

J00A01
The Secretary's Office
Maryland Department of Transportation

Operating Budget Data

(\$ in Thousands)

	<u>FY 15 Actual</u>	<u>FY 16 Working</u>	<u>FY 17 Allowance</u>	<u>FY 16-17 Change</u>	<u>% Change Prior Year</u>
Special Fund	\$67,373	\$74,144	\$74,151	\$7	
Deficiencies and Reductions	0	0	-90	-90	
Adjusted Special Fund	\$67,373	\$74,144	\$74,061	-\$84	-0.1%
Federal Fund	7,966	8,906	8,906	0	
Adjusted Federal Fund	\$7,966	\$8,906	\$8,906	\$0	0.0%
Adjusted Grand Total	\$75,339	\$83,051	\$82,967	-\$84	-0.1%

- The fiscal 2017 allowance is \$84,000 less than the current year working appropriation, a decrease of 0.1%.
- Section 19 reduces special funds for health insurance for the Secretary's Office (TSO) by \$90,345.

PAYGO Capital Budget Data

(\$ in Thousands)

	<u>Fiscal 2015 Actual</u>	<u>Fiscal 2016</u>		<u>Fiscal 2017 Allowance</u>
		<u>Legislative</u>	<u>Working</u>	
Special	\$46,389	\$73,456	\$77,108	\$92,223
Federal	3,289	38,807	26,920	51,554
Total	\$49,678	\$112,263	\$104,028	\$143,777

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

For further information contact: Steven D. McCulloch

Phone: (410) 946-5530

J00A01 – MDOT – The Secretary’s Office

- The fiscal 2016 working appropriation is \$8.2 million lower than the legislative appropriation. Some of the largest changes include:
 - reductions for development and evaluation of the Baltimore and Potomac Tunnel (-\$7.8 million) and the Susquehanna River Bridge (-\$3.0 million);
 - a reduction in the construction program to the Virginia Manor Road Relocation project (-\$2.2 million); and
 - an increase in funding for system preservation and minor projects funding (\$4.8 million).

- The fiscal 2017 allowance increases \$39.7 million over the current year working appropriation. Some of the larger changes include:
 - an increase in system preservation and minor project funding (\$21.6 million);
 - an increase for development and evaluation of the Baltimore and Potomac Tunnel (\$20.1 million) and the Susquehanna River Bridge (\$3.8 million); and
 - removal of funding from the construction program for the Virginia Manor Road Relocated project due to completion of this phase of the project (-\$3.8 million).

Operating and PAYGO Personnel Data

	<u>FY 15</u> <u>Actual</u>	<u>FY 16</u> <u>Working</u>	<u>FY 17</u> <u>Allowance</u>	<u>FY 16-17</u> <u>Change</u>
Regular Operating Budget Positions	282.50	283.50	283.50	0.00
Regular PAYGO Budget Positions	<u>16.00</u>	<u>16.00</u>	<u>16.00</u>	<u>0.00</u>
Total Regular Positions	298.50	299.50	299.50	0.00
Operating Budget FTEs	5.00	5.00	6.00	1.00
PAYGO Budget FTEs	<u>1.00</u>	<u>1.00</u>	<u>0.00</u>	<u>-1.00</u>
Total FTEs	6.00	6.00	6.00	0.00
Total Personnel	304.50	305.50	305.50	0.00

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	17.97	6.00%
Positions and Percentage Vacant as of 12/31/15	29.00	9.68%

J00A01 – MDOT – The Secretary’s Office

- The number of regular positions and contractual full-time equivalents (FTE) does not change between the fiscal 2016 working appropriation and the fiscal 2017 allowance although 1 FTE moves from the pay-as-you-go budget to the operating budget in fiscal 2017.
- As of January 1, 2016, there were 29 vacant positions for a vacancy rate of 9.68%. Budgeted turnover in the fiscal 2017 allowance is 6.0%, which will require that an average of almost 18 positions remain vacant the entire year.

Analysis in Brief

Major Trends

Productivity and Quality – Recruit and Retain Quality Employees: Although the departmentwide vacancy rate decreased in January 2016 compared to a year earlier, there were actually 8.5 fewer filled positions. The vacancy rate dropped because there were 98.0 fewer authorized positions on January 1, 2016, than a year earlier due to the loss of positions through the Voluntary Separation Program.

Preserve and Enhance the Transportation System: One of the goals of TSO is to maintain Maryland’s transportation network in a state of good repair. As part of this effort, one objective for this goal is that the system preservation should be adequately funded at no less than \$850 million. This goal has been achieved three time in the fiscal 2008 to 2015 period with projections that the goal will be met in both fiscal 2016 and 2017.

Issues

Local Transportation Capital Grants Proposed in Lieu of Changing Distribution Formula for Highway User Revenues: The decision by the Administration to increase transportation aid to local governments through capital grants in lieu of changing the Highway User Revenues (HUR) distribution formula in statute raises several issues. **To ensure adequate oversight by the General Assembly, it is recommended that language be added to the budget bill, making the appropriation of this local transportation aid contingent on enactment of legislation modifying the HUR formula and authorizing transfer of the appropriation to the operating program of the State Highway Administration to be distributed pursuant to changes made by that legislation.**

Paratransit Pilot Programs Ending – Evaluation to Follow: The final two pilot projects implemented in Montgomery and Prince George’s counties to determine if alternative delivery models for paratransit services can improve service and reduce costs are scheduled to conclude by March 2016. **Committee narrative is included in the Recommended Actions section of this analysis requesting the Maryland Department of Transportation (MDOT) to report on its analysis of the pilot projects and whether it intends to implement any new service delivery model(s) for paratransit services as a result.**

Operating Budget Recommended Actions

1. Add annual budget bill language restricting operating grants-in-aid funding.
2. Adopt committee narrative requesting a report on the evaluation of paratransit pilot projects.

PAYGO Budget Recommended Actions

1. Add annual budget bill language limiting system preservation and minor project funding to the projects identified in the Consolidated Transportation Program.
2. Add budget bill language authorizing, contingent on enactment of legislation, the transfer for funds for local capital grants to the State Highway Administration for distribution through the Highway User Revenues formula.

Updates

Transit-oriented Development – Project Updates: The Office of Real Estate in TSO is responsible for disposing of excess land owned by MDOT as well as promoting development around transit stations. The Department of Legislative Services and MDOT developed an administrative process to provide for the reporting and oversight of transit-oriented development (TOD) projects. Pursuant to that process, MDOT submitted a report in September 2015 providing the status of TOD projects.

J00A01 – MDOT – The Secretary’s Office

J00A01
The Secretary's Office
Maryland Department of Transportation

Budget Analysis

Program Description

The Secretary's Office (TSO) provides overall policy direction, management, and administrative support to the Maryland Department of Transportation (MDOT). Units within the office provide support in the areas of finance, procurement, engineering, audits, administrative services, planning and capital programming, human resources, and Minority Business Enterprise (MBE) certification. Executive staff support is also provided for management services, public affairs, the general counsel's office, and policy and governmental relations. Within TSO, the Office of Transportation Technology Services provides centralized computing, network, infrastructure, and general information technology services for MDOT. TSO also makes grants to various entities for transportation-related purposes.

Performance Analysis: Managing for Results

1. Productivity and Quality – Recruit and Retain Quality Employees

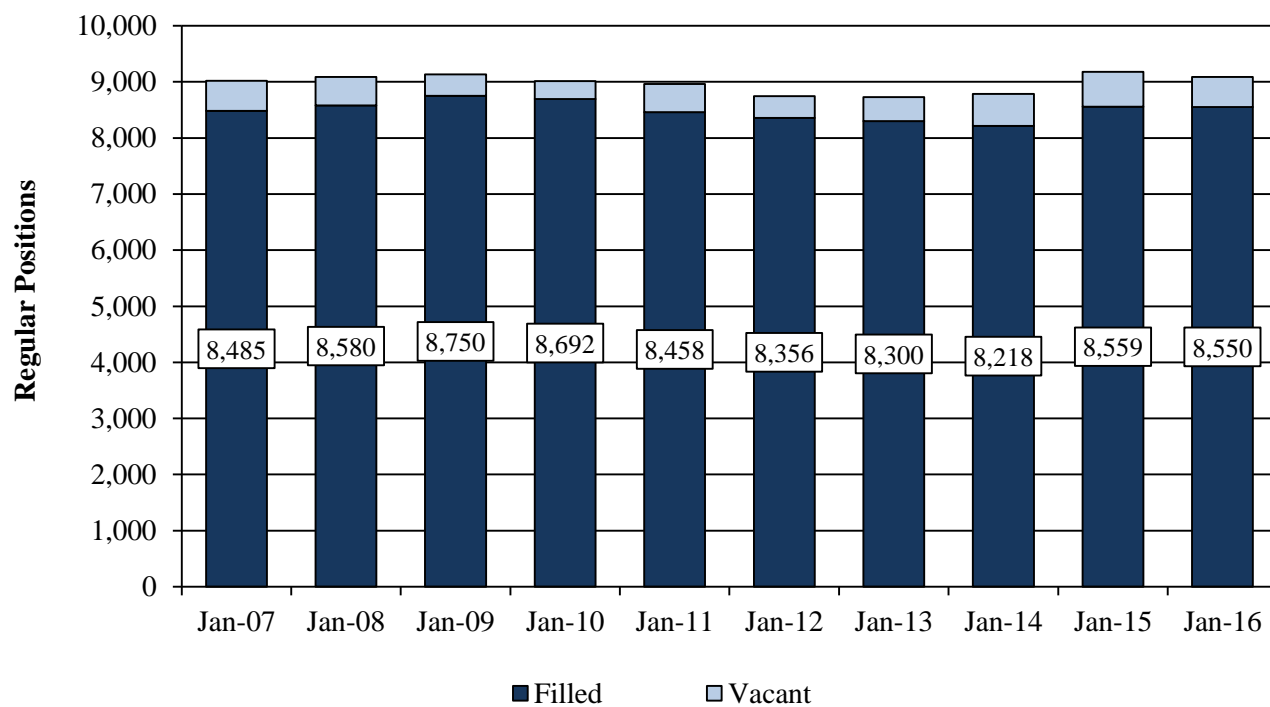
One of the MDOT departmentwide goals has been to recruit and retain quality employees. **Exhibit 1** shows the number of filled and vacant positions for all modes on January 1 of each year from 2007 to 2016. While the vacancy rate for the department decreased from 6.8% in January 2015 to 5.9% in January 2016, the actual number of filled positions fell by 8.5 over this period. The vacancy rate declined because there were 98.0 fewer authorized positions on January 1, 2016, than a year earlier due to the loss of positions through the Voluntary Separation Program.

2. Preserve and Enhance the Transportation System

Another TSO goal is to maintain Maryland's transportation network in a state of good repair. One objective for this goal is that system preservation should be adequately funded at no less than \$850 million. As shown in **Exhibit 2**, this goal has been achieved three times in the fiscal 2008 to 2015 period with projections that the goal will be met in both fiscal 2016 and 2017.

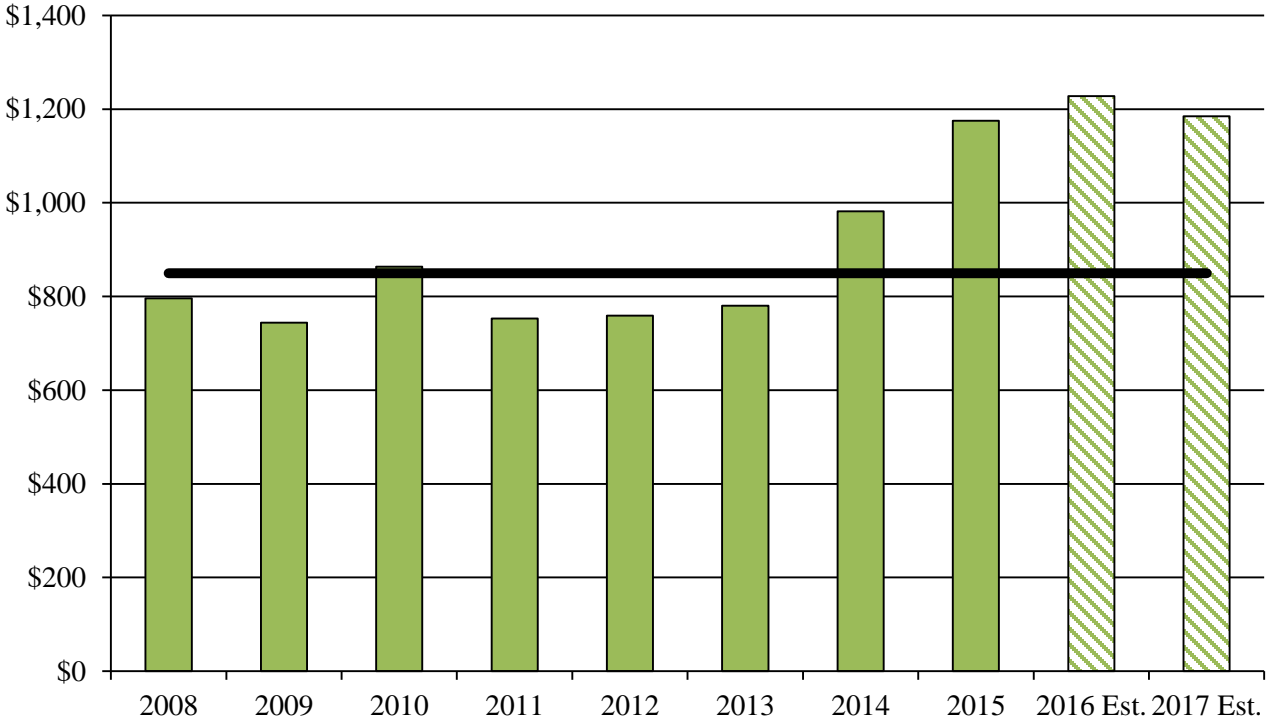
In the remaining years of the forecast period of the *Consolidated Transportation Program* (CTP), system preservation funding is projected at an average annual amount of \$947 million, which is sufficient to meet the goal.

Exhibit 1
Departmentwide Filled and Vacant Positions
On January 1, 2007-2016



Source: Maryland Department of Transportation

Exhibit 2
System Preservation Funding
Fiscal 2008-2017 Est.
(\$ in Millions)



Source: Department Budget and Management

Proposed Budget

As shown in **Exhibit 3**, the fiscal 2017 operating allowance for TSO decreases by a net \$84,000 from the current year working appropriation. Increases in personnel expenses and cost allocation items are more than offset by decreases in departmental operating expenses and in the operating grants-in-aid program.

Exhibit 3
Proposed Budget
MDOT – The Secretary’s Office
(\$ in Thousands)

How Much It Grows:	Special Fund	Federal Fund	Total
Fiscal 2015 Actual	\$67,373	\$7,966	\$75,339
Fiscal 2016 Working Appropriation	74,144	8,906	83,051
Fiscal 2017 Allowance	<u>74,061</u>	<u>8,906</u>	<u>82,967</u>
Fiscal 2016-2017 Amount Change	-\$84	\$0	-\$84
Fiscal 2016-2017 Percent Change	-0.1%		-0.1%

Where It Goes:

Personnel Expenses

Employee retirement system.....	\$538
Employee and retiree health insurance	321
Accrued leave payouts	76
Workers’ compensation premium assessment	46
Turnover adjustments	-234
Reset vacant positions to base.....	-469
Other fringe benefit adjustments.....	-3

Departmental Administration

Applications software purchase	324
Headquarters facilities management contractual services	84
Telephone.....	61
Planning and capital programming contractual full-time equivalent (FTE)	45
Community service contractual services and materials	28
Educational grants.....	18
Information technology procurement contractual FTE increase.....	16
Legal, financial, and business publications subscriptions.....	8
Supplies.....	-4
Gasoline	-10
Cell phone expenditures.....	-11
Washington Suburban Transit Commission operations support (rent, staff, etc.)	-12
Rent.....	-27
Utilities.....	-55
Data processing training contracts	-58
Financial management information system maintenance contract	-135

J00A01 – MDOT – The Secretary’s Office

Where It Goes:

Attorney General’s Office contract and civil litigation unit support	-142
Contractual support for IBM mainframe	-746

Cost Allocations

Department of Budget and Management paid telecommunications	149
Retirement administrative fee	101
Department of Information Technology services allocation.....	98
Office of the Attorney General administrative fee.....	15
Insurance coverage paid to the State Treasurer’s Office	3

Operating Grants-in-aid

Baltimore City payment in lieu of taxes	-106
---	------

Other	-3
--------------------	----

Total	-\$84
--------------	--------------

MDOT: Maryland Department of Transportation

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

Across-the-board Reductions

The fiscal 2017 budget bill includes an across-the-board reduction for employee health insurance, based on a revised estimate of the amount of funding needed. This agency’s share of these reductions is \$90,345 in special funds. There is an additional across-the-board reduction to abolish vacant positions statewide, but the amounts have not been allocated by agency.

Operating Grants-in-aid

Operating grants-in-aid decreased by \$105,552 from the fiscal 2016 level. Net payments in lieu of taxes to Baltimore City decline by this amount due to the sale of Pier 1 and 6 – Clinton Street (\$80,000); the expiration of the agreement for Hawkins Point (\$27,318); partially offset by increases in the Point Breeze and North Locus Point payments (\$1,104 and \$662, respectively). **Exhibit 4** provides a summary of the operating grants-in-aid for fiscal 2017.

Exhibit 4
Recipients of Operating Grants-in-aid
Fiscal 2017

<u>Grant Recipient</u>	<u>Special Funds</u>	<u>Federal Funds</u>	<u>Total Funds</u>
Cumberland MPO	\$9,584	\$76,675	\$86,259
Lexington Park MPO	11,373	90,978	102,351
Salisbury MPO	14,196	113,567	127,763
Hagerstown MPO	23,608	188,866	212,474
Baltimore MPO	565,887	4,527,095	5,092,982
Wilmington MPO	11,336	90,684	102,020
Washington MPO	477,318	3,818,544	4,295,862
Tri-county Planning Organization	50,000	0	50,000
Commerce (to Support the Appalachian Regional Commission)	155,000	0	155,000
Maryland Department of Planning	258,000	0	258,000
Payments in Lieu of Taxes	1,013,153	0	1,013,153
Baltimore City – Marine Fire Suppression Services	1,399,940	0	1,399,940
Total	\$3,989,395	\$8,906,409	\$12,895,804

Commerce: Department of Commerce
MPO: Metropolitan Planning Organizations

Source: Maryland Department of Transportation

PAYGO Capital Program

Program Description

The TSO capital program has historically consisted of projects that support the preservation of the MDOT headquarters systems and air quality initiatives in the Baltimore/Washington metropolitan areas. TSO provides capital grants to public and private entities for transportation-related purposes.

Fiscal 2016 to 2021 Consolidated Transportation Program

The fiscal 2016 to 2021 capital program for TSO totals \$334.0 million, a \$53.3 million increase from the prior year’s six-year capital program. An increase in funding for system preservation and minor projects of \$62.2 million is partially offset by decreases in funding for major projects (\$5.6 million), the development and evaluation program (\$2.3 million), and capital salaries and wages (\$1.0 million) over the six-year period.

Fiscal 2017 Capital Allowance

The fiscal 2017 allowance for the TSO capital program totals \$144.7 million, an increase of \$40.7 million over the current year working appropriation. **Exhibit 5** shows the fiscal 2017 capital for TSO, by project and program, along with estimated total project costs and six-year funding included in the CTP.

Exhibit 5
The Secretary’s Office PAYGO Capital Allowance
Fiscal 2017
(\$ in Millions)

<u>Jurisdiction</u>	<u>Project Description</u>	<u>2017</u>	<u>Total Cost</u>	<u>Six-year Total</u>
Projects				
Statewide	D&E: New B&P Tunnel (HSIPR)	\$38.7	\$60.0	\$57.3
Statewide	D&E: Susquehanna River Bridge Replacement (HSIPR)	10.8	22.0	17.8
Subtotal – Projects		\$49.6	\$82.0	\$75.2
Programs				
Statewide	System Preservation and Minor Projects	\$86.2	n/a	\$194.1
Statewide	Transportation Emissions Reduction Program	3.8	n/a	24.0
Statewide	Bikeways Network Program	3.1	n/a	14.2
Statewide	Capital Salaries	2.0	n/a	12.1
Subtotal – Programs		\$95.1		\$244.5
Total – Projects and Programs		\$144.7	\$82.0	\$319.6

B&P: Baltimore and Potomac
D&E: development and evaluation

HSIPR: High Speed Intercity Passenger Rail Program
PAYGO: pay-as-you-go

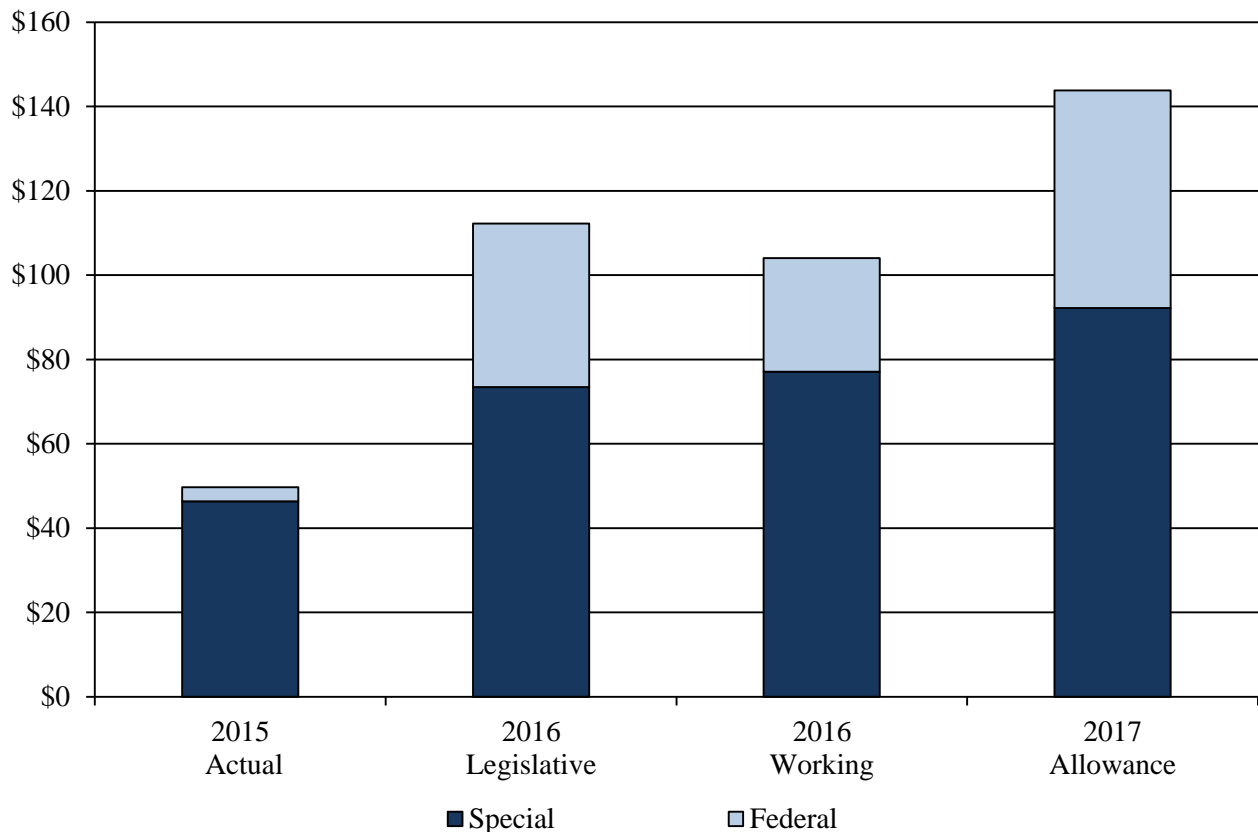
Note: Numbers may not sum to total due to rounding.

Source: Maryland Department of Transportation, 2016-2021 *Consolidated Transportation Program*

Fiscal 2016 and 2017 Cash Flow Analysis

Exhibit 6 shows the changes in TSO capital appropriations for fiscal 2015 through the fiscal 2017 allowance and includes both the fiscal 2016 legislative and working appropriations. The fiscal 2016 working appropriation of \$104.0 million is \$54.4 million higher than the actual level of capital spending in fiscal 2015 and \$8.2 million lower than the fiscal 2016 legislative appropriation. The fiscal 2017 allowance is \$39.7 million higher than the fiscal 2016 working appropriation.

Exhibit 6
Cash Flow Changes
Fiscal 2015-2017



Source: Maryland State Budget, Fiscal 2017

Cash Flow Analysis – Fiscal 2016 Changes

Exhibit 7 shows the changes between the fiscal 2016 legislative and working appropriations. Increased funding for system preservation and minor projects (\$4.8 million) is more than offset by decreases in funding for major projects (-\$3.1 million) and the development and evaluation program (-\$10.8 million).

Exhibit 7
Cash Flow Changes
Fiscal 2016 Legislative to Working Appropriations
(\$ in Thousands)

Major Projects		-\$3,110
Virginia Manor Road Relocated, Old Gunpowder Road to Ritz Road	-\$2,221	
Bikeways Network Program	-629	
Transportation Emission Reduction Program	-260	
Development and Evaluation Projects		-\$10,783
Susquehanna River Bridge (HSIPR)	-\$3,000	
Baltimore and Potomac Tunnel (HSIPR)	-7,783	
System Preservation and Minor Projects		\$4,800
Total Change		-\$9,093

HSIPR: High Speed Intercity Passenger Rail

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

Source: Maryland Department of Transportation, 2016-2021 *Consolidated Transportation Program*

Some of the larger changes in system preservation and minor projects between the legislative and working appropriations comprise:

- \$9.0 million Grants to Local Governments (increase);
- \$7.5 million Public-private Partnership (P3) Stipend Payments (new);
- \$1.6 million Data Loss Prevention (new);
- \$1.3 million Maryland Bike Share Program (new);

J00A01 – MDOT – The Secretary’s Office

- -\$1.4 million Gmail – Google Docs (removed);
- -\$1.4 million State Personnel System (reduced);
- -\$1.5 million Transit-oriented Development (TOD) Implementation Projects (reduced);
- -\$1.5 million Mainframe Redundant Array of Independent Disks Replacement (removed);
- -\$1.9 million MBE 2015 Disparity Study (reduced);
- -\$2.5 million TOD State Center Grant (removed); and
- -\$3.0 million Intermodal Rail Incentive Program (removed).

Cash Flow Analysis – Fiscal 2016 to 2017 Changes

Exhibit 8 shows the changes between the fiscal 2016 working appropriation and the fiscal 2017 allowance. Small reductions in funding for major projects (-\$4.8 million) and capital salaries and wages (-\$100,000) are more than offset by increases in funding for the development and evaluation program (\$24.0 million) and system preservation and minor projects (\$21.6 million).

Exhibit 8
Cash Flow Changes
Fiscal 2016 Working Appropriation to Fiscal 2017 Allowance
(\$ in Thousands)

Major Projects		-\$4,788
Transportation Emission Reduction Program	-\$220	
Bikeways Network Program	-763	
Virginia Manor Road Relocated, Old Gunpowder Road to Ritz Road	-3,805	
Development and Evaluation Projects		\$23,986
Susquehanna River Bridge (High Speed Intercity Passenger Rail (HSIPR))	\$3,846	
Baltimore and Potomac Tunnel (HSIPR)	20,140	
System Preservation and Minor Projects		\$21,600
Capital Salaries and Wages		-\$100
Total Change		\$40,698

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

Source: Maryland Department of Transportation, 2016-2021 *Consolidated Transportation Program*

J00A01 – MDOT – The Secretary’s Office

Some of the larger changes in system preservation and minor projects between the working appropriation and the allowance comprise:

- \$28.6 million Grants to Local Governments (increased);
- \$3.7 million Canton Railroad Grant (new);
- \$3.0 million Port of Baltimore Incentive Pilot Program (new);
- \$2.9 million Department Information Technology Preservation and Improvement (new);
- \$1.4 million Capital Program Management System Replacement (increased);
- -\$1.0 million I-95/Forestville Road Improvement Grant (reduced);
- -\$1.3 million Maryland Bike Share Program (removed);
- -\$1.6 million Data Loss Prevention (removed);
- -\$2.2 million Piscataway Drive Grant (removed); and
- -\$7.5 million P3 Stipend Payments (removed).

Issues

1. Local Transportation Capital Grants Proposed in Lieu of Changing Distribution Formula for Highway User Revenues

The Governor has stated his goal on many occasions to phase in an increase in the share of Highway User Revenues (HUR) going to local governments from the current statutory level of 9.6% to 30.0% to match the level local governments had been receiving prior to the change in the local aid formula made in the 2010 session. Legislation submitted by the Administration during the 2015 session would have increased the share of HUR going to local governments in fiscal 2017 to 12.5% and increased the local share each year thereafter by 2.5 percentage points until it reached 30.0% in fiscal 2024, but it failed to pass. The fiscal 2017 budget, as introduced, provides \$53.6 million for capital grants to local governments which, when combined with local HUR in the operating budget, is equal to 12.5% of total HUR. The MDOT six-year Transportation Trust Fund (TTF) forecast reserves the funding necessary to continue increasing aid going to local government, but the CTP does not include the funding beyond fiscal 2017.

Issues

Increasing transportation aid to local governments through capital grants rather than a change in the statutory formula raises several issues.

- **Lack of Transparency** – As a discretionary grant, the Administration will decide year to year whether or not to provide funding and how the funds will be distributed. Although the total amount planned for capital grants is indicated in the MDOT TTF forecast, the county/municipal/Baltimore City split will not be known until the budget is introduced each year.
- **Limited Oversight of Spending** – Local governments are required to report annually to MDOT on how HUR funds are spent, and MDOT is required to submit an annual summary report on this spending to the General Assembly. Capital grants are not subject to the same requirements.
- **Inadequate Information in the CTP** – Despite the significant amount of funding to be distributed as capital grants, the CTP does not have a Project Information Sheet providing six-year information on the grant program. Instead, there is a single line in the TSO minor projects list indicating the amount for fiscal 2017. A grant program of this magnitude should have better documentation in the CTP.
- **TTF Resources Are Oversubscribed in the MDOT Forecast** – Many of the assumptions that MDOT used in constructing the fiscal 2016 to 2021 TTF forecast result in overly optimistic estimates of resources available for the capital program and for increases in local aid over the six-year period:
 - general fund support for Watershed Implementation Plan projects (\$200 million);

- removal of revenue reserve as a hedge against revenue under attainment (\$197 million); and
- understatement of departmental operating expenses (\$300 million - \$1.1 billion).
- **No Policy Input from the General Assembly** – The decision on the appropriate level of local transportation aid, and how such aid should be divided among the local jurisdictions, are policy considerations that are rightly the purview of the General Assembly.

To ensure adequate oversight by the General Assembly, it is recommended that language be added to the budget bill making the appropriation of this local transportation aid contingent on enactment of legislation modifying the HUR formula and authorizing transfer of the appropriation to the operating program of the State Highway Administration (SHA) to be distributed pursuant to changes made by that legislation. Suggested language is included in the Recommended Actions section of this analysis.

2. Paratransit Pilot Programs Ending – Evaluation to Follow

The Washington Metropolitan Area Transit Authority (WMATA), through its MetroAccess service, is required by law to provide transit services to people that are eligible for paratransit under the Americans with Disabilities Act (ADA). However, it is not well suited to serve every individual with disabilities in the Washington, DC metro area. Because of strict ADA regulations, MetroAccess must meet broad service requirements that create inefficiencies, limit the quality of service, and make operations extremely expensive. Maryland pays for MetroAccess services for its residents as part of the operating grant provided to WMATA each year. Beginning in fiscal 2014, WMATA and MDOT started pilot projects in Montgomery and Prince George’s counties to see if better paratransit service could be provided to a subset of the MetroAccess client population at a lower cost. The last two of these pilots are scheduled to conclude in February and March of 2016. Upon conclusion, MDOT will evaluate the results and determine if the alternate service delivery methods used in the pilots could be employed on an ongoing basis. **Committee narrative is included in the Recommended Actions section of this analysis requesting MDOT to report on its analysis of the pilot projects and whether it intends to implement any new service delivery model(s) for paratransit services as a result.**

Operating Budget Recommended Actions

1. Add the following language to the special fund appropriation:

, provided that no more than \$3,989,395 of this appropriation may be expended for operating grants-in-aid, except for:

- (1) any additional special funds necessary to match unanticipated federal fund attainments; or
- (2) any proposed increase either to provide funds for a new grantee or to expand funds for an existing grantee.

Further provided that no expenditures in excess of \$3,989,395 may occur unless the department provides notification to the budget committees to justify the need for additional expenditures due to either item (1) or (2) above, and the committees provide review and comment or 45 days elapse from the date such notification is provided to the committees.

Explanation: This annual language caps the level of special funds provided for operating grants-in-aid. The cap may be increased to match unanticipated federal dollars or to provide new or expanded grant funding upon notification to the budget committees.

Information Request	Author	Due Date
Explanation of need for additional special funds for operating grants-in-aid	Maryland Department of Transportation	45 days prior to expenditure

2. Adopt the following narrative:

Coordinated Alternative to Paratransit Service Pilot Project Evaluation: The Maryland Department of Transportation (MDOT), in coordination with the Washington Metropolitan Area Transit Authority (WMATA) and various human service providers, has implemented a pilot project to test alternative service delivery models for customers of the WMATA MetroAccess paratransit services. The hope is that alternative transportation services can be provided at a lower cost for certain MetroAccess subset populations. The budget committees request that MDOT report the results of its evaluation of the pilot program including the service improvements realized and potential cost savings achieved. The report should also include a discussion of the broader paratransit policy challenges and what role, if any, a future alternative service could play in addressing the growth projections for MetroAccess services.

J00A01 – MDOT – The Secretary’s Office

Information Request	Author	Due Date
Report on the evaluation of paratransit pilot projects	MDOT	December 1, 2016

PAYGO Budget Recommended Actions

1. Add the following language to the special fund appropriation:

Further provided that no funds may be expended by the Secretary’s Office for any system preservation or minor project with a total project cost in excess of \$500,000 that is not currently included in the fiscal 2016-2021 Consolidated Transportation Program except as outlined below:

- (1) the Secretary shall notify the budget committees of any proposed system preservation or minor project with a total project cost in excess of \$500,000, including the need and justification for the project, and its total cost; and
- (2) the budget committees shall have 45 days to review and comment on the proposed system preservation or minor project.

Explanation: This language provides legislative oversight of grants exceeding \$500,000 that are not listed in the current Consolidated Transportation Program.

Information Request	Author	Due Date
Notification of the intent to fund a capital grant exceeding \$500,000 that is not listed in the current Consolidated Transportation Plan	Maryland Department of Transportation	45 days prior to expenditure

2. Add the following language to the special fund appropriation:

Further provided that \$53,593,537 of this appropriation made for the purpose of providing transportation grants to local governments may not be expended for that purpose but instead is authorized to be transferred by budget amendment to the operating program of the State Highway Administration program J00B01.05 County and Municipality Funds to be distributed as a portion of the local share of Highway User Revenues. This authorization to transfer funds is contingent upon the enactment of legislation increasing the local share of Highway User Revenues. Funds not expended for this restricted purpose may not be transferred by budget amendment or otherwise to any other purpose and shall be cancelled.

Explanation: This language prohibits funds included for capital transportation grants to local governments from being expended for that purpose but authorizes the transfer to the State Highway Administration to be distributed to local governments contingent upon the enactment of legislation increasing the local share of Highway User Revenues. Enactment of legislation ensures that the policy issues related to local aid are considered by the General Assembly.

Updates

1. Transit-oriented Development – Project Updates

Background

The Office of Real Estate in TSO is responsible for disposing of excess land owned by MDOT as well as promoting development around transit stations. TOD projects are intended to create high density, livable, and walkable neighborhoods around transit stations. Chapter 122 of 2008 codified the department’s TOD activities and allowed the Secretary to designate a TOD with other State agencies and local governments or multi-county agencies with land use and planning responsibility for the relevant area. The 2016 to 2021 CTP includes \$985,000 in fiscal 2017 for TOD implementation.

Project Overview

The Department of Legislative Services and MDOT developed an administrative process to provide for the reporting and oversight of TOD projects. Pursuant to the agreed upon process, MDOT submits an annual report providing an update on active TOD projects. The September 2015 MDOT report highlighted a number of TOD projects. Following is a summary of those projects.

Projects at MDOT-owned Stations

- **Savage Maryland Area Regional Commuter Station:** MDOT sold a 9.2-acre portion of a 12.7-acre MDOT surface parking lot for mixed-use development. MDOT received \$3.3 million for the land, and the developer has constructed a 696-space Maryland Area Regional Commuter (MARC) commuter parking garage on the MDOT-retained property. Private development will include 416 residential units, 17,000 square feet (sq. ft.) of retail space, 100,000 sq. ft. of office space, structured parking garages, and a 150-room hotel.
 - ***Expected Actions in Fiscal 2016:*** Beginning of construction of the first phase of private development.
- **Owings Mills Baltimore Metro Station:** In July 2005, the Board of Public Works (BPW) approved a development agreement that provided for the construction of a mixed-use development in several phases on 43 acres of MDOT-owned land adjacent to the metro station, which had been in use as surface parking. Under the agreement, the developer pays ground rent payments to MDOT, and the developer was also required to construct two parking garages, both of which have been completed and are in operation. MDOT contributed \$15.1 million, and Baltimore County committed \$13.1 million for the project. MDOT does not anticipate any additional State funding. The county completed the construction of a new community college facility and county library in 2013. In 2013 the developer also completed construction of phase 1 residential and retail buildings.

- ***Expected Actions in Fiscal 2016:*** Ongoing construction for the private component of the project.
- **State Center Complex:** State Center is a Planned Urban Development/TOD on 21.8 acres of land owned by the State in Baltimore City. A Master Development Agreement (MDA) approved by BPW in 2009 provides the framework for the development of the entire campus in phases, to include a mix of residential, office, and retail uses. Phase 1 of the project approved by BPW was to contain 630,000 sq. ft. of office space located in three buildings; 150 residential units; 95,000 sq. ft. of retail including a grocery anchor; and a 928-space underground parking garage. State tenant agencies were proposed to be the Department of Health and Mental Hygiene, the Department of Information Technology (DoIT), the Maryland Department of Planning, and the Maryland Transit Administration (MTA).

The project was placed on hold in 2011 following a lawsuit filed by downtown business owners claiming, among other issues, that the project did not follow proper State procurement procedures. Following resolution of the lawsuit in early 2014 in favor of the State, project planning resumed on the project.

In 2014, the developer sought approvals for changes to the Phase 1 program, which included eliminating 60,000 sq. ft. of retail space including the grocery anchor, eliminating 130 residential units, reducing the size of the garage to 580 spaces, and potentially adding a private school. The Department of General Services (DGS) and MDOT then began the process to consider these changes. In October 2014, MDOT provided notice of a change of scope of the garage project, as well as notice of the intent of DGS to present amendments to the MDA to BPW. The MDA amendment was not presented to BPW, and the developer has apparently reconsidered its desire to resize the garage. The project has not moved forward as the State awaits various deliverables from the developer.

- ***Expected Actions in Fiscal 2016:*** Continuation of efforts to verify the Phase 1 Development Plan.
- **Odenton MARC Station:** A mixed-use project on 33 acres of MDOT parking lots and adjacent county-owned land is envisioned. A development team for the project was selected in September 2007 by MDOT and Anne Arundel County and given an exclusive negotiating privilege to pursue an MDA for a mixed-use TOD. Since then, the project has been in the pre-development phase with the parties exploring development concepts and project feasibility. The county council has approved \$9.55 million in Tax-increment Financing (TIF), creation of an Area TIF District, and designation of the TOD District as the area within one-half mile of the Odenton MARC station. MDOT has also committed \$9.55 million to match the county TIF to fund the shared commuter garage and related infrastructure. The parties are working to refine the project concept and the parking and financing plans for both the public and private development.

J00A01 – MDOT – The Secretary’s Office

- ***Expected Actions in Fiscal 2016:*** Continued negotiations. The parties expect to execute an MDA in fiscal 2016.

- **Laurel MARC Station:** The TOD site consists of 4.9 acres of MDOT-owned surface parking lots. In 2009, MDOT issued a Request for Proposals (RFP) and selected a developer for an Exclusive Negotiating Privilege. MDOT is considering a \$1.0 million contribution toward construction of a 258-space garage to be constructed to MTA standards. Laurel is considering a \$4.0 million TIF to support the project.
 - ***Expected Actions in Fiscal 2016:*** Development on the MDA.

- **Reisterstown Plaza Metro:** The TOD site consisted of 35 acres of MDOT-owned surface parking lots and open space. MDOT negotiated an agreement with the federal General Services Administration (GSA) to dispose of an 11.3-acre portion of the site for the construction of a new Social Security Administration (SSA) office building. BPW approved the disposition of the land at its August 26, 2009 meeting. GSA entered into an agreement with a private developer who will own the property, construct a 538,000-sq. ft. rentable building and a 1,076-space parking garage on the property, and lease it back to the federal government for the use of SSA. Construction was completed in early 2014.
 - ***Expected Actions in Fiscal 2016:*** MDOT is considering the issuance of an RFP for development of remaining portions of the site. It is also evaluating the nearby Rodgers Avenue Metro Station for possible designation as a TOD and issuance of an RFP for development of that site.

- **Aberdeen:** The Aberdeen TOD area includes properties identified in the Aberdeen TOD Master Plan adopted by Aberdeen in 2012. The MDOT property holdings are limited in the area. Therefore, the MDOT focus has been on providing technical assistance. MDOT does not anticipate entering into a development agreement at Aberdeen.
 - ***Expected Actions in Fiscal 2016:*** The city and county expect to continue efforts to find developers for the area around the MARC station.

- **Westport Light Rail Station in Baltimore City:** This is a privately financed project, and MDOT does not own any significant property in the area. MDOT approved a \$310,000 grant as a match to a \$516,000 federal grant received by Baltimore City to provide support for pedestrian access improvements to the station. Those improvements have been completed.
 - ***Expected Actions in Fiscal 2016:*** No further action is anticipated.

- **White Flint Metro Station in Montgomery County:** In March 2012, the Montgomery County Executive and MDOT jointly designated the White Flint Metro Station as a TOD. The TOD area includes properties located within the Montgomery County White Flint Sector Plan that are also within one-half mile of the existing and planned entrances to White Flint Metro Station.

The White Flint Sector Plan is a land-use plan to increase density surrounding the White Flint Metro Station and increase the transit mode share of the area. On June 6, 2012, BPW approved the sale of 3.7 acres of excess State property for \$23.5 million. MDOT received \$2.2 million in funds from the sale and dedicated \$21.3 million of the proceeds to fund construction of a parking garage at the North Bethesda Conference Center. The garage is under final design with construction start expected in early summer 2016. Negotiations with WMATA in the fiscal 2016 budget process resulted in an agreement for WMATA to provide three-minute headway service from White Flint to Shady Grove beginning in summer 2018. This will be double the current level of service and should make the White Flint site more attractive for development.

- ***Expected Actions in Fiscal 2016:*** On January 7, 2014, BPW approved the sale of approximately three acres of excess property owned by SHA in the TOD area to Montgomery County for a police/fire station and senior housing. Design work has begun on these facilities with construction start anticipated in fiscal 2020. Additionally, SHA is developing a traffic management plan for the White Flint Bicycle Pedestrian Priority Area that will identify improvements to bicycle and pedestrian safety access.
- **New Carrollton Metro Station:** During fiscal 2011, WMATA and MDOT approved an agreement to jointly issue a Request for Quotation to identify a team to plan and develop a TOD project on 23 acres of WMATA property and 16 acres of adjacent MTA-owned property at the New Carrollton Metro/MARC Station. A developer was selected in February 2011. WMATA executed a Joint Development Agreement (JDA) with the development team in December 2012 addressing the WMATA property. MDOT and the developer have suspended discussions on the terms and conditions of a MDA for the State-owned land, because the developer has determined that Phase I of the project will be located entirely on WMATA-owned property.
- ***Expected Actions in Fiscal 2016:*** The JDA calls for closing on the first phase of the WMATA property by the end of calendar 2016 with construction to follow. MDOT and the developer will be discussing a form of agreement that will enable the developer to exhibit control of the State-owned property for potential Phase II development.

Projects at WMATA-owned Stations

The MDOT report also includes TOD projects at WMATA-owned stations. The following is an update of those projects in which MDOT is in a supporting role.

- **Greenbelt Metro Station:** TOD has been contemplated at the Greenbelt Metro Station for many years. In 2014, GSA announced that the site was one of three under consideration for a new 21,000,000 sq. ft. Federal Bureau of Investigation (FBI) headquarters. The site currently has a partial interchange from I-95/I-495. A full movement interchange has been identified as a need. This project has undergone SHA project planning in the past. This project is moved from the development and evaluation program to the construction program in the 2016 to 2021 CTP.

- ***Expected Actions in Fiscal 2016:*** MDOT will continue to advance infrastructure planning and funding strategies for the proposed FBI relocation. GSA is expected to release the RFP before the end of January. The RFP will be issued to up to five pre-selected development teams. Those teams will be bidding on developing the FBI consolidated Headquarters at one of the short-list sites: the Greenbelt Metro, the former Landover Mall and/or the GSA site near the Springfield Metro. The final decision by the developer and the selection of the site will be sometime prior to the end of 2016.
- **Branch Avenue Metro Station:** WMATA owns 33 acres at the WMATA Branch Avenue Metro Station. Recently, MDOT has been working with WMATA and Prince George’s County to attract a federal office as an anchor tenant. The WMATA board of directors approved an addendum to a 2012 Memorandum of Understanding between WMATA and GSA to encourage GSA to locate federal agencies on WMATA-owned properties adjacent to Metro stations. This could result in the relocation of a large federal agency to this site. In May 2014, WMATA authorized a no-cost transfer of 3 acres of WMATA property at the station to SHA in order to enhance station access. That same month, SHA broke ground on a \$47.0 million set of access improvements to the station scheduled to be substantially complete in fiscal 2017. On September 25, 2014, the Maryland Economic Development Corporation, in cooperation with MDOT, WMATA, and Prince George’s County, submitted a response to a request for expressions of interest by GSA to provide development services for a 535,000 sq. ft. federal office building on the site.
 - ***Expected Actions in Fiscal 2016:*** MDOT anticipates that WMATA and the county will continue with predevelopment planning to support planned development.
- **Naylor Road Metro Station:** WMATA owns 10 acres of surface parking at the Naylor Road Metro Station, and TOD predevelopment activities are underway for the WMATA site. A solicitation is not expected in the near-term. SHA initiated a Community Safety and Enhancement Program (CSEP) project on MD 5 in the station area to improve pedestrian and bicycle access and to support future growth. The final 2016 to 2021 CTP includes \$9.9 million for this project.
 - ***Expected Actions in Fiscal 2016:*** SHA construction of the CSEP project has begun with completion anticipated in fall 2016.
- **Wheaton Metro Station:** During fiscal 2010, Montgomery County and WMATA entered into an agreement to jointly solicit for a development team to develop a TOD on 8.2 acres of properties owned by WMATA and Montgomery County surrounding the station. A developer was selected. However, a feasible plan was not developed, and the process was terminated. In June 2013, Montgomery County issued a new RFP seeking proposals for plans to redevelop Wheaton that include a new headquarters for the Montgomery County Planning Department, public parking, a town square, and residential and/or retail space. The county is working with

its selected developer to create a mixed-use project. The WMATA property is not included in the project.

- ***Expected Actions in Fiscal 2016:*** MDOT participation is uncertain due to the project scope.

- **Shady Grove Metro Station:** Montgomery County is considering redevelopment of 90 acres of county property next to the Shady Grove Metro Station as a TOD. A master plan developer has been selected for the site, and in September 2011, the county and the developer presented the preliminary plan for the county site. The county is also considering a proposal to locate a 6,500-seat arena for entertainment and sporting events. The increased frequency of metro service, discussed above, should also make the Shady Grove TOD more attractive for development.

- ***Expected Actions in Fiscal 2016:*** MDOT expects to continue coordination with Montgomery County and WMATA on the arena project and adjacent county development.

- **Twinbrook Metro Station:** In 2002, WMATA initiated a TOD joint development project for its 26.3-acre site at the Twinbrook Metro Station. It entered into a JDA with a developer to build a TOD project on the site in six stages. WMATA signed a ground lease in 2008 for the first phase consisting of 279 apartment units and 15,500 sq. ft. of retail shops. This is now completed. The developer held a ribbon-cutting (opening) for Phase 1B, the Terano apartment complex, with 214 apartments and 18,000 sq. ft. of retail, on September 30, 2015.

- ***Expected Actions in Fiscal 2016:*** WMATA and the developer continue to explore strategies to support completion of the project. The developer is expected to complete the replacement parking facility and commence the second phase.

Current and Prior Year Budgets

Current and Prior Year Budgets MDOT – The Secretary’s Office (\$ in Thousands)

	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
Fiscal 2015					
Legislative Appropriation	\$0	\$74,913	\$8,906	\$0	\$83,819
Deficiency Appropriation	0	0	0	0	0
Cost Containment	0	0	0	0	0
Budget Amendments	0	252	0	0	252
Reversions and Cancellations	0	-7,792	-940	0	-8,732
Actual Expenditures	\$0	\$67,373	\$7,966	\$0	\$75,339
Fiscal 2016					
Legislative Appropriation	\$0	\$73,764	\$8,906	\$0	\$82,671
Budget Amendments	0	380	0	0	380
Working Appropriation	\$0	\$74,144	\$8,906	\$0	\$83,051

MDOT: Maryland Department of Transportation

Note: The fiscal 2016 working appropriation does not include deficiencies or reversions. Numbers may not sum to total due to rounding.

Fiscal 2015

The fiscal 2015 budget for TSO closed out \$8.5 million lower than the legislative appropriation. An increase in special funds added by budget amendment for the general salary increase (\$251,906) was more than offset by year-end cancellations as follows:

- Year-end cancellations totaled \$8,731,646:
 - Department of Budget and Management-controlled telecommunications allocation (\$2,347,000 in special funds);
 - lower than budgeted spending on salaries due to higher than budgeted turnover and the loss of seven positions as part of the Voluntary Separation Program (\$1,450,060 in special funds);
 - unexpended operating grants-in-aid primarily to Metropolitan Planning Organizations (\$747,704 in special funds and \$939,921 in federal funds);
 - unexpended funds budgeted for the Coordinated Alternative Paratransit Services pilot project (\$977,000 in special funds);
 - DoIT allocation (\$912,000 in special funds);
 - Statewide personnel system allocation (\$310,000 in special funds);
 - Software licenses and maintenance support (\$536,000 in special funds); and
 - Information technology contractual services (\$512,000 in special funds).

Fiscal 2016

The fiscal 2016 appropriation increased by \$380,225 for the restoration of salaries.

Audit Findings

Audit Period for Last Audit:	July 5, 2011 – January 15, 2015
Issue Date:	February 2016
Number of Findings:	3
Number of Repeat Findings:	0
% of Repeat Findings:	n/a
Rating: (if applicable)	n/a

Finding 1: MDOT did not establish an adequate process to verify that WMATA operating and capital grant award amounts were properly calculated, and had not audited the grants provided beyond fiscal 2009. The department concurred with the finding and related recommendations.

Finding 2: MDOT did not always comply with State procurement regulations with respect to bidding requirements and publishing contract awards. MDOT also awarded contracts in amounts substantially higher than could be supported by the related bids. The department concurred with the finding and related recommendations.

Finding 3: MDOT did not monitor employment agreements with two individuals. As a result, payments to one individual exceeded the contract amount by \$142,000. Payments totaling \$249,000 were made for services provided by the other individual after the agreement had expired. The department concurred with the finding and related recommendations.

Object/Fund Difference Report
Maryland Department of Transportation – The Secretary’s Office

<u>Object/Fund</u>	<u>FY 15 Actual</u>	<u>FY 16 Working Appropriation</u>	<u>FY 17 Allowance</u>	<u>FY 16 - FY 17 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	282.50	283.50	283.50	0.00	0%
02 Contractual	5.00	5.00	6.00	1.00	20.0%
Total Positions	287.50	288.50	289.50	1.00	0.3%
Objects					
01 Salaries and Wages	\$ 28,084,952	\$ 29,805,994	\$ 30,171,612	\$ 365,618	1.2%
02 Technical and Spec. Fees	209,780	262,136	322,888	60,752	23.2%
03 Communication	1,128,183	4,004,240	4,204,454	200,214	5.0%
04 Travel	179,807	193,906	190,682	-3,224	-1.7%
06 Fuel and Utilities	299,493	372,643	317,628	-55,015	-14.8%
07 Motor Vehicles	126,132	72,902	63,933	-8,969	-12.3%
08 Contractual Services	29,250,806	31,987,002	31,541,440	-445,562	-1.4%
09 Supplies and Materials	203,387	225,770	221,670	-4,100	-1.8%
10 Equipment – Replacement	3,952	2,100	2,100	0	0%
11 Equipment – Additional	6,109	8,900	8,900	0	0%
12 Grants, Subsidies, and Contributions	12,865,045	13,104,356	13,016,304	-88,052	-0.7%
13 Fixed Charges	2,981,591	3,010,850	2,995,827	-15,023	-0.5%
Total Objects	\$ 75,339,237	\$ 83,050,799	\$ 83,057,438	\$ 6,639	0%
Funds					
03 Special Fund	\$ 67,372,749	\$ 74,144,390	\$ 74,151,029	\$ 6,639	0%
05 Federal Fund	7,966,488	8,906,409	8,906,409	0	0%
Total Funds	\$ 75,339,237	\$ 83,050,799	\$ 83,057,438	\$ 6,639	0%

Note: The fiscal 2016 working appropriation does not include deficiencies or reversions. The fiscal 2017 allowance does not include contingent reductions.

Fiscal Summary
Maryland Department of Transportation – The Secretary’s Office

<u>Program/Unit</u>	<u>FY 15 Actual</u>	<u>FY 16 Wrk Approp</u>	<u>FY 17 Allowance</u>	<u>Change</u>	<u>FY 16 - FY 17 % Change</u>
01 Executive Direction	\$ 26,312,149	\$ 28,169,788	\$ 28,150,579	-\$ 19,209	-0.1%
02 Operating Grants-in-aid	12,741,954	13,001,356	12,895,804	-105,552	-0.8%
03 Facilities and Capital Equipment	46,456,001	103,768,589	143,470,778	39,702,189	38.3%
07 Office of Transportation Technology Services	36,285,134	41,879,655	42,011,055	131,400	0.3%
08 Major Information Technology Development Projects	3,222,446	258,953	306,318	47,365	18.3%
Total Expenditures	\$ 125,017,684	\$ 187,078,341	\$ 226,834,534	\$ 39,756,193	21.3%
Special Fund	\$ 113,761,981	\$ 151,251,932	\$ 166,374,125	\$ 15,122,193	10.0%
Federal Fund	11,255,703	35,826,409	60,460,409	24,634,000	68.8%
Total Appropriations	\$ 125,017,684	\$ 187,078,341	\$ 226,834,534	\$ 39,756,193	21.3%

Note: The fiscal 2016 working appropriation does not include deficiencies or reversions. The fiscal 2017 allowance does not include contingent reductions.

**Budget Amendments for Fiscal 2016
Maryland Department of Transportation
The Secretary’s Office – Operating**

<u>Status</u>	<u>Amendment</u>	<u>Fund</u>	<u>Justification</u>
Approved	\$380,225	Special	2% salary restoration.
Pending	25,786	Special	Realign Workers’ Compensation charges.

Source: Maryland Department of Transportation

**Budget Amendments for Fiscal 2016
Maryland Department of Transportation
The Secretary’s Office – Capital**

<u>Status</u>	<u>Amendment</u>	<u>Fund</u>	<u>Justification</u>
Approved	\$26,757	Special	2% salary restoration.
Pending	3,625,210	Special	Adjusts the amended appropriation to agree with the final fiscal 2016 to 2021 <i>Consolidated Transportation Program</i> .
	-11,887,000	Federal	
	-\$8,261,790	Total	

Source: Maryland Department of Transportation