J00H01
Maryland Transit Administration
Maryland Department of Transportation

Operating Budget Data

($ in Thousands)

	FY 11 Actual	FY 12 Working	FY 13 Allowance	FY 12-13 Change	% Change Prior Year
Special Fund	$557,421	$591,670	$601,323	$9,653	1.6%
Adjusted Special Fund	**$557,421**	**$591,670**	**$601,323**	**$9,653**	**1.6%**
Federal Fund	64,496	59,735	56,735	-3,000	-5.0%
Adjusted Federal Fund	**$64,496**	**$59,735**	**$56,735**	**-$3,000**	**-5.0%**
Adjusted Grand Total	**$621,917**	**$651,405**	**$658,057**	**$6,653**	**1.0%**

- The fiscal 2013 allowance totals $658.1 million and is $6.7 million, or 1.0%, greater than the fiscal 2012 working appropriation.

- The major increases in the budget are for the Maryland Area Regional Commuter (MARC) contract costs, InterCounty Connector (ICC) commuter bus service, diesel fuel, and tree trimming. These increases are offset by decreases in maintenance and repair costs and insurance payments.

- Actually expenditures are likely to exceed what is budgeted in fiscal 2013. The allowance does not include funding for any union-related salary and wage increases even though the current contract expires at the end of fiscal 2012. In addition, the allowance does not include any increase for the contracted paratransit service since the contract is up for rebid. Finally, while funding is budgeted for the MARC third party contract in fiscal 2013, the funding for that portion of service is less than the amount in fiscal 2012.

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

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PAYGO Capital Budget Data

($ in Thousands)

	Fiscal 2011	Fiscal 2012		Fiscal 2013
	Actual	Legislative	Working	Allowance
Special	$134,382	$143,385	$185,517	$220,998
Federal	190,389	217,763	211,119	225,312
Total	**$324,771**	**$361,148**	**$396,636**	**$446,310**

- The fiscal 2012 working appropriation increases $35.5 million, or 9.8%, compared to the legislative appropriation. The major increase is in special fund spending largely due to the acceleration of funding for the purchase of 54 new coaches for the MARC system.

- The fiscal 2013 allowance increases $49.7 million, or 12.5%, compared to the fiscal 2012 working appropriation. The increase is largely due to increased funding for the engineering costs associated with the major transit lines.

Operating and PAYGO Personnel Data

	FY 11 Actual	FY 12 Working	FY 13 Allowance	FY 12-13 Change
Regular Operating Budget Positions	3,001.50	2,995.50	2,991.50	-4.00
Regular PAYGO Budget Positions	102.00	98.00	97.00	-1.00
Total Regular Positions	**3,103.50**	**3,093.50**	**3,088.50**	**-5.00**
Operating Budget FTEs	16.00	16.00	16.00	0.00
PAYGO Budget FTEs	0.00	0.00	0.00	0.00
Total FTEs	**16.00**	**16.00**	**16.00**	**0.00**
Total Personnel	**3,119.50**	**3,109.50**	**3,104.50**	**-5.00**
Vacancy Data: Regular Positions				
Turnover and Necessary Vacancies, Excluding New Positions		71.96	2.33%	
Positions and Percentage Vacant as of 1/1/11		153.00	4.95%	

- In fiscal 2011, the Maryland Transit Administration (MTA) had 11 positions abolished as part of the Voluntary Separation Program, which resulted in savings of approximately $0.6 million.

- Since fiscal 2011, MTA has had a net of 15 positions abolished. The fiscal 2012 budget bill included a back-of-the-bill section that required the abolishment of 450 positions. As part of that action, MTA had 10 positions abolished.

- The fiscal 2013 allowance includes the abolishment of 5 additional positions, 4 in the operating budget and 1 in the capital budget. One position was transferred from the Secretary's Office to MTA to assist with the Minority Business Enterprise program.

- The turnover rate is budgeted at 2.33%, requiring approximately 72 vacant positions. As of January 1, 2012, the agency had 153 vacant positions for a vacancy rate of 4.95%.

Analysis in Brief

Major Trends

Boardings Increase in Fiscal 2011: In fiscal 2011, ridership increased by 5% partially due to a bounce back in ridership from the prior year's winter events. Paratransit services experienced sizable growth again but are not expected to increase as rapidly in fiscal 2012 and 2013. Core bus service grew by 5% in fiscal 2011 but is expected to be flat in fiscal 2012 and 2013. Overall, ridership growth is estimated to be flat in fiscal 2012 and 2013. **The Department of Legislative Services (DLS) recommends that MTA discuss why paratransit ridership growth is expected to stabilize in fiscal 2012 and 2013. DLS also recommends that MTA discuss why there will be no growth in core bus ridership in fiscal 2012 and 2013. Finally, DLS recommends that MTA discuss ridership on the ICC commuter bus service and if the service is proving worthwhile to date.**

On-time Performance: In fiscal 2011, the level of on-time performance either remained the same compared to the prior fiscal year or worsened as in the case of core bus and paratransit services. Core bus on-time performance worsened with approximately 15% of trips not on time. Given that core bus is the largest transit service provided by MTA, a significant portion of MTA's customers are receiving late service. **DLS recommends that MTA discuss what steps can be taken to improve on-time performance of core bus service and why it is expected to improve in fiscal 2012 and 2013.**

Farebox Recovery: Despite the increase in ridership, the fiscal 2011 farebox recovery rate did not improve. Operating budget expenditure growth outpaced revenue growth due to union labor expenses increasing from a binding arbitration decision. The farebox recovery rate is expected to reach 29% in fiscal 2013 despite the operating budget likely being understated and ridership growth remaining flat. MARC farebox recovery increased from 48 to 50%.

Performance Goals: As required, MTA developed performance goals for passenger trips per revenue mile, operating expenses per passenger trip, and operating expenses per revenue vehicle mile. In fiscal 2011, all of the measures improved compared to fiscal 2010 because ridership growth outpaced expenditure growth. Moving forward, measures relating to expenditures are expected to increase as expenditures outpace ridership growth. **DLS recommends that MTA discuss why operating expenditures per passenger trip are decreasing in fiscal 2012 for core bus.**

Issues

Funding the Transit Lines: The State continues to move forward with plans for the construction of three major transit lines – the Purple Line and Corridor Cities Transitway in the Washington metropolitan region and the Red Line in Baltimore City and Baltimore County. The Red and Purple Lines were selected by the Federal Transit Administration to move into the next phase of development, known as preliminary engineering. MTA has assumed federal funds in fiscal 2014 despite the federal government not providing funding in fiscal 2013. That potential shortfall is in

addition to the capital program not having any funding for the construction of the Red and Purple Lines. The administration's revenue proposal is insufficient to meet the cash obligations of constructing the transit lines even when assuming all of the revenue would be used to construct the transit lines. Other alternative options are available for the construction of the transit lines. **DLS recommends that the Maryland Department of Transportation (MDOT) and MTA discuss why it assumed federal aid in fiscal 2014 for preliminary engineering and what would happen if there is no federal aid in fiscal 2014. In addition, it should discuss how it intends to pay for the transit lines and the options available. The agencies should also speak about what impact constructing the transit lines would have on the capital program of the other modes.**

Underfunding in the Budget: Over the past 10 years, MTA's average annual budget increase is 6.4%. Assuming the historical growth rate, the fiscal 2013 allowance should total $693 million or $35 million more than the current allowance, indicating that the fiscal 2013 is underfunded. Specific areas of underfunding include union wages as the allowance does not include increases in funding since the contracts are up for negotiation, paratransit services where contracts are up for negotiation, and MARC service where the allowance assumes a decrease in funding with the start of the third party contract. **DLS recommends that MTA discuss how it will fund any underfunding in the allowance if it occurs, the status of the third party contract and why it expects declines, and how it can more accurately reflect actual spending in the allowance despite the unknown of several large contracts.**

Fare Policy: MTA fares were last increased in fiscal 2004. Since that time, MTA's eligible expenses for farebox recovery increased from $200.3 million in fiscal 2014 to $271.0 million with revenues decreasing from $78.3 million to $77.0 million. From fiscal 2004 to 2011, the farebox recovery rates declined from 40 to 28% because revenue growth has not kept pace with expenditure growth. The administration has proposed increasing revenues for transportation; however, there is no proposal to increase fares as required in Chapter 397 of 2011. One option the General Assembly may want to consider is a policy where fares increase periodically based upon inflation. This option would be consistent with the administration's revenue proposal of having an inflation sensitive revenue source and the Washington Metropolitan Area Transit Authority's (WMATA) policy on fare increases. **DLS recommends that MTA discuss why it did not comply with the statutory changes in Chapter 397 of 2011. DLS also recommends that MTA and MDOT discuss why a fare increase was not discussed in the administration's revenue proposal and when it foresees a fare increase occurring. In addition, MDOT and MTA should discuss the option of linking future fare increases to inflation to have more frequent and predictable fare increases similar to WMATA and consistent with its policy objective for its motor fuel tax proposal.**

MTA Pensions Plan Underfunding and Upcoming Negotiations: Currently, MTA's pension system has a funded ratio of 42.2%. For the past four years, MTA has made an additional contribution to the pension system. By continuing this practice, MTA indicates that it will have a fully funded pension system in fiscal 2035. By the end of fiscal 2013, MTA will have to enter into negotiations with all three unions. For an employee contribution to MTA's pension to occur, it will need to be done through negotiations. **DLS recommends that budget bill language be added that expresses the intent that MTA negotiate for union employees to contribute to the pension system and that wage increases are not greater than State employees' increases.**

Operating Budget Recommended Actions

1. Add budget bill language expressing the intent of the General Assembly regarding upcoming negotiations.

PAYGO Budget Recommended Actions

1. Concur with Governor's allowance.

J00H01

Maryland Transit Administration

Maryland Department of Transportation

Budget Analysis

Program Description

The Maryland Department of Transportation (MDOT) supports transit in Maryland through the Maryland Transit Administration (MTA). MTA consists of the following operating budget programs:

- **Transit Administration** provides executive direction and support services for MTA.

- **Bus Operations** manages bus services in Baltimore City and surrounding counties. These services include the operation of fixed route and paratransit lines and contracts with commuter and paratransit service providers.

- **Rail Operations** includes the Baltimore Metro heavy rail line and the Baltimore area light rail line as well as the management of the Maryland Area Regional Commuter (MARC) contracts with Amtrak and CSX Transportation (CSX) with a third party provider expected to replace CSX in fiscal 2013.

- **Statewide Operations** provides technical assistance and operating grants to local jurisdictions' transit services, including Montgomery County's "Ride-On" and Prince George's County's "the Bus" services. Additionally, the program contracts with private carriers to operate commuter bus services throughout the State. Assistance is also provided to several short-line freight railroads to support the maintenance of State-owned rail lines.

MTA has identified the following goals:

- to provide outstanding service;

- to encourage transit ridership in Maryland;

- to use MTA resources efficiently and effectively and be accountable to the public, customers, and employees, with performance measured against prior years and transit industry peers; and

- to provide a safe, crime free environment for customers and employees.

Performance Analysis: Managing for Results

Boardings Increase in Fiscal 2011

Exhibit 1 provides detail on the number of boardings for services provided by MTA. Overall, MTA ridership experienced relatively high rates of growth in fiscal 2008 and 2009. Growth reached 5.2% in fiscal 2008 as gas prices spiked with growth remaining relatively high in fiscal 2009 at 4.0% even with the impact of the recession. Ridership declined in fiscal 2010 by 1.0% largely due to multiple snow events and higher growth rates in fiscal 2009. In fiscal 2011, ridership increased by 5.0% as there was the bounce back from the prior year's winter events and overall ridership growth. In fiscal 2012 and 2013, MTA is estimating that ridership will continue to grow at a rate of 1.0%. There are several noteworthy trends:

- ***Paratransit Services:*** After experiencing reductions in ridership due to fee and programmatic changes, the TaxiAccess experienced sizable growth in fiscal 2011. It is projected that ridership will stabilize around 4.0% growth in fiscal 2012 for paratransit. In its Managing for Results (MFR) submission, MTA indicates that the number of certified paratransit users increased approximately 9.0% in fiscal 2011 before moderating in fiscal 2012 and 2013. Paratransit service is one of the more costly services provided by MTA.

Exhibit 1
MTA Boardings and Percent Change
Fiscal 2008-2013

	2008	2009	2010	2011	2012 Est.	2013 Est.
Bus	4.0%	5.0%	-1.0%	5.0%	0.0%	0.0%
Metro	6.0%	-3.0%	-1.0%	9.0%	4.0%	0.0%
Light Rail	12.0%	9.0%	-6.0%	6.0%	4.0%	2.0%
Paratransit	35.0%	12.0%	11.0%	12.0%	4.0%	3.0%
TaxiAccess	10.0%	-12.0%	-22.0%	11.0%	1.0%	0.0%
MARC	5.0%	2.0%	0.0%	2.0%	1.0%	1.0%
Contracted Commuter Bus	10.0%	7.0%	-3.0%	6.0%	0.0%	5.0%
Total	**5.2%**	**4.0%**	**-1.0%**	**5.0%**	**1.0%**	**1.0%**

MARC: Maryland Area Regional Commuter
MTA: Maryland Transit Administration

Source: Maryland Transit Administration

- **Core Bus Service:** Core bus ridership grew by 5.0% in fiscal 2011, comparable to fiscal 2008 and 2009. In fiscal 2012 and 2013, MTA is projecting that ridership growth will be flat despite ridership increasing on light rail and other services.

- **Commuter Bus:** Contracted commuter bus service continues to have some of the highest growth rates in ridership; however, there is no projected growth in fiscal 2012. In fiscal 2013, growth is expected to be 5.0% due to the opening of the InterCounty Connector (ICC) service along the entire road for the full year. Two commuter bus lines were provided with more service to be provided once the entire road is opened.

The Department of Legislative Services (DLS) recommends that MTA discuss why paratransit ridership is expected to stabilize in fiscal 2012 and 2013. DLS also recommends that MTA discuss why there will be no growth in core bus ridership in fiscal 2012 and 2013. Finally, DLS recommends that MTA discuss ridership on the ICC commuter bus service that is currently provided and if the service is proving worthwhile to date.

On-time Performance

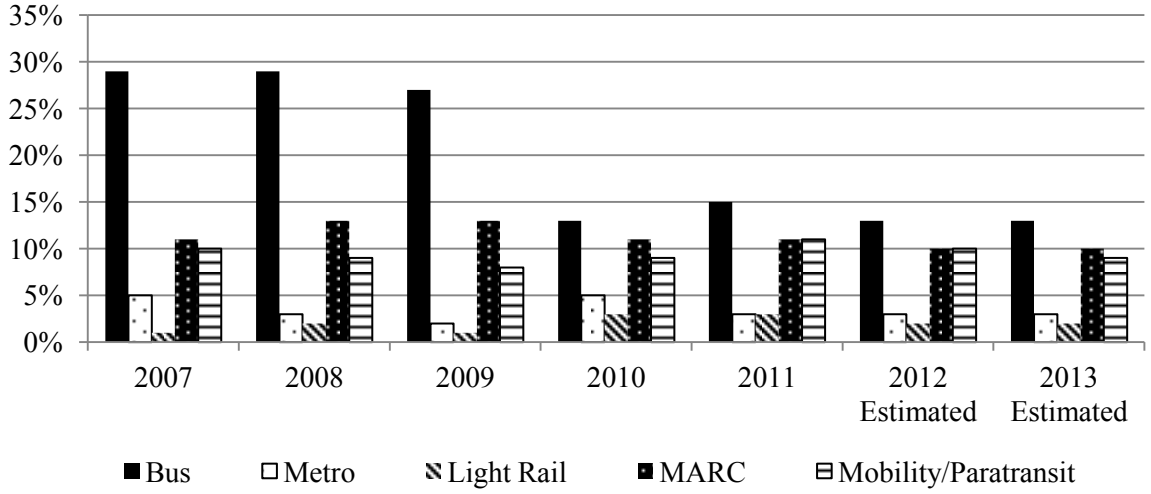
MTA seeks to provide high on-time performance for all of its services. **Exhibit 2** provides data on the percentage of service not provided on-time for bus, Metro, light rail, and MARC. Overall, the level of on-time performance either remained the same compared to the prior fiscal year or worsened in the case of core bus and paratransit. In particular, approximately 15% of core bus trips were not on time. Given that core bus is by far the largest transit service provided by MTA, the number of late trips impacts a significant number of customers. In fiscal 2012 and 2013, core bus on-time performance is expected to improve. **DLS recommends that MTA discuss what steps can be taken to improve on-time performance of core bus service and why it is expected to improve in fiscal 2012 and 2013.**

Farebox Recovery

Section 7-208 of the Transportation Article sets the statutory farebox recovery rate at 35% for Baltimore area core services and MARC service. **Exhibit 3** shows the farebox recovery by mode of transit and Baltimore core services. Baltimore area core services last had a farebox recovery rate of 35% in fiscal 2004, and MARC farebox recovery has been steadily declining. The statutory farebox level has not been met due to the cost of utilities, fuel, labor, and the MARC contract outpacing ridership growth.

The farebox recovery rate for Baltimore services stayed at 28% in fiscal 2011 despite the increase in ridership. The pace at which expenditures increased largely matched revenue growth from ridership increases meaning that farebox recovery was flat. Expenditure growth was largely driven by union personnel increases in fiscal 2011. MTA estimates that the farebox recovery rate will reach 29% in fiscal 2013 despite there being no ridership growth. With expenditures likely to be higher than currently provided for in the allowance and flat ridership, the fiscal 2013 farebox recovery rate is likely overstated.

Exhibit 2
Trips Not On-time
Fiscal 2007-2013



MARC: Maryland Area Regional Commuter

Source: Maryland Transit Administration

Exhibit 3
Farebox Recovery Rate
Fiscal 2007-2013

	2007	2008	2009	2010	2011	2012 Est.	2013 Est.
Baltimore Area Services	**31.7%**	**29.0%**	**31.0%**	**28.0%**	**28.0%**	**28.0%**	**29.0%**
Core Bus	35.0%	31.0%	34.0%	31.0%	30.0%	30.0%	31.0%
Metro	28.0%	28.0%	27.0%	25.0%	26.0%	26.0%	27.0%
Light Rail	19.0%	18.0%	19.0%	17.0%	17.0%	17.0%	17.0%
MARC	56.2%	53.0%	44.0%	48.0%	50.0%	50.0%	50.0%
Washington Commuter Bus	34.0%	33.0%	34.0%	33.0%	35.0%	35.0%	35.0%

MARC: Maryland Area Regional Commuter

Source: Maryland Transit Administration

MARC's farebox recovery improved in fiscal 2011 from 48 to 50% in fiscal 2011. MTA indicates that the reason for this is that operating expenditures declined due to clearing pending charges in a timelier manner.

Exhibit 4 compares MTA's farebox recovery for fiscal 2010 to other peer jurisdictions according to the National Transit Database, as required under Section 7-208. The National Transit Database includes different transit administrative costs than MTA uses for its performance measure, which reduces the farebox recovery rate compared to the MFR measure. The data shows that Baltimore core bus service had the fourth lowest rate of recovery but was higher than the Washington Metropolitan Area Transit Authority's (WMATA) and is largely comparable to other peer transit agencies. The recovery rate for light rail and Metro did not compare as favorably; however, light rail and Metro are individual lines and not part of an integrated system. Light rail had the second lowest farebox recovery level of any system at 17.8% while Metro had the lowest at 21.4%. MTA indicates that the Boston and Washington systems use bus lines as a feeder for its rail system, whereas Baltimore is not developed enough to be integrated like the other systems. Commuter rail service had the lowest recovery rate of peer systems, except for the Portland system which was under 5.0%, due to the recent run-up in contract costs for the MARC service.

Exhibit 4
Comparison of Farebox Recovery Rates by Mode
Fiscal 2010

	Bus	Light Rail	Heavy Rail	Commuter Rail
Cincinnati	39.7%	n/a	n/a	n/a
Philadelphia	28.0%	41.0%	51.0%	51.0%
Los Angeles	27.0%	18.0%	39.0%	n/a
Pittsburgh	25.0%	16.0%	n/a	n/a
Baltimore	**23.7%**	**17.8%**	**21.4%**	**36.8%**
Boston	23.1%	49.5%	44.0%	47.6%
Portland	23.0%	35.0%	n/a	5.0%
Washington	19.5%	n/a	62.0%	n/a

Source: National Transit Database; Maryland Transit Administration

Performance Goals

Section 7-208 also requires MTA to develop performance goals for passenger trips per revenue vehicle mile, operating expenses per passenger trip, and operating expenses per revenue vehicle mile by transit mode. **Exhibit 5** shows the actual figures for fiscal 2010 and 2011, and the goal for fiscal 2012 and 2013.

Exhibit 5
Performance Goals
Fiscal 2010-2013

	2010	2011	2012 Est.	2013 Est.
Core Bus				
Passengers Per Revenue Mile	3.5	3.6	4.2	4.2
Operating Expenses Per Passenger Trip	$3.91	$3.70	$3.32	$3.33
Operating Expenses Per Revenue Vehicle Mile	$13.50	$13.16	$14.12	$14.15
Light Rail				
Passengers Per Revenue Mile	2.6	2.7	3.1	3.1
Operating Expenses Per Passenger Trip	$4.83	$4.23	$4.76	$4.77
Operating Expenses Per Revenue Vehicle Mile	$12.39	$11.56	$14.62	$14.75
Metro				
Passengers Per Revenue Mile	3.0	3.1	3.0	3.0
Operating Expenses Per Passenger Trip	$4.01	$3.65	$4.04	$4.05
Operating Expenses Per Revenue Vehicle Mile	$11.95	$11.31	$11.93	$11.97

Source: Maryland Transit Administration

Operating expenditures increased in fiscal 2011 largely due to the decision of the arbitrator regarding union wages. Passenger ridership also increased in fiscal 2011 but at a rate faster than expenditure growth. To the extent that ridership is compared to cost, most measures declined in fiscal 2011 but are expected to increase in fiscal 2012 and 2013.

It is noteworthy that in fiscal 2012 and 2013, even though there is no expected growth in core bus ridership and expenditures are increasing, operating expenditures per passenger trip decline in fiscal 2012 and only slightly increase in fiscal 2013. **DLS recommends that MTA discuss with the committees why operating expenditures per passenger trip are decreasing in fiscal 2012 for core bus.**

Proposed Budget

The fiscal 2013 allowance increases $6.7 million, or 1.0%, compared to the fiscal 2012 working appropriation. **Exhibit 6** provides a summary of the major changes in the budget.

Exhibit 6
Proposed Budget
MDOT – Maryland Transit Administration
($ in Thousands)

How Much It Grows:	Special Fund	Federal Fund	Total
2012 Working Appropriation	$591,670	$59,735	$651,405
2013 Allowance	601,323	56,735	658,057
Amount Change	$9,653	-$3,000	$6,653
Percent Change	1.6%	-5.0%	1.0%
Contingent Reductions	$0	$0	$$0
Adjusted Change	$9,653	-$3,000	$6,653
Adjusted Percent Change	1.6%	-5.0%	1.0%

Where It Goes:

Personnel Expenses	
Increments and other compensation	-$1,439
Ending the $750 bonus	-428
Additional assistance	1,407
Overtime	-115
Employee and retiree health insurance	829
Union employee and retiree health insurance	-823
Employee retirement	337
MTA Police retirement	257
Workers' compensation premium assessment	270
Turnover adjustments	78
Other fringe benefit adjustments	-6
Administration	
Third party insurance payments	-2,148
Software for fare collection system	252
Insurance payments to the State Treasurer's Office	148
Bus Operations	
Diesel fuel based upon fiscal 2011 since prices are unpredictable	2,566
Maintenance and repair declines based upon on trends in fiscal 2011 and 2012	-3,380
Contractual equipment and repair based upon fiscal 2011 spending less cost containment	423
Landscaping based upon fiscal 2011 spending	195
TaxiAccess contracts based upon estimated needs	350

Where It Goes:	
Fuel oil based upon actuals due to identified efficiencies	-130
Natural gas per the Department of Budget and Management instructions	-230
Electricity per the Department of Budget and Management instructions	-212
Rail Operations	
Natural gas per the Department of Budget and Management instructions	391
Electricity based upon fiscal 2011 and identified efficiencies	-524
Per debt service schedule for energy conservation loan repayment	-490
Maintenance and repair based upon fiscal 2011 actual	-2,290
Contractual equipment repairs and maintenance based upon fiscal 2011 actual	234
Tree trimming along Metro and light rail lines to reduce damage from storms	2,100
Amtrak MARC contract costs	7,961
CSX/third party MARC contract costs	-3,896
Supplies and materials to maintain track and associated areas in safe manner	1,283
Statewide Operations	
InterCounty Connector bus service	3,669
Other Changes	
Other	15
Total	**$6,654**

MARC: Maryland Area Regional Commuter
MTA: Maryland Transit Administration

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

Personnel Expenditures

Overall, the personnel budget increases approximately $0.4 million. The notable changes in the personnel budget are the following:

- $1.4 million increase in additional assistance for part-time operators to increase the available pool of operators and reduce the need for overtime expenditures;
- $0.8 million increase in employee and retiree health insurance;
- $1.4 million decrease in increments and other compensation due to the abolishment of positions in the fiscal 2013 allowance and the annualization of the fiscal 2012 position abolishment and Voluntary Separation Program; and

- $0.8 million decrease in union and retiree health insurance due to the projected cost being less than originally estimated now that the decision of the arbitrator has been made.

Administration

The most notable budget change in the administration's program is a $2.1 million decrease in third party insurance payments due to projected needs. Other changes include an increase in software relating to fare collection and insurance payments to the State Treasurer's Office.

Bus Operations

Within the Bus Operations program, the largest increase in the budget is for diesel fuel, $2.6 million, which is based upon fiscal 2011 spending. Given the uncertainty in prices, MTA has elected to use a higher price estimate than the Department of Budget and Management's instructions to be conservative. This increase is more than offset by a decline in maintenance and repairs based upon vehicle trends in fiscal 2011 and 2012. In the past, MTA has indicated a need to spend more on maintenance and repair to better maintain vehicles. While new busses are always coming into service which might help reduce maintenance costs, ongoing maintenance might help to delay the purchase of new busses. **DLS recommends that MTA discuss what the impact may be of reduced maintenance spending.**

Rail Operations

As is typically the case, the largest increase in the rail operations program is for MARC contract costs. As discussed later, this increase represents the cost for Amtrak provided service, which increases $8.0 million. The cost of providing service along the CSX lines decreases $3.9 million. The other major increase in the budget is for tree trimming along Metro and Light Rail. In the past, MTA has reduced its spending in this area; however, the recent winter and summer storms demonstrated that this may have been a short-sighted strategy and cost more in the long-run. Spending for supplies and materials also increases to maintain tracks and associated areas in a safe condition. While supplies and materials increase, maintenance and repair decreases by $2.3 million based upon fiscal 2011 actual spending. **DLS recommends that MTA discuss what the impact may be of reduced maintenance spending.**

Statewide Operations

The allowance increases $3.7 million in Statewide Operations for the addition of commuter bus service along the ICC. The Maryland Transportation Authority (MDTA) transferred $20 million to the Transportation Trust Fund (TTF) to pay for the capital expense of buying buses and operating expenditures. Current estimates show that the $20 million will cover expenditures through fiscal 2014. **DLS recommends that MTA discuss if MDTA will continue to support the service after fiscal 2014 or if MTA will assume the cost.**

PAYGO Capital Program

Program Description

MTA's capital program provides funds to support the design, construction, rehabilitation, and acquisition of facilities and equipment for the bus, rail, and statewide programs. The program also provides State and federal grants to local jurisdictions and nonprofit organizations to support the purchase of transit vehicles and the construction of transit facilities.

Fiscal 2012 to 2017 *Consolidated Transportation Program*

The fiscal 2013 pay-as-you-go (PAYGO) allowance totals $446.3 million, an increase of $49.7 million, or 12.5%, compared to the fiscal 2012 working appropriation. There is also $12.5 million in non-State sourced funding in fiscal 2013. This funding is from local jurisdictions to support several State projects. As shown in **Exhibit 7**, funding for major projects totals $259.6 million, or 56.0%, of spending in fiscal 2013. The next largest category is the development and evaluation program at $119.2 million, or 26.0%. Most of the funding in development and evaluation is for the major transit lines.

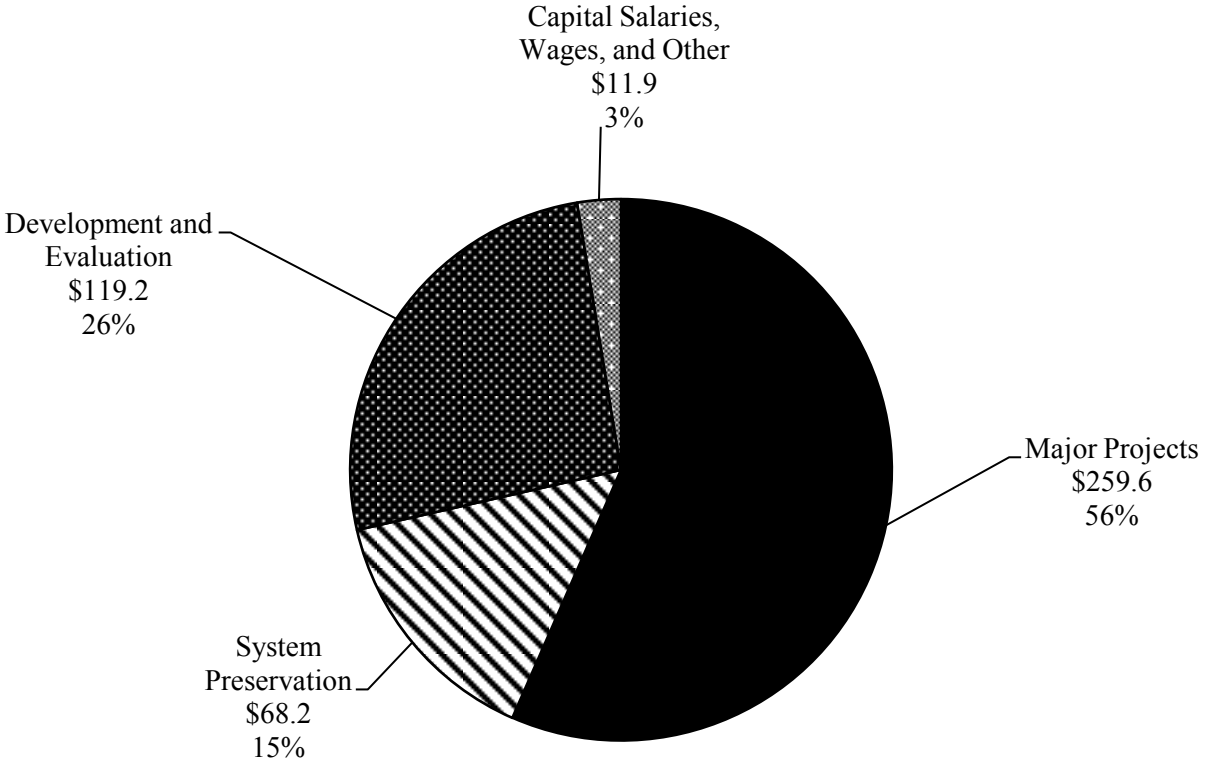
Capital Budget Overview

Over the six-year period, MTA's capital program is expected to total $1,993.7 million, with special funds accounting for 42.6% of all spending. What is unique about MTA's capital program is that $1,470.8 million, or 73.8%, of all spending is spent from fiscal 2012 to 2014. MTA's capital program declines from $585.1 million in fiscal 2014 to $164.2 million in 2015, a decrease of $420.9 million, and remains around the $165.0 million level through fiscal 2017. In the short-term, capital spending is focused on the planning and engineering for the transit lines and the purchase of new MARC cars.

In fiscal 2015 and beyond, MTA does not have any funding for the construction of the major transit lines. If the State moves forward with construction of the transit lines, additional funding will need to be identified or the capital program will need to be reprioritized. While the transit lines appear to be the focus of MTA's capital program in future fiscal years, there are several other major capital expenditures that are not currently accounted for in the CTP, specifically:

- ***MARC Improvements:*** The State has expressed the goal of doubling transit ridership and created a MARC Growth and Investment Plan to help expand transit services and to address the fact that the service is at capacity. The decline in transportation revenues delayed spending on a number of larger initiatives; however, improvements to the MARC system have continued on a smaller scale. Despite the improvements, in fiscal 2015 and beyond, little funding is provided for MARC service improvements except for rail car overhauls even though the service is near its capacity.

Exhibit 7
Major Funding by Category
($ in Millions)



Source: Maryland Department of Transportation, 2012-2017 *Consolidated Transportation Program*

- ***Mobility Vehicle Replacement:*** The paratransit service continues to grow; however, little funding is provided for Mobility vehicle replacement. MTA indicates that a study is underway to determine the correct type of vehicle to purchase in the out-years, but no funding is provided for that purpose.

While there appear to be areas of the capital program that are underfunded in the out-years, funding is provided for bus replacement, light rail vehicle overhauls, and metro car replacement. Essentially, funding is only provided for system preservation from fiscal 2015 to 2017. MTA indicates that it needs to demonstrate to the Federal Transit Administration (FTA) that it can continue to maintain the existing systems as part of its plans to construct the major transit lines.

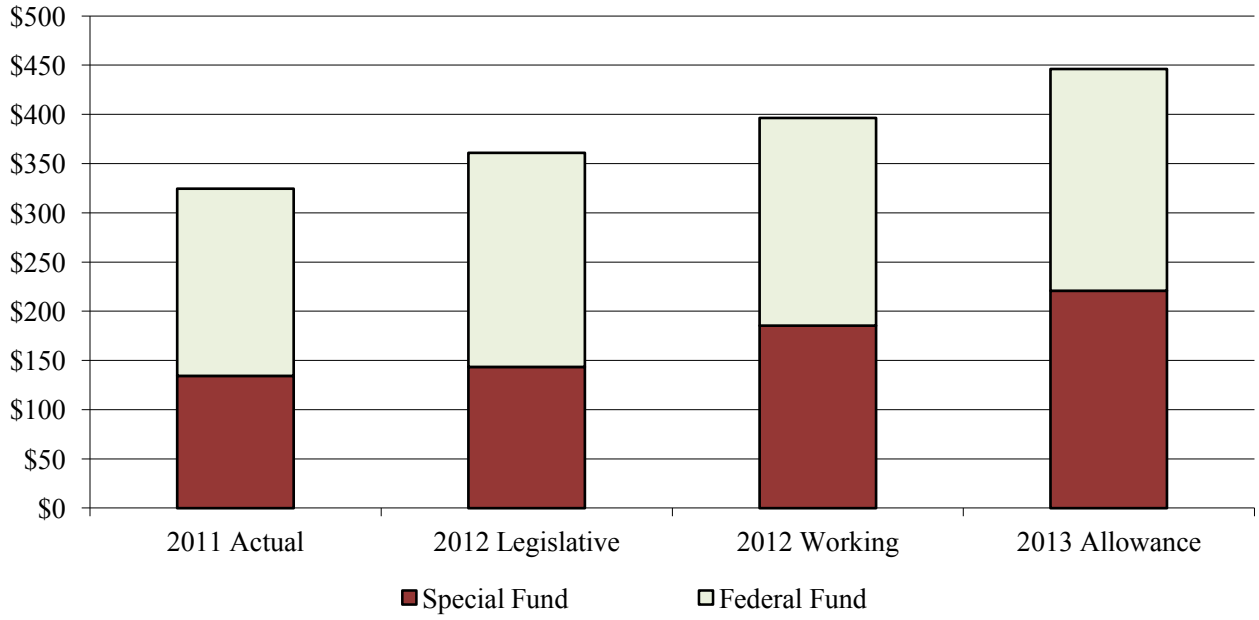
In looking at the Development and Evaluation program for new projects that may be added to the capital program, there is little beyond the major transit lines. With little planned for future projects and a lack of available funding, it is not clear what projects MTA would fund to improve service if the transit lines do not occur. If the transit lines do move forward, it would appear that little else would be funded in MTA's capital program because all available revenue would be needed for constructing the transit lines. **DLS recommends that MTA discuss with the committees the future of MTA's capital program given the sizable drop off in funding and the lack of projects in the development and evaluation program, particularly if the transit lines are not constructed.**

Fiscal 2012 and 2013 Cash Flow Analysis

As shown in **Exhibit 8**, the fiscal 2012 working appropriation increases $35.5 million, or 9.8%, compared to the legislative appropriation. Special funds increase $42.1 million due to the acceleration of funding for the purchase of 54 new coaches for the MARC system.

The fiscal 2013 allowance is $49.7 million, or 12.5%, more than the fiscal 2012 working appropriation. The increase is due to increased funding for the engineering of the major transit lines.

Exhibit 8
Cash Flow Changes
Fiscal 2011-2013
($ in Millions)



Source: Maryland Department of Transportation, 2012-2017 *Consolidated Transportation Program*

Exhibit 9 shows the major projects funded in fiscal 2013. The projects listed total $244 million and represent 91% of the funding in that category.

Exhibit 9
Major Construction Projects
Funded in Fiscal 2013
($ in Thousands)

Project	2013 $	Total $	Completion of Fiscal Year Cash Flow
Maryland Area Regional Commuter (MARC) Maintenance, Layover, and Storage Facilities – funding for the acquisition and planning of a midday storage and maintenance facility	$16,750	$51,527	2014
MARC Improvements on Camden, Brunswick, and Penn Lines – ongoing program of improvements on MARC lines	28,098	221,983	2017
MARC Coaches – Overhauls and Replacement	25,926	217,250	2016
MARC Locomotive Overhaul – conduct mid-life overhaul of electric locomotives	2,850	118,629	2014
MARC Edgewood Station Improvements	3,295	5,102	2013
MARC Positive Train Control	9,303	12,059	2014
MARC Halethorpe Station Improvements – platform and access improvements to improve service and reduce boarding times	12,231	29,860	2013
MARC West Baltimore Station Parking Expansion	4,000	12,738	2014
Homeland Security	17,757	60,554	2015
Light Rail Vehicle Mid-life Overhaul	9,500	155,265	2017
Metro Railcar Overhaul	2,444	42,242	2017
Metro Rail Car Truck Assembly Overhaul	2,256	18,000	2013
Bus Procurement – purchase 40-foot buses to be used in an annual replacement program of buses in service of 12 or more years	45,225	224,049	2017

Project	2013 $	Total $	Completion of Fiscal Year Cash Flow
Bus New Main Shop – Design and construct a new bus maintenance shop	10,000	28,156	2014
Replacement of Fare Collection Equipment and Implement SmartCard	4,170	101,333	2014
Trunked Radio Expansion	3,753	13,184	2013
Central Control Center – new expanded facility integrating the operations of Bus, Metro, Light Rail, and MARC control centers	5,055	13,763	2014
Southern Maryland Commuter Bus Initiative – several park and ride lots in Southern Maryland	8,429	37,673	2014
Locally Operated Transit Systems Capital Procurement Projects (Local Jurisdictions) – the Maryland Transit Administration provides funding to local jurisdictions in rural and small urban areas for transit vehicles, equipment, and facilities	15,268	248,401	2017
Capital program assistance to private non-profit agencies for the transportation of the elderly and persons with disabilities	2,827	40,773	2017
Montgomery local bus replacement program	3,610	55,790	2017
Agencywide Roof Replacement	2,105	26,903	2017
Takoma/Langley Park Transit Center	9,250	25,562	2016
Total	**$244,102**	**$1,760,796**	

Source: Maryland Department of Transportation, 2012-2017 *Consolidated Transportation Program*

Projects Added to the Construction Program

As shown in **Exhibit 10,** five projects totaling $123 million were added to MTA's construction program.

Exhibit 10
Projects Added to the Construction Program
Fiscal 2012 and 2013
($ in Thousands)

Project	2012 $	2013 $	Total $
MARC Positive Train Control (Moved from System Preservation Minor Projects to Construction Program)	$1,128	$9,303	$12,059
MARC BWI Rail Station (Moved from Minors to Construction Program)	141	785	8,499
Homeland Security (Four of six projects comprising this larger project were moved from Minors to Construction)	9,494	17,757	60,554
Bus New Main Shop (Moved from Minors to Construction Program)	1,317	10,000	28,156
Central Control Center (Moved from Minors to Construction Program)	1,059	5,055	13,763
Total	**$13,139**	**$42,900**	**$123,031**

Source: Maryland Department of Transportation, 2012-2017 *Consolidated Transportation Program*

Issues

1. Funding the Transit Lines

The State continues to move forward with plans for the construction of three major transit lines: the Purple Line and Corridor Cities Transitway (CCT) in the Washington metropolitan region and the Red Line in Baltimore City and Baltimore County. The locally preferred options for the Red and Purple Line were selected in summer 2009 with the CCT expected to be announced in 2012.

The Red and Purple Lines were selected by FTA to move into the next phase of the process, called preliminary engineering, during 2011. The White House also selected the Red Line as one of 14 projects nationwide for expedited review. By expediting the review of the environmental document and permitting process, the Red Line could be constructed sooner than originally expected by five months according to MTA.

By moving into the next phase of development by FTA, the projects are eligible for federal funding for preliminary engineering. Fiscal 2013 does not include any federal funding for preliminary engineering because FTA indicated that it would not appropriate additional funding for that purpose due to budget constraints. In fiscal 2014, MTA has included federal funds for preliminary engineering despite the FTA guidance for fiscal 2013. While the funding environment may change in fiscal 2014, if the federal funds are not provided, then the State will need to find approximately $137 million in fiscal 2014 to finish preliminary engineering for the projects. **DLS recommends that MTA discuss why it assumed federal funds in fiscal 2014 when it did not in fiscal 2013. In addition, MTA should discuss where State funding would come from if the federal funds are not provided for in fiscal 2014.**

The final environmental impact statement (FEIS) is expected to be completed in spring 2013, as shown in **Exhibit 11**. Once the FEIS is signed and a record of decisions is given, and if FTA approves the application, the next step is to reach a full funding grant agreement with FTA. At the time of the full funding grant agreement in 2013, the State must be prepared to submit a finalized financial plan to show how it intends to pay for the project. This means that at the latest the General Assembly would need to identify either additional revenue or some other manner in which to pay for the transit lines by the end of the 2013 session.

Financial Cost

To move into the preliminary engineering phase, the department had to submit a financial plan for how the State would pay for the transit lines. Current estimates show that the Red Line would cost $2.2 billion and the Purple Line $1.9 billion. In its financial plan to FTA, the State demonstrated its ability to pay for the transit lines; however, there were two important assumptions regarding federal funds and State funds that were questionable and could impact the State's ability to construct the transit lines.

Exhibit 11
Timeline of Milestones for Red and Purple Lines

Select Locally Preferred Option	Summer 2009
Contingent on Federal Transit Administration (FTA) New Starts Approval	
Initiate Preliminary Engineering Activities	Winter 2011
Final Environmental Impact Statement Decision/Record of Decision	Spring 2013
Contingent on FTA-approved Funding	
Initiate Final Design Activities	Spring 2013
Receive Full Funding Grant Agreement	Spring 2013
Begin Right of Way, Permitting, and Agreements	2013/2014
Begin Construction	2014/2015
Construction Ends	2020/2021

Source: Maryland Transit Administration

First, the department assumed that the federal government would contribute 50% toward the cost of construction with the State contributing the other 50%. While other projects have been funded at 50%, it is not clear with the pressure to reduce the federal deficit that the State will receive a 50% match. If it does not, then the State share of the project would increase. Furthermore, the New Starts is a competitive grant process. If federal funds are reduced, the likelihood of the State receiving funding for two projects simultaneously could diminish. It should be noted that FTA has funded multiple major transit projects simultaneously before, but once again, the funding climate has changed.

FTA also has recently indicated that funding for a project is capped at $900 million and that it will only provide $100 million in a given fiscal year for project funding but that federal funding for reimbursement may occur after construction ends. This would reduce the projected federal contribution to the project from an assumed 50.0 to 40.6% for the Red Line and 46.8% for the Purple Line. Based upon the information provided, this change would increase the State's contributions to the projects by $271 million.

MTA has subsequently changed its cash flow calculations for the project based upon FTA guidance. Based upon the revised cash flow estimate, peak spending occurs in fiscal 2018 and totals $725 million, as shown in **Exhibit 12**. To meet the cash flow needs of the project, approximately $725 million in revenue would need to be identified.

Exhibit 12
Projected Special Fund Transit Line Cash Flow
Fiscal 2013-2023
($ in Millions)

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total
Red Line	$54	$73	$54	$351	$310	$345	$349	$36	-$100	-$100	-$97	$1,275
Purple Line	38	154	137	115	254	342	278	-21	-100	-100	-97	998
CCT	10	10		38	38	38						134
Total	**$101**	**$237**	**$191**	**$504**	**$602**	**$725**	**$626**	**$15**	**-$200**	**-$200**	**-$194**	**$2,407**

CCT: Corridor Cities Transitway

Source: Maryland Transit Administration

Second, the department assumed that there would be sizable revenue increase beginning in fiscal 2016 in its original financial as submitted to FTA. Using the Purple Line financial plan, net TTF revenues increase $727 million with federal funds increasing approximately $114 million for the construction of the transit lines. Therefore, under this scenario, a revenue increase of at least $613 million would be needed to construct all of the transit lines simultaneously.

Administration's Revenue Proposal

The administration has submitted a revenue package that it anticipates would generate approximately $620 million in additional revenue in fiscal 2017, before any distribution to local jurisdictions. As shown in Exhibit 12, this is still less than the amount needed to construct the three transit lines in fiscal 2018 by approximately $100 million, unless additional debt is issued. In addition, this would assume that all of the revenue raised in the administration's proposal would be used for the transit projects. In other words, to fund the transit lines as proposed, none of the additional revenue in the administration's plan could be used for highway projects, funding the requirements of the Watershed Implementation Plan and other environmental obligations, or increasing the amount of local aid, and even then, there would not be enough revenue to fund the transit lines.

To fund the transit lines, the administration will have to delay the construction of one of the transit lines to reduce the cash flow obligations in a given fiscal year, elect not to construct one or all of the transit lines as proposed, or identify even more revenue. Another option would be to look at other financing options for the construction of the transit lines.

Other Financing Options

If the administration's revenue package is not enacted, is reduced in size from what is proposed, or funding is shared with local jurisdictions, the State will need to pursue other financing options for the transit lines. These options include the following:

- ***Public-private Partnership:*** A public-private partnership (P3) could be used for all or part of the construction of the transit line and/or the operation of the transit line. If a P3 were to be used, it would be structured using availability payments – essentially a debt service payment to the private sector. The main question regarding the use of a P3 is whether or not it is cheaper than issuing State debt for the project and would it count against State debt limits.

- ***Tax Increment Financing:*** Local jurisdictions could provide tax increment financing for infrastructure improvements to help pay for the construction of the transit line as a whole or only fund key stations. Under this scenario, the local jurisdiction would forgo future tax revenues to help pay for construction.

- ***Value Capture:*** The concept of value capture is a relatively new one. The idea would be that the State should capture the increased property value associated with transit development. It is similar to tax increment financing except that it does not necessarily require bonding. The risk with value capture is that an assumption will need to be made regarding the increased property value associated with construction. If that estimate comes up short, the difference will need to be found elsewhere.

- ***Local Contributions:*** Another option would be to require local jurisdictions to contribute to the construction of the transit lines. There has been no precedent for this in the State for other large projects.

Conclusion

The State has moved into the next phase of planning for the Red and Purple Lines. It is anticipated that in summer 2013, the State will need to have in place a financial plan to pay for the transit lines. The financial plans presented by the department showed that a significant revenue increase is required beginning in fiscal 2016 to pay for the transit lines. However, the administration's current revenue proposal, even if all of the funding was dedicated to the transit lines, is insufficient to meet the cash flow needs of all three transit lines. In other words, there would be no additional revenue available to fund the State's obligations under the Watershed Implementation Plan, highway projects, or increase local aid. To adequately fund the transit lines, the administration will need to delay construction of one line, elect not to construct one line, or identify other alternative financing options.

DLS recommends that MDOT and MTA discuss with the budget committees its plan to pay for the transit lines and the options available. In addition the department should discuss the impact of construction of the transit lines on the departmentwide capital budget.

2. Underfunding in the Budget

The fiscal 2013 allowance increases $6.7 million, or 1.0%, compared to the fiscal 2012 working appropriation. Over the past 10 fiscal years, MTA's average annual budget increase is 6.4%. This is consistent with the 6.8% MTA indicated that its operating and maintenance budget increased in its financial reports to FTA for the major transit lines. Assuming the historical growth rate of 6.4%, the fiscal 2013 allowance would total approximately $693 million or $35 million more than the current allowance. In reviewing the allowance, there are several areas that appear to be underfunded that might eventually result in actual fiscal 2013 spending approaching the $693 million level. Following is a summary of those areas:

- ***Union Wages:*** The fiscal 2013 allowance does not provide an increase in union salary and wages despite two contracts already having expired and the third set to expire at the end of fiscal 2012. Historically, MTA has not budgeted for this cost due to it being a negotiated cost; however, it is accounted for in the department's financial forecast. As with the last agreement, any additional spending will be brought in by budget amendment. The last agreement provided MTA employees an average annual salary increase of 2.75% and increased the pension benefit.

- ***Paratransit Services:*** Currently, MTA is negotiating contracts with vendors for a new three-year contract. MTA indicates that rather than estimate what the future cost will be, it level funded the contract cost. Considering that MTA is forecasting that ridership will grow on the service, it is fair to assume that the contract cost will increase even before factoring in contractor costs and inflation.

  In addition, MTA recently went to the Board of Public Works (BPW) with a contract modification to provide additional funding so that MTA could procure contractual help to man the 24/7 control center for paratransit services, partially due to reductions in State personnel. In information provided to BPW, MTA indicated that recent position abolishments, coupled with the growth in the service, necessitated additional help. It is likely that the cost of contractual help is more expensive than adding State positions. Furthermore, it is not clear that the additional cost has been included in the fiscal 2013 allowance.

- ***MARC Service:*** The fiscal 2013 allowance provides for an approximately $8 million increase for Amtrak-related MARC service. The State continues to move forward with its effort to procure a third party contractor for service and maintenance on CSX-owned lines. MTA has included funding in the fiscal 2012 appropriation for the third party contract, which would indicate that it hopes to have a contractor in place. However, the amount of funding provided in the fiscal 2013 allowance is less than the amount provided in fiscal 2012. While the department may realize savings over the life of the third party contract, it is unlikely that the cost will decrease in fiscal 2013. In fact, the opposite may be true.

- ***Maintenance and Repair:*** In prior fiscal years, MTA had increased funding for maintenance and repair activities in the operating budget to offset prior underfunding and to extend the useful life of its vehicles. In the fiscal 2013 allowance, MTA has decreased funding for this purpose as discussed earlier.

While the department indicates that it has accounted for the additional spending for any union negotiations in its financial forecast, the other spending is not accounted for in either the forecast or the allowance. If additional spending does occur, it will need to be identified in reductions elsewhere in the budget, from other modes, or from capital spending. Of those options, none is ideal. **DLS recommends that MTA discuss with the budget committees the following:**

- **how it will fund any underfunding in the allowance if it occurs;**

- **the status of the third party contract and why it anticipates the cost of service declining; and**

- **how it can more accurately reflect actual spending in the allowance despite the unknown of several large contracts.**

3. Fare Policy

MTA fares were last increased in fiscal 2004. Since that time, MTA's eligible expenses for farebox recovery increased from $200.3 million in fiscal 2004 to $271.0 million, an increase of 35.3%, while passenger revenue has declined from $78.3 million to $77.0 million in fiscal 2011. As a result of passenger revenues declining and expenditures increasing, the farebox recovery ratio declined from 40.0% in fiscal 2004 to 28.0% in fiscal 2011.

The main reason for the decline in the farebox recovery ratio is that expenditures for labor, fuel and utilities, and contracted service have increased at a rate greater than revenue growth. Revenue growth has not kept pace because fares have not been increased and ridership, while growing, has not increased as quickly as expenditures. For example, MTA indicates that there would need to be approximately a 4 to 6% annual increase in ridership just to keep farebox recovery at the current level of 29%. However, MTA is project 1% growth in 2012 and 2013, ensuring further noncompliance with State law.

In a report to the budget committees, MTA indicated that to meet the 35% farebox recovery rate, the fare for Baltimore area services would need to increase from the current $1.60 to $2.25 in fiscal 2013. Additional revenue to the TTF would increase by $24.4 million in fiscal 2013 and increase to $32.3 million in fiscal 2016. The fare would then need to increase to $2.50 in fiscal 2015 to maintain the cost recovery rate. If there was no fare increase, expenditures would need to be reduced by approximately $63.0 million in fiscal 2013.

Including Periodic Fares as Part of Revenue Increase

The administration is proposing an increase in motor fuel taxes through a sales and use tax equivalent percentage on the retail price of motor fuel; however, there is no mention of increasing fares for MTA users despite transit expenditures consuming an ever increasing share of State revenues as discussed in the MDOT Overview. In addition, Chapter 397 of 2011 (the Budget Reconciliation and Financing Act of 2011) added language to require MTA to increase fares, and not eliminate service, to meet the farebox recovery requirement.

One option the General Assembly may want to consider is a policy where fares increase periodically based upon inflation. For example, in December 2007, WMATA's Board of Directors adopted a policy of biennial fare adjustments based upon the biennial change for the consumer price index rounded to the next nickel. As a result, WMATA's proposed fiscal 2013 budget includes a proposed fare increase.

By having periodic fare increases, users of the system would have predictability in terms of what future fare increases might be. While future fare increases would be more frequent, the increases would be smaller than one large increase. For example, as discussed previously, MTA estimates that a $0.65 fare increase, or a 41% increase, is required to currently meet the statutory 35% farebox recovery requirement in fiscal 2013.

Adopting a policy of periodic increases would also create parity with the WMATA system that does not currently exist. Since fiscal 2004, WMATA has increased fares three times to resolve budget shortfalls. Alternatively, MTA has not increased fares, and as a result, an increasing share of TTF revenues has been needed to support transit expenditures. For example, the State share of funding for transit has increased from 39% in fiscal 2004 to 48% in fiscal 2013.

Finally, creating a policy of automatic increases in fares would be consistent with the administration's proposal for its equivalent sales tax on motor fuel. The administration's proposal would increase the tax rate as prices increased to include a revenue source that is linked to inflation. By linking fares to inflation, a similar policy would be adopted for transit users. The cost of a fare would increase as inflation would, and users of the system would be subject to the same increases in costs as users of motor fuel.

DLS recommends that MTA discuss why it did not comply with the statutory changes in Chapter 397 of 2011 and under what authority it can simply choose to not comply with existing State law requiring it to recoup 35% of its costs from fares. DLS also recommends that MTA and MDOT discuss why a fare increase was not mentioned in the Governor's revenue proposal and when it foresees a fare increase. In addition, MDOT and MTA should discuss the option of linking future fare increases to inflation to have more frequent and predictable fare increases similar to WMATA and consistent with its policy objective for its motor fuel tax proposal.

4. MTA Pension Plan Underfunding and Upcoming Negotiations

Certain MTA union employees have a noncontributory defined benefit pension plan. Currently, there are 2,809 active members and 1,956 retirees, beneficiaries, and other plan members. The MTA pension plan is separate from the State pension plan and includes the following service requirements:

- Normal retirement is age 65 with 5 years of credited service or age 52 with 30 years credited service.
- Early retirement is at age 55 if the total of the participant's age and service credit years are equal to at least 85.
- Disability retirement is at any age with 5 years of retirement.
- If any employee ends employment prior to becoming eligible, the employee is vested and eligible for a deferred pension at age 65.

As of June 30, 2011, the MTA pension plan had a funded ratio of 42.2%, with an unfunded actuarial liability of $250.7 million.

MTA funds both active union employees' and retirees' health care costs on a PAYGO basis. In fisca1 2011, MTA spent approximately $10.0 million on health care costs for retirees. The criterion for who receives what retiree health benefits is similar to the criteria for pensions. As of June 30, 2011, the unfunded actuarial liability was $527.7 million.

Improve Funding of the Union Pension System

In its report, MTA indicated that it recognized the need to cover its pension costs. For the past four years, MTA has made an additional contribution to the pension system. By continuing this practice, MTA indicates it will have a fully funded pension system in fiscal 2035. In response to the budget committees' question regarding the option of having employees contribute to the system, MTA indicated any changes to employees' contributions would need to be done through the negotiation process.

Union Negotiation Process

While a binding arbitration decision on MTA unions was only issued in calendar 2010, by the end of fiscal 2012, all three union contracts will have ended and be up for negotiation. During the negotiation, MTA provides materials on the TTF, personnel actions in other Executive Branch agencies, and other independent reports on Maryland's financial status. MTA indicates that it makes every effort to ensure the arbitrator is aware of all personnel provisions, but that this information has not influenced prior decisions.

To clarify for MTA and a negotiator, should it go that far, the budget committees may want to consider adding budget bill language to the fiscal 2013 budget bill indicating its intention for what it would like for MTA or the arbitrator to consider when making its decision. Furthermore, with negotiations beginning soon, MTA has the opportunity to negotiate an employee contribution to the pension system. **DLS recommends that budget bill language be added that expresses the intent that MTA negotiate for union employee's to contribute to the pension system and that wage increases are not greater than State employee increases.**

Operating Budget Recommended Actions

1. Add the following language:

   It is the intent of the General Assembly that the Maryland Transit Administration provides all recent information regarding agreements with other State bargaining units relating to wages, health insurance, and pension benefit changes in its upcoming negotiations. Furthermore, during the negotiation, the Maryland Transit Administration should negotiate for an employee contribution to the pension system and that wage increases not exceed those provided to other State employees.

   Explanation: This language expresses the intent that the Maryland Transit Administration, in its upcoming negotiations with its unions, negotiate an employee contribution to the pension system and that any wage increases do not exceed those provided to other State employees.

PAYGO Budget Recommended Actions

1. Concur with Governor's allowance.

Appendix 1

Current and Prior Year Budgets

Current and Prior Year Budgets
MDOT – Maryland Transit Administration
($ in Thousands)

	General Fund	Special Fund	Federal Fund	Reimb. Fund	Total
Fiscal 2011					
Legislative Appropriation	$0	$551,090	$62,736	$0	$613,827
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	0	11,218	1,760	0	12,977
Reversions and Cancellations	0	-4,887	0	0	-4,887
Actual Expenditures	**$0**	**$557,421**	**$64,496**	**$0**	**$621,917**
Fiscal 2012					
Legislative Appropriation	$0	$591,242	$59,735	$0	$650,977
Budget Amendments	0	428	0	0	428
Working Appropriation	**$0**	**$591,670**	**$59,735**	**$0**	**$651,405**

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

Fiscal 2011

Fiscal 2011 spending totaled $621.9 million, $8.1 million more than the legislative appropriation. Special fund budget amendments increased spending a net of $11.2 million for the following purposes:

- $10.6 million increase to fund the wage and pension increase as awarded in a binding arbitration decision;

- $0.7 million increase to fund two commuter bus routes serving the ICC between the Gaithersburg Park and Ride lot located at I-270 and MD 124 in Montgomery County and Baltimore-Washington International Thurgood Marshall Airport in Anne Arundel County and from the Gaithersburg Park and Ride lot to Fort Meade in Anne Arundel County; and,

- $0.1 million decrease due to reduced debt service payments for a MTA parking garage due to savings from a refinancing.

Special fund cancellations total $4.9 million due to health insurance and utility expenditures being less than expected and the MARC CSX contract being less than expected due to the delay in the third party contract.

Federal fund budget amendments increased spending $1.8 million in grants to local jurisdictions for transit due to the availability of more funding and a $2,000 decrease in canine training that was no longer needed.

Fiscal 2012

The fiscal 2012 appropriation increases by $0.4 million to fund the one-time $750 bonus afforded to all State employees in the fiscal 2012 budget.

Object/Fund Difference Report
MDOT – Maryland Transit Administration

Object/Fund	FY 11 Actual	FY 12 Working Appropriation	FY 13 Allowance	FY 12 - FY 13 Amount Change	Percent Change
Positions					
01 Regular	3,001.50	2,995.50	2,991.50	-4.00	-0.1%
02 Contractual	16.00	16.00	16.00	0.00	0%
Total Positions	**3,017.50**	**3,011.50**	**3,007.50**	**-4.00**	**-0.1%**
Objects					
01 Salaries and Wages	$ 292,415,971	$ 296,387,964	$ 296,754,678	$ 366,714	0.1%
02 Technical and Spec. Fees	966,792	903,419	743,260	-160,159	-17.7%
03 Communication	1,365,792	1,133,012	1,133,012	0	0%
04 Travel	548,795	111,055	111,055	0	0%
06 Fuel and Utilities	11,630,110	12,174,171	11,093,364	-1,080,807	-8.9%
07 Motor Vehicles	59,010,677	62,489,266	57,239,120	-5,250,146	-8.4%
08 Contractual Services	180,258,874	207,876,899	219,193,455	11,316,556	5.4%
09 Supplies and Materials	7,825,874	6,316,487	7,599,487	1,283,000	20.3%
10 Equipment – Replacement	319,054	52,756	52,756	0	0%
11 Equipment – Additional	488,326	41,059	41,059	0	0%
12 Grants, Subsidies, and Contributions	58,847,274	56,999,542	56,999,542	0	0%
13 Fixed Charges	8,239,503	6,919,116	7,096,573	177,457	2.6%
Total Objects	**$ 621,917,042**	**$ 651,404,746**	**$ 658,057,361**	**$ 6,652,615**	**1.0%**
Funds					
03 Special Fund	$ 557,421,058	$ 591,670,100	$ 601,322,715	$ 9,652,615	1.6%
05 Federal Fund	64,495,984	59,734,646	56,734,646	-3,000,000	-5.0%
Total Funds	**$ 621,917,042**	**$ 651,404,746**	**$ 658,057,361**	**$ 6,652,615**	**1.0%**

Note: The fiscal 2012 appropriation does not include deficiencies.

Fiscal Summary
MDOT – Maryland Transit Administration

Program/Unit	FY 11 Actual	FY 12 Wrk Approp	FY 13 Allowance	Change	FY 12 - FY 13 % Change
01 Transit Administration	$ 50,967,387	$ 53,151,366	$ 51,435,658	-$ 1,715,708	-3.2%
02 Bus Operations	295,336,831	294,670,320	294,660,317	-10,003	0%
04 Rail Operations	192,579,075	219,557,785	224,267,111	4,709,326	2.1%
05 Facilities and Capital Equipment	323,383,979	392,125,000	444,460,272	52,335,272	13.3%
06 Statewide Programs Operations	83,033,749	84,025,275	87,694,275	3,669,000	4.4%
08 Major IT Development Projects	1,386,913	4,511,000	1,850,000	-2,661,000	-59.0%
Total Expenditures	**$ 946,687,934**	**$ 1,048,040,746**	**$ 1,104,367,633**	**$ 56,326,887**	**5.4%**
Special Fund	$ 691,803,367	$ 777,187,100	$ 822,320,987	$ 45,133,887	5.8%
Federal Fund	254,884,567	270,853,646	282,046,646	11,193,000	4.1%
Total Appropriations	**$ 946,687,934**	**$ 1,048,040,746**	**$ 1,104,367,633**	**$ 56,326,887**	**5.4%**

Note: The fiscal 2012 appropriation does not include deficiencies.

Appendix 4

Budget Amendments for Fiscal 2012

Maryland Department of Transportation
Maryland Transit Administration – Operating

Status	Amendment	Fund	Justification
Approved	$428,114	Special	Adjusts the appropriation for the $750 bonus

Source: Maryland Department of Transportation

Appendix 5

Budget Amendments for Fiscal 2012

Maryland Department of Transportation
Maryland Transit Administration – Capital

Status	Amendment	Fund	Justification
Approved	$68,595	Special	Adjusts the appropriation for the $750 bonus
Pending	42,063,278	Special	Adjusts the amended appropriation to agree with the anticipated expenditures in the CTP
	-6,644,000	Federal	
	$35,419,278	***Subtotal***	
Total	**$35,487,873**		

CTP: *Consolidated Transportation Program*

Source: Maryland Department of Transportation