
Maryland Department of Transportation Fiscal 2014 Budget Overview

**Department of Legislative Services
Office of Policy Analysis
Annapolis, Maryland**

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Analysis of the FY 2014 Maryland Executive Budget, 2013

Analysis in Brief

Issues

Federal Transportation Aid Has Been Re-authorized: Congress recently passed a two-year authorization for transportation spending through September 2014. Under the new re-authorization, Maryland can expect to receive \$780 million on average, with approximately \$580 million for highways and \$200 million for transit. There were also several policy changes made as part of the re-authorization, including expedited environmental review for projects, a national freight policy, and consolidation of funding programs. **The Department of Legislative Services recommends that the department discuss the impact of the federal re-authorization.**

Recommended Actions

1. Add annual budget bill language requiring notification of the capital budget changes.
2. Add budget bill language establishing a position cap.
3. Add annual budget bill language on notification of nontransportation expenditures.

Transportation Trust Fund Overview

The Transportation Trust Fund (TTF) is a nonlapsing special fund that provides funding for transportation. It consists of tax and fee revenues, operating revenues, bond proceeds, and fund transfers. The Maryland Department of Transportation (MDOT) issues bonds backed by TTF revenues and invests the TTF fund balance to generate investment income. The Maryland Transit Administration (MTA), Motor Vehicle Administration (MVA), the Maryland Port Administration, and the Maryland Aviation Administration (MAA) generate operating revenues that cover a portion of their operating expenditures.

The tax and fee revenues include motor fuel taxes, rental car sales taxes, titling taxes, vehicle registration fees, a portion of the corporate income tax, and other miscellaneous motor vehicle fees. A portion of these revenues are credited to the Gasoline and Motor Vehicle Revenue Account (GMVRA). Of the revenues deposited into the GMVRA, distributions are made in fiscal 2014 to local jurisdictions and the TTF. The funds retained by the TTF support the capital program, debt service, and operating costs.

Fiscal 2012 TTF Revenue Closeout

The TTF ended fiscal 2012 with a fund balance of \$187 million, \$87 million higher than the \$100 million projected, as shown in **Exhibit 1**. The higher fund balance is largely attributable to spending being less than projected by \$132 million. This was offset by revenues coming in \$45 million less than anticipated.

Tax and fee revenues were \$5 million higher than expected. Motor fuel tax revenue was \$10 million less than anticipated largely due to an accounting change from fiscal 2011 that reduced the fiscal 2012 revenue estimate. Titling tax revenues were \$3 million less than estimated, but overall fiscal 2012 revenues increased compared to fiscal 2011. The declines in revenue were more than offset by the increase in the TTF share of the corporate income tax. Other revenues that came in higher included operating revenues and reimbursements from several weather related events. With spending being less than anticipated, the department was able to reduce its projected bond sale by \$130 million.

Capital budget expenditures were \$117 million less than estimated due to cash flow changes in projects and the State Highway Administration (SHA) spending federal funds before special funds. Minor changes in operating budget spending, debt service, and deductions resulted in an additional decrease of \$15 million.

Exhibit 1
Fiscal 2012 Transportation Trust Fund Closeout
(\$ in Millions)

	<u>Projected</u> <u>2012</u>	<u>Actual</u> <u>2012</u>	<u>Variance</u>
Starting Fund Balance	\$221	\$221	\$0
Revenues			
Titling Taxes	\$635	\$632	\$-3
Motor Fuel Taxes	744	734	-10
Sales Tax	25	24	-1
Corporate Income, Registrations, and Misc. MVA Fees	776	795	19
Other Receipts and Adjustments	435	515	80
Bond Proceeds and Premiums	260	130	-130
Total Revenues	\$2,875	\$2,830	\$-45
Uses of Funds			
MDOT Operating Expenditures	\$1,581	\$1,572	\$-9
MDOT Capital Expenditures	853	736	-117
MDOT Debt Service	174	172	-2
Highway User Revenues	147	147	0
Other Expenditures	241	237	-4
Total Expenditures	\$2,996	\$2,864	-\$132
Final Ending Fund Balance	\$100	\$187	\$87

MDOT: Maryland Department of Transportation

MVA: Motor Vehicle Administration

Note: Totals may not sum due to rounding.

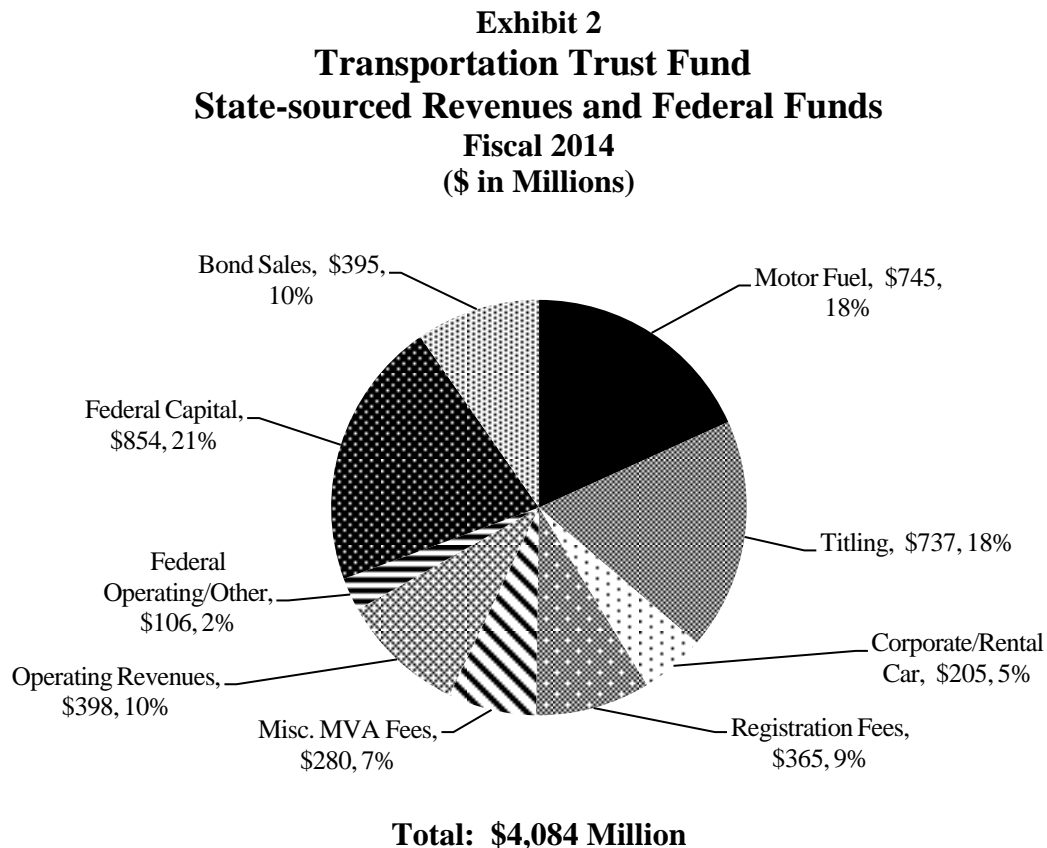
Source: Maryland Department of Transportation, January 2013

Fiscal 2013 Year-to-date Revenue Receipts

The State has revenue information through November 2012. Based upon the fiscal 2013 revenue estimate and historical attainment, the titling tax is underperforming relative to the estimate by \$7 million. There is still revenue growth, just not as great as currently estimated. Vehicle sales are projected to grow in calendar 2013, so revenues could reach the estimate; however, for that to occur, vehicle sales will need to increase from the current level. Motor fuel tax revenues are a bit more difficult to determine at this point due to prior collection issues and accounting changes; however, it would appear that revenues are below estimates.

Fiscal 2013 through 2018 Revenue Projections

Exhibit 2 shows that the TTF's largest revenue sources in fiscal 2014 are federal capital aid, motor fuel tax, and the titling tax, which represent approximately 57% of all fund sources. MDOT is projecting \$395 million in bonds will be sold to supplement the capital program in fiscal 2014.

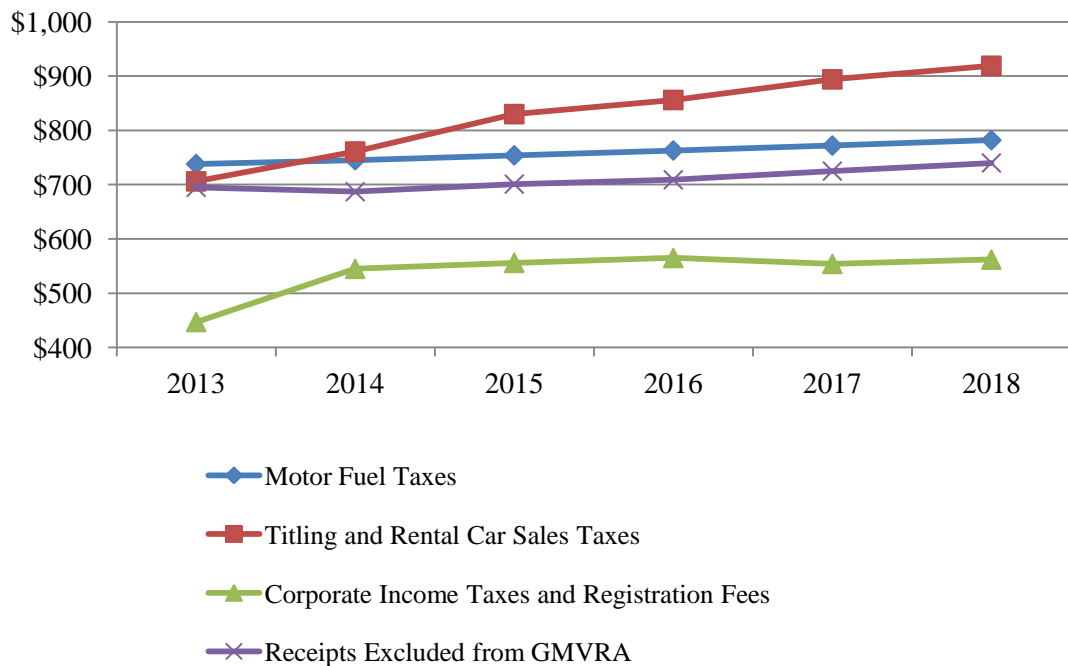


MVA: Motor Vehicle Administration

Source: Governor's Budget Books, Fiscal 2014, Volume I, pages 584-588

Exhibit 3 shows that MDOT’s State-sourced revenues are expected to grow throughout the forecast period. Over the six-year period, GMVRA revenues, after deductions, are expected to increase from a total of approximately \$1.6 billion in fiscal 2013 to \$1.9 billion in fiscal 2018, an average annual increase of 2.7%. Average annual growth for the titling and rental car sales tax is estimated to be 6.4%, with higher growth in fiscal 2013 and 2014 as vehicle sales are expected to rebound with the economy before leveling off thereafter. Motor fuel tax revenues are estimated to grow approximately 1.0% on average annually, while registration fees and the corporation income tax are estimated to grow 0.6%. The growth in fiscal 2014 corporate income tax receipts is due to the end of revenue transfers between the general fund and the TTF. **Appendix 1** provides a summary of the financial forecast.

Exhibit 3
Transportation Trust Fund
Forecasted State-sourced Revenues
Fiscal 2013-2018
(\$ in Millions)



GMVRA: Gasoline and Motor Vehicle Revenue Account

Source: Maryland Department of Transportation, *Transportation Trust Fund Forecast*, January 2013

Long-term Forecast Overview and Issues

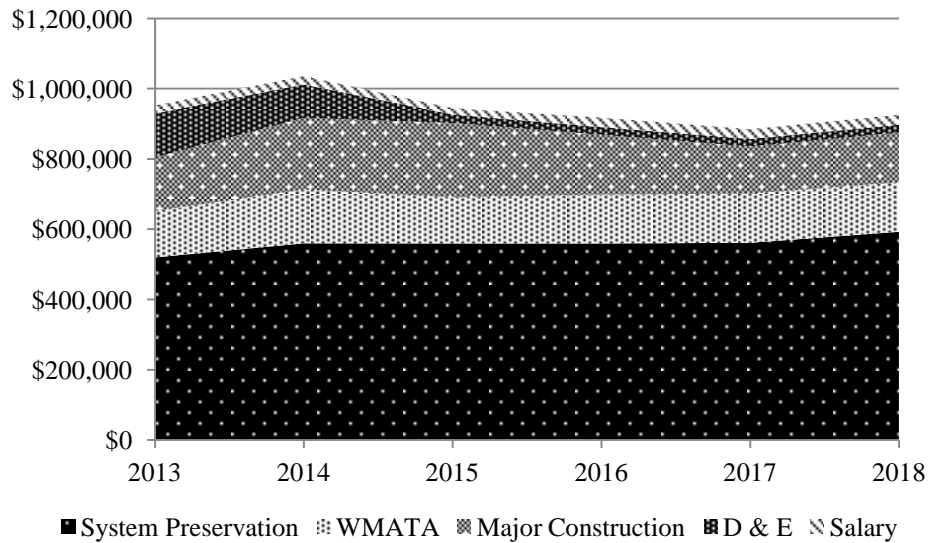
While the department's fiscal 2013 through 2018 financial forecast is feasible, there are downside risks to the forecast that could result in a significantly smaller capital program if realized. The unknown impact of potential future federal action on spending or revenues and the resulting impact on the economy and capital program is likely the greatest risk.

The department's estimate of revenues in the short-term reflects strong titling tax growth through fiscal 2015. In addition, operating budget spending reflects constrained transit spending that may not be feasible over the long term. If revenue and operating spending estimates are not met, less cash will be available for the capital program. Furthermore, less revenue and higher operating spending will constrain the department's ability to issue debt for the capital program.

Given that the department has already assumed economic growth in its revenue estimates and constrained operating budget spending, it is unlikely that new projects will be added to the capital program as a result of revenue growth or savings in the operating budget. In other words, the fiscal 2013 to 2018 capital program submitted by the department likely represents the best case scenario for capital spending in the future.

Under this best case scenario, the capital program will be focused on system preservation projects as shown in **Exhibit 4**. When accounting for the fixed costs of system preservation and the Washington Metropolitan Area Transit Authority (WMATA) grant, only approximately 20% of available special funds will be used on construction projects to expand and enhance the network. Many of the construction projects are in the MTA and include bus purchases or vehicle overhauls that could be considered system preservation projects. Furthermore, the planned capital program does not have any funding for highway construction projects after fiscal 2017.

Exhibit 4
Special Fund Capital Spending by Category
Fiscal 2013-2018
(\$ in Thousands)



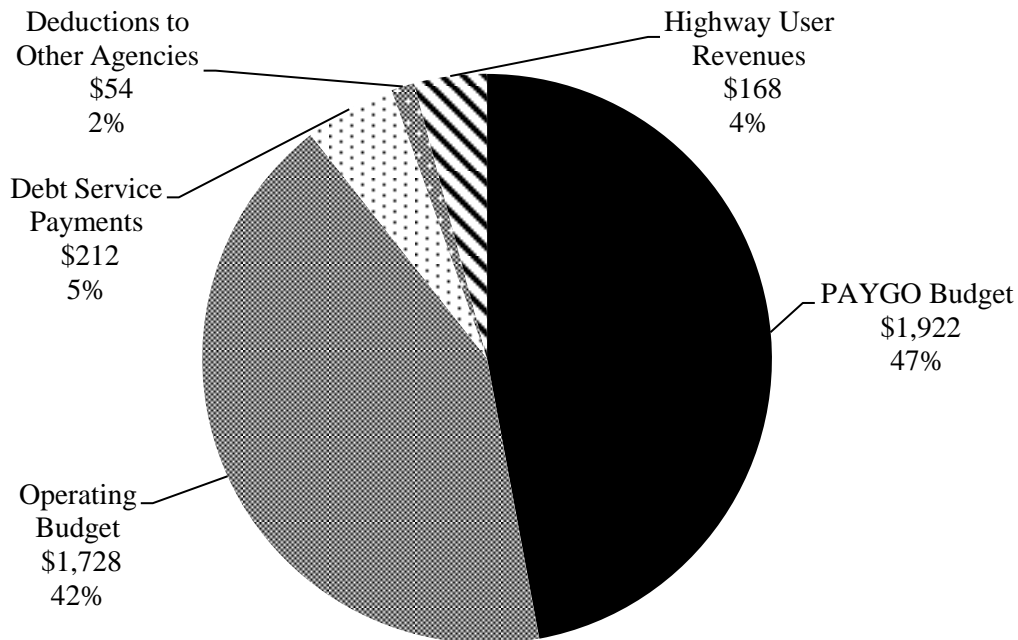
D & E: development and evaluation
WMATA: Washington Metropolitan Area Transit Authority

Source: Maryland Department of Transportation

Budget Overview

Exhibit 4 illustrates all expenditures from the TTF in fiscal 2014. The pay-as-you-go (PAYGO) capital program and the operating budgets of the modes each represents about 89% of total spending. The remainder of TTF expenditures goes toward debt service on Consolidated Transportation Bonds (CTB), the share of Highway User Revenues (HUR) distributed to counties and municipalities, and deductions to other State agencies.

Exhibit 4
Fiscal 2014 Transportation Trust Fund Uses
Total Spending: \$4.1 Billion
(\$ in Millions)



PAYGO: pay-as-you-go

Note: The chart includes special funds from the Transportation Trust Fund and federal funds only. It excludes \$219 million in other funding for the capital program. For illustrative purposes, other funding can include the Maryland Transportation Authority, passenger facility charges, customer facility charges, local county participation, pass through federal funding for the Washington Metropolitan Area Transit Authority, and funding from the Transportation Security Administration.

Source: Maryland Department of Transportation, *Transportation Trust Fund Forecast*, January 2013

Proposed Budget

Exhibit 5 categorizes the fiscal 2014 proposed allowance by the operating and PAYGO capital budget for each modal administration, debt service, and local highway user grants. MDOT’s total fiscal 2014 allowance increases \$268.9 million, or 7.1%, compared to the fiscal 2013 working appropriation. Approximately 65.0% of the increase is attributable to increases in the capital budget (\$174.7 million). The remaining increases in descending order are the operating budget (\$69.3 million), debt service (\$20.3 million), and local aid (\$4.5 million). Total special fund spending increases \$183.6 million, or 6.4%, compared to the fiscal 2013 working appropriation, while federal funds increase by a smaller dollar amount (\$85.3 million) but by a larger percentage increase over the current year (9.2%). Total spending increases by \$7.1% over the current year.

Exhibit 5 Transportation Budget Overview Fiscal 2012-2014

	<u>2012</u>	Working App. <u>2013</u>	Allowance <u>2014</u>	\$ Change <u>2013-2014</u>	% Change <u>2013-14</u>
Operating					
Secretary's Office	\$71,382,143	\$79,521,571	\$80,011,377	\$489,806	0.6%
WMATA	256,721,778	263,899,241	287,000,000	23,100,759	8.8%
State Highway Administration	226,708,129	215,110,879	227,631,515	12,520,636	5.8%
Port Administration	41,611,531	46,664,915	47,717,513	1,052,598	2.3%
Motor Vehicle Administration	161,329,414	171,108,845	186,108,172	14,999,327	8.8%
Maryland Transit Administration	646,795,045	663,486,377	678,184,339	14,697,962	2.2%
Aviation Administration	167,415,348	176,526,465	179,000,048	2,473,583	1.4%
Subtotal	\$1,571,963,388	\$1,616,318,293	\$1,685,652,964	\$69,334,671	4.3%
Debt Service	\$172,341,890	\$191,915,100	\$212,223,613	\$20,308,513	10.6%
Local Highway User Grants	\$147,063,928	\$162,984,600	\$167,533,632	\$4,549,032	2.8%
Capital					
Secretary's Office	27,146,690	87,093,328	100,420,762	13,327,434	15.3%
WMATA	129,926,424	132,449,000	153,149,000	20,700,000	15.6%
State Highway Administration	894,516,866	951,208,000	987,512,000	36,304,000	3.8%
Port Administration	58,531,629	103,750,061	113,593,161	9,843,100	9.5%
Motor Vehicle Administration	12,513,511	23,792,378	26,445,887	2,653,509	11.2%
Maryland Transit Administration	380,689,721	451,895,000	538,298,000	86,403,000	19.1%
Aviation Administration	61,614,919	73,675,000	79,149,000	5,474,000	7.4%
Subtotal	\$1,564,939,760	\$1,823,862,767	\$1,998,567,810	\$174,705,043	9.6%

J00 – MDOT – Fiscal 2014 Budget Overview

	<u>2012</u>	<u>Working App.</u> <u>2013</u>	<u>Allowance</u> <u>2014</u>	<u>\$ Change</u> <u>2013-2014</u>	<u>%</u> <u>Change</u> <u>2013-14</u>
Total of All Funds					
Special Fund	2,534,803,805	2,869,872,019	3,053,445,533	183,573,514	6.4%
Federal Fund	921,432,892	925,208,741	1,010,532,486	85,323,745	9.2%
Reimbursable Fund	72,269	0	0	0	--
Grand Total	\$3,456,308,966	\$3,795,080,760	\$4,063,978,019	\$268,897,259	7.1%

WMATA: Washington Metropolitan Area Transit Authority

Source: Maryland State Budget

Operating Budget Analysis

MDOT's operating allowance includes expenditures for each of the modes, as well as debt service and local HUR. The fiscal 2014 operating allowance totals approximately \$2.1 billion, an increase of \$94.2 million, or 4.8%, compared to the fiscal 2013 working appropriation. Approximately 81.6% of the operating allowance is used for the operating budgets of each of the modes.

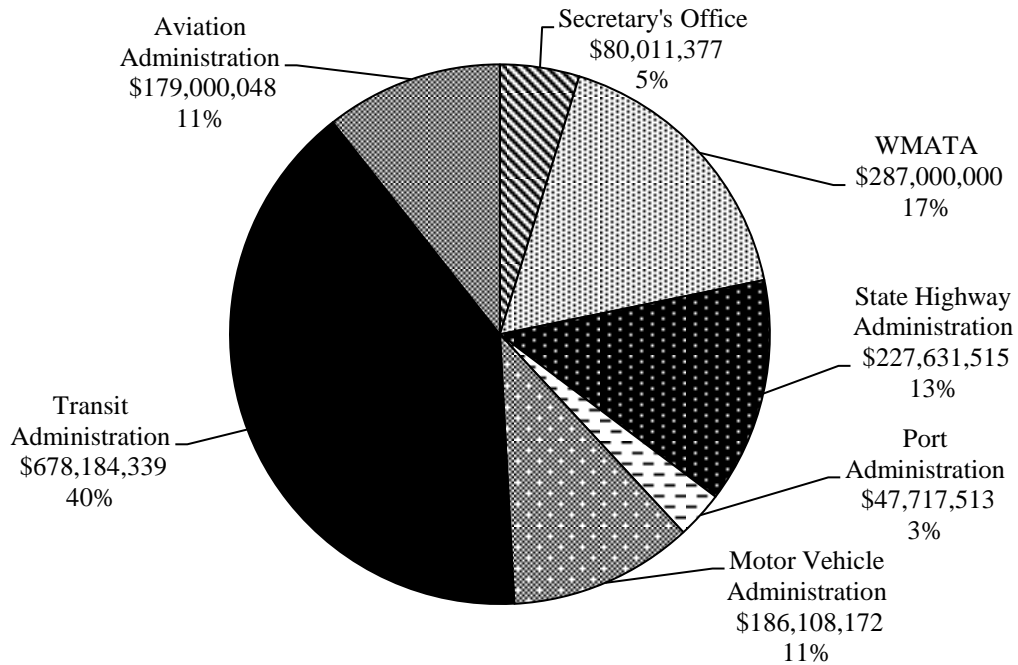
Fiscal 2014 Proposed Budget

Operating Programs

The fiscal 2014 allowance for operating programs totals \$1.7 billion, an increase of \$69.3 million, or 4.3%, over the fiscal 2013 working appropriation. The largest increase is the operating subsidy to WMATA, which increases \$23.1 million, or 8.8%. The MVA operating budget increases by \$15.0 million, or 8.8%. Two-thirds of the MVA increase represents federal pass-through grants to local subdivisions for highway safety. Other large increases in the operating program include funding for MTA (\$14.7 million or 2.2%) and for SHA (\$12.5 million or 5.8%).

Exhibit 6 shows fiscal 2014 operating budget allowances by mode and provides the percentage of spending on each mode. Combined MTA and WMATA transit spending represents the largest share of the operating budget at 57%.

Exhibit 6
Fiscal 2014 Operating Budget Allowance by Mode



WMATA: Washington Metropolitan Area Transit Authority

Source: Maryland State Budget Books, Fiscal 2014, Volume I

Personnel

As shown in **Exhibit 7**, the fiscal 2014 allowance contains 8,734.5 regular positions, an increase of 3.0 positions from the fiscal 2013 working appropriation. The new positions represent contractual conversions in MVA, with 2.0 of the positions intended to support the Electronic Lien Services system and the remaining position to handle increased transactions related to new moped and motor scooter requirements imposed by Chapter 211 of the 2012 Session. Contractual full-time equivalents (FTE) decrease in the 2014 allowance by 1.0 FTE, for a total of 131.4 contractual FTEs.

Exhibit 7
Regular and Contractual FTEs
Operating and Capital Programs
Fiscal 2012-2014

	<u>2012</u>	<u>Working 2013</u>	<u>Allowance 2014</u>	<u>Change 2013-14</u>	<u>% Change 2012-13</u>
Regular Positions					
Secretary’s Office	309.0	309.0	309.0	0.0	0.0%
State Highway Administration	3,062.5	3,046.5	3,046.5	0.0	0.0%
Maryland Port Administration	225.0	225.0	225.0	0.0	0.0%
Motor Vehicle Administration	1,561.5	1,571.0	1,574.0	3.0	0.2%
Maryland Transit Administration	3,093.5	3,087.5	3,087.5	0.0	0.0%
Maryland Aviation Administration	493.5	492.5	492.5	0.0	0.0%
Total	8,745.0	8,731.5	8,734.5	3.0	0.0%
Contractual FTEs					
Secretary’s Office	7.5	7.5	7.5	0.0	0.0%
State Highway Administration	22.0	22.0	22.0	0.0	0.0%
Maryland Port Administration	1.2	1.2	1.2	0.0	0.0%
Motor Vehicle Administration	67.0	85.2	84.2	-1.0	-1.2%
Maryland Transit Administration	16.0	16.0	16.0	0.0	0.0%
Maryland Aviation Administration	0.5	0.5	0.5	0.0	0.0%
Total	114.2	132.4	131.4	-1.0	-0.8%

FTE: full-time equivalent

Source: Maryland State Budget

Health Insurance Savings

Section 19 of the fiscal 2014 budget bill reduces funding in Executive Branch agencies by \$7.4 million to reflect health insurance savings from favorable cost trends. For MDOT, the reduction equates to \$836,698 in special funds and \$20 in federal funds.

Debt Service

The budgeted fiscal 2014 allowance for debt service payments is \$212.2 million, an increase of \$20.3 million, or 10.6%, from the fiscal 2013 working appropriation. The increase is the result of established debt service schedules for previously issued bonds and the planned issuance of \$395.0 million in new debt in fiscal 2014.

At the end of fiscal 2014, CTB debt outstanding is expected to total \$2.0 billion, which remains below the statutory cap of \$2.6 billion. MDOT is forecasted to adequately maintain all bond coverage ratios throughout the forecast period.

Local HUR

HUR are derived from a portion of tax and fee revenues that are deposited in the GMVRA and subsequently distributed among the TTF, Baltimore City, counties, and municipalities. The local share of HUR totals approximately \$160.4 million in fiscal 2013 and \$167.5 million in fiscal 2014. The increase in the appropriation is due to revenue growth.

It should be noted that there is also an additional \$15.4 million in funding for municipalities that is provided as a capital grant in the Secretary's Office to be distributed based upon the HUR allocation for municipalities.

Exhibit 8 provides a summary of HUR funding from fiscal 2013 and 2014.

Exhibit 8 Distribution of Highway User Revenues Fiscal 2013-2014

	<u>Percent Share</u>	<u>Fiscal 2013</u>	<u>Percent Share</u>	<u>Fiscal 2014</u>
MDOT	90.0%	1,443,789,900	90.4%	1,577,608,368
Local Share	10.0%	160,421,100	9.6%	167,533,632
Total	100.0%	1,604,211,000	100.0%	1,745,142,000
Local Distribution				
Baltimore City	8.1%	129,941,091	7.7%	134,375,934
Counties	1.5%	24,063,165	1.5%	26,177,130
Municipalities	0.4%	6,416,844	0.4%	6,980,568
Total	10.0%	160,421,100	9.6%	167,533,632

MDOT: Maryland Department of Transportation

Source: Maryland Department of Transportation, *Transportation Trust Fund Forecast*, January 2013

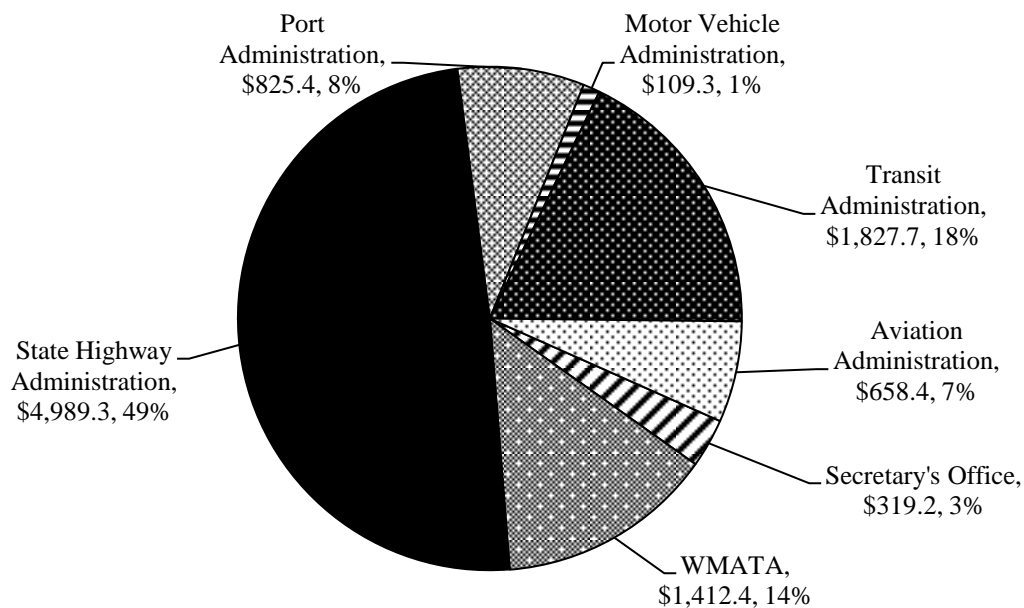
PAYGO Capital Budget Analysis

The *Consolidated Transportation Program* (CTP) is issued annually to the General Assembly, local elected officials, and interested citizens. The CTP provides a description of projects proposed by MDOT for development and evaluation or construction over the next six-year period.

Fiscal 2013 through 2018 CTP

The fiscal 2013 through 2018 CTP totals \$10.1 billion for projects supported by State, federal, and other funds. To date, other funding has primarily been used at Baltimore/Washington International Thurgood Marshall (BWI) Airport. This type of funding has also been utilized for projects by WMATA and MTA. **Exhibit 9** shows the funding level for each mode over the current six-year period, including special, federal, and other funds. SHA accounts for the largest portion of the program at 49%. Transit funding, including WMATA and MTA, accounts for 32% of spending.

Exhibit 9
Proposed Capital Funding by Mode
Fiscal 2013-2018
(\$ in Millions)

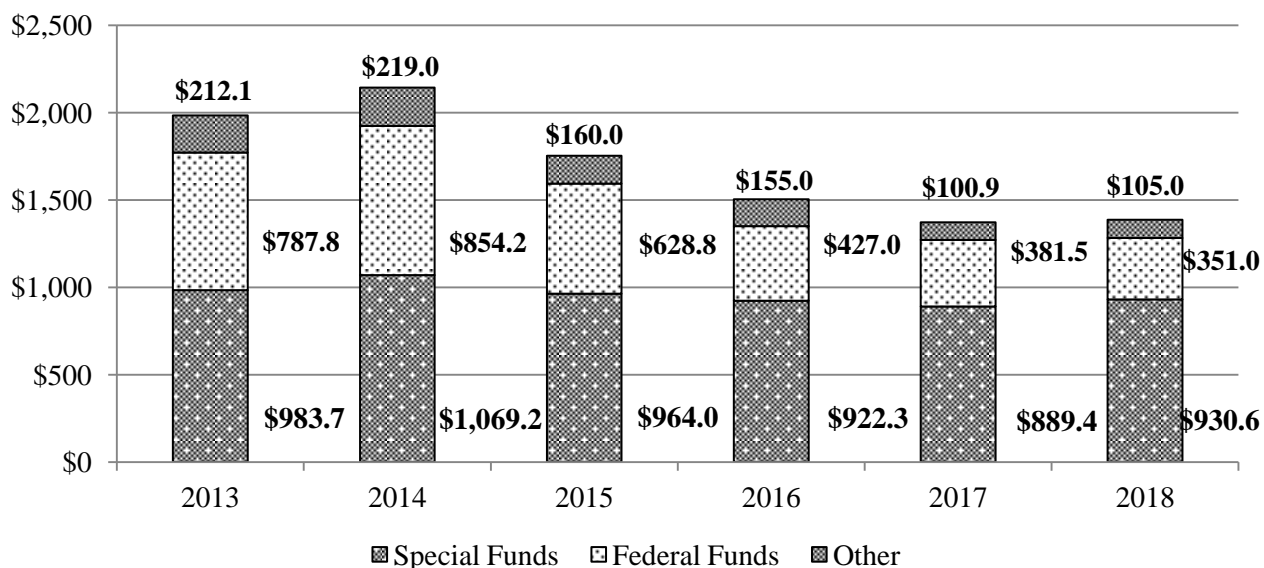


WMATA: Washington Metropolitan Area Transit Authority

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

Exhibit 10 shows the level of special, federal, and other funds for each fiscal year of the capital program. Special funds fund the largest share of the capital program, although federal funds also play a significant role.

Exhibit 10
Proposed Capital Funding by Year and by Source
Fiscal 2013-2018
(\$ in Millions)



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

Capital spending is expected to peak in fiscal 2014 at \$2.1 billion and then steadily decline to \$1.4 billion in fiscal 2018. As shown, special fund spending is relatively static throughout the forecast period, with an approximately \$50 million difference between fiscal 2013 and 2018 funding. The major decline in capital spending by fiscal 2018 is attributable to federal funds decreasing almost \$500 million due to uncertainty with future federal aid beginning in fiscal 2015. Other funds decrease due to several large projects at MAA ending.

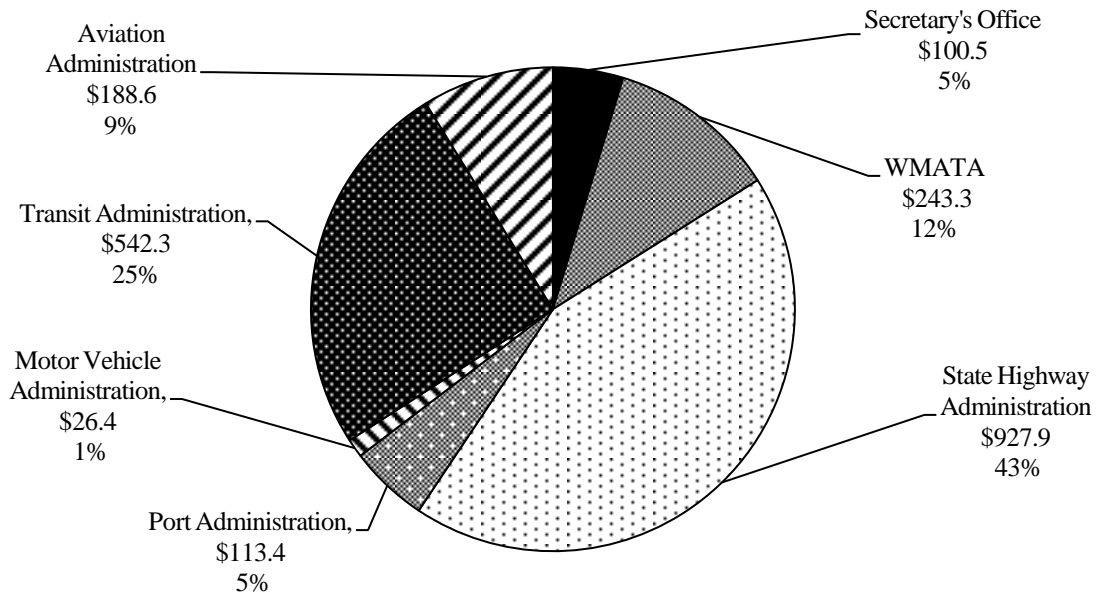
MDOT has added \$353.2 million of projects to the fiscal 2013 to 2018 CTP. From the draft to the final CTP, federal funds increased \$235.0 million due to additional federal aid from the federal reauthorization and discretionary grants for projects that was not included in the draft. The additional \$83.8 million in special funds is largely attributable to MDOT utilizing federal funds instead of special funds for projects which freed up the special funds for other purposes.

Fiscal 2014 Capital Budget

Exhibit 11 shows that, including other funding, the fiscal 2014 PAYGO capital budget totals \$2.1 billion, an increase of approximately \$158.7 million, or 8.0%, compared to fiscal 2013. The fiscal 2014 budget includes \$1,069.2 million in special funds, \$854.2 million in federal funds, and \$219.0 million in other funds. Special funds increase \$85.5 million due to additional highway spending instead of federal funds. Federal funds increase approximately \$66.4 million largely due to spending at the MTA for a variety of projects. Other funds increase \$6.9 million due to cash flow needs of projects at MAA.

As shown, approximately 43% of the capital program is for highway-related expenditures. Total transit spending accounts for 37% of capital spending, similar to spending for the six-year total for each mode.

Exhibit 11
Fiscal 2014 Transportation Capital Budget
(**\$ in Millions**)



WMATA: Washington Metropolitan Area Transit Authority

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

Other Funds

The fiscal 2013 through 2018 CTP also includes \$219.0 million in other funds for fiscal 2014, as shown in **Exhibit 12**. The other funding is comprised of pass through federal money for WMATA, local county participation, passenger facility charges, customer facility charges, and funding from the Transportation Security Administration.

Exhibit 12 Fiscal 2014 Other Funds (\$ in Thousands)

<u>Project</u>	<u>Other Source</u>	<u>2013 Funding</u>
Bethesda Metro Entrance D&E	Local	\$1,906
LOTS Elderly Handicapped Nonprofit Services	Local	723
LOTS Howard County Hybrid	Local	166
LOTS-Alleghany and Ocean City	Local	350
LOTS Central Maryland Transit Facility D&E	Local	934
Owings Mills*	Local	0
Total Other Funds MTA		\$4,079
WMATA Capital Improvement Program	WMATA Federal	\$90,132
Total Other Funds WMATA		\$90,132
Municipal Government grants	State	\$15,380
Total Other Funds TSO		\$15,380
Concourse B/C Connector	PFC	\$25,446
RSA/PMP Improvements	PFC	75,608
BWI Integrated Security System	PFC	3,102
Consolidated Rental Car Facility Improvements	CFC	3,254
Consolidated Dispatch Center	PFC	1,060
Hagerstown Airport	Direct Federal	1,000
Total Other Funds MAA		\$109,470
Grand Total		\$219,061

BWI: Baltimore/Washington International Thurgood Marshall Airport
 CFC: Customer Facility Charges
 D&E: Development and Evaluation
 LOTS: locally operated transit systems
 MAA: Maryland Aviation Administration

MTA: Maryland Transit Administration
 PFC: Passenger Facility Charges
 PMP: Pavement Management Program
 RSA: Runway Safety Area
 TSO: The Secretary's Office
 WMATA: Washington Metropolitan Area Transit Authority

* Baltimore City is contributing \$13.1 million to the project, but it is not reflected in the *Consolidated Transportation Program*.

Source: Maryland Department of Transportation

Issues

1. Federal Transportation Aid Has Been Re-authorized

After three years of extensions, Congress recently passed a 27-month authorization (“Moving Ahead for Progress in the 21st Century Act” or MAP-21) for transportation funding and programs. MAP-21 provides guaranteed funding levels through federal fiscal 2014 for highway and transit funding. From 2013 to 2014, Maryland can expect to receive \$780 million on average with \$580 million in highway funding and \$200 million in transit funding, largely maintaining current funding levels. Under the prior authorization (SAFETEA-LU) Maryland received \$720 million on average with \$580 million for highways and \$140 million for transit; however, MAP-21 does not include any earmarks for specific projects.

Several policy changes have been made in MAP-21. Overall, the largest policy change is in efforts to speed up the environmental review process which includes penalties for agencies that take longer than 180 days to complete their review. Other changes include the creation of a national freight policy and state freight advisory committees with federal funding for freight projects increased from 80 to 90%. Another important change is that the Federal Transit Administration (FTA) now has the authority to oversee the safety of public transit systems. Finally, consistent with previous recommendations, the number of transportation funding programs for highways and transit has been consolidated.

The long-term outlook for transportation funding is still uncertain, just as it was previously. To maintain current funding levels, a federal general fund transfer was required that was offset due to changes in pension contributions and other one-time transfers. To address the funding imbalance, either new or additional revenue will need to be identified or distributions to states will need to be reduced.

Highway Funding

MAP-21 largely maintains current funding levels for highway funding. When looking at the highway program, Maryland can expect to receive \$580.5 million in federal fiscal 2012 and 2013, increasing to \$585.4 million in fiscal 2014, roughly equal to what the State received under the last authorization.

Maryland highway funding is now derived from six funding categories. The largest categories are the National Highway Performance Program and the Surface Transportation Program which total \$474.7 million, or 82%, of the funding Maryland receives for highways. These two programs largely support funding for the existing highway and bridge network. The remaining funding is divided among existing highway programs including highway safety, congestion mitigation and air quality, transportation alternatives (2% of total funding level), and metropolitan planning. The only major change in these other programs is that transportation enhancements now have a broader definition to be more inclusive of road projects, and the overall funding level has been reduced. Many environmental activists argue that this reduces funding for bike and pedestrian paths.

Mass Transit Funding

Overall, the structure of mass transit funding has not changed substantially. MDOT has shown the amount as approximately \$200 million in fiscal 2013 and 2014.

Funding for the construction of major transit projects continues to be funded through the New Starts program using federal general funds. Two changes to the program were made. First, more Bus Rapid Transit projects can be funded out of the New Starts program. Second, core capacity projects can be funded, but these projects must be projects for existing systems that were not previously eligible and must increase capacity by 10%.

Notable Policy Changes

There are several notable policy changes in MAP-21.

- **Project Streamlining:** One of the major policy initiatives of the House Republicans was to streamline the environmental review process for projects. As a result, several changes have been made in MAP-21 to this end. For example, agencies have 180 days to complete an environmental review of a project before its budget is reduced. Other changes include projects receiving less than \$5 million in federal funds or a total project cost under \$30 million and a federal share of less than 15% being exempt from the federal clearance process. A final exemption is for projects that involve the repair of existing highways and bridges, repairing damage from natural disasters, and projects within an existing right-of-way.
- **Freight Policy:** MAP-21 requires a national freight policy to be created and states to create a freight advisory panel. In addition, the federal share for eligible freight projects would increase from 80 to 90%.
- **TIFIA:** Funding for the Transportation Infrastructure Finance Innovation Act (TIFIA) program, which provides low-interest loans or credit, is increased to \$1 billion.
- **Projects of National and Regional Significance Program:** MAP-21 authorizes \$500 million in fiscal 2013 for major projects of national and regional significance. This funding would still need to be appropriated.
- **Transit Safety Oversight:** Transit safety oversight is now under the purview of the FTA.
- **Earmarks:** MAP-21 does not contain any earmarks.
- **Tolling Policies:** The authority to expand tolling to new capacity on Interstates is expanded provided that the current level of toll-free lane miles is not diminished. In addition, the conversion of high-occupancy vehicle lanes to high-occupancy toll lanes is allowed.

Long-term Funding Outlook

MAP-21 largely maintains current funding levels for highways and transit. To maintain current funding levels, a federal general fund transfer was still required that was offset due to changes in pension contributions and other one-time transfers. The fund transfers were required because the ongoing imbalance between federal gas tax revenues and aid to states was left unresolved. In other words, the ongoing discussion of what to do about transportation funding will continue until either revenues are increased or aid to states is decreased. **The Department of Legislative Services recommends that the department discuss the impact of the federal reauthorization.**

Recommended Actions

1. Add the following language:

Provided that it is the intent of the General Assembly that projects and funding levels appropriated for capital projects, as well as total estimated project costs within the Consolidated Transportation Program (CTP), shall be expended in accordance with the plan approved during the legislative session. The department shall prepare a report to notify the budget committees of the proposed changes in the event the department modifies the program to:

- (1) add a new project to the construction program or development and evaluation program meeting the definition of a “major project” under Section 2-103.1 of the Transportation Article that was not previously contained within a plan reviewed in a prior year by the General Assembly and will result in the need to expend funds in the current budget year; or
- (2) change the scope of a project in the construction program or development and evaluation program meeting the definition of a “major project” under Section 2-103.1 of the Transportation Article that will result in an increase of more than 10% or \$1,000,000, whichever is greater, in the total project costs as reviewed by the General Assembly during a prior session.

For each change, the report shall identify the project title, justification for adding the new project or modifying the scope of the existing project, current year funding levels, and the total project cost as approved by the General Assembly during the prior session compared with the proposed current year funding and total project cost estimate resulting from the project addition or change in scope.

Further provided that notification of project additions, as outlined in paragraph (1) above; changes in the scope of a project, as outlined in paragraph (2) above; or moving projects from the development and evaluation program to the construction program, shall be made to the General Assembly 45 days prior to the expenditure of funds or the submission of any contract for approval to the Board of Public Works.

Explanation: This annual budget bill language requires the department to notify the budget committees of proposed changes to the transportation capital program that will add a new project that was not in the fiscal 2013-2018 CTP or will increase a total project’s cost by more than 10% or \$1 million, due to a change in scope. Reports are to be submitted with the draft and final versions of the CTP, with each using the 2013 session CTP as the basis for comparison. In addition, notification is required as needed throughout the budget year, if certain changes to projects are made.

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Information Request	Author	Due Date
Capital budget changes from one CTP version to the next	Maryland Department of Transportation	With draft CTP With final CTP
Capital budget changes throughout the year	Maryland Department of Transportation	45 days prior to the expenditure of funds or seeking Board of Public Works approval

2. Add the following language:

The Maryland Department of Transportation (MDOT) shall not expend funds on any job or position of employment approved in this budget in excess of xxx positions and xxx contractual full-time equivalents paid through special payments payroll (defined as the quotient of the sum of the hours worked by all such employees in the fiscal year divided by 2,080 hours) of the total authorized amount established in the budget for MDOT at any one time during fiscal 2014. The level of contractual full-time equivalents may be exceeded only if MDOT notifies the budget committees of the need and justification for additional contractual personnel due to:

- (1) business growth at the Helen Delich Bentley Port of Baltimore or Baltimore/Washington International Thurgood Marshall Airport which demands additional personnel; or
- (2) emergency needs that must be met (such as transit security or highway maintenance).

The Secretary shall use the authority under Sections 2-101 and 2-102 of the Transportation Article to implement this provision. However, any authorized job or position to be filled above the regular position ceiling approved by the Board of Public Works shall count against the Rule of xx imposed by the General Assembly. The establishment of new jobs or positions of employment not authorized in the fiscal 2014 budget shall be subject to Section 7-236 of the State Finance and Procurement Article and the Rule of xx.

Explanation: This annual budget bill language establishes a position ceiling for MDOT each year to limit growth in regular positions and contractual full-time equivalents.

Information Request	Author	Due Date
Additional regular positions and contractual full-time equivalents	MDOT	As needed

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3. Add the following language:

It is the intent of the General Assembly that funds dedicated to the Transportation Trust Fund shall be applied to purposes bearing direct relation to the State transportation program, unless directed otherwise by legislation. To implement this intent for the Maryland Department of Transportation (MDOT) in fiscal 2014, no commitment of funds in excess of \$250,000 may be made nor such an amount may be transferred, by budget amendment or otherwise, for any project or purpose not normally arising in connection with the ordinary ongoing operation of MDOT and not contemplated in the approved budget or the last published Consolidated Transportation Program without 45 days of review and comment by the budget committees.

Explanation: This annual budget bill language prohibits MDOT from using transportation funds for uses other than for transportation-related purposes without review and comment by the budget committees.

Information Request	Author	Due Date
Information on nontransportation expenditures exceeding \$250,000	MDOT	As needed

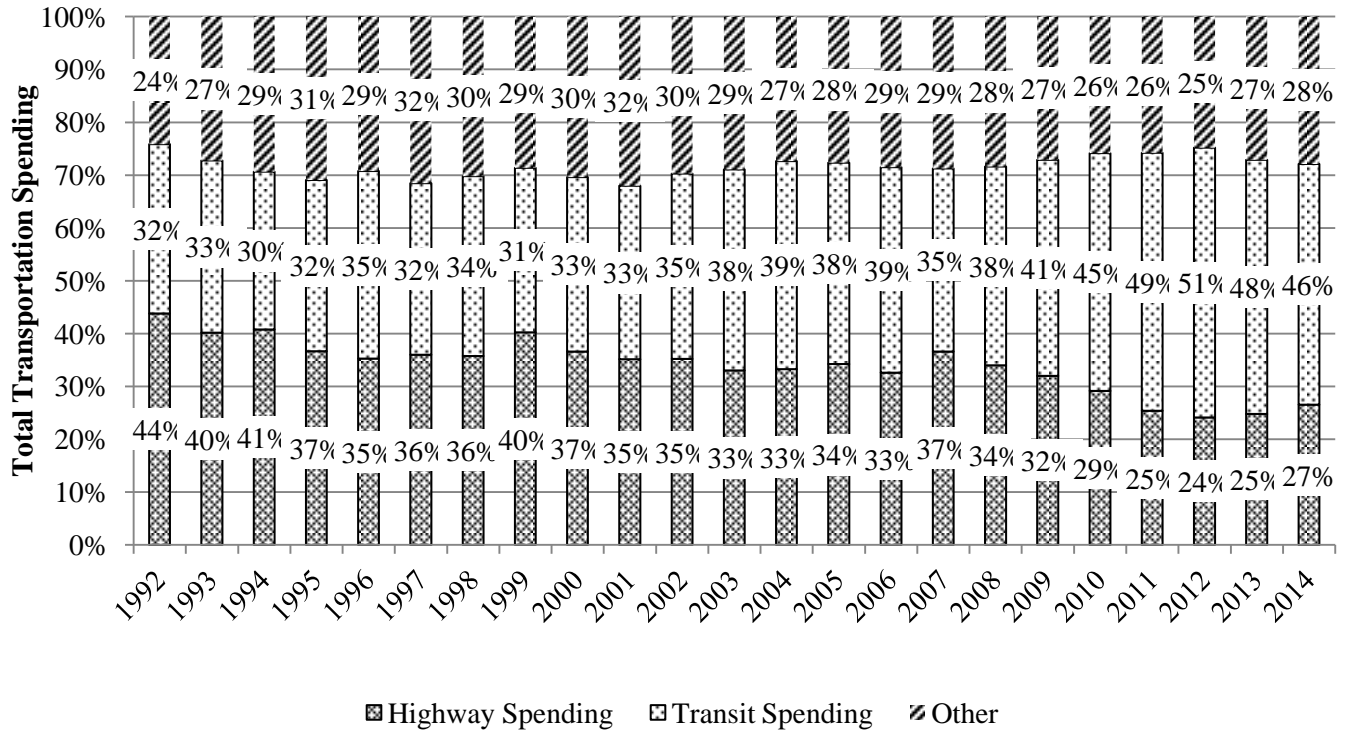
Transportation Trust Fund Forecast
Fiscal 2012-2018
(\$ in Millions)

	<u>Actual</u> <u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>Total</u> <u>2013-2018</u>
Opening Fund Balance	\$221	\$187	\$100	\$100	\$100	\$100	\$100	
Closing Fund Balance	\$187	\$100	\$100	\$100	\$100	\$100	\$100	
Revenues								
Taxes and Fees	\$1,793	\$1,950	\$2,109	\$2,198	\$2,261	\$2,304	\$2,348	\$13,170
Operating and Misc.	568	509	503	511	519	528	538	3,109
Transfers between TTF and GF	-43	0	0	0	0	0	0	0
MDTA Transfer	0	0	0	0	0	0	0	0
Net Revenues Subtotal	\$2,319	\$2,459	\$2,613	\$2,709	\$2,780	\$2,832	\$2,886	\$16,279
Bonds Sold	115	265	395	290	265	270	340	1,825
Bond Premium	15	0	0	0	0	0	0	0
Total Revenues	\$2,449	\$2,811	\$3,008	\$2,999	\$3,045	\$3,102	\$3,226	\$18,442
Expenditures								
Debt Service	\$174	\$180	\$212	\$242	\$259	\$288	\$303	\$1,484
Operating Budget	1,572	1,646	1,728	1,798	1,867	1,931	1,998	10,968
State Capital	736	985	1,068	959	919	883	925	5,739
Total Expenditures	\$2,482	\$2,811	\$3,008	\$2,999	\$3,045	\$3,102	\$3,226	\$18,191
Debt								
Debt Outstanding	\$1,563	\$1,718	\$1,983	\$2,120	\$2,221	\$2,303	\$2,446	
Debt Coverage –Net Income	3.4	3.3	3.2	3.3	3.2	3.1	2.9	
Local Highway User Revenues	\$147	\$160	\$168	\$174	\$179	\$181	\$184	\$1,046
HUR Transfer to GF	\$187	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Capital Summary								
State Capital	\$736	\$985	\$1,068	\$959	\$919	\$883	\$925	\$5,739
Net Federal Capital (Cash Flow)	726	788	854	629	427	381	351	3,430
Subtotal Capital Expenditures	\$1,462	\$1,773	\$1,922	\$1,588	\$1,346	\$1,264	\$1,276	\$9,169
GARVEE Debt Service	87	87	87	87	87	87	87	525

GARVEE: Grant Anticipation Revenue Vehicle
 GF: general fund
 HUR: Highway User Revenues
 MDTA: Maryland Transportation Authority
 TTF: Transportation Trust Fund

Source: Maryland Department of Transportation

Highway vs. Transit Spending Net Special Fund Spending Fiscal 1992-2014



Note: Does not reflect spending on Highway User Revenues or the InterCounty Connector.

**Transportation Trust Fund
Transfers to/from State General Fund**

<u>Fiscal Year</u>	<u>Transfers from the Trust Fund to the General Fund</u>	<u>Transfers from the General Fund to the Trust Fund</u>
1984	\$29.0 million (Budget Shortfall) ¹	
1986	\$100.0 million Md. Deposit Insurance ² Fund (Savings & Loan Crisis)	
1987		\$15.0 million (partial payback of \$129.0 million)
1988		\$30.0 million (partial payback of \$129.0 million)
1989		\$36.0 million (partial payback of \$129.0 million)
1990		\$36.0 million (partial payback of \$129.0 million)
1991	\$22.2 million (Budget Shortfall) ³	\$12.0 million (final payback of \$129.0 million)
1992	\$48.0 million (Budget Shortfall) ⁴ Equal to biennial registration windfall	
1993		
1994		
1995		
1996		
1997		\$6.0 million (Failure of Fuel Efficiency Legislation) ⁵
1998		\$21.0 million (Failure of Fuel Efficiency Legislation) ⁵
1999		\$15.0 million (Failure of Fuel Efficiency Legislation) ⁵
2000		
2001		\$25.1 million (Wilson Bridge/Addison Road Extension) ⁶ \$10.2 million (land adjacent to Greenbelt Metro station) ⁷
2002		\$23.1 million (Share of rental car sales tax paid in fiscal 2002 as part of transit initiative) ⁸
2003	\$160.0 million (Budget shortfall) ⁹	
2004	\$154.9 million (Budget shortfall) ⁹	
2005		
2006		\$50.0 million (partial payback of \$314.9 million) ¹⁰
2007		
2008		
2009	11	
2010	11	
2011	11	

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<u>Fiscal Year</u>	<u>Transfers from the Trust Fund to the General Fund</u>	<u>Transfers from the General Fund to the Trust Fund</u>
2012	\$60.0 million ^{11, 12}	
2013	11	
2014		\$26.0 million ¹²
2015		\$25.0 million ¹²
2016		\$21.0 million ¹²
Total Paid	\$574.1	\$351.4 million
ICC Repayment		\$264.9 ¹³
Total with ICC	\$574.1	\$616.3 million

¹ Authorized by Chapter 62 of 1983. Preamble specified future general fund (GF) repayment.

² Authorized by Chapter 1 of 1986. Preamble and body specify repayment of this transfer, and the \$29 million transfer from the 1983 session.

³ Authorized by Chapter 470 of 1991. Funds were transferred to reduce GF shortfall. The statute contains no reference to GF repayment.

⁴ Authorized by Chapter 62 of 1992. Funds transferred to balance the GF budget. The statute contains no reference to GF repayment.

⁵ Payment outlined in Chapter 204 of 1993 to make up for the loss of \$72 million from failure of legislation relating to the fuel efficiency surcharge. General fund payments totaled \$42 million, and a planned \$30 million transfer from the TTF was cancelled.

⁶ Budget bill appropriations were made in 2001 (\$50 million) and 2002 (\$45 million) to supplement the Transportation Trust Fund (TTF) to be used for the State's share of constructing a new Woodrow Wilson Bridge (WWB) and a Metro extension from Addison Road to the Largo Town Center. Chapter 440 of 2002 (2002 BRFA) removed all funding for WWB and Addison Road except the \$25 million that had already been expended in 2001.

⁷ Chapter 102 of 2001 (fiscal 2002 budget bill) authorized a deficiency appropriation for \$10.2 million for the acquisition of land adjacent to the Greenbelt Metro Station. The deficiency was offset by the withdrawal of a \$10.0 million appropriation from the Economic Development Opportunities Program Fund

⁸ Chapter 440 of 2002 (Budget Reconciliation and Financing Act (BRFA) of 2002) altered provisions of the transit initiative. The TTF share of the rental car sales tax was returned to 45% and \$9.6 million from the uninsured motorist fee.

⁹ Chapter 203 of 2003 (BRFA of 2003/HB 935) transferred a total of \$314.9 million to the GF and required that the Administration submit a plan by December 1, 2003 on the proposed repayment of funds.

¹⁰ Chapter 430 of 2004 (BRFA of 2004) included a provision to repay the TTF the \$314.9 million borrowed in 2003 and 2004. It required that a general fund surplus in excess of \$10.0 million be appropriated to the TTF, not to exceed \$50 million per year and only until such time that \$314.9 million is repaid to the TTF.

¹¹ Chapter 10 of 2008 (SB 46) repealed the sales tax on computer services. As part of the package to offset the GF revenue loss, the TTF share of the sales tax was reduced from 6.5 to 5.3% through fiscal 2013. After 2013, the TTF share of the sales tax was to revert to 6.5%. The revenue going to the GF instead was projected to be \$51.1 million in fiscal 2009, \$53.4 million in fiscal 2010, \$55.8 million in fiscal 2011, \$58.3 million in fiscal 2012, and \$60.9 million in fiscal 2013 (this does not include the TTF share of revenue from the computer services sales tax attributed to the TTF). These numbers total \$279.5 million and are based on projections from the fiscal note for SB 46. The 6.5% sales tax distribution was to go in effect beginning in fiscal 2009, but the change in the sales tax distribution occurred before the TTF received any funding. Chapter 397 of 2011 subsequently ended the sales tax distribution to the TTF in fiscal 2012 but increased the State share of TTF revenues to keep revenues to the TTF at the same level as previously provided. Since the TTF never received any funding, this action is not considered a transfer.

¹² HB 72 of 2011 (the Budget Reconciliation and Financing Act of 2011) transferred \$100 million from the TTF with \$60 million going to the GF and \$40 million to the Rainy Day Fund. Unlike the Administration's proposal, the bill includes the repayment of the \$60 million from the GF from fiscal 2014 to 2016. The repayment schedule is \$26 million in fiscal 2014, \$25 million in fiscal 2015, and \$21 million in fiscal 2016 and is done through the reconciliation of corporate income tax revenues and is not an explicit repayment schedule. The \$40 million to Rainy Day Fund is repaid through the additional revenue that was raised for transportation in fiscal 2012.

¹³ This total reflects general funds or general obligation bond funds anticipated or received by the Maryland Transportation Authority for the InterCounty Connector (ICC) as part of the repayment of \$314.9 million transferred from the TTF in fiscal 2003 and 2004, per chapters 471 and 472 of 2005. The remaining \$50 million of the ICC repayment was made in fiscal 2006 and is reflected separately in the table.

Highway User Revenues Transfers to/from State General Fund

<u>Fiscal Year</u>	<u>Reductions to Local Highway User Grants with Funds Transferred to the General Fund</u>
2003	\$17.9 million ¹
2004	\$102.4 million ¹
2005	\$102.4 million ^{1,2}
2006	\$22.7 million ³
2007	
2008	
2009	
2010	\$304.0 million ^{4,5}
2011	\$377.0 million ⁵
2012	\$187.3 million ⁶
2013	6
2014	
2015	
2016	

¹ Chapter 203 of 2003 (Budget Reconciliation and Financing Act (BRFA) of 2003) authorized a reduction of the locals' share of highway user revenues (HUR) that would then be transferred to the general fund (GF). This includes \$17.9 million in fiscal 2003, \$102.4 million in FY 2004, and \$51.2 million in fiscal 2005. Since this money came out of the locals' portion of HUR, the money would not have gone to the Trust Fund regardless. The statute contains no reference to GF repayment.

² Chapter 203 of 2003 (BRFA 2003) authorized a reduction of the locals' share of HUR and transfer to the GF of \$51.2 million. Chapter 430 of 2004 (BRFA 2004) added an additional \$51.2 million to this number, for a total of \$102.4 million. Since this money came out of the locals' portion of HUR, this money would not have gone to the Trust Fund regardless. The statute contains no reference to GF repayment.

³ Chapter 444 of 2005 (BRFA 2005) redirected \$48.5 million from the locals' share of HUR to the GF and \$25.8 million of Community Safety and Enhancement Program funds were restricted to be used for one-time transportation capital grants allocated under the same statute governing HUR. Since this money came from the locals' share of HUR, it would not have gone to the Transportation Trust Fund regardless. The statute contains no reference to GF repayment.

⁴ Chapter 487 of 2009 transferred \$101.9 million from the local share of HUR to the GF in fiscal 2010 and 2011. In addition, \$60.0 million was transferred from the local share of HUR to the GF.

⁵ During the 2009 interim, the Governor reduced the local share of the HUR by \$159.5 million in fiscal 2010 with the intention of transferring those funds to the GF in fiscal 2012. SB 141 as introduced continued that reduction in fiscal 2011 and fiscal 2012. In total, approximately \$340.3 million was to be transferred to the GF in fiscal 2011 and 2012. In fiscal 2010, the prior actions of the legislature plus the \$159.5 transfer resulted in a planned transfer of \$321 million. The General Assembly reduced the fiscal 2010 transfer to the GF to \$298.1 million in recognition of the local jurisdictions having already received payments in fiscal 2010 greater than the amount allowed for in the Administration's proposal. In fiscal 2011 the GF transfer is \$363.4 million, an increase compared to the Administration's proposal to offset the reduced transfer in fiscal 2010. In fiscal 2012, the transfer is \$338.4 million, to reflect the Administration's proposal. In fiscal 2013 and beyond, 19.3% of HUR is transferred to the GF, this equates to approximately \$339.4 million in fiscal 2013.

⁶ Chapter 397 of 2011 (the Budget Reconciliation and Financing Act of 2011) ended the general fund distribution of HUR from the local share. The TTF share of the sales tax and a portion of the corporate income tax were given to the general fund and the general fund share of HUR was returned to the department's share of HUR.

InterCounty Connector Related Transfers

<u>Fiscal Year</u>	<u>TTF Transfers for ICC</u>	<u>Repayment of \$314.9 million</u>
2005	\$22 million	
2006	\$38 million	\$50.0 million GF payment to TTF ¹
2007	\$30 million	\$53.0 million GF payment to MDTA for ICC ²
2008	\$30 million	\$0
2009	\$30 million	³
2010	\$30 million	\$55 million GO bonds to MDTA for ICC ³
2011		\$89.3 million GO bonds to MDTA for ICC ⁴
2012		\$46.2 million GO bonds to MDTA for ICC ⁵
2013		\$0
2014		\$21.5 million to MDTA for ICC ⁶
Total	\$180 Million	\$314.9 million

¹ Chapter 430 of the Budget Reconciliation and Financing Act of 2004 (BRFA) included a provision to repay the Transportation Trust Fund (TTF) the \$314.9 million borrowed in 2003 and 2004. It required that a general fund surplus in excess of \$10.0 million be appropriated to the TTF, not to exceed \$50.0 million per year and only until such time that \$314.9 million is repaid to the TTF.

² Chapter 471 and 472 of 2005 amended this provision to say that in lieu of repaying the TTF, at least \$50.0 million per year would be paid to the Maryland Transportation Authority (MDTA) for construction of the InterCounty Connector (ICC). A payment of \$53.0 million was made to MDTA in FY 2007 for this purpose.

³ Chapter 567 of 2008 revised the repayment schedule based on legislation to create a new tax bracket for individuals with an adjusted gross income of \$1.0 million or more. Based on enactment of that legislation (Chapter 10 of 2008) repayment is structured as follows: \$85.0 million in fiscal 2009, \$63.0 million in fiscal 2010, and \$63.9 million in fiscal 2011. In October 2008, the Board of Public Works reduced the fiscal 2009 appropriation from \$85.0 million to \$65.0 million. Chapter 487 of 2009 (BRFA) further reduced the fiscal 2009 appropriation to 0 and allowed the use of general fund (GF) or general obligation (GO) bond proceeds to make payments for the ICC. The repayment schedule was amended to \$55 million in fiscal 2010 and the remaining balance of \$156.9 million in fiscal 2011.

⁴ SB 141 (BRFA) of 2010 and SB 142 (the capital budget bill) as introduced would have provided \$126.9 million in GO bonds in fiscal 2011 and the remaining balance of \$30.0 million in fiscal 2012. Based on the cash flow of the project, the legislature amended SB 142 to provide \$89.3 million in GO bonds in fiscal 2011 and amended the repayment schedule in SB 141 to require payment of at least \$80.0 million in fiscal 2011 and the remaining balance in fiscal 2012.

⁵ HB 72 (BRFA) and HB 71 (the capital budget bill) as introduced provide for \$57.6 million in GO bonds for the project. Based on the cash flow the legislature amended HB 71 to provide \$46.2 million in GO bonds for fiscal 2012 and in HB 72 extended the repayment to fiscal 2013 where it is projected \$21.5 million would be paid.

⁶ SB 151 (capital budget) of 2012 pushed the final payment of \$21.5 million from fiscal 2013 to 2014 because the funding was not needed. SB 152 (BRFA) was amended to change the statutory date of the payment. Since SB 152 failed on sine die, SB 1301 of the first special session included the necessary statutory change. Final funding is included in HB 101 of 2013.