

**J00I00**  
**Maryland Aviation Administration**  
**Maryland Department of Transportation**

***Operating Budget Data***

(\$ in Thousands)

	<u>FY 12</u> <u>Actual</u>	<u>FY 13</u> <u>Working</u>	<u>FY 14</u> <u>Allowance</u>	<u>FY 13-14</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
Special Fund	\$166,714	\$175,870	\$178,344	\$2,474	1.4%
Contingent & Back of Bill Reductions	0	0	-86	-86	
<b>Adjusted Special Fund</b>	<b>\$166,714</b>	<b>\$175,870</b>	<b>\$178,258</b>	<b>\$2,388</b>	<b>1.4%</b>
Federal Fund	702	656	656	0	
<b>Adjusted Federal Fund</b>	<b>\$702</b>	<b>\$656</b>	<b>\$656</b>	<b>\$0</b>	<b>0.0%</b>
<b>Adjusted Grand Total</b>	<b>\$167,415</b>	<b>\$176,526</b>	<b>\$178,914</b>	<b>\$2,388</b>	<b>1.4%</b>

- The fiscal 2014 allowance totals \$178.9 million, an increase of \$2.4 million, or 1.4%, compared to the fiscal 2013 working appropriation.
- The largest increase in the fiscal 2014 allowance is for personnel-related expenditures which increase \$1.6 million compared to the fiscal 2013 working appropriation.
- Many of the increases in the allowance are contract increases that relate to the opening of the B/C connector and projected growth in passengers moving through the Baltimore/Washington International Thurgood Marshall Airport (BWI Marshall Airport). The agency was able to offset these increases through reduced debt service payments and utility savings.

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

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## ***PAYGO Capital Budget Data***

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(\$ in Thousands)

	Fiscal 2012	Fiscal 2013		Fiscal 2014
	<u>Actual</u>	<u>Legislative</u>	<u>Working</u>	<u>Allowance</u>
Special	\$57,972	\$47,823	\$50,490	\$54,670
Federal	\$3,642	\$23,571	\$23,185	\$24,479
<b>Subtotal</b>	<b>\$61,615</b>	<b>\$71,394</b>	<b>\$73,675</b>	<b>\$79,149</b>
Other Funds	<b>44,682</b>	144,250	102,040	109,470
<b>Total</b>	<b>106,297</b>	<b>215,644</b>	<b>175,715</b>	<b>188,619</b>

- Fiscal 2013 spending decreases by \$39.9 million when accounting for other funds. The change is largely the result of changes in other funding for the runway improvement program. Special and federal fund spending are largely unchanged.
- Fiscal 2014 spending increases \$12.9 million largely due to changes in the cash flows for the B/C connector and runway improvement program. This increase is largely in other funds.

## ***Operating and PAYGO Personnel Data***

	<b><u>FY 12 Actual</u></b>	<b><u>FY 13 Working</u></b>	<b><u>FY 14 Allowance</u></b>	<b><u>FY 13-14 Change</u></b>
Regular Operating Budget Positions	443.50	443.50	443.50	0.00
Regular PAYGO Budget Positions	<u>50.00</u>	<u>49.00</u>	<u>49.00</u>	<u>0.00</u>
<b>Total Regular Positions</b>	<b>493.50</b>	<b>492.50</b>	<b>492.50</b>	<b>0.00</b>
Operating Budget FTEs	0.50	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>
<b>Total FTEs</b>	<b>0.50</b>	<b>0.50</b>	<b>0.50</b>	<b>0.00</b>
<b>Total Personnel</b>	<b>494.00</b>	<b>493.00</b>	<b>493.00</b>	<b>0.00</b>

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

Turnover and Necessary Vacancies, Excluding New Positions	26.20	5.32%
Positions and Percentage Vacant as of 12/31/12	30.00	6.09%

- The fiscal 2014 allowance does not have any changes to the personnel complement.
- Fiscal 2014 turnover is budgeted at 5.32% which requires 26.20 vacant positions. As of December 2012, the agency had 30 vacant positions, 3 of which were vacant for more than 12 months.

## ***Analysis in Brief***

### **Major Trends**

**Total Passengers Increase:** Passenger traffic at BWI Marshall Airport increased 1.9% from calendar 2011 to 2012. Growth is expected to continue in fiscal 2013 and 2014. Southwest Airlines remains the dominant airline at BWI Marshall Airport with AirTran the next largest.

**Passenger Market Share:** In order for BWI Marshall Airport to experience growth in business, it must remain competitive with other airports in the region like Dulles International Airport (Dulles Airport) and Ronald Reagan Washington National Airport (Reagan National Airport). BWI Marshall Airport continues to take market share away from Dulles Airport. **The Department of Legislative Services (DLS) recommends that the agency discuss what impact the construction of the silver line might have on the market share of Dulles Airport. In addition, it should discuss why Reagan National Airport has been increasing its market share.**

***Cost and Revenue Per Enplaned Passenger:*** The cost per enplaned passenger (CPE) grew in fiscal 2012 consistent with the regional airport average. While the cost increased, it is still less than the regional airport average. Costs increased at a rate greater than passenger growth. Conversely, revenue per enplaned passenger decreased as revenue growth did not keep pace with passenger growth. **DLS recommends that the Maryland Aviation Administration (MAA) discuss how it has been able to keep the CPE so low compared to other regional airports.**

***Financial Results:*** In fiscal 2012, MAA’s operating revenues were sufficient to cover its operating expenses, generating a positive net income of \$41.4 million.

## **Issues**

***Update on Financing for Major Capital Projects:*** MAA currently has two major capital projects underway – the B/C connector and runway safety/pavement management program. The financing plan and cost for these two projects has changed considerably since last session. **DLS recommends that MAA discuss the status of the two major projects and any potential changes to the financing plan.**

## **Operating Budget Recommended Actions**

1. Concur with Governor’s allowance.

## **PAYGO Budget Recommended Actions**

1. Concur with Governor’s allowance.

## **Updates**

***Ambulance Transport Fee Update:*** Chapter 1 of the First Special Session of 2012 included a provision requiring the BWI Marshall Fire and Rescue Department to charge an ambulance transport fee, similar to other fire departments, to any individual transported to a hospital from property owned by MAA or property subject to a mutual aid agreement. MAA has drafted a proposed regulation that would set a \$500 ambulance fee, and any uncollected fee would be referred to the Central Collection Unit.

**J00I00**  
**Maryland Aviation Administration**  
**Maryland Department of Transportation**

## ***Budget Analysis***

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### **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 Airport (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:

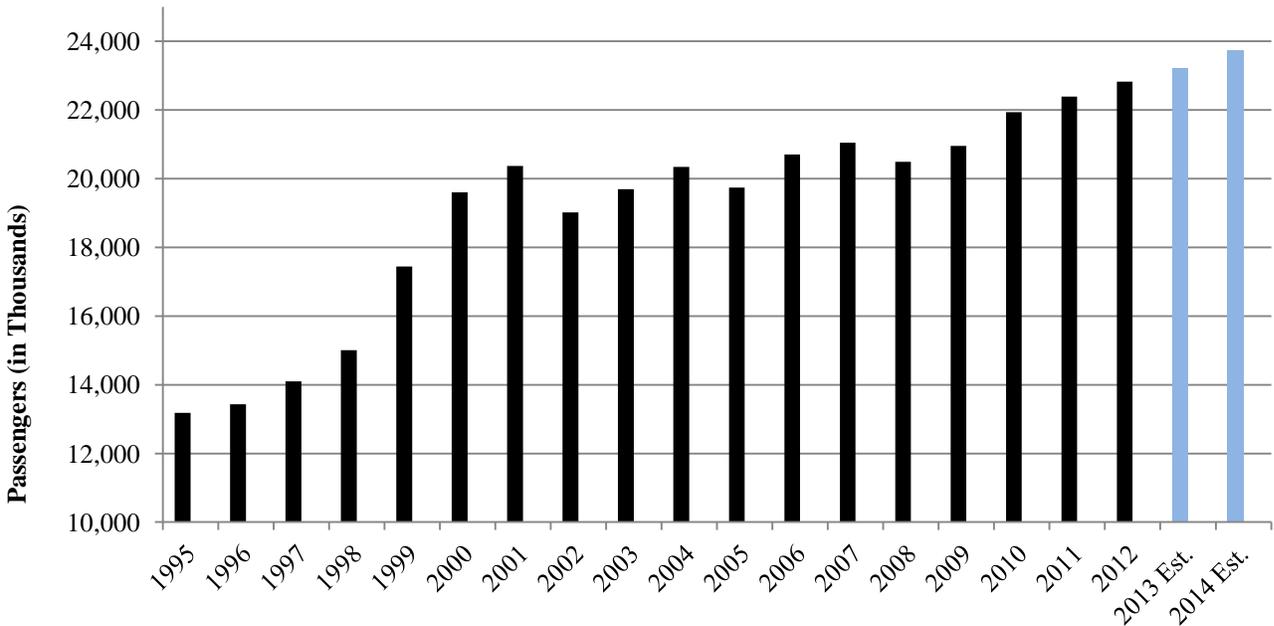
- keeping BWI Marshall Airport passengers, tenants, and facilities safe;
- operating BWI Marshall Airport efficiently and effectively;
- attracting, maintaining, and expanding air service; and
- providing exceptional service.

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

#### **1. Total Passengers Increase**

Passenger traffic at BWI Marshall Airport increased 1.9% from calendar 2011 to 2012, up from 22.4 million passengers in calendar 2011 to 22.8 million in calendar 2012. As shown in **Exhibit 1**, over the last two decades, passengers have increased from 13.2 million in calendar 1995 to 22.8 million in calendar 2012. BWI Marshall Airport saw a steady growth period from calendar 1995 through 2001. In the period from calendar 2002 through 2008, passenger totals leveled off and hovered near 20.0 million. Since calendar 2008, steady growth in passengers has again taken place, despite the economic downturn.

**Exhibit 1**  
**Total Passengers at Baltimore/Washington International**  
**Thurgood Marshall Airport**  
**Calendar 1995-2014**



Source: Maryland Aviation Administration

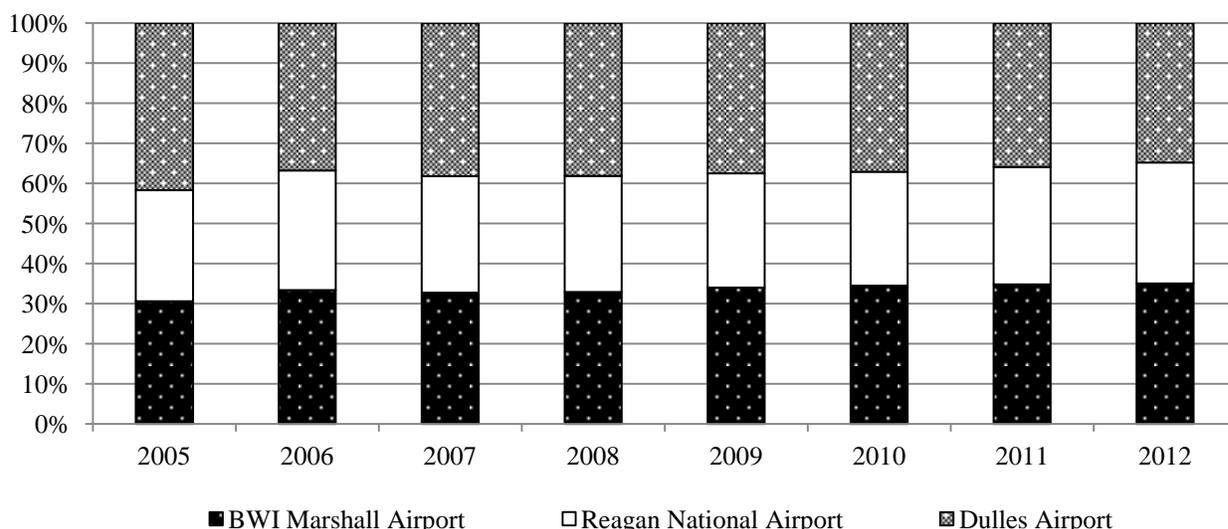
As has been the case for several years now, Southwest Airlines remains the dominant airline at BWI Marshall Airport. For the 12-month period of December 2011 to November 2012, Southwest Airline's share of passengers totaled 57.6%. The next closest airline was AirTran with a market share of 13.5%. Once the merger of Southwest Airlines and AirTran is fully completed, the merged Southwest Airlines could account for 70.0% of all passengers at BWI. The next largest carrier is Delta at 8.3% of all passengers.

## 2. 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 (Dulles Airport) and Ronald Reagan Washington National Airport (Reagan National Airport).

As show in **Exhibit 2**, BWI Marshall Airport continues to slowly take market share away from Dulles Airport. In calendar 2011, passengers at BWI Marshall Airport increased by 2.1% and decreased by 4.4% at Dulles Airport. This decline at Dulles Airport allowed BWI Marshall Airport to capture additional regional market share. Prior to 2004, BWI Marshall Airport led in the regional market with approximately 38.0% of regional passengers. By 2005, Dulles Airport had claimed 41.7% of regional passengers, and this has slowly declined to 35.9% in 2011. In November 2012, BWI Marshall Airport’s market share was roughly equal to last year’s, while Reagan National Airport’s market share increased. **The Department of Legislative Services (DLS) recommends that the agency discuss what impact the construction of the silver line might have on the market share of Dulles Airport. In addition, it should discuss why Reagan National Airport has been increasing its market share.**

**Exhibit 2**  
**Passenger Market Share**  
**Calendar 2005-2012**



BWI Marshall Airport: Baltimore Washington International Thurgood Marshall Airport

Dulles Airport: Dulles International Airport

Reagan National Airport: Ronald Reagan Washington National Airport

Note: Calendar 2012 data for Dulles Airport and Reagan National Airport is a 12-month rolling average through November 2012.

Source: Maryland Aviation Administration

### 3. 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 non-airline revenue per enplaned passenger (RPE). Non-airline 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 2011 to 2012, BWI Marshall Airport’s CPE increased slightly from \$9.18 to \$9.29. MAA projects that its CPE will increase slightly in fiscal 2013 before decreasing, as passenger growth increases in fiscal 2014 while airline costs decrease. Following a substantial increase in the average CPE at other regional airports, BWI Marshall Airport remains well below the fiscal 2012 average of \$15.49. Regional airports are the airports that BWI Marshall Airport is in direct competition with – Reagan National Airport, Dulles Airport, and Philadelphia International Airport. The estimated CPE in fiscal 2014 is \$9.15, which is less than the fiscal 2009 level of \$9.28. **DLS recommends that MAA discuss how it has been able to keep the CPE so low compared to other regional airports.**

**Exhibit 3**  
**Cost and Revenue Per Enplaned Passenger**  
**Fiscal 2008-2014**

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>Est.</u> <u>2013</u>	<u>Est.</u> <u>2014</u>
<b>Cost Per Enplaned Passenger</b>							
BWI Marshall Airport	\$7.75	\$9.28	\$9.39	\$9.18	\$9.29	\$9.35	\$9.15
Regional Airports Average	10.05	11.53	13.31	15.15	15.49	16.83	17.54
<b>Non-airline Revenue Per Enplaned Passenger</b>							
BWI Marshall Airport	10.18	10.03	10.09	10.31	10.13	10.06	9.53
Regional Airports Average	11.35	9.59	10.86	10.80	–	–	–

BWI Marshall Airport: Baltimore Washington International Thurgood Marshall Airport

Note: Actual data for fiscal 2012 for regional airports is not yet available. The amount shown as the fiscal 2012 cost per enplaned passenger is an estimate only. Cost projections beyond fiscal 2013 and projections of revenues for regional airports are not available.

Source: Maryland Aviation Administration

Also shown in Exhibit 3, BWI Marshall Airport's non-airline RPE declined slightly in fiscal 2012 to \$10.13. Slight declines are expected in fiscal 2013 and 2014 due to the increase in passengers.

#### **4. 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 MAA's special fund revenues and expenditures. In fiscal 2011, MAA generated enough revenue to cover both its operating and capital costs. This is not a common occurrence and is largely due to MAA limiting its operating budget growth. It should be noted that in fiscal 2013, there is a large increase in other revenue related to a repayment to the TTF for funding that was used to move the runway safety projects forward, which results in revenues covering expenditures. This one-time revenue helps to reduce the overall funding deficit in fiscal 2013. As shown, revenue is reduced in fiscal 2014, and an increased shortfall is projected. MAA continues to cover operating budget costs through the revenues it collects, but net income is projected to decline in fiscal 2014.

It is important to note that 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 2011-2014**  
**(\$ in Thousands)**

	<u>2011</u>	<u>2012</u>	<u>Work. Approp.</u> <u>2013</u>	<u>Allowance</u> <u>2014</u>	<u>\$ Change</u> <u>2013-2014</u>	<u>% Change</u> <u>2013-2014</u>
<b>Operating Revenues</b>						
Flight Activities	\$57,607	\$58,858	\$59,392	\$58,788	-\$604	-1.0%
Rent and User Fees	57,209	58,184	58,545	58,705	379	0.3%
Concessions	74,162	76,280	80,882	79,763	-1,119	-1.4%
Other Revenues	10,756	6,208	16,441	2,258	-14,183	-86.3%
Martin State Airport	7,997	8,563	7,097	7,169	72	1.0%
<b>Revenues Subtotal</b>	<b>\$207,733</b>	<b>\$208,093</b>	<b>\$222,357</b>	<b>\$206,683</b>	<b>-\$15,674</b>	<b>7.0%</b>
Operating Expenditures <sup>1</sup>	\$170,109	\$166,714	\$175,870	\$178,258	\$2,388	1.4%
<b>Net Operating Income</b>	<b>\$37,624</b>	<b>\$41,379</b>	<b>\$46,487</b>	<b>\$28,425</b>	<b>-\$18,062</b>	<b>-38.9%</b>
Capital Expenditures <sup>1</sup>	\$31,857	\$57,972	\$50,490	\$54,670	-\$4,180	-8.3%
<b>Net Income/Loss</b>	<b>\$5,767</b>	<b>-\$16,593</b>	<b>-\$4,003</b>	<b>-\$26,245</b>	<b>-\$22,242</b>	<b>-555.6%</b>

<sup>1</sup>Includes special funds only.

Source: Maryland Aviation Administration

## Proposed Budget

The fiscal 2014 allowance increases \$2.4 million, or 1.4%, compared to the fiscal 2013 allowance as shown in **Exhibit 5**. Personnel-related expenditures increase \$1.6 million with most of the increase due to employee retirement payments and health insurance. Contribution rates for the regular employees, teachers, State Police, and Law Enforcement Officers pension plans increase in fiscal 2014. The rate increases are attributable to underattaining investment returns, adjusting actuarial assumptions, and increasing the reinvestment of savings achieved in the 2011 pension reform.

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

<b>How Much It Grows:</b>	<b><u>Special</u> <u>Fund</u></b>	<b><u>Federal</u> <u>Fund</u></b>	<b><u>Total</u></b>
2013 Working Appropriation	\$175,870	\$656	\$176,526
2014 Allowance	<u>178,344</u>	<u>656</u>	<u>179,000</u>
Amount Change	\$2,474	\$0	\$2,474
Percent Change	1.4%		1.4%
 Contingent Reductions	 -\$86	 \$0	 -\$86
Adjusted Change	\$2,388	\$0	\$2,388
Adjusted Percent Change	1.4%	0.0%	1.4%

**Where It Goes:**

**Personnel Expenses**

Annualization of fiscal 2013 general salary increase .....	\$295
Employee retirement.....	1,027
Increments and other compensation .....	35
Employee and retiree health insurance, net of across-the-board reduction .....	496
Workers' compensation premium assessment .....	-364
Turnover adjustments .....	152
Other fringe benefit adjustments .....	-2

**Other Changes**

Janitorial services increase to contract and B/C connector.....	791
Consultant contract increases for next airline agreement, audit assistance, and customer surveys .....	503
Contract increases for maintenance elevators; heating, ventilation, and air conditioning; and the additional space from the B/C connector .....	500
Trash and garbage removal for increased passengers and B/C connector .....	205
High voltage electrical power maintenance.....	255
New fire safety equipment.....	137
Fuel and oil expenditures based upon actuals and the Department of Budget and Management instructions.....	-821
Debt service payments.....	-450

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**Where It Goes:**

Shuttle operations and other smaller contractual services .....	-230
Insurance payments .....	-150
Other .....	9
<b>Total</b>	<b>\$2,388</b>

MDOT: Maryland Department of Transportation

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

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The largest operating budget increases are for the continued operation and maintenance of BWI Marshall Airport and the opening of the B/C connector. The largest increase is for janitorial services (\$0.8 million). This is followed by increases in consultant contract increases for services as part of the next negotiation with the airlines and audit services (\$0.5 million) and maintenance contracts (\$0.5 million). The spending increases in the allowance are offset by reductions in fuel and oil spending based upon actual spending. There is also a decrease in debt service payments based upon the issuance schedule.

## **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 2013 to 2018 Consolidated Transportation Program**

MAA's total capital program from fiscal 2013 to 2018 is \$658.4 million, which is \$55.6 million less than total capital funding for MAA in the fiscal 2012-2017 *Consolidated Transportation Program* (CTP).

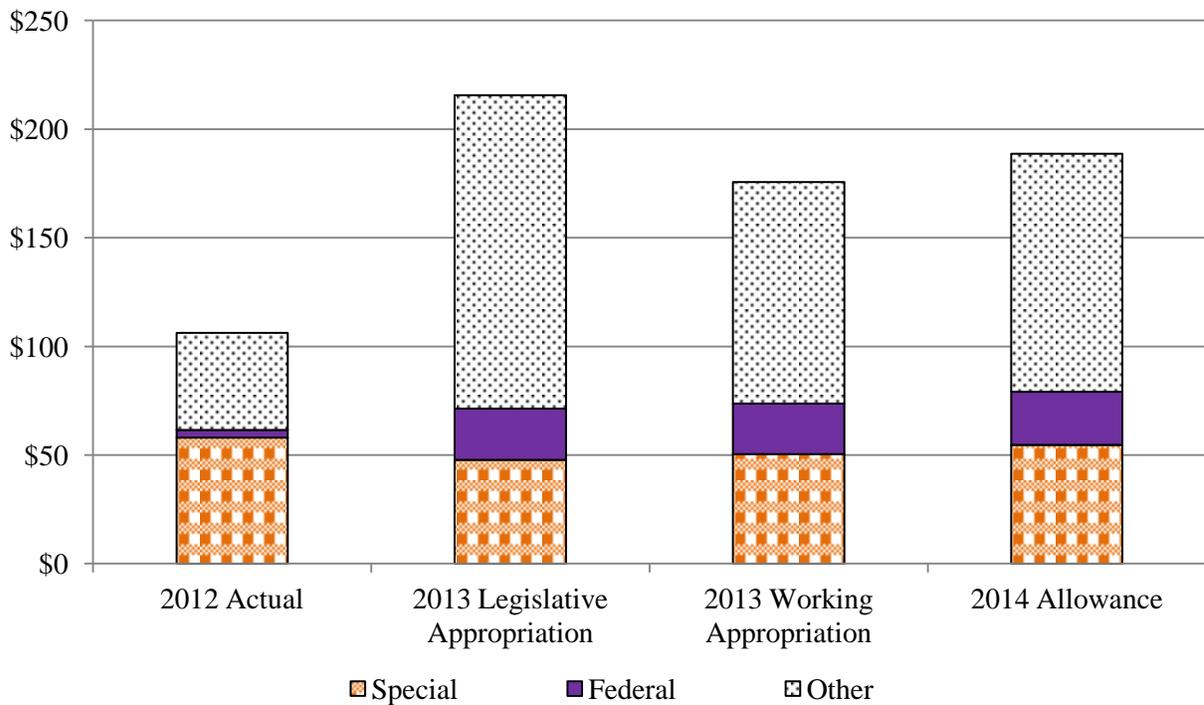
Funding for projects in the fiscal 2013-2018 CTP is dominated by one project that consumes nearly half of the total six-year expenditures. This \$333.9 million project involves federally mandated improvements to runway safety areas (RSA) and pavement conditions at BWI Marshall Airport. This project involves two separate but related components. The first involves federally mandated improvements to the RSAs around each of BWI Marshall Airport's four runways. This Federal Aviation Administration (FAA) mandate requires all airports to achieve compliance by 2015. The second component, the Pavement Management Program (PMP), will correct any existing defects

in the surface of the runways, taxiways, and deicing pads at BWI Marshall Airport. Federal regulations require that airfield pavements are kept free of cracks and surface variations that could impair the directional control of airplanes.

**Fiscal 2013 and 2014 Cash Flow Analysis**

The fiscal 2013 working appropriation decreases approximately \$40 million compared to the legislative appropriation, as shown in **Exhibit 6**. The decrease in funding is largely due to changes in other funding as a result of changes to the financing plan of the B/C connector project. This is discussed later as an Issue in this analysis. The increase in funding from fiscal 2013 to 2014 is due to cash flow changes in the B/C connector project and the runway improvement program.

**Exhibit 6**  
**Cash Flow Changes**  
**Fiscal 2012-2014**  
**(\$ in Millions)**



Source: Maryland Department of Transportation, 2013-2018 *Consolidated Transportation Program*

**Exhibit 7** shows the major construction projects in the fiscal 2014 allowance. Funding for the required runway improvements and the B/C connector totals \$127.7 million, or 93.6%, of major construction capital spending.

**Exhibit 7**  
**Major Construction Projects**  
**Funded in Fiscal 2014**  
**(\$ in Thousands)**

<b><u>Project</u></b>	<b><u>2014</u></b>	<b><u>\$ Total</u></b>	<b><u>Completion of Fiscal Cash Flow</u></b>
RSA/PMP Improvements Phase 2 – includes improvements to the RSAs and PMP on Runway 10-28.	\$6,752	\$63,660	2016
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.	4,772	47,579	2014
Concourse B/C Connector – creates a secure connection between Concourses B and C, widens Concourse C, relocates the Concourse C security checkpoint, improves baggage handling capacity, and brings the facility into compliance with current fire and life safety codes.	29,801	105,289	2014
Parking Revenue Control System – provides for the replacement of the existing parking system that tracks revenues.	5,482	11,913	2015
RSA/PMP Improvements 3 and other – consists of the design and construction of improvements to runway safety areas, runways, taxi lanes, and deicing pads to meet federally mandated standards.	91,105	253,000	2017
<b>Total</b>	<b>\$137,912</b>	<b>\$481,441</b>	

PMP: Pavement Management Program  
 RSA: runway safety area

Source: Maryland Department of Transportation, 2013-2018 *Consolidated Transportation Program*

## Projects Added to the Construction Program

As shown in **Exhibit 8**, a parking revenue control system was added at BWI Marshall Airport. The project is expected to cost \$11.9 million.

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**Exhibit 8**  
**Projects Added to the Construction Program**  
**Fiscal 2013-2014**  
**(\$ in Thousands)**

<u>Project</u>	<u>2013</u>	<u>2014</u>	<u>Total Project Cost</u>
Parking Revenue Control System at BWI Marshall Airport	\$739	\$5,482	\$11,913

BWI Marshall Airport: Baltimore Washington International Thurgood Marshall International Airport

Source: Maryland Department of Transportation, 2013-2018 *Consolidated Transportation Program*

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**Exhibit 9** provides a summary of the other funds used in the fiscal 2014 allowance. As shown, most of the funding comes from the passenger facility charge (PFC) or bonds backed by the PFC.

**Exhibit 9**  
**Other Funds**  
**Fiscal 2013-2014**  
**(\$ in Thousands)**

<u>Project</u>	<u>Source</u>	<u>2013</u>	<u>2014</u>
BWI Marshall Airport Integrated Security System	PFC PAYGO	\$6,981	\$3,102
Gate J Improvements	PFC PAYGO	949	
Terminal Improvement Project	PFC PAYGO	1,653	
Consolidated Rental Car Facility Improvements	CFC	2,977	3,254
Hagerstown Airport	RAA	1,000	1,000
TSA Baggage Screening Improvements	TSA	1,795	
Consolidated Dispatch Center	PFC PAYGO	2,285	1,060
RSA/PMP Improvements	PFC PAYGO	30,950	75,608
Concourse B/C Connector	PFC PAYGO	19,545	8,585
Concourse B/C Connector	PFC Bonds	33,724	16,861
<b>Total Other Funds</b>		<b>\$101,859</b>	<b>\$109,470</b>

BWI Marshall Airport: Baltimore/Washington International Thurgood Marshall Airport

CFC: customer facility charge

PAYGO: pay-as-you-go

PFC: passenger facility charge

PMP: pavement management program

RAA: Regional Aviation Assistance

RSA: runway safety area

TSA: Transportation Security Administration

Source: Maryland Aviation Administration

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## Issues

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### 1. Update on Financing for Major Capital Projects

As noted previously, MAA has two major capital projects underway, which include the B/C connector and RSA/PMP improvements. Both projects must be completed quickly. The B/C connector project is necessary to improve the flow of passengers and respond to business demand, and the RSA/PMP project is federally mandated to be completed by 2015.

Both projects are eligible for PFC funding, but sufficient pay-as-you-go revenues were not available to fund these projects in the required timeframe. PFCs are a federally authorized fee of up to \$4.50 per enplaned passenger imposed by commercial airports. PFC revenues are retained by the airport that imposed them and are used to fund airport improvement projects approved by FAA. MAA explored various options to issue PFC-backed bonds for the projects.

In calendar 2012, MAA assumed that the projects would cost \$380 million. As shown in **Exhibit 10**, a majority of that funding was assumed to come from PFC bonds. Since calendar 2012, the funding plan for the project has decreased \$46 million due to the refinement of project costs from preliminary estimates. The revised financial plan now includes the addition of \$50 million in federal aid and a significantly smaller bond sale.

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**Exhibit 10**  
**Major Projects Financing Plan**  
( \$ in Millions)

	<u>Prior Financing Plan</u>	<u>2013-2018 CTP Plan</u>	<u>Difference</u>
Transportation Trust Fund	\$52	\$44	-\$8
PFC PAYGO	85	93	8
PFC Bonding	243	135	-108
AIP	0	62	62
<b>Total</b>	<b>\$380</b>	<b>\$334</b>	<b>-\$46</b>

AIP: Airport Improvement Program  
 CTP: Consolidated Transportation Program  
 PFC: passenger facility charge

Source: Maryland Aviation Administration

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**DLS recommends that MAA discuss the status of the two major projects and any potential changes to the financing plan.**

## ***Operating Budget Recommended Actions***

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1. Concur with Governor's allowance.

## ***PAYGO Budget Recommended Actions***

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1. Concur with Governor's allowance.

## ***Updates***

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### **1. Ambulance Transport Fee Update**

A previous DLS analysis found that many jurisdictions in Maryland charge an ambulance transport fee; however, the BWI Fire and Rescue Department (BWI FRD) did not. In calendar 2011, roughly 30% of all BWI FRD service calls occurred in counties where it had a mutual aid agreement. In response to a request in the 2011 *Joint Chairmen's Report*, MAA conducted a survey of other fire departments and concluded that establishing an ambulance transport fee is feasible; however, consideration should be given to whether or not the amount of additional revenue raised outweighs the potential negative public perception of such a fee and the complexity of the procurement process.

Chapter 1 of the First Special Session of 2012 included a provision that required the BWI FRD to charge an ambulance transport fee, similar to other fire departments, to any individual transported to a hospital from property owned by MAA or property subject to a mutual aid agreement. Furthermore, MAA is to adopt regulations to establish the ambulance transport fee amount and to administer the collection of the fee. This would also include regulations on the waiver of the fee due to financial hardship and acceptance of reduced payments by commercial insurers amongst other things.

MAA has drafted a proposed regulation relating to the ambulance fee which will be presented to the Maryland Aviation Commission for approval in January 2013 and will then be submitted to the MAA Executive Director and then to the Joint Committee on Administrative, Executive, and Legislative Review. The regulations propose a \$500 ambulance fee, and any fee uncollected would be referred to the Central Collection Unit.

## ***Current and Prior Year Budgets***

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### **Current and Prior Year Budgets Maryland Aviation Administration (\$ in Thousands)**

	<b><u>General Fund</u></b>	<b><u>Special Fund</u></b>	<b><u>Federal Fund</u></b>	<b><u>Reimb. Fund</u></b>	<b><u>Total</u></b>
<b>Fiscal 2012</b>					
Legislative Appropriation	\$0	\$173,132	\$656	\$0	\$173,788
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	0	-4,233	74	0	-4,160
Reversions and Cancellations	0	-2,185	-28	0	-2,213
<b>Actual Expenditures</b>	<b>\$0</b>	<b>\$166,714</b>	<b>\$702</b>	<b>\$0</b>	<b>\$167,415</b>
<b>Fiscal 2013</b>					
Legislative Appropriation	\$0	\$175,587	\$656	\$0	\$176,243
Budget Amendments	0	285	0	0	285
<b>Working Appropriation</b>	<b>\$0</b>	<b>\$175,871</b>	<b>\$656</b>	<b>\$0</b>	<b>\$176,527</b>

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

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## **Fiscal 2012**

Fiscal 2012 actual expenditures totaled \$167.4 million and were \$6.4 million less than the legislative appropriation. Special fund budget amendments reduced the appropriation by a net of \$4.2 million. There was a \$0.3 million increase to fund the one-time \$750 bonus to State employees. Reductions included \$4.4 million transferred from the operating budget to the capital budget due to the mild winter and \$0.1 million due to the availability of federal funds for the K9 detection team.

Special fund cancellations totaled approximately \$2.2 million due to savings in health insurance, contractual services, and utilities.

Federal fund spending increased \$0.1 million due to additional federal funds for the K9 detection unit, but federal fund cancellations totaled less than \$0.1 million due to federal fund grants not being spent as planned.

## **Fiscal 2013**

The fiscal 2013 working appropriation increases \$283,582 to fund the cost-of-living adjustment for State employees.

## ***Audit Findings***

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Audit Period for Last Audit:	November 19, 2008 – July 31, 2011
Issue Date:	November 2012
Number of Findings:	8
Number of Repeat Findings:	0
% of Repeat Findings:	0
Rating: (if applicable)	n/a

- Finding 1:** Adequate monitoring controls over costs for individual Architectural and Engineering contracts were not established.
- Finding 2:** Complete and accurate information was not presented to the Board of Public Works for certain contracts.
- Finding 3:** MAA did not ensure that overhead rates billed by firms were proper.
- Finding 4:** Subcontractors hired by firms after initial procurements were not approved by MAA.
- Finding 5:** Comprehensive task orders were not established for certain services.
- Finding 6:** Proper controls were not established over the processing of purchasing, disbursement, and adjustment transactions.
- Finding 7:** Equipment purchases were not recorded accurately and identified timely
- Finding 8:** MAA did not maintain adequate records for snow removal chemicals

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

<u>Object/Fund</u>	<u>FY 12 Actual</u>	<u>FY 13 Working Appropriation</u>	<u>FY 14 Allowance</u>	<u>FY 13 - FY 14 Amount Change</u>	<u>Percent Change</u>
<b>Positions</b>					
01 Regular	443.50	443.50	443.50	0.00	0%
02 Contractual	0.50	0.50	0.50	0.00	0%
<b>Total Positions</b>	<b>444.00</b>	<b>444.00</b>	<b>444.00</b>	<b>0.00</b>	<b>0%</b>
<b>Objects</b>					
01 Salaries and Wages	\$ 36,714,639	\$ 36,930,152	\$ 38,655,182	\$ 1,725,030	4.7%
02 Technical and Spec. Fees	1,218,046	1,527,288	1,995,304	468,016	30.6%
03 Communication	1,620,155	1,588,599	1,588,599	0	0%
04 Travel	202,811	207,969	242,969	35,000	16.8%
06 Fuel and Utilities	11,449,377	13,515,192	12,586,425	-928,767	-6.9%
07 Motor Vehicles	3,629,849	3,916,801	3,977,518	60,717	1.6%
08 Contractual Services	73,974,367	79,470,926	80,917,460	1,446,534	1.8%
09 Supplies and Materials	7,993,982	6,303,918	6,363,918	60,000	1.0%
10 Equipment – Replacement	618,211	12,000	0	-12,000	-100.0%
11 Equipment – Additional	166,556	0	137,000	137,000	N/A
12 Grants, Subsidies, and Contributions	910,550	953,286	908,855	-44,431	-4.7%
13 Fixed Charges	21,572,831	21,931,793	21,304,277	-627,516	-2.9%
14 Land and Structures	7,343,974	10,168,541	10,322,541	154,000	1.5%
<b>Total Objects</b>	<b>\$ 167,415,348</b>	<b>\$ 176,526,465</b>	<b>\$ 179,000,048</b>	<b>\$ 2,473,583</b>	<b>1.4%</b>
<b>Funds</b>					
03 Special Fund	\$ 166,713,707	\$ 175,870,274	\$ 178,343,857	\$ 2,473,583	1.4%
05 Federal Fund	701,641	656,191	656,191	0	0%
<b>Total Funds</b>	<b>\$ 167,415,348</b>	<b>\$ 176,526,465</b>	<b>\$ 179,000,048</b>	<b>\$ 2,473,583</b>	<b>1.4%</b>

Note: The fiscal 2013 appropriation does not include deficiencies. The fiscal 2014 allowance does not include contingent reductions.

**Fiscal Summary**  
**MDOT – Maryland Aviation Administration**

<u>Program/Unit</u>	<u>FY 12</u> <u>Actual</u>	<u>FY 13</u> <u>Wrk Approp</u>	<u>FY 14</u> <u>Allowance</u>	<u>Change</u>	<u>FY 13 - FY 14</u> <u>% Change</u>
02 Airport Operations	\$ 167,415,348	\$ 176,526,465	\$ 179,000,048	\$ 2,473,583	1.4%
03 Airport Facilities and Capital Equipment	61,375,212	67,727,000	73,057,000	5,330,000	7.9%
08 Major Information Technology Development Projects	239,707	5,948,000	6,092,000	144,000	2.4%
<b>Total Expenditures</b>	<b>\$ 229,030,267</b>	<b>\$ 250,201,465</b>	<b>\$ 258,149,048</b>	<b>\$ 7,947,583</b>	<b>3.2%</b>
Special Fund	\$ 224,686,183	\$ 226,360,274	\$ 233,013,857	\$ 6,653,583	2.9%
Federal Fund	4,344,084	23,841,191	25,135,191	1,294,000	5.4%
<b>Total Appropriations</b>	<b>\$ 229,030,267</b>	<b>\$ 250,201,465</b>	<b>\$ 258,149,048</b>	<b>\$ 7,947,583</b>	<b>3.2%</b>

Note: The fiscal 2013 appropriation does not include deficiencies. The fiscal 2014 allowance does not include contingent reductions.

**Budget Amendments for Fiscal 2013**  
**Maryland Department of Transportation**  
**Maryland Aviation Administration – Operating**

<b><u>Status</u></b>	<b><u>Amendment</u></b>	<b><u>Fund</u></b>	<b><u>Justification</u></b>
Approved	\$283,582	Special	Cost-of-living adjustment

Source: Maryland Department of Transportation

**Budget Amendments for Fiscal 2013**  
**Maryland Department of Transportation**  
**Maryland Aviation Administration – Capital**

<u>Status</u>	<u>Amendment</u>	<u>Fund</u>	<u>Justification</u>
Approved	\$36,940	Special	Cost-of-living adjustment
Pending	\$2,630,531	Special	Amends the appropriation to reflect expenditures in the fiscal 2013-2018 <i>Consolidated Transportation Program</i>
	<u>-386,000</u>	Federal	
	<b>\$2,244,531</b>	<b>Total</b>	
<b>Total</b>	<b>\$2,281,471</b>		

Source: Maryland Department of Transportation