is shown in **Appendix 1**. Given the large amounts of forecasted capital expenditures and the large changes in MdTA’s forecast from December to February, **DLS recommends that MdTA comment on the changes in its forecast, the current economic outlook, anticipated future capital expenditures, and MdTA’s ability to manage the large amounts of debt for capital expected in the near future.**

Operating Budget Recommended Actions

1. Adopt the following narrative:

Police Powers on I-95: The Maryland State Police (MSP) have historically provided law enforcement services on the John F. Kennedy Memorial Highway (JFK Highway). However, since this agreement was originally put into place, the Maryland Transportation Authority (MdTA) has developed its own police force which includes 430 sworn officers. The MdTA Police have law enforcement responsibilities at six of the MdTA's toll facilities, as well as at the Baltimore/Washington International Thurgood Marshall Airport and at the Port of Baltimore. Due to cost savings that could be realized, it is the intent of the committees that MdTA should immediately notify MSP of its intent to terminate the Memorandum of Understanding (MOU) between them in regard to law enforcement. MSP and MdTA should provide a report outlining a transition plan to be submitted to the committees prior to November 1, 2006. Once the required two years of transition time has passed in accordance with the MOU, it is the intent of the committees that the MdTA Police should be responsible for law enforcement on the JFK Highway.

Information Request	Authors	Due Date
Report on the transition of law enforcement responsibilities on the JFK Memorial Highway from MSP to MdTA Police.	MSP MdTA	November 1, 2006

PAYGO Budget Recommended Actions

1. Nonbudgeted.

Updates

1. InterCounty Connector Project

Chapters 471 and 472, Acts of 2005 requires MdTA to submit an annual report to the General Assembly providing the status of the ICC. This report is required by December 1 of each year. MdTA submitted a report in December 2005 providing an update. Highlights from the report include:

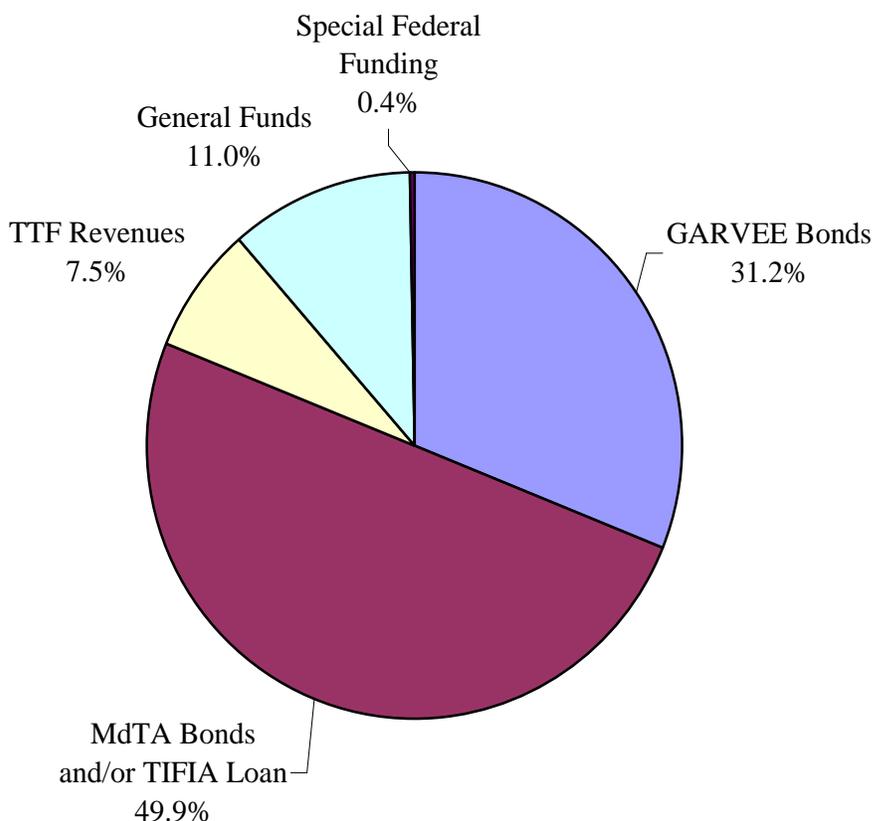
Timeline

- Maryland announced the State’s Preferred Alternative in July 2005. The alternative selected was Corridor 1, which runs a more southerly route.
- The project received a Smart Growth exception under the category “Connecting Priority Funding Areas,” from the Board of Public Works in August 2005.
- The Draft Preferred Alternative Conceptual Mitigation package was approved by the U.S. Army Corps of Engineers and the Maryland Department of the Environment.
- The Maryland-National Capital Park and Planning Commission provided concurrence on the parkland mitigation package.
- Public outreach and several meetings have taken place targeted to those most impacted by the State’s Preferred Alternative.
- If the Federal Highway Administration selects the “build” alternative, the study team will be prepared to move forward and has developed an overall procurement strategy for the five major mainline and interchange contracts. There have been 39 expressions of interest from contractors for the first contract.

Cost Estimate and Finance Plan

There have not been any changes to the estimated cost and financing plan as enacted in Chapters 471 and 472. The conceptual financing plan estimates that the \$2.4 billion cost will be funded as shown in **Exhibit 15**.

**Exhibit 15
ICC Funding Plan**



GARVEE = Grant Anticipation Revenue Vehicle
TTF = Transportation Trust Fund

MdTA = Maryland Transportation Authority
TIFIA = Transportation Infrastructure Finance and Innovation Act

Source: Maryland Transportation Authority

Federal legislation (SAFETEA-LU) passed in August 2005 reauthorizing the nation's federal highway and transit programs through federal fiscal 2009 provided a total of \$18 million in special federal funding for the ICC project. Additionally, Maryland sent a letter in July 2005 to the FHWA expressing interest in obtaining a federal loan under the Transportation Infrastructure Finance and Innovation Act (TIFIA). It is anticipated that the formal TIFIA loan application will be submitted in May 2006. If used, a TIFIA loan would substitute for a roughly equivalent amount of MdTA toll revenue bonds. However, a final decision on the use of a TIFIA loan may not take place for several years, and its benefit would depend on future fluctuation in interest rates.

Project Schedule

The project schedule has been extended by approximately five months. Initial expectations were that approval would come in from FHWA on the Final Environmental Impact Statement (FEIS) in mid- to late-summer 2005. However, due to an extension in the public and agency comment time and additional studies that were completed, this was not received until January 2006. The next step in the approval process is a 45-day public comment period ending February 27. Following the response period and approvals from the Army Corps of Engineers and the federal government, the State can move forward with declaring rights of way and issuing design build contracts. Barring any delays, construction should begin this fall. The 2006 through 2011 CTP includes \$355.6 million in funds for the ICC in fiscal 2007. This includes \$23.1 million for engineering, \$283.9 million for right-of-way, and \$48.7 million for construction.

2. Bay Bridge Reconstruction Advisory Group

In response to legislative interest, MdTA established the Bay Bridge Reconstruction Advisory Group to provide MdTA with an independent, citizen-based perspective on the authority's operations at the Bay Bridge. MdTA hopes that the group can serve as a sounding board and information resource for citizens at-large in relation to operational issues associated with the Bay Bridge as well as a source of new ideas that could potentially improve bridge travel conditions.

Following the initial meeting in July 2005, the group has met monthly to discuss issues surrounding the Bay Bridge. The meetings are regularly attended by group members, MdTA staff, and the public. Topics have included an information overview of the Bay Bridge, updates regarding the Task Force on Traffic Capacity Across the Chesapeake Bay, emergency contingency plans, MdTA Bay Bridge Police unit, Bay Bridge reconstruction, and information regarding the planned Kent Island Truck Security Staging Area. MdTA also utilized the advisory group as a sounding board for ideas on changes to the drive-over policy.

The group continues to meet on the first Wednesday of each month.

MdTA Financial Forecast
Fiscal 2005 – 2011
(\$ in Millions)

	<u>FY</u> <u>2005</u>	<u>FY</u> <u>2006</u>	<u>FY</u> <u>2007</u>	<u>FY</u> <u>2008</u>	<u>FY</u> <u>2009</u>	<u>FY</u> <u>2010</u>	<u>FY</u> <u>2011</u>
Revenues							
Toll Revenues	\$274.7	\$279.0	\$284.2	\$289.4	\$294.8	\$304.3	\$313.7
Concessions	8.0	8.0	8.1	8.3	8.5	8.6	8.8
Investment Income and Other	15.8	20.2	19.1	21.8	22.2	22.4	22.6
Maryland Department of Transportation	32.5	37.1	38.5	39.9	41.4	43.0	44.6
Total Revenues	\$331.0	\$344.3	\$349.9	\$359.4	\$366.9	\$378.3	\$389.7
Expenses							
Operations	\$108.6	\$123.5	\$132.5	\$139.1	\$146.1	\$154.8	\$163.9
BWI and Port Police	17.4	21.5	22.6	23.7	24.9	26.2	27.5
MDOT Transfer	43.0	43.0	43.0	0.0	0.0	0.0	0.0
Debt Service	29.9	33.4	24.5	24.4	59.9	67.1	79.5
Capital Program	163.8	164.8	284.0	349.4	312.9	281.2	197.7
ICC Capital	37.9	55.2	355.6	487.5	540.5	581.4	210.4
Less: GARVEE Bond Proceeds	0.0	0.0	-380.0	0.0	-370.0	0.0	0.0
Less: MDOT/Special Federal Funds	0.0	-18.5	0.0	0.0	0.0	0.0	0.0
Less: Revenue Bond Proceeds	0.0	0.0	0.0	-583.0	-280.0	-570.0	-300.0
Less: MDOT PAYGO	-22.0	-38.0	-30.0	-30.0	-30.0	-30.0	0.0
Less: General Fund Transfers	0	0	-50	-50	-50	-114.9	0
Total Expenses	\$378.6	\$384.9	\$402.2	\$361.1	\$354.3	\$395.8	\$379.0
Annual Surplus/Deficit	-47.6	-40.6	-52.3	-1.7	12.6	-17.5	10.7
Total Cash Balance	\$420.9	\$380.3	\$328.1	\$326.4	\$339.0	\$321.6	\$332.3
Coverage Ratios							
Ratio of Total Cash to Toll Revenues	1.49	1.33	1.12	1.10	1.12	1.03	1.03
Debt Service Coverage	5.93	4.96	6.65	6.63	2.70	2.42	2.06
Rate Covenant Compliance	1.98	1.66	1.81	2.05	1.70	1.55	1.39

Note: The MdTA forecast assumes a 90% spend-out rate for capital projects and a 100% spend-out rate for the ICC.

Source: Maryland Transportation Authority, February 2006

Audit Findings

Audit Period for Last Audit:	October 11, 2000 – December 31, 2003
Issue Date:	October, 2004
Number of Findings:	7
Number of Repeat Findings:	0
% of Repeat Findings:	0%
Rating: (if applicable)	n/a

- Finding 1:** The authority's method for awarding three construction contracts totaling \$636,283 did not ensure that competitive bids were solicited and/or that Board of Public Works approvals were obtained.
- Finding 2:** The authority lost toll revenues totaling approximately \$1.45 million due to certain malfunctions with the E-ZPass electronic toll collection system.
- Finding 3:** An independent audit of the electronic toll collection system was not performed.
- Finding 4:** Certain cash receipts collected by the E-ZPass system contractor were not adequately controlled.
- Finding 5:** The authority did not verify the propriety of certain checking account transactions or prepare monthly account reconciliations.
- Finding 6:** Fuel service station commission payments were not verified and the related annual audited financial statements were not obtained.
- Finding 7:** Required physical inventories of motor vehicles and maintenance equipment were not conducted, and certain related inventory records were not adequately maintained.

**Object/Fund Difference Report
Maryland Transportation Authority
Operating Budget
FY06**

<u>Object/Fund</u>	<u>FY05 Actual</u>	<u>Working Appropriation</u>	<u>FY07 Budget</u>	<u>FY06 - FY07 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	1491.00	1555.50	1556.00	0.50	0%
Total Positions	1491.00	1555.50	1556.00	0.50	0%
Objects					
01 Salaries and Wages	\$ 94,558,830	\$ 107,117,818	\$ 111,754,727	\$ 4,636,909	4.3%
02 Technical & Spec Fees	779,771	2,420,100	2,325,848	-94,252	-3.9%
03 Communication	654,776	804,450	893,052	88,602	11.0%
04 Travel	107,757	101,450	125,594	24,144	23.8%
06 Fuel & Utilities	3,070,002	2,579,940	3,461,600	881,660	34.2%
07 Motor Vehicles	2,358,556	2,202,000	2,817,034	615,034	27.9%
08 Contractual Services	18,416,136	24,123,993	26,945,791	2,821,798	11.7%
09 Supplies & Materials	5,687,371	5,472,381	6,593,464	1,121,083	20.5%
12 Grants, Subsidies, and Contributions	43,000,000	43,000,000	43,000,000	0	0%
13 Fixed Charges	30,246,801	33,587,868	24,632,890	-8,954,978	-26.7%
Total Objects	\$ 198,880,000	\$ 221,410,000	\$ 222,550,000	\$ 1,140,000	0.5%
Funds					
07 Nonbudgeted Fund	\$ 198,880,000	\$ 221,410,000	\$ 222,550,000	\$ 1,140,000	0.5%
Total Funds	\$ 198,880,000	\$ 221,410,000	\$ 222,550,000	\$ 1,140,000	0.5%

Note: The fiscal 2006 appropriation does not include deficiencies, and the fiscal 2007 budget does not reflect contingent reductions.

**Fiscal Summary
Maryland Transportation Authority
Operating and Capital Budget**

<u>Program/Unit</u>	<u>FY05 Actual</u>	<u>FY06 Wrk Approp</u>	<u>FY07 Budget</u>	<u>Change</u>	<u>FY06 - FY07 % Change</u>
0041 Operating Program	\$ 198,880,000	\$ 221,410,000	\$ 222,550,000	\$ 1,140,000	0.5%
0042 Capital Program	169,900,000	464,870,000	691,510,000	226,640,000	48.8%
Total Expenditures	\$ 368,780,000	\$ 686,280,000	\$ 914,060,000	\$ 227,780,000	33.2%
Nonbudgeted Fund	\$ 368,780,000	\$ 686,280,000	\$ 914,060,000	\$ 227,780,000	33.2%
Total Appropriations	\$ 368,780,000	\$ 686,280,000	\$ 914,060,000	\$ 227,780,000	33.2%

Note: The fiscal 2006 appropriation does not include deficiencies, and the fiscal 2007 budget does not reflect contingent reductions.