

J00I00
Maryland Aviation Administration
Maryland Department of Transportation

Operating Budget Data

(\$ in Thousands)

	<u>FY 10</u> <u>Actual</u>	<u>FY 11</u> <u>Working</u>	<u>FY 12</u> <u>Allowance</u>	<u>FY 11-12</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
Special Fund	\$173,093	\$172,234	\$174,553	\$2,319	1.3%
Contingent & Back of Bill Reductions	0	0	-254	-254	
Adjusted Special Fund	\$173,093	\$172,234	\$174,299	\$2,065	1.2%
Federal Fund	656	656	656	0	
Contingent & Back of Bill Reductions	0	0	-18	-18	
Adjusted Federal Fund	\$656	\$656	\$638	-\$18	-2.8%
Adjusted Grand Total	\$173,749	\$172,890	\$174,937	\$2,047	1.2%

- After accounting for across-the-board reductions, the fiscal 2012 allowance increases by \$2.0 million, or 1.2%, from the fiscal 2011 working appropriation. Across-the-board reductions include changes in employee health insurance and retiree prescription drug benefits.
- Some of the largest changes in the allowance include a \$2.5 million increase for snow removal to reflect a five-year rolling average, a \$1.4 million increase for equipment repairs and maintenance due to contract increases, and a \$1.7 million decrease for security as a result of a contract rebid.

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

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PAYGO Capital Budget Data

(\$ in Thousands)

	Fiscal 2010	Fiscal 2011		Fiscal 2012
	<u>Actual</u>	<u>Legislative</u>	<u>Working</u>	<u>Allowance</u>
Special	\$20,756	\$19,860	\$35,145	\$48,537
Federal	\$9,336	\$5,667	\$14,506	\$8,732
Subtotal	\$30,092	\$25,527	\$49,651	\$57,269
Other Funds	41,462	53,228	40,509	27,555
Total	\$71,554	\$78,755	\$90,160	\$84,824

- The fiscal 2012 capital budget decreases \$5.3 million from the fiscal 2011 working appropriation. The decrease is largely the result of updated project cash flows.
- One capital project consumes about half of total six-year expenditures. This \$315 million project involves federally mandated improvements to runway safety areas and pavement conditions at Baltimore/Washington International Thurgood Marshall (BWI Marshall) Airport.

Operating and PAYGO Personnel Data

	<u>FY 10 Actual</u>	<u>FY 11 Working</u>	<u>FY 12 Allowance</u>	<u>FY 11-12 Change</u>
Regular Operating Budget Positions	455.50	456.50	452.50	-4.00
Regular PAYGO Budget Positions	<u>56.00</u>	<u>56.00</u>	<u>54.00</u>	<u>-2.00</u>
Total Regular Positions	511.50	512.50	506.50	-6.00
Operating Budget FTEs	0.59	0.50	0.50	0.00
PAYGO Budget FTEs	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Total FTEs	0.59	0.50	0.50	0.00
Total Personnel	512.09	513.00	507.00	-6.00

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	30.19	5.96%
Positions and Percentage Vacant as of 12/31/10	40.00	7.80%

- The fiscal 2012 allowance includes 506.5 regular positions, a decrease of 6.0 positions from the fiscal 2011 working appropriation. These 6.0 positions are all vacant and are being abolished for cost containment reasons.
- As of December 31, 2010, the Maryland Aviation Administration (MAA) had 40.0 vacant positions for a vacancy rate of 7.8%. Six of these positions are being held vacant and will be abolished in the fiscal 2012 allowance. Nine of these positions have been vacant for 12 months or longer.

Analysis in Brief

Major Trends

BWI Marshall Airport Has Record Breaking Year: BWI Marshall Airport served 21.9 million passengers in calendar 2010, the highest total ever. With the airline industry continuing to show signs of improvement following the oil price hike in 2008 and the economic downturn of 2009, 2011 is expected to be another record breaking year.

MAA Posts Net Income: For the first time since fiscal 1999, MAA generated enough revenue in fiscal 2010 to cover both operating and capital expenses. This is only the sixth time since MAA took ownership of BWI Marshall Airport in 1973 that this has happened. It is due in large part to aggressive cost containment actions made in response to the economic downturn.

Issues

Southwest Airlines Acquisition of AirTran Airways Takes Flight: In September 2010, Southwest Airlines announced its plan to acquire AirTran Airways for cash and stock options valued at \$1.4 billion. The merger could have a significant impact on BWI Marshall Airport, as the consolidated carrier will handle nearly 70% of all passengers at BWI Marshall Airport. This issue lays out a number of concerns and potential risks of the airport being overwhelmingly dominated by one airline. **The Department of Legislative Services (DLS) recommends that MAA comment on the proposed merger and how it will impact BWI Marshall Airport and MAA's attempts to attract other airlines.**

Duplicative Oversight and Approval Processes Unnecessary: The Maryland Aviation Commission (MAC) was established in statute to provide oversight and approval of certain MAA activities; however, many of these activities are duplicative of oversight and approvals required by other entities, such as the Board of Public Works and the General Assembly. **DLS recommends that MAC be abolished and that certain activities currently handled by MAC be transferred to the Secretary of Transportation.**

Mutual Aid Not So Mutual: From 2003 through 2010, the number of mutual aid calls that the BWI Fire and Rescue Department (BWI FRD) has responded to in other jurisdictions has doubled and now amount to more than 40% of BWI FRD's total calls. The vast majority of these calls are to Anne Arundel County. Current call volumes exclusive of mutual aid calls do not support current staffing levels. **DLS recommends that a section be added to the budget bill to encourage BWI FRD and Anne Arundel County to reach a cost-sharing agreement for fire and rescue services provided in Anne Arundel County.**

Implementing Cost Recovery Measures for BWI FRD: In the last several years, across the nation many fire departments have begun charging ambulance transport fees for taking patients to the hospital. Payment of these charges is provided for in Medicare, Medicaid, and most private insurance

plans. **DLS recommends that a provision be included in the Budget Reconciliation and Financing Act of 2011 to implement an ambulance transport fee for BWI FRD.**

Operating Budget Recommended Actions

	<u>Funds</u>
1. Abolish the Maryland Aviation Commission.	\$ 25,000
2. Delete grant to BWI Business Partnership, Inc.	50,000
3. Add a section to encourage Anne Arundel County and the Maryland Aviation Administration to reach a cost-sharing agreement for the provision of fire and rescue services.	
Total Reductions	\$ 75,000

PAYGO Budget Recommended Actions

1. Concur with Governor's allowance.

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Budget Analysis

Program Description

The Maryland Aviation Administration (MAA) has responsibility for fostering, developing, and regulating aviation activity throughout the State. MAA is responsible for operating, maintaining, and developing the State-owned Baltimore/Washington International Thurgood Marshall (BWI Marshall) Airport as a major center of commercial air carrier service in the State and Martin State Airport (MTN) as a general aviation reliever facility and as a support facility for the Maryland Air National Guard and the Maryland State Police. MAA strives to make the Maryland aviation system the “Easy Come, Easy Go” gateway to the world and to achieve this it has identified the following key goals:

- keep BWI Marshall Airport passengers, tenants, and facilities safe;
- operate BWI Marshall Airport efficiently and effectively;
- attract, maintain, and expand air service; and
- provide exceptional service.

Performance Analysis: Managing for Results

As owner and operator of a commercial airport, many of the performance indicators that MAA measures are at least partially affected by factors outside of its control, such as the status of the airline industry. Since airports depend not only on airlines but also on the passengers they bring to generate revenues, changes in the airline industry affect the airlines as well as the airports where they operate. For this reason, any discussion of performance at BWI Marshall Airport would be incomplete without discussion of the airline industry as a whole.

The Airline Industry

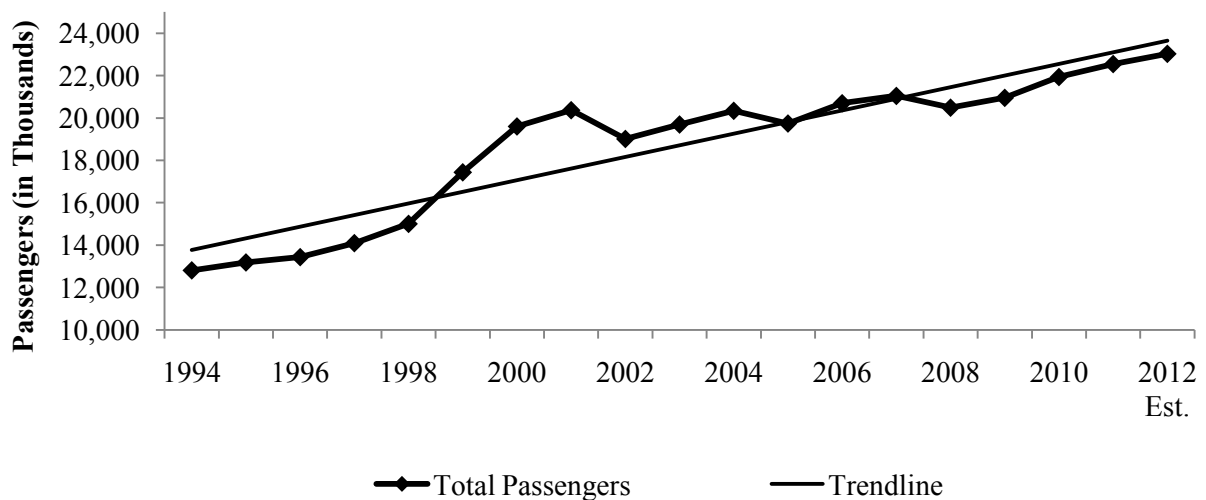
Over the last several years, the airline industry has been rocked by an oil price hike in 2008 and the economic downturn in 2009. In 2010, as the economy began to improve, the demand for air travel also improved. Higher ticket demand, higher fares, and greater use of ancillary revenues (fees for baggage, reservation changes, pet travel, etc.) have all helped the airline industry turn a profit in the second and third quarters of calendar 2010. The fourth quarter is likely to slack off as a result of several snowstorms that canceled flights across the United States and western Europe.

Calendar 2011 is likely to be another difficult year for the airline industry. Higher fuel prices may temporarily stall the ongoing recovery. However, airlines should be able to pass some of this increase on to customers through higher fares as a result of less capacity. Industry consolidation will continue to be an issue in 2011. In 2008, Delta Airlines successfully acquired Northwest Airlines and, in 2010, United Airlines merged with Continental Airlines. In 2010, in a move that could have a significant impact on BWI Marshall Airport, Southwest Airlines announced its plan to acquire AirTran Airways, which may become final in 2011. The biggest factors that bear watching in 2011 and could impede recovery will be oil price volatility, federal regulations, and taxation in Europe. Perhaps less prominent, but always present, terrorism continues to be an ongoing threat to the airline industry. Declines in 2008 and 2009 were so severe that although we can say the airline industry is doing better, we cannot yet say it is doing well.

Total Passengers

Passenger traffic at BWI Marshall Airport increased 4.7% from calendar 2009 to 2010, up from 21.0 million passengers in calendar 2009 to 21.9 million in calendar 2010. As shown in **Exhibit 1**, after steady increases in passenger volumes throughout the 1990s, growth in passengers has been largely stagnant. Since calendar 2000, passenger volumes have hovered around 20.0 million passengers. Passenger volumes declined slightly in 2008 as a result of the economic downturn, but have rebounded in 2009 and 2010. Passenger volumes are expected to continue to increase in 2011 and 2012, reaching record passenger levels.

Exhibit 1
Total Passengers at Baltimore/Washington International
Thurgood Marshall Airport
Calendar 1994-2012



Source: Maryland Aviation Administration

International service continues to be a struggle for BWI Marshall Airport. Currently, BWI Marshall Airport offers only five international destinations, including Cancun, Mexico; Montego Bay, Jamaica; Nassau, Bahamas; Toronto, Canada; and a State-supported daily nonstop flight to London Heathrow Airport. Passengers on international flights continued to decline in 2010 and now make up less than 1.0% of passengers at BWI Marshall Airport. From 2008 to 2009, there was a 26.2% decline in international passengers and a further decline of 31.5% in 2010.

The dominant airline at BWI Marshall Airport continues to be Southwest Airlines, which handled 53.5% of all passengers in calendar 2010. The next largest airline is AirTran Airways, which handled 16.2% of all passengers in calendar 2010. In September 2010, Southwest Airlines announced a plan to purchase AirTran Airways for \$1.4 billion. When the acquisition is complete, Southwest will carry nearly 70.0% of all passengers at BWI Marshall Airport. The potential implications of this will be discussed further in Issue 1.

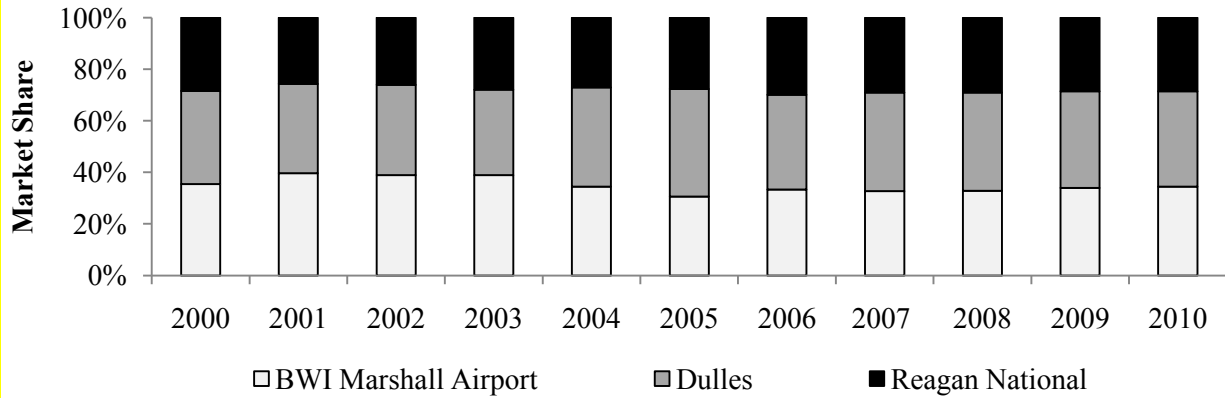
Passenger Market Share

In order for BWI Marshall Airport to experience growth in business, it must remain competitive with other airports. In addition to competing with other airports nationally and internationally, BWI Marshall Airport must also compete for passengers closer to home in the Washington region due to the proximity of Dulles International Airport and Ronald Reagan Washington National Airport (Reagan National).

Both Dulles and Reagan National saw increases in passengers in 2010, increasing 2.2 and 3.1%, respectively. Total passenger volumes in 2010 were 23.6 million at Dulles and 18.1 million at Reagan National. Over the last two years, the passenger growth rate at BWI Marshall Airport exceeded the growth rate at Dulles and Reagan National, allowing BWI Marshall Airport to increase its regional market share. As shown in **Exhibit 2**, Dulles continues to lead market share with 37.1% of the regional market, but this is down more than four percentage points from its peak of 41.7% in 2005.

The continued strength of Dulles in attracting regional travelers is due in part to the multitude of domestic flights and destinations that it offers, but more importantly to the strength of its international offerings. On the domestic front, BWI Marshall Airport lags slightly in the number of nonstop domestic destinations (70 for BWI Marshall Airport and 79 for Dulles) and number of domestic daily departures (309 vs. 331). The real difference becomes apparent when looking at international options. Dulles offers 43 nonstop international destinations while BWI Marshall offers only 5. Comparing Dulles' 26.9% of total passengers in calendar 2010 that flew internationally to BWI Marshall Airport's 0.9% provides further evidence of the strength of Dulles' international offerings.

**Exhibit 2
Regional Passenger Market Share
Calendar 2000-2010**



Source: Maryland Aviation Administration

Cost and Revenue Per Enplaned Passenger

Two of the important financial calculations considered in regard to airports are the cost per enplaned passenger (CPE) and the nonairline revenue per enplaned passenger (RPE). Nonairline revenue includes parking, concessions, rental cars, and other revenue sources. In regard to CPE, part of BWI Marshall Airport’s success has been its ability to maintain low CPE rates, which attracts and retains low-cost carriers such as Southwest Airlines. At BWI Marshall Airport, like all airports, operating costs are passed on to airlines through building rent, landing fees, and other user charges. Therefore, both MAA and the airlines have an interest in keeping operating costs as low as possible.

As shown in **Exhibit 3**, from fiscal 2009 to 2010, BWI Marshall Airport’s CPE increased slightly from \$9.28 to \$9.39. This remains well below the estimated fiscal 2010 CPE of \$12.38 for other regional airports. Regional airports are the airports that BWI Marshall Airport is in direct competition with: Reagan National, Dulles, and Philadelphia International Airport. In fiscal 2011, MAA projects that its CPE will decline as a result of cost containment actions. By fiscal 2011, it is estimated that BWI Marshall Airport’s CPE will be \$4.91 lower than the mean rate of its regional rivals. While that may not sound that significant, the savings quickly add up for the airlines. For an airline like Southwest, which handled 11.7 million passengers in calendar 2010, that equates to a \$57.7 million difference between BWI Marshall Airport and the regional airport mean.

Also shown in Exhibit 3, BWI Marshall Airport’s nonairline RPE decreased slightly in fiscal 2010 to \$10.76. Although revenues grew over that time period, passengers grew more quickly, resulting in an overall decline. Through fiscal 2008, the RPE at BWI Marshall Airport and the regional airports mean has been comparable; however, in fiscal 2009, BWI Marshall Airport was able to widen that gap.

Exhibit 3
Cost and Revenue Per Enplaned Passenger
Fiscal 2007-2012

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>Est.</u> <u>2011</u>	<u>Est.</u> <u>2012</u>
Cost Per Enplaned Passenger						
BWI Marshall Airport	\$6.66	\$7.75	\$9.28	\$9.39	\$8.95	\$8.96
Regional Airports Mean	\$9.14	\$10.05	\$11.53	\$12.38	\$13.86	-
Revenue Per Enplaned Passenger						
BWI Marshall Airport	\$10.01	\$11.10	\$10.82	\$10.76	\$10.72	\$10.69
Regional Airports Mean	\$10.32	\$11.35	\$9.59	-	-	-

Note: Actual data for fiscal 2010 for regional airports is not yet available. The amount shown as the fiscal 2010 cost per enplaned passenger is an estimate only. Cost projections beyond fiscal 2011 and projections of revenues for regional airports are not available.

Source: Maryland Aviation Administration

Financial Results

Unlike most other State agencies that rely solely on the State for all support, MAA receives operating revenues that help offset its expenditures. Its profitability determines how much the Transportation Trust Fund (TTF) must provide as a subsidy. Although MAA's revenues have typically covered its operating expenses, MAA relies on the TTF or other non-MAA financing mechanisms to fund its capital program.

Exhibit 4 shows that for the first time since fiscal 1999, MAA generated enough revenue in fiscal 2010 to cover both operating and capital expenses. This is only the sixth time since MAA took ownership of BWI Marshall Airport in 1973 that this has happened. It is due in large part to aggressive cost containment actions made in response to the economic downturn. In fiscal 2011 and 2012, MAA projects a net operating income of \$30.2 million; however, when the capital program is taken into account, MAA operates at a net loss of \$3.5 million in fiscal 2011 and \$18.3 million in fiscal 2012.

It is important to note in looking at MAA capital expenditures in a business manner, consideration should be given to the fact that capital expenditures are often paid for in a single year, or over multiple years, but depreciation over the life of the asset does not take place. Reimbursement from the airlines (through the Basic Use and Lease Agreement) actually takes place over 5 to 30 years, meaning that revenues and capital expenditures may not match in a year-to-year comparison.

Exhibit 4
Special Fund Revenues and Expenditures
Fiscal 2009-2012
(\$ in Thousands)

	<u>2009</u>	<u>2010</u>	<u>Work. Approp.</u> <u>2011</u>	<u>Allowance</u> <u>2012</u>	<u>\$ Change</u> <u>2011-2012</u>	<u>% Change</u> <u>2011-2012</u>
Operating Revenues						
Flight Activities	\$48,945	\$54,151	\$56,168	\$56,680	\$512	0.9%
Rent and User Fees	55,279	57,134	56,356	56,970	614	1.1%
Concessions	63,766	68,352	74,153	76,563	2,410	3.3%
Other Revenues	5,643	7,777	10,196	7,317	-2,879	-28.2%
Martin State Airport Activities	7,948	7,098	6,960	7,018	58	0.8%
Revenues Subtotal	\$181,580	\$194,513	\$203,833	\$204,548	\$715	0.4%
Operating Expenditures ¹	\$169,797	\$173,093	\$172,234	\$174,299	\$2,065	1.2%
Net Operating Income	\$11,783	\$21,420	\$31,599	\$30,249	-\$1,350	-4.3%
Capital Expenditures ¹	\$26,983	\$20,756	\$35,145	\$48,500	\$13,355	38.0%
Net Income/Loss	-\$15,200	\$664	-\$3,546	-\$18,251	-\$14,705	-414.7%

¹ Includes special funds only. Also reflects across-the-board reductions in the fiscal 2012 budget.

Source: Maryland Aviation Administration

Proposed Budget

MAA's fiscal 2012 operating budget allowance increases by \$2.3 million, or 1.3%, from the fiscal 2011 working appropriation. After adjusting for across-the-board actions, the fiscal 2012 allowance increases \$2.0 million, or 1.2%, from the fiscal 2011 working appropriation. **Exhibit 5** provides a summary of the changes taking place from the fiscal 2011 working appropriation to the fiscal 2012 allowance. To the extent that MAA has positions abolished under the Voluntary Separation Program, additional reductions will be implemented by the Administration.

Exhibit 5
Proposed Budget
MDOT – Maryland Aviation Administration
(\$ in Thousands)

How Much It Grows:	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Total</u>
2011 Working Appropriation	\$172,234	\$656	\$172,890
2012 Allowance	<u>174,553</u>	<u>656</u>	<u>175,209</u>
Amount Change	\$2,319	\$0	\$2,319
Percent Change	1.3%		1.3%
 Contingent Reductions	 -\$254	 -\$18	 -\$272
Adjusted Change	\$2,065	-\$18	\$2,047
Adjusted Percent Change	1.2%	-2.8%	1.2%

Where It Goes:

Personnel Expenses

Restoration of furloughs	\$615
Retirement.....	366
Employee and retiree health insurance (net of contingent and Back of Bill reductions).....	272
Workers' compensation premium assessment.....	61
Social Security.....	44
Abolished positions	-254
Other fringe benefit adjustments.....	-24

Other Changes

Snow removal (contracted service and melting agents)	2,531
Equipment repairs and maintenance	1,437
Software system maintenance for consolidated dispatch center.....	380
Contributions to Baltimore City Police and Firemen's Pension System	234
Additional and replacement equipment	196
Restore grant to BWI Business Partnership, Inc.....	50
Travel	-36
Airport vegetation control.....	-150
Vehicle operating costs (includes insurance, fuel, and maintenance and repair)	-339
Advertising	-376
Insurance.....	-498
Utilities	-814
Security.....	-1,654

Where It Goes:

Other	6
Total	\$2,047

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

Impact of Cost Containment

The fiscal 2012 budget reflects several across-the-board actions. In fiscal 2012, MAA’s share of the reduction is \$95,495 in special funds and \$6,923 in federal funds for changes in employee health insurance. Reductions contingent upon statutory changes include \$158,059 in special funds and \$11,459 in federal funds for retiree prescription drug benefits.

Departmentwide, the Maryland Department of Transportation (MDOT) abolished 43 vacant positions in the fiscal 2012 allowance as part of its cost containment efforts. These positions may be associated with the abolition of 500 positions required by Section 44 of the fiscal 2011 budget bill; however, these positions were not abolished in fiscal 2011 as required and are not deleted until the fiscal 2012 allowance. MAA’s share of this position abolition was 6 positions, including 4 in the operating budget and 2 in the capital budget. The operating budget is reduced by \$254,067 for funding associated with these positions. These positions were all vacant, and the duties associated with these positions will be reassigned to other staff.

Personnel

After adjusting for across-the-board allocated reductions, personnel costs increase \$1.1 million. The largest portion of this increase is \$614,523 for the restoration of furlough reductions taken in fiscal 2010 and 2011. Other large changes include an increase of \$365,917 for retirement; however, it should be noted that although Section 21 of the fiscal 2012 budget bill does not reflect savings to special fund agencies, like MDOT, for proposed changes to State employee retirement plans, savings will accrue to special fund agencies as well and will help mitigate this increase.

Nonpersonnel

Outside of personnel, a number of changes are taking place to MAA’s budget as a result of a concerted effort to more closely match actual expenditures in fiscal 2010 to the amount budgeted in fiscal 2012. The largest of these changes is a policy decision to change the way in which snow removal is budgeted. Previously, MAA budgeted roughly \$2.0 million for snow removal each year, and any expenditures above the budgeted amount were paid for by moving funds from other spending categories into snow removal. In fiscal 2007 through 2009, average actual expenditures of \$4.5 million made this practice manageable, though not ideal. However, several major snow events in fiscal 2010 increased actual spending on snow removal to \$17.3 million, and MAA was forced to fund this amount out of its existing budget, which severely reduced the funding available for

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nonsnow expenditures. The fiscal 2012 allowance includes an increase of \$2.5 million for snow removal as MAA increases its budget to incorporate a five-year rolling average (excluding fiscal 2010) for snow removal.

Significant decreases taking place in the allowance include:

- \$1.7 million for security as a result of savings from rebidding the contract;
- \$0.8 million for utilities per calculation guidelines from the Department of Budget and Management;
- \$0.5 million for insurance coverage; and
- \$0.4 million for advertising due to cost containment.

Significant increases in the fiscal 2012 allowance include:

- \$1.4 million for equipment repairs and maintenance due to established contract increases;
- \$0.4 million for system maintenance associated with recent upgrades to the Consolidated Dispatch Center;
- \$0.2 million for contributions to the Baltimore City Police and Firemen’s Pension System for employees previously employed by Baltimore City when it provided police and fire services at BWI Marshall Airport who subsequently transferred to State employment; and
- \$0.2 million for additional and replacement equipment, including \$109,700 for two aircraft ground power units and an aircraft tow tractor for operations at MTN and \$106,292 for additional snow plows and line striping equipment for BWI Marshall Airport.

PAYGO Capital Program

Program Description

MAA’s capital program provides for the development and maintenance of facilities at BWI Marshall Airport and MTN. MAA undertakes projects that meet the demands of commercial and general aviation for both passenger and cargo activities at BWI Marshall Airport. At MTN, facilities improvements and rehabilitation activities such as runway and taxiway improvements, building and system renovations, and various maintenance projects are implemented.

Fiscal 2011 to 2016 Consolidated Transportation Program

MAA’s total capital program from fiscal 2011 to 2016 is \$630.6 million, which is \$78.9 million less than the total capital funding for MAA in the fiscal 2010-2015 *Consolidated Transportation Program* (CTP). Funding for projects in the fiscal 2011-2016 CTP is dominated by

one project that consumes about half of total six-year expenditures. This \$315.0 million project involves federally mandated improvements to runway safety areas (RSA) and pavement conditions at BWI Marshall Airport.

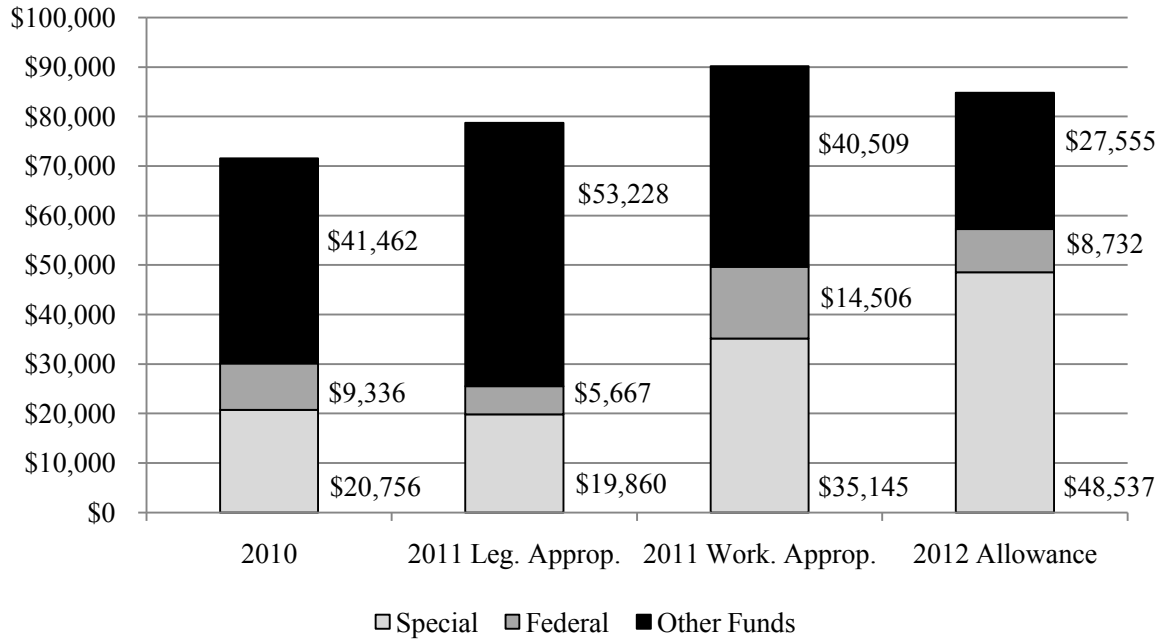
The project involves two components that are separate but related. The first involves RSA improvements that Congress mandated that all airports have completed by 2015. All four of BWI Marshall Airport's runways have deficiencies, but correcting them has been problematic because the airport is bounded by several interstate and State highways. MAA and the Federal Aviation Administration (FAA) have agreed upon remediation methods, but moving forward on the project requires FAA's approval of the airport's master plan, airport layout plan and corresponding environmental assessment documents. These documents have been submitted to FAA and approval is expected in 2011. Upon approval, MAA will be eligible to compete for a federal discretionary grant to fund part of the project. The second component of the project is the pavement management program (PMP). MAA is required by federal regulations to keep airfield pavement free of cracks and surface variations that could impair directional control of airplanes. PMP will correct any existing defects in the surface of the runways, taxiways, and deicing pads.

Since both projects are related and involve a substantial amount of work on the airfield, they are treated as one project in the CTP. As components of the project must be complete before 2015, MAA has moved quickly on the project. The project was first added to the development and evaluation program in the fiscal 2010-2015 CTP and moves from the development and evaluation program to the construction program in the 2011-2016 CTP. Funding for the project remains in flux. MAA hopes to receive authorization to fund the project with passenger facility charges (PFC) and with a discretionary grant from FAA. In addition to the funding challenges that the project presents, it also requires cooperation with the airlines. MAA has already given notice to the airlines that the airport's two main runways will be closed for a weekend in September while repaving work related to this project is being completed. **Given the size and importance of this project, the Department of Legislative Services (DLS) recommends that MAA comment on the work that will be completed, the status of the airport planning and environmental documents, and the funding for this project.**

Fiscal 2011 and 2012 Cash Flow Analysis

Exhibit 6 provides cash flow information for MAA's capital program from fiscal 2010 to 2012. MAA's fiscal 2012 capital allowance is \$84.8 million, a \$5.3 million decrease from the fiscal 2011 working appropriation. The net decrease includes a \$13.4 million increase in special funds which is offset by a \$13.0 million decrease in other funds and a \$5.8 million decrease in federal funds. The increase in special funds is primarily due to funding RSA and PMP improvements discussed above. It is possible that alternative financing sources could be available for this project; however, no federal or PFC funding is committed at this time. The decrease in other funds is a result of completion of several projects that were funded by other funds. The decrease in federal funds is the result of completion of a project that was funded in part by a discretionary grant through the American Recovery and Reinvestment Act of 2009.

**Exhibit 6
Cash Flow Changes
Fiscal 2010-2012
(\$ in Thousands)**



Source: Maryland Department of Transportation, 2011-2016 *Consolidated Transportation Program*

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Other funds include PFCs, customer facility charges, and federal funding. **Exhibit 7** shows the breakdown of projects using other funding. Other funds decrease \$13.0 million from \$40.5 million in fiscal 2011 to \$27.6 million in fiscal 2012.

Exhibit 7
Other Funds
Fiscal 2011-2012
(\$ in Thousands)

<u>Project</u>	<u>Source</u>	<u>2011</u>	<u>2012</u>
Concourse D/E Baggage Screening and Claim System Improvements	PFC	\$1,088	
Airfield Lighting Cable Replacement	PFC	323	
TSA Area CCTV Replacement	TSA	3,965	
Consolidated Rental Car Facility Courtyard Improvements	CFC	1,539	
Gate G Modifications	PFC	1,684	
Terminal Improvement Project	PFC	1,124	\$1,628
Concourse C/D Airfield Ramp Improvements	PFC	10,670	7,131
Hagerstown Airport	RAA	4,824	1,000
BWI Integrated Security System	PFC/TSA	12,567	7,588
Consolidated Dispatch Center	PFC	1,687	2,985
TSA Baggage Screening Improvements	TSA	767	1,616
Permanent Noise Monitoring	PFC	124	624
Minor Projects (5 Projects)	PFC	147	13
Terminal Modernization Program	PFC		4,970
Total Other Funds		\$40,509	\$27,555

CCTV: closed circuit television

CFC: customer facility charge

PFC: passenger facility charge

RAA: Regional Aviation Assistance

TSA: Transportation Security Administration

Source: Maryland Aviation Administration

Exhibit 8 provides a list of major construction projects funded in fiscal 2012. The three projects listed account for nearly all funding of major projects in the construction program for fiscal 2012.

Exhibit 8
Major Construction Projects
Funded in Fiscal 2012
(\$ in Thousands)

<u>Project</u>	<u>2012</u>	<u>\$ Total</u>	<u>Completion of Fiscal Cash Flow</u>
Concourse C/D Apron Reconstruction – includes pavement removal and reconstruction of the aircraft ramp area between Concourses C and D, improvements to drainage structures and upgrades to deicing collection facilities, communications infrastructure, and ramp lighting. Project includes \$15 million in ARRA funding.	\$8,303	\$45,365	2012
Integrated Life-safety and Security Systems – provides for the replacement of numerous, disparate end of life cycle facility monitoring, emergency response and security systems into one integrated system.	14,699	46,568	2013
Runway Safety Area and Pavement Management Program Improvements – consists of the design and construction of improvements to runway safety areas, runways, taxi lanes, and deicing pads to meet federally mandated standards.	26,202	314,979	2016
Total	\$49,204	\$406,912	

ARRA: American Recovery and Reinvestment Act of 2009

Source: Maryland Department of Transportation, 2011-2016 *Consolidated Transportation Program*

Projects Removed from the Construction Program

One project was removed from the fiscal 2011-2016 CTP due to inactivity. The protective land acquisition program provides for the purchase of land in the immediate vicinity of BWI Marshall Airport and MTN to protect the property for future airport-related facilities, environmental requirements, and to ensure compatible land use around the airports.

Construction Schedule Delays

Exhibit 9 shows the construction schedule delays in the capital program.

Exhibit 9 Construction Schedule Delays

<u>Project</u>	<u>Justification</u>	<u>Delay</u>
Noise Zone Land Acquisition Program – promotes compatible land use around BWI Marshall Airport through the purchase of residential properties offered for sale.	Based on schedule developed from Noise Land Re-use Plan.	From fiscal 2011 to 2012
Homeowner Assistance Program – provides for the purchase or soundproofing of homes near BWI Marshall Airport.	Federal funding dependent on property sales from Noise Land Re-use Plan.	From fiscal 2011 to 2013
Terminal Modernization Program at BWI Marshall Airport – includes various improvements to the older sections of the terminal to ensure safety, security and service enhancements are comparable to the newer sections of the terminal.	Design start requires PFC application approval.	From fiscal 2011 to 2012
New Air Traffic Control Tower at Martin State Airport – provides for the construction of a new air traffic control tower to provide improved line of sight.	Requires completion of airport layout plan environmental assessment.	From fiscal 2012 to 2013

PFC: passenger facility charge

Source: Maryland Department of Transportation, 2011-2016 *Consolidated Transportation Program*

Issues

1. Southwest Airlines Acquisition of AirTran Airways Takes Flight

In September 2010, Southwest Airlines announced its plan to acquire AirTran Airways for cash and stock options valued at \$1.4 billion. Based on current operations, the combined company will have nearly 43,000 employees and serve more than 100 million customers annually from more than 100 different airports in the United States and near international destinations. The boards of directors of both companies have already agreed to the acquisition and AirTran will seek stockholder approval of the deal in March. The proposal is currently awaiting antitrust clearance from the U.S. Department of Justice, which is expected in the second quarter of 2011. Following both of these approvals, the closing of the deal will take place. The plan is to integrate AirTran into Southwest within two years.

Southwest and AirTran are both low cost carriers with similar business models, airplane fleets, and employee-centric cultures. Upon full integration, the merged airlines will operate under the name Southwest and will continue Southwest's policy of not charging baggage or change fees and still will not offer business class or assigned seats. In terms of size, AirTran is roughly one-quarter the size of Southwest by passengers and revenues.

Currently, AirTran serves 38 airports not served by Southwest and Southwest serves 37 airports that AirTran does not serve. AirTran operates near international flights (*e.g.* Cancun, Mexico, and several Caribbean islands) and serves smaller cities than Southwest (*e.g.* Akron, Ohio; Tunica, Mississippi; and Huntsville, Alabama). The biggest potential for growth for Southwest exists in Atlanta and Milwaukee where AirTran has a significant presence. Southwest will also gain entry into Reagan National where limits on landing slots have kept it out before, and also increase its access to New York's LaGuardia Airport, another slots-controlled airport. The only airport to lose service will be Dallas/Fort Worth International in accordance with a 2006 agreement regarding Southwest's use of nearby Dallas Love Field.

Impact on BWI Marshall Airport

Although a number of mergers have taken place in the airline industry in the last decade, none have had as profound of an impact on BWI Marshall Airport as this one may. There are some positives to the deal, assuming that the consolidated Southwest-AirTran emerges stronger than it is now. Southwest has been evaluating the international market for several years now, and the acquisition of AirTran will provide an opportunity to serve AirTran's near international markets as a test run. AirTran is already offering flights from BWI Marshall Airport to Cancun, Mexico; Montego Bay, Jamaica; and Nassau, Bahamas. BWI Marshall Airport could be a prime market for Southwest to expand its international offerings, since the only other international destinations currently at BWI Marshall Airport are long-haul flights. Demand for leisure travel and lack of competition should be enticing to Southwest.

While the possibility of increased international offerings is appealing, there are also some major concerns and risks for BWI Marshall Airport in the wake of this merger.

Southwest Monopoly on Some Routes Will Reduce Airline Choice for Passengers and Could Result in Higher Fares: Although it is unlikely that the federal Department of Justice would rule against the Southwest-AirTran merger, there are still some antitrust concerns. Industry analysts note that the combined carrier would have a monopoly on 16 overlapping routes. These are routes where the combined carrier would account for over 90% of passengers on that route. BWI Marshall Airport alone accounts for half of these routes. As shown in **Exhibit 10**, the overlapping routes at BWI Marshall Airport occur on flights to Boston, Milwaukee, New Orleans, and a number of Florida destinations. Over three million passengers at BWI Marshall Airport will lose choice between carriers on these routes, and nearly one million of these passengers are affected by the BWI Marshall Airport-Orlando route. It is possible, though unlikely, that the federal Department of Justice could make some type of intervention at BWI Marshall Airport, including possibly providing incentives to have other airlines locate or expand their presence at BWI Marshall Airport to reduce the dominance of the combined carrier. Except for the Boston route, Southwest and AirTran are currently the only airlines flying the routes in Exhibit 10, meaning that once the company is merged into one, there will be no competitors flying the same routes. This lack of competition could raise fares on these routes.

Exhibit 10
Overlapping Daily Nonstop Flights at BWI Marshall Airport

	Daily Nonstop Flights	
	<u>Southwest</u>	<u>AirTran</u>
Florida Locations		
Fort Lauderdale	3	4
Fort Myers	2	2
Jacksonville	2	4
Orlando	5	7
Tampa/St. Petersburg	3	6
West Palm Beach	1	3
Other		
Boston	6	8
Milwaukee	2	3
New Orleans	1	2

Source: Maryland Aviation Administration

Possible Consolidation of Flights and Gates: The other concern is that Southwest may reduce capacity on overlapping routes, which could mean less choice, fuller planes, and higher fares for passengers. For example, Southwest currently flies three daily nonstop flights to Fort Lauderdale and AirTran flies four. Rather than the combined carrier flying the current seven flights a day, it is

possible this could be reduced to five total flights a day. The reduced number of flights would lead to fuller planes and the decrease in supply would mean higher ticket prices. These are both good things for the airline, but not for passengers. It could also mean less revenue for BWI Marshall Airport, as the consolidated airline may require fewer gates. To the extent that Southwest and AirTran consolidate routes and gates, this will mean less revenue for BWI Marshall Airport. Currently, Southwest operates 20 gates at BWI Marshall Airport, with an additional 2 gates under lease beginning in March. AirTran has 7 gates under lease and rents 2 common use gates as well as gates in the international terminal on a per-use basis.

The “Too Many Eggs in One Basket” Argument: Operating an airport is similar to the stock market in that diversifying allows one to even out some of the gains and losses. Following the merger, Southwest will handle nearly 70% of all passengers at BWI Marshall Airport. That would be the largest market share by an airline at any major city airport. And it does pose risks:

- BWI Marshall Airport’s success or failure becomes inextricably tied to that of Southwest. A good year for Southwest will mean a good year for BWI Marshall Airport, but a rough year for Southwest also means a rough year for BWI Marshall Airport;
- should Southwest pull out of BWI Marshall Airport for any reason, whether it be a strategic business move by Southwest or bankruptcy of the airline, the effect will be nearly catastrophic on BWI Marshall Airport. Although the hole could be filled by other airlines over time, it is highly unlikely that one airline would step in quickly to fill that void. Furthermore, as of June 30, 2011, there is \$567.9 million in nontraditional debt outstanding, with an associated annual debt service of \$60.8 million, related to the recent expansion of BWI Marshall Airport. Much of this debt is backed by lease payments from the airlines. Should Southwest leave, some of this funding would have to come from the TTF, which could pose a significant funding challenge;
- other airlines effectively lose their vote on capital projects and other items that require majority approval or consultation of the airlines since Southwest will be the overwhelming majority; and
- Southwest could make certain demands at BWI Marshall Airport and the threat of departure may force concessions by MAA.

Increased Regional Competition by Low-cost Carriers: The merger will give Southwest access to Reagan National Airport, which it was previously kept out of by landing slots controls. This new presence at Reagan National, coupled with increased presence at Dulles, will increase competition in the regional market. Passengers who may have chosen BWI Marshall Airport previously because of the low-cost flights will now have additional options available.

Logistical Issues: Currently, Southwest is located at Concourses A and B and utilizes nearly all of the gates at those concourses. AirTran is located across the terminal at Concourse D. MAA

will be challenged to relocate these gates so that Southwest will have sufficient gates for its future operations after the merger takes place.

DLS recommends that MAA comment on the Southwest-AirTran merger and how it will impact BWI Marshall Airport. MAA should also discuss any prospective new or expanded air service at BWI Marshall Airport and its efforts to reach out to other airlines.

2. Duplicative Oversight and Approval Processes Unnecessary

The Maryland Aviation Commission (MAC) consists of nine voting members, including eight members appointed by the Governor with the advice and consent of the Senate and the Secretary of Transportation, who chairs the commission. Statute charges MAC with:

- establishing policies directed toward improving MAA’s ability to improve and promote the role of BWI Marshall Airport in the Washington and Baltimore region;
- approving regulations for the operation of State-owned airports prior to adoption by MAA’s executive director;
- approving major capital projects prior to submission to the Governor and General Assembly for approval;
- determining the qualifications, appointment, compensation and leave for up to 12 management personnel employees to operate and administer all State-owned airports; and
- considering information and advice from the air carrier industry, the airport concessionaire industry, the airline support services industry and citizen advisory groups.

The Secretary of Transportation, when acting as Chairman of MAC, must approve all MAC actions that could impact the TTF, approve MAA’s budget prior to submission to the General Assembly, and may appoint and remove the executive director of MAA.

The only duty that MAC has that is unique to it is its ability to determine the qualifications, appointment, compensation, and leave for up to 12 management personnel employees; however, these actions are subject to approval by the Secretary of Transportation.

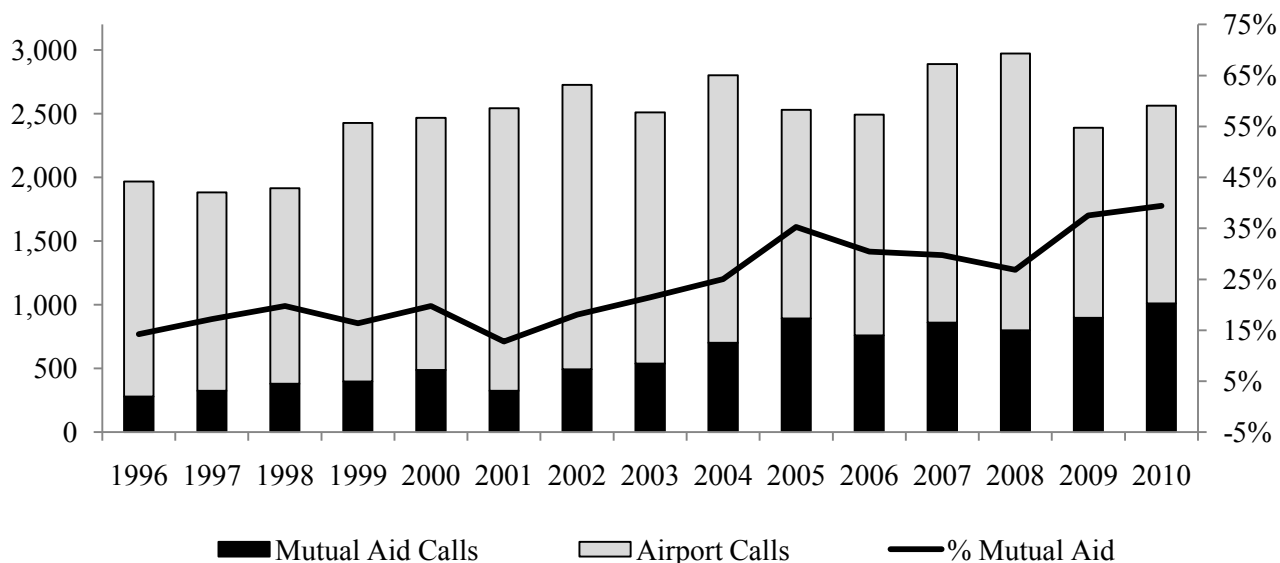
All of MAC’s other duties are duplicative of approvals and oversight required by other entities, including MAA, the Secretary of Transportation, the Board of Public Works, and the General Assembly. This places an additional level of bureaucratic review on MAA and further delays MAA’s ability to react quickly in a competitive business environment. It also requires unnecessary staff time to attend and prepare for the meetings. For example, before MAA can award a contract, it must receive internal approvals by MAA staff, approval from MAA’s executive director, approval from MDOT and the Secretary of Transportation, approval from MAC, and then finally move to the Board of Public Works for final approval.

DLS recommends that the \$25,000 budgeted for MAC be deleted and that a corresponding change be made through the Budget Reconciliation and Financing Act (BRFA) of 2011 to abolish MAC. The Secretary of Transportation should retain the authority to appoint and remove the executive director of MAA and should be granted the authority to determine the qualifications, appointment, compensation and leave for up to 12 management personnel employees.

3. Mutual Aid Not So Mutual

The BWI Airport Fire and Rescue Department (BWI FRD) provides fire, rescue, and emergency medical services (EMS) to BWI Marshall Airport and surrounding communities, as well as federally mandated aircraft rescue fire fighting (ARFF) coverage for BWI Marshall Airport. It is a 95 person department that operates out of one fire station located on the airfield. **Exhibit 11** provides information on the emergency responses that BWI FRD provided over the last 15 years. In calendar 2010, BWI FRD responded to 2,564 calls for service, including 1,011 mutual aid calls. Mutual aid agreements are common for fire departments and law enforcement. Typically, mutual aid agreements allow neighboring jurisdictions to respond to calls in the originating jurisdiction when local resources are insufficient.

Exhibit 11
Emergency Responses
Calendar 1996-2010



Source: BWI Airport Fire and Rescue Department

Since 1999, BWI FRD has averaged about 2,600 calls per year; however, the make-up of calls has changed. Until 2003, the number of mutual aid calls that BWI FRD responded to remained under 20%. From 2003 through 2010, the number of mutual aid calls doubled and by 2010, 40% of BWI FRD's calls were mutual aid calls, typically to Anne Arundel County. Mutual aid calls can be beneficial to both jurisdictions. It can foster cooperation among adjacent jurisdictions and provide support when one jurisdiction's resources are overwhelmed. Mutual aid calls are meant to be sporadic for both jurisdictions. The jurisdiction requesting mutual aid should not use it as a substitute for having its own adequate staff and equipment to meet demand, and the jurisdiction providing mutual aid should not do it so frequently that call volumes in its own jurisdiction do not support the level of staffing that it has without the calls. These lines have been crossed for Anne Arundel County, which relies heavily on mutual aid from BWI FRD, and BWI FRD, whose airport-only call volumes do not support current staff levels. Furthermore, a key part of mutual aid agreements are their reciprocity, another point that BWI FRD and Anne Arundel County have lost sight of. In 2010, BWI FRD made 1,011 mutual aid calls to other jurisdictions but only received mutual aid 51 times. The exact opposite is true in Anne Arundel County. In 2009, mutual aid was received 1,281 times, but only given 61 times.

Fire and Rescue Service in Anne Arundel County

In 2008, Anne Arundel County commissioned a fire services deployment study. The study found that demand for emergency services in the county has more than doubled since 1992. On average, the Anne Arundel County Fire Department (AACoFD) responds to 45,000 incidents per year, of which 70% are emergency medical incidents. The total number of fires accounts for a small percentage of incidents.

Anne Arundel County is served by a fire department made up of volunteer and career firefighters. AACoFD is divided into three battalions. The First Battalion, which includes BWI Marshall Airport and the northern part of the county, is the busiest of the three battalions. The areas immediately surrounding BWI Marshall Airport (including Glen Burnie, Linthicum, and Severn) alone accounted for 42% of the calls in the county over the calendar 2003 through 2007 time period that the study examined. Glen Burnie has the highest demand, largely because it has almost twice the population of all other areas.

The study notes that staffing levels have not kept pace with the demand for services, especially for EMS, and that response times have been getting longer as a result. The report concludes that the combination of cross-staffing and handle-first-emergency priority used at many fire stations is not working because cross-trained fire and medical crews respond to the first emergency reported with the appropriate unit and other units at the station are left unstaffed. Also as a result of inadequate staffing and cross-staffing, most fire units have too few responders onboard to be effective. Anne Arundel County notes that minimum staffing for fire units is three people; however, the study notes that fire units are deployed with two, and sometimes only one person onboard.

The study recommends that EMS units be staffed independently of fire units, staffing per fire unit should be increased, additional volunteers should be utilized, 213 additional staff should be

added, and that \$16.6 million in capital projects should be undertaken. The additional staff recommendation would be an increase of 26% over fiscal 2008 staffing levels and would cost \$15.0 million. Capital costs include the replacement or relocation of several fire stations as well as several additional fire stations.

Evaluating Staffing and Call Volumes

In 2010, DLS conducted a survey of several fire departments on staffing levels and call volumes. Fire departments selected for inclusion were fire departments at airports of similar size to BWI Marshall Airport, Anne Arundel County fire stations located near BWI Marshall Airport, and non-county fire stations located in Anne Arundel County. All but two fire departments selected for inclusion responded to the survey. The complete results of the survey can be found in **Appendix 1**. Generally, the survey showed:

- most other airport fire departments had similar total call volumes to BWI FRD in 2009, but had considerably less staff;
- only Reagan National Airport and the U.S. Naval Academy provided mutual aid to other jurisdictions as frequently as BWI FRD, but they each received a considerable amount of mutual aid in return, which BWI FRD did not;
- in most cases, the AACoFD fire stations surrounding BWI Marshall Airport handled nearly double the amount of calls of BWI FRD but did so with about one-third of the staff and half the equipment;
- federal ARFF requirements do necessitate more staff than is typical at nonairport fire departments; and
- BWI FRD is one of the few fire departments that consistently staffs two fire units and two medic units on each shift.

What Does All This Mean?

The basic tenets laid out above show that BWI FRD provides a substantial amount of mutual aid to surrounding jurisdictions and that staffing levels are higher than is necessary to support current call volumes exclusive of mutual aid calls. The policy question is whether the General Assembly wants to continue to subsidize fire and EMS service in Anne Arundel County, whether it wants Anne Arundel County to share these costs, or whether staffing at BWI FRD should be reduced to reflect airport needs only. These options include:

Maintain the Status Quo: Continue current staffing levels and respond whenever needed to mutual aid calls.

Require Cost-sharing by Anne Arundel County: Continue current staffing levels at BWI FRD and continue to respond whenever needed to mutual aid calls; however, in recognition of Anne Arundel County's reliance on BWI FRD, implement a cost-sharing agreement with the county. This recognizes that Anne Arundel County does not currently have the resources to be able to respond to a significant drop in mutual aid support from BWI FRD. Currently, Anne Arundel County charges a parking tax of \$0.60 per day on paid parking spaces. Back in 1971 when the General Assembly first authorized the parking tax, it was in consideration of Anne Arundel County providing fire and EMS service at the airport; however, BWI FRD was later created making this unnecessary. In fiscal 2010, Anne Arundel County collected \$5.2 million in parking tax revenues, \$4.0 million of which came from MAA. To reimburse BWI FRD for services provided in the county, Anne Arundel County could exempt State-owned parking spaces from the parking tax, thereby reverting \$4.0 million in annual revenues to MAA, or it could provide money from other sources.

Significantly Reduce the Amount of Mutual Aid Provided to Other Jurisdictions and Reduce Staff Accordingly: Significantly reducing the amount of mutual aid provided to other jurisdictions will cut call volumes by about one-third. This would reduce the amount of staff and equipment necessary on each shift. Assuming that one fire unit and one medic unit is taken out of service on each shift, this reduces the minimum staffing level for each shift by six people. Reducing the minimum staff level by six people over four shifts equates to a reduction of 24 positions. This would result in personnel savings of over \$1.6 million. In addition, \$1.6 million will be saved in the next several years as the fire and medic units currently near the end of their useful life can be put out of service rather than replaced. This scenario results in total savings of \$3.2 million in the first year and \$1.6 million each year after.

DLS recommends that a section be added to the budget bill to express the intent that Anne Arundel County and MAA enter into a memorandum of understanding to share the cost of fire and rescue services. The parking tax imposed on parking spaces at BWI Marshall Airport gives Anne Arundel County the opportunity to decide to forego approximately \$4 million in revenues by exempting State-owned spaces rather than identifying money to fund such a payment. DLS further recommends that if an agreement is not reached, 24 positions should be abolished at BWI FRD so that BWI FRD can focus its efforts on calls at the airport. Furthermore, if an agreement is not reached, approximately \$1 million should be reduced from Anne Arundel County's share of highway user revenues.

4. Implementing Cost Recovery Measures for BWI FRD

Across the country, more and more EMS providers are charging ambulance transport fees to recover the cost of providing EMS services. In 2010, DLS completed a phone survey of counties and fire stations that charge ambulance transport fees. **Exhibit 12** summarizes the results of the survey. The complete results, including charges by jurisdiction, can be found in **Appendix 2**. In Maryland, 19 of the 24 local jurisdictions charge ambulance transport fees. Often depending on the structure of fire and EMS service in the jurisdiction, especially whether county career firefighters are utilized or all volunteer units, fees may be charged countywide or by each individual fire station.

Exhibit 12
Fees for Ambulance Services

<u>Service</u>	<u>Fee Range</u>	<u>Typical Fee</u>
BLS transport	\$300 – \$500	\$350 or \$375
ALS-1 transport	\$400 – \$700	\$500 or \$550
ALS-2 transport	\$500 – \$850	\$600
Mileage	None – \$14 per mile	\$13 per mile
Non-transport	None – \$300	None
Ancillary services (oxygen, bandages, etc.)	Fee varies based on service	None

ALS-1: advanced life support level 1

ALS-2: advanced life support level 2

BLS: basic life support

Source: Department of Legislative Services

Typically, charges vary based on the level of service provided. A basic life support (BLS) transport is one where the patient is transported by ambulance and noninvasive emergency lifesaving care, such as a patient assessment, control of bleeding, oxygen administration, or cardio pulmonary resuscitation is provided. Advanced life support (ALS) includes all of these services plus the administration of medication, intravenous fluids, or cardiac defibrillation. Ambulance fee payment schedules typically differentiate between ALS-1 and ALS-2 service, where ALS-2 involves multiple advanced life-saving techniques and is more costly. In addition to a base rate, mileage may also be charged from the point that the patient is picked up to the hospital. Other fees are sometimes charged, although it is not common in most Maryland jurisdictions. These include fees charged for assessments when the patient is not taken to the hospital and additional fees for services received in the ambulance, such as bandaging and receiving oxygen.

Ambulance transport fees enable fire departments to recover a portion of their costs. Medicare, Medicaid, and most private insurance companies already cover the cost of ambulance transports under current plans and premiums, so insurance rates would not rise as a result. In addition, since the majority of Maryland jurisdictions already charge ambulance transport fees, insurance companies that do business in Maryland are already accustomed to them. Although federal requirements say that all patients must be billed for any amount not covered by insurance, most jurisdictions have developed financial hardship waivers to address amounts not covered by insurance or for those who lack insurance.

An ambulance transport fee especially makes sense for the transient population served at BWI Marshall Airport. In 2010, about 80% of BWI FRD's calls were for EMS services, with 60% of these calls located on airport grounds. To the extent that patients are visitors just passing through Maryland who utilize these services without paying any taxes in Maryland, this helps to recoup the cost of providing services. Nearby regional airports Dulles and Reagan National both charge ambulance transport fees.

Arguably, there is also a fairness issue involved. Many of the jurisdictions that BWI FRD provides mutual aid to already charge an ambulance transport fee. If both an AACoFD ambulance and a BWI FRD ambulance were to arrive at the scene of an accident and each transported a patient to the hospital, the patient in the AACoFD ambulance would be charged \$500 while the patient in the BWI FRD ambulance rode for free.

Forecasting potential revenue from imposition of an ambulance transport fee is difficult because BWI FRD only recently began using a record management system that tracked the number of patients transported to the hospital. However, this data is available for mutual aid calls. Of the 772 mutual aid calls for EMS services, 421, or 54.5%, of patients were transported to the hospital. No information is available about the level of care that these patients received in the ambulance to be able to differentiate between BLS, ALS-1, and ALS-2 services. However, extrapolating the data that is available and making certain assumptions about level of service received and rates, an ambulance transport fee has the potential to bring in about \$0.5 million in annual revenues.

DLS recommends that a provision be included in the BRFA of 2011 to implement an ambulance transport fee for patients transported to the hospital in BWI FRD ambulances. DLS further recommends that initial rates be set at \$375 for BLS, \$550 for ALS-1 and \$600 for ALS-2 with a mileage charge of \$13 per mile.

Operating Budget Recommended Actions

1. Abolish the Maryland Aviation Commission (MAC). \$ 25,000 SF
This action, together with language in the Budget Reconciliation and Financing Act of 2011, deletes funding for MAC and abolishes the commission. MAC's duties are repetitive and unnecessary, as other entities, including the Maryland Aviation Administration, the Secretary of Transportation, the Board of Public Works, and the Maryland General Assembly already provide these oversight and approval functions.

2. Delete grant to BWI Business Partnership, Inc. This 50,000 SF
action level funds the grant at the fiscal 2011 level. No funding was provided in fiscal 2011 and only \$25,000 was provided in fiscal 2010. As long as the Maryland Aviation Administration must continue to abolish positions and take cost containment actions, it should not be providing grants to other organizations.

3. Add the following section:

SECTION XX. AND BE IT FURTHER ENACTED, That it is the intent of the General Assembly that by January 1, 2012, the Maryland Aviation Administration (hereinafter referred to as the "Administration") and Anne Arundel County (hereinafter referred to as the "County") shall enter into a joint memorandum of understanding (MOU) to have the County pay the full cost of fire and rescue services provided by the Administration to the County. This cost-sharing may be achieved by:

1. exempting State-owned parking spaces from the County's parking tax;

2. direct payment by the County to the Administration for operating and personnel expenses associated with operating a second fire and medic unit on each shift and 24 associated regular positions; or

3. another approach mutually agreed upon by the Administration and the County.

Further provided that the Administration shall submit a report to the budget committees by January 1, 2012, outlining the terms of the MOU. The budget committees shall have 45 days to review and comment on the MOU.

Further provided that upon the failure of the Administration and the County to formally enter into a joint MOU for fire and rescue service provided by the Administration by January 1, 2012, then 24 vacant regular positions shall be abolished from the Maryland Department of Transportation and the County's share of highway user revenues shall be reduced by \$950,984.

Explanation: Approximately 40% of BWI Fire and Rescue Department's emergency response calls provide mutual aid to surrounding jurisdictions, primarily Anne Arundel County. Exclusive of mutual aid calls, current call volumes do not support the current level of staffing at BWI Fire and Rescue Department. If staffing levels were reduced to reflect airport only calls, a reduction of 6 staff per shift for four shifts, or 24 positions, would be appropriate. Realizing that the mutual aid support provides an important benefit to Anne Arundel County and other neighboring jurisdictions that may lack the resources to meet current demand, this language gives Anne Arundel County an opportunity to share the cost of these services rather than lose them completely. A parking tax authorized by the General Assembly in 1971 was originally done so in contemplation of Anne Arundel County providing fire and rescue service to Baltimore/Washington International Thurgood Marshall Airport; however, the BWI Fire and Rescue Department was later developed but the tax remained in effect. Exempting State-owned parking spaces from this tax could be one method of cost-sharing, but the actual method chosen is up to negotiation between the Maryland Aviation Administration and Anne Arundel County. If no agreement is in place by January 1, 2012, then the County's share of highway user funds will be reduced and 24 vacant positions will be abolished in the Maryland Department of Transportation. Rather than abolish filled positions in the BWI Fire and Rescue Department, it is the intent of the General Assembly that as vacancies occur in the BWI Fire and Rescue Department, those vacant positions shall be reclassified to backfill the positions that were abolished outside of the BWI Fire and Rescue Department. The end result shall be the abolishment of 24 positions from the BWI Fire and Rescue Department only.

Information Request	Author	Due Date
Report outlining the terms of an MOU to provide cost-sharing for fire and rescue services	Maryland Aviation Administration	January 1, 2012
Total Special Fund Reductions		\$ 75,000

PAYGO Budget Recommended Actions

1. Concur with Governor's allowance.

Fire Department Survey Results

<u>Location</u>	<u>All Personnel</u>	<u>Firefighters</u>	<u>Paramedics</u>	<u>Firefighters/ Paramedics</u>	<u>Min. Staff Level</u>	<u>Equipment Staffed On a Typical Shift</u>	<u>Total Number of Calls in 2009</u>	<u>Mutual Aid Given</u>	<u>Mutual Aid Rec'd</u>	<u>Part 139 Index</u>
BWI Marshall Airport	95	30	6	14	16	3 ARFF vehicles, 1 ladder/tower, 1 pumper, 2 medic units, and 1 division commander. Day work only - 2 deputy fire chiefs, 1 division chief fire marshal	2,390	897	26	D
Salt Lake City Airport	38	24	0	9	10	5 ARFF, 2 light response vehicles, 1 battalion chief, 1 ARFF medic unit, 1 BLS medic squad	1,697			E
LaGuardia Airport ¹	183	110	0	0	17 (excludes police)	3-4 ARFF trucks	1,731			D
Philadelphia International Airport	64	45	0	8	13	3 ARFF, 1 quint, 1 mini-pumper, 1 medic unit, 1 command unit vehicle	2,521	0	0	E
Reagan National Airport	45	36	9	0	12	2 ARFF, 1 engine, 1 medic, 1 EMS captain, 1 battalion chief, 1 river rescue	2,407	852	175	C
Dulles International Airport	84	69	15	0	24	4 ARFF, 1 engine, 1 tower, 2 medic, 1 EMS captain, 1 battalion chief, 1 twin agent	3,200	178	102	E

Location	All Personnel	Firefighters	Paramedics	Firefighters/ Paramedics	Min. Staff Level	Equipment Staffed On a Typical Shift	Total Number of Calls in 2009	Mutual Aid Given	Mutual Aid Rec'd	Part 139 Index
Ft. Lauderdale-Hollywood International Airport	47				9	3 ARFF, 1 engine, 1 rescue, 1 command	2,502	35	380	E
U.S. Naval Academy	40	38	0	2	11	1 quint, 1 engine, 1 medic unit, 1 twinned agent unit cross staffed, 1 shift commander	2,250	925	450	
Anne Arundel County Stations										
Station 4 - Severn	24	16	0	8	6	1 quint and 1 medic unit	4,664	61 ³	1,281 ³	
Station 21 - Harmans/Dorsey	28	20	0	8	5	1 engine and 1 medic unit	4,552	61 ³	1,281 ³	
Station 26 - Glen Burnie South	40	32	0	8	8	1 engine, 1 tower, 1 medic unit	6,900	61 ³	1,281 ³	
Station 32 - Linthicum	28	20	0	8	5	1 engine and 1 medic unit	4,552	61 ³	1,281 ³	
Station 33 - Glen Burnie	44	28	0	16	8	1 engine, 1 ladder truck, 1 medic unit	6,711	61 ³	1,281 ³	
Station 34 - Ferndale	60 ²	60	0	0	2	Crews rotate between ambulance, engine and squad	3,828	61 ³	1,281 ³	

ARFF: aircraft rescue fire fighting
 BLS: basic life support

EMS: emergency medical services

¹ Aircraft rescue fire fighting (ARFF) coverage provided by the Port Authority Police, who provide law enforcement, rescue services and ARFF coverage. All ARFF firefighters are also police officers and some are emergency medical technicians as well. Emergency medical services provided by contract with local hospital and New York City 911 service.

² Includes career and volunteer firefighters.

³ Mutual aid numbers are for all of Anne Arundel County and cannot be broken out by station.

Note: Part 139 index refers to federal airport categorization levels based on the number of passengers at the airport. Index E is the highest level of passengers and requires the most ARFF vehicles.

Ambulance Transport Fees in Maryland Jurisdictions

<u>County</u>	<u>Fee</u>	<u>Comments</u>
Allegany	\$375-\$600 depending on severity of call plus \$13.00 per mile.	All providers in county have agreed upon rates, but each provider bills for and retains its own revenue.
Anne Arundel	\$500.	Countywide program. County residents will not be billed for amounts not covered by insurance or if they have no insurance. Those residing outside of the county will be billed for amounts not covered by insurance. Waivers for financial hardship are available.
Baltimore	None.	
Baltimore City	\$420-600 depending on severity of call plus charges for ancillary services (e.g. oxygen, intravenous fluids) plus \$6.74 per mile.	Citywide program.
Calvert	None.	
Caroline	\$350-\$550 depending on severity of call plus \$13.00 per mile.	Countywide program.
Carroll	\$500-\$800 depending on severity of the call plus \$11.00 per mile.	All providers in county have agreed upon rates, but each provider bills for and retains its own revenue.
Cecil	\$500-\$750 depending on severity of the call plus \$12.00 per mile.	Each provider set its own rates, bills separately, and retains its own revenue.
Charles	\$337.84-\$580 depending on severity of call plus \$6.87 per mile.	Countywide program. Fee waivers and assistance are available for financial hardship.
Dorchester	\$375-\$600 depending on severity of call plus \$13.00 per mile.	Countywide program.
Frederick	\$300-\$700 depending on severity of the call plus \$10.00 per mile.	Residents and nonresidents are billed for any amount not covered by insurance. A Subscription Club Program is available at a cost of \$15 for seniors, \$25 for individuals, and \$50 for households. Subscription club members will not be billed for any amount not covered by insurance.
Garrett	\$350-\$550 depending on severity of call plus \$13.00 per mile.	All providers in county have agreed upon rates, but each provider bills for and retains its own revenue.
Harford	Varies by station. Bel Air charges \$400-\$725 depending on severity of call plus \$12 per mile. Charges of \$100-\$300 are incurred for nontransport. Fallston charges \$350-\$700 depending on severity of call plus \$9.00 per mile.	Whether or not to charge fees and what fees to charge are left up to individual fire stations.

<u>County</u>	<u>Fee</u>	<u>Comments</u>
Howard	None.	
Kent	\$450-\$750 depending on severity of call plus \$11-12 per mile.	All providers in county have agreed upon rates, but each provider bills for and retains its own revenue. Volunteer force is supplemented by county career paramedics at some locations. If so, county receives some portion of ambulance fee.
Montgomery	None.	The Montgomery County Council approved a fee in May 2010, but the question was later placed on the ballot. In November 2010, voters rejected the fee. The fee would have been \$300-\$800 depending on severity of call plus \$7.50 per mile.
Prince George's	\$500-\$750 depending on severity of call plus \$5.00 per mile.	Countywide program. County residents will not be billed for amounts not covered by insurance. Those residing outside of the county will be billed for amounts not covered by insurance. Reduced rates and waivers for financial hardship for those without insurance are available.
Queen Anne's	\$375-\$600 depending on provider and on severity of call plus \$13.00 per mile.	Each provider set its own rates, bills separately, and retains its own revenue.
Somerset	Varies by station. Princess Anne charges \$375-\$600 plus \$13.00 per mile.	Each provider set its own rates, bills separately, and retains its own revenue.
St. Mary's	None.	
Talbot	\$350-\$550 depending on severity of call plus \$13.00 per mile.	Countywide program.
Washington	\$375-\$850 depending on provider and on severity of call plus \$13.00 to \$14.00 per mile depending on provider.	Each provider set its own rates, bills separately, and retains its own revenue.
Wicomico	\$375-\$600 depending on provider and on severity of call plus \$13.00 per mile.	Each provider set its own rates, bills separately, and retains its own revenue.
Worcester	\$375-\$600 depending on provider and on severity of call plus \$11.24 to \$13.00 per mile depending on provider.	Each provider set its own rates, bills separately, and retains its own revenue.

Current and Prior Year Budgets

Current and Prior Year Budgets **MDOT – Maryland Aviation Administration – Operating Budget** **(\$ in Thousands)**

	<u>General</u> <u>Fund</u>	<u>Special</u> <u>Fund</u>	<u>Federal</u> <u>Fund</u>	<u>Reimb.</u> <u>Fund</u>	<u>Total</u>
Fiscal 2010					
Legislative Appropriation	\$0	\$182,995	\$656	\$0	\$183,651
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	0	0	0	0	0
Cost Containment	0	-9,110	0	0	-9,110
Reversions and Cancellations	0	-792	0	0	-792
Actual Expenditures	\$0	\$173,093	\$656	\$0	\$173,749
Fiscal 2011					
Legislative Appropriation	\$0	\$172,234	\$656	\$0	\$172,890
Budget Amendments	0	0	0	0	0
Working Appropriation	\$0	\$172,234	\$656	\$0	\$172,890

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

Fiscal 2010

Fiscal 2010 operating expenditures at MAA totaled \$173.7 million, which is \$9.9 million less than the legislative appropriation. The net decrease was the result of a \$9.1 decrease in special funds due to cost containment actions, and a \$792,243 cancellation of special funds.

Cost containment actions include the following actions taken through the Board of Public Works:

- an \$8.3 million decrease for various operating budget reductions, including \$2.0 million for security to reflect the consolidation of several security posts and the shifting of some responsibilities to the federal Transportation Security Administration; \$1.3 million for janitorial services to reflect changes in service schedules; \$1.0 million for information technology related costs; and \$4.0 million in other miscellaneous reductions; and
- an \$814,092 decrease for position abolitions and a combination of service reduction and furlough days for all State employees.

The cancellation of funds relates almost entirely to employee and retiree health insurance.

**Object/Fund Difference Report
MDOT – Maryland Aviation Administration – Operating Budget**

<u>Object/Fund</u>	<u>FY 10 Actual</u>	<u>FY 11 Working Appropriation</u>	<u>FY 12 Allowance</u>	<u>FY 11 - FY 12 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	455.50	456.50	452.50	-4.00	-0.9%
02 Contractual	0.59	0.50	0.50	0.00	0%
Total Positions	456.09	457.00	453.00	-4.00	-0.9%
Objects					
01 Salaries and Wages	\$ 34,475,732	\$ 35,227,302	\$ 36,579,638	\$ 1,352,336	3.8%
02 Technical and Spec. Fees	607,215	1,385,875	1,230,655	-155,220	-11.2%
03 Communication	1,275,192	1,650,099	1,650,099	0	0%
04 Travel	114,778	273,528	237,969	-35,559	-13.0%
06 Fuel and Utilities	12,792,766	14,363,732	13,549,561	-814,171	-5.7%
07 Motor Vehicles	2,848,610	3,798,267	3,459,740	-338,527	-8.9%
08 Contractual Services	70,623,013	78,820,183	78,676,115	-144,068	-0.2%
09 Supplies and Materials	8,287,138	5,941,220	6,425,918	484,698	8.2%
10 Equipment – Replacement	54,544	20,000	109,700	89,700	448.5%
11 Equipment – Additional	8,973	0	106,292	106,292	N/A
12 Grants, Subsidies, and Contributions	910,350	647,166	931,066	283,900	43.9%
13 Fixed Charges	22,260,444	22,513,611	21,978,579	-535,032	-2.4%
14 Land and Structures	19,490,158	8,249,074	10,273,541	2,024,467	24.5%
Total Objects	\$ 173,748,913	\$ 172,890,057	\$ 175,208,873	\$ 2,318,816	1.3%
Funds					
03 Special Fund	\$ 173,092,722	\$ 172,233,866	\$ 174,552,682	\$ 2,318,816	1.3%
05 Federal Fund	656,191	656,191	656,191	0	0%
Total Funds	\$ 173,748,913	\$ 172,890,057	\$ 175,208,873	\$ 2,318,816	1.3%

Note: The fiscal 2011 appropriation does not include deficiencies. The fiscal 2012 allowance does not include contingent reductions.

Fiscal Summary
MDOT – Maryland Aviation Administration

<u>Program/Unit</u>	<u>FY 10 Actual</u>	<u>FY 11 Wrk Approp</u>	<u>FY 12 Allowance</u>	<u>Change</u>	<u>FY 11 - FY 12 % Change</u>
2021 BWI Marshall Airport	\$ 166,051,907	\$ 165,826,472	\$ 167,937,489	\$ 2,111,017	1.3%
2022 Martin State Airport	7,449,593	6,785,312	6,937,315	152,003	2.2%
2023 Regional Air Development	247,413	278,273	334,069	55,796	20.1%
2030 Facilities and Capital Equipment	29,950,555	49,538,000	53,143,000	3,605,000	7.3%
1270 Parking Revenue Control System	138,083	59,000	4,044,000	3,985,000	6754.2%
7200 Consolidated Dispatch Center Upgrade	2,869	54,000	82,000	28,000	51.9%
Total Expenditures	\$ 203,840,420	\$ 222,541,057	\$ 232,477,873	\$ 9,936,816	4.5%
Special Fund	\$ 193,848,373	\$ 207,378,866	\$ 223,089,682	\$ 15,710,816	7.6%
Federal Fund	9,992,047	15,162,191	9,388,191	-5,774,000	-38.1%
Total Appropriations	\$ 203,840,420	\$ 222,541,057	\$ 232,477,873	\$ 9,936,816	4.5%

Note: The fiscal 2011 appropriation does not include deficiencies. The fiscal 2012 allowance does not include contingent reductions.

Budget Amendments for Fiscal 2011
Maryland Department of Transportation
Maryland Aviation Administration – Capital

<u>Status</u>	<u>Amendment</u>	<u>Fund</u>	<u>Justification</u>
Approved	\$7,504,000	Federal	To reprogram a federal grant that was unspent at the end of the year due to weather related construction delays.
Pending	15,284,797	Special	Adjusts the amended appropriation to agree with anticipated expenditures as reflected in the final 2011-1016 Consolidated Transportation Program.
	<u>1,335,000</u>	Federal	
	\$16,619,797	Total	

Source: Maryland Department of Transportation