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# **Maryland Department of Transportation Fiscal 2018 Budget Overview**

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

**February 2017**

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For further information contact: Steven D. McCulloch

Phone: (410) 946-5530

*Analysis of the FY 2018 Maryland Executive Budget, 2017*

*J00 – MDOT – Fiscal 2018 Budget Overview*

**J00**  
**Maryland Department of Transportation**  
**Fiscal 2018 Budget Overview**

***Analysis in Brief***

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**Recommended Actions**

1. Add annual budget bill language requiring notification of capital budget changes.
2. Add annual budget bill language establishing a position cap.
3. Adopt committee narrative expressing the intent that the Maryland Department of Transportation use the five-year average annual increase when forecasting operating expenses.

*J00 – MDOT – Fiscal 2018 Budget Overview*

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***Transportation Trust Fund Overview***

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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), the Motor Vehicle Administration, the Maryland Port Administration, and the Maryland Aviation Administration 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 to local jurisdictions and the TTF. The funds retained by the TTF support the capital program, debt service, and operating costs.

**Fiscal 2016 TTF Revenue Closeout**

As shown in **Exhibit 1**, the TTF ended fiscal 2016 with a fund balance of \$126 million, an amount of \$1 million higher than the \$125 million projected ending balance. Both revenues and expenditures were lower than projected.

Spending was a net \$78 million less than estimated. Increases related to winter maintenance and other department operations were more than offset by decreased capital spending. Capital spending for system preservation projects was reduced to help offset the increased winter maintenance spending and special funds spending on the Purple Line transit project was reduced in order to utilize available federal funds first.

Nonbond-related revenues exceeded projections by a net \$48 million. Bond sales were \$150 million below projections reflecting reduced cash flow needs and receipt of \$25 million in bond premiums.

**Exhibit 1**  
**Fiscal 2016 Transportation Trust Fund Closeout**  
**State Funds Only**  
**(\$ in Millions)**

	<u>Projected</u>	<u>Actual</u>	<u>Variance</u>
<b>Starting Fund Balance</b>	<b>\$269</b>	<b>\$269</b>	<b>\$0</b>
<b>Revenues</b>			
Motor Fuel Taxes	\$1,046	\$1,018	-\$28
Titling Taxes	855	860	5
Corporate Income Tax, Registrations, and Misc.			
Motor Vehicle Administration Fees	845	864	19
Sales Tax – Rental Vehicles	31	31	0
MDOT Operating Revenues (MAA, MPA, and MTA)	441	437	-4
Other Receipts and Adjustments	64	120	56
Bond Proceeds and Premiums	450	325	-125
<b>Total Revenues</b>	<b>\$3,732</b>	<b>\$3,655</b>	<b>-\$77</b>
<b>Uses of Funds</b>			
MDOT Operating Expenditures	\$1,766	\$1,830	\$64
MDOT Capital Expenditures	1,607	1,472	-135
MDOT Debt Service	264	259	-5
Highway User Revenues	176	177	1
Other Expenditures	63	60	-3
<b>Total Expenditures</b>	<b>\$3,876</b>	<b>\$3,798</b>	<b>-\$78</b>
<b>Final Ending Fund Balance</b>	<b>\$125</b>	<b>\$126</b>	<b>\$1</b>

MAA: Maryland Aviation Administration  
MDOT: Maryland Department of Transportation  
MPA: Maryland Port Administration  
MTA: Maryland Transit Administration

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

Source: Maryland Department of Transportation

**Fiscal 2017 Year-to-date Revenue Receipts**

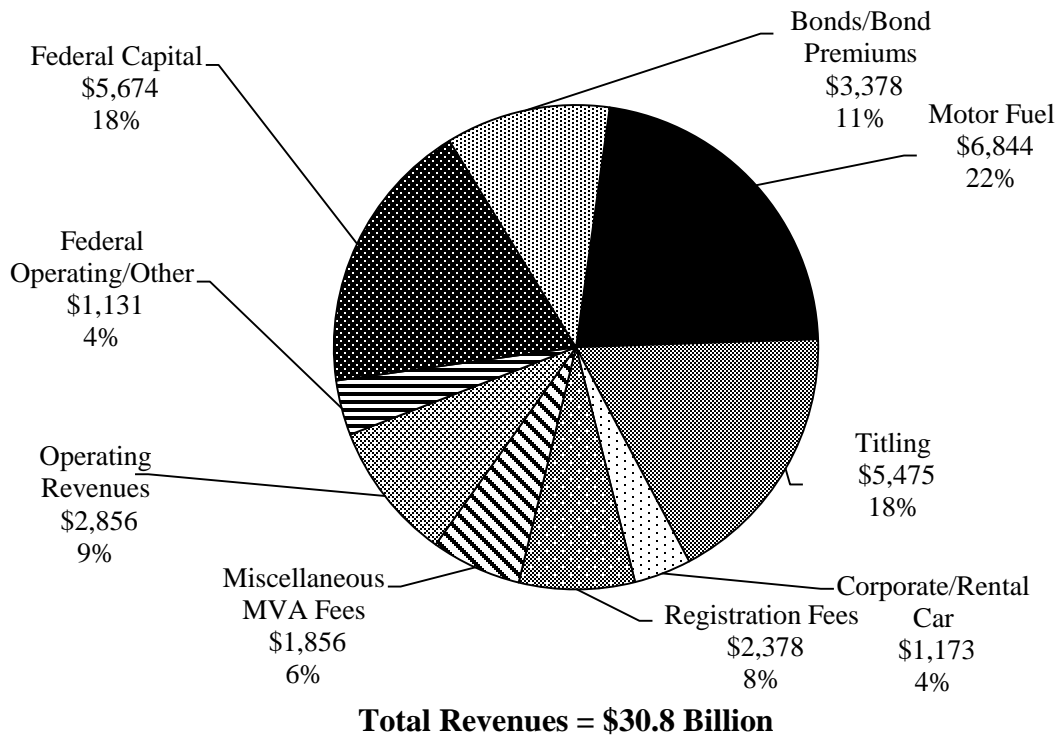
Fiscal 2017 attainment for two of the TTF’s three largest revenue sources are exceeding projections based on five-year average attainment rates. With collections recorded through

November 2016, motor fuel tax revenues were \$23.2 million higher than expected, motor vehicle titling revenues were \$13.4 million higher, while motor vehicle registration revenues were down \$1.5 million. Should attainment continue at the levels experienced to date, combined collections could exceed estimates by \$102.0 million for all of fiscal 2017. It is worth noting, however, that at this same point in fiscal 2016, attainment for these three sources was on track to end the year \$74.0 million above estimates but actually ended the year \$16.7 million lower than the estimate.

**Fiscal 2017 through 2022 Revenues**

**Exhibit 2** shows that the TTF’s largest revenue sources in the fiscal 2017 to 2022 forecast period are the motor fuel tax, federal capital aid, titling tax, and bond sale revenues, which collectively represent 69.5% of all projected revenues. In support of the capital program, MDOT is projecting \$3.4 billion bond proceeds and bond premiums, representing 11.0% of projected revenues.

**Exhibit 2  
Transportation Trust Fund  
State-sourced Revenues and Federal Funds  
Fiscal 2017-2022  
(\$ in Millions)**



MVA: Motor Vehicle Administration

Source: Maryland Department of Transportation, Fiscal 2017-2022 *Transportation Trust Fund Forecast*, January 2017

## Six-year Transportation Trust Fund Forecast Summary

Exhibit 3 shows the TTF forecast summary, including the fiscal 2016 actual and the fiscal 2017 to 2022 projections. It reflects the decision of MDOT to increase the target closing balance beginning in fiscal 2019 to \$150 million from the \$125 million used in the earlier years of the forecast. The increased fund balance is intended to accommodate working cash flow requirements during the year.

### Exhibit 3 Transportation Trust Fund Forecast Summary Fiscal 2016-2022 (\$ in Millions)

	Fiscal Years							Total 2017-22
	Actual 2016	2017	2018	2019	2020	2021	2022	
Opening Fund Balance	\$269	\$126	\$125	\$125	\$150	\$150	\$150	
Closing Fund Balance	\$126	\$125	\$125	\$150	\$150	\$150	\$150	
<b>Net Revenues</b>								
Taxes and Fees	\$2,536	\$2,545	\$2,583	\$2,670	\$2,733	\$2,811	\$2,889	\$16,231
Operating and Miscellaneous	644	655	657	652	658	678	687	3,987
<b>Subtotal</b>	<b>\$3,180</b>	<b>\$3,200</b>	<b>\$3,240</b>	<b>\$3,322</b>	<b>\$3,391</b>	<b>\$3,489</b>	<b>\$3,576</b>	<b>\$20,218</b>
Bond Proceeds	300	570	745	740	545	335	390	\$3,325
Bond Premiums	25	53	0	0	0	0	0	53
Fund Balance Increase/Use	143	1	0	-25	0	0	0	-24
<b>Total Net Revenues</b>	<b>\$3,649</b>	<b>\$3,824</b>	<b>\$3,985</b>	<b>\$4,037</b>	<b>\$3,936</b>	<b>\$3,824</b>	<b>\$3,966</b>	<b>\$23,572</b>
<b>Expenditures</b>								
Debt Service	\$259	\$300	\$329	\$338	\$356	\$426	\$476	\$2,226
Operating Budget	1,917	1,947	2,030	2,080	2,131	2,181	2,229	12,598
State Capital	1,472	1,576	1,626	1,619	1,449	1,218	1,261	8,749
<b>Total Expenditures</b>	<b>\$3,649</b>	<b>\$3,824</b>	<b>\$3,985</b>	<b>\$4,037</b>	<b>\$3,936</b>	<b>\$3,824</b>	<b>\$3,966</b>	<b>\$23,572</b>
<b>Debt</b>								
Debt Outstanding	\$2,146	\$2,498	\$3,022	\$3,562	\$3,906	\$3,978	\$4,056	
Debt Coverage – Net Income	3.5	3.7	3.3	2.7	2.5	2.5	2.5	
<b>Local Highway User Revenue</b>	<b>\$177</b>	<b>\$173</b>	<b>\$176</b>	<b>\$178</b>	<b>\$180</b>	<b>\$183</b>	<b>\$185</b>	<b>\$1,074</b>
<b>Capital Summary</b>								
State Capital\HUR Capital	\$1,472	\$1,576	\$1,626	\$1,619	\$1,449	\$1,218	\$1,261	\$8,749
Net Federal Capital (Cash Flow)	723	1,104	1,022	1,037	856	848	807	\$5,674
<b>Total Capital Expenditures</b>	<b>\$2,195</b>	<b>\$2,680</b>	<b>\$2,648</b>	<b>\$2,656</b>	<b>\$2,305</b>	<b>\$2,066</b>	<b>\$2,068</b>	<b>\$14,423</b>
GARVEE Debt Service	\$87	\$87	\$87	\$87	\$51	\$0	\$0	\$314

GARVEE: Grant Anticipation Revenue Vehicle

HUR: Highway User Revenues

Source: Maryland Department of Transportation, Fiscal 2017-2022 *Transportation Trust Fund Forecast*, January 2017; Department of Legislative Services

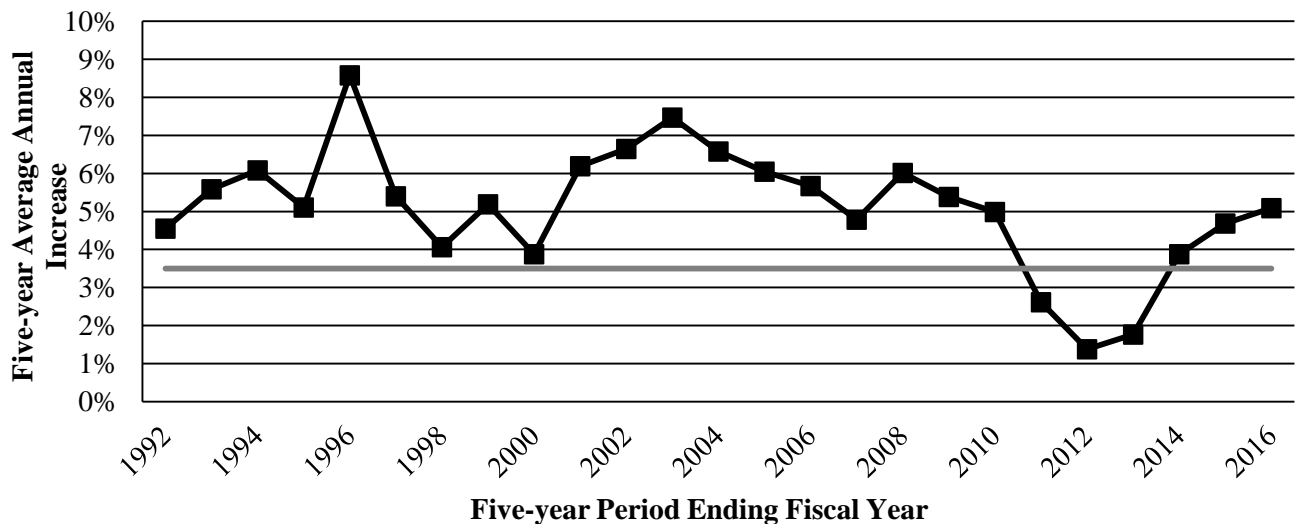


Revenues are first used to pay debt service and then cover the department’s operating expenses. Remaining revenues are used for the capital program, which is also funded through the sale of bonds and with federal aid. Over the six-year forecast period, bond proceeds are projected to cover almost 22.5% of all capital expenditures. The projected issuance of debt will increase the amount of debt outstanding from \$2.1 billion in fiscal 2016 to \$4.1 billion by the end of fiscal 2022. Bond covenants require MDOT to maintain a net income to debt service ratio of at least 2.0 and the department has an administrative policy to maintain a ratio of no less than 2.5. As shown in Exhibit 3, the debt service coverage ratio is 3.7 in fiscal 2017 and declines to the 2.5 minimum target level for the final three years of the forecast. By fiscal 2022, debt service will consume 13.3% of net revenues to the department.

**Operating Budget Forecast Understates Likely Spending Levels**

Committee narrative in the 2016 *Joint Chairmen’s Report* directed MDOT to use the five-year average annual increase for the period ending with the most recent actual spending when calculating operating expenses beyond the allowance to be included in the TTF forecast. For fiscal 2017 to 2022, the average annual increase in departmental operating expenses included in MDOT’s forecast is 3.4%. As shown in **Exhibit 4**, the five-year average annual increase has dipped below 3.5% only three times since fiscal 1997, and those five-year averages encompass the year prior to and the years of the Great Recession. Applying the five-year average annual increase for the period ending with fiscal 2016 (5.1%) to MDOT’s fiscal 2019 to 2022 operating expenses would result in a total increase in operating expenses for this period of \$585 million, or 4.6% more than MDOT included in its forecast.

**Exhibit 4**  
**Maryland Department of Transportation**  
**Operating Expenses – Five-year Average Annual Change**  
**For Five-year Periods Ending Fiscal 1997-2016**



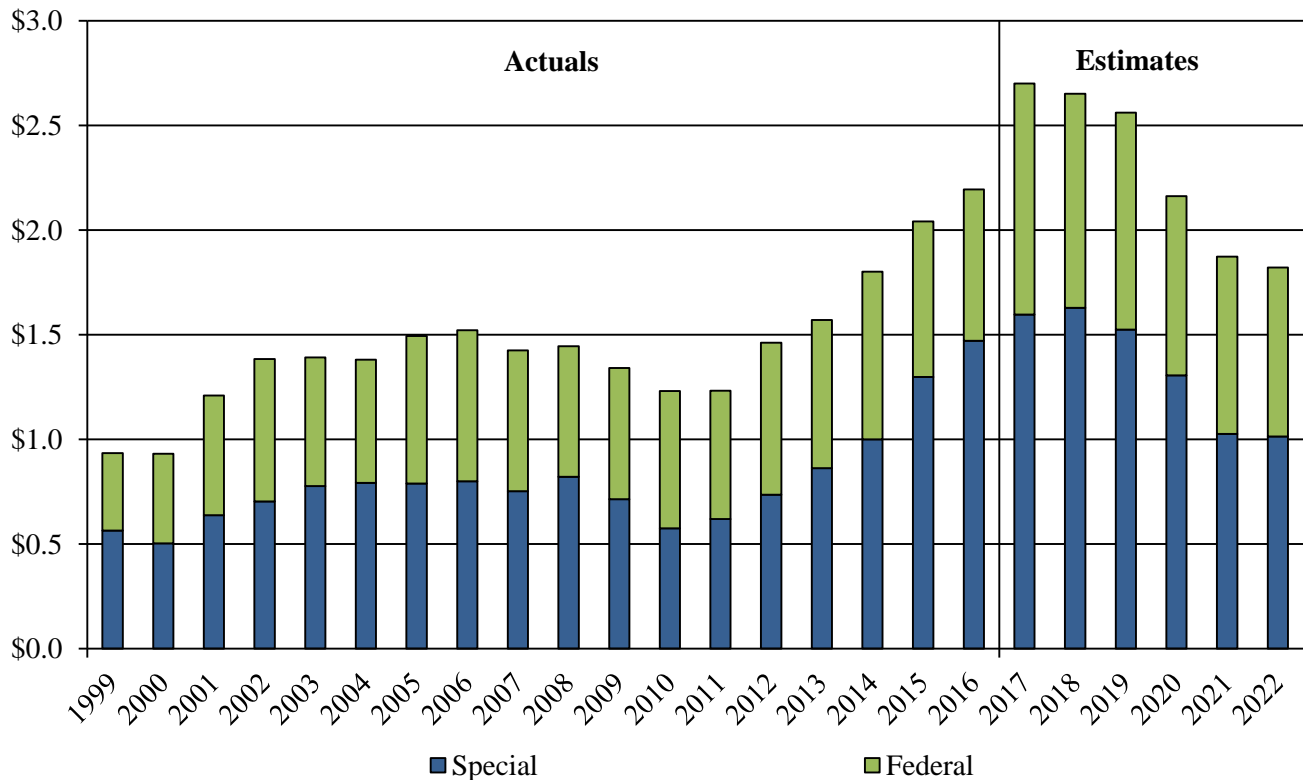
Source: Maryland Department of Transportation, *Transportation Trust Fund Forecasts*, 1993-2017

Underestimating the level of operating expenses results in capital spending levels that are overstated since operating expenses and debt service are deducted from available revenues to determine the amounts available for the capital program. By understating the likely amount of operating spending in the forecast, MDOT was able to program an additional \$1.66 billion in capital spending (comprising the \$585.0 million not programmed for operating expenses and \$1.2 billion in bond funds for which capacity to issue would not have existed due to debt service coverage ratios being at the minimum acceptable levels for the final three years of the MDOT forecast).

### Capital Spending Trends

**Exhibit 5** shows the level of planned capital spending compared with past years. Combined special and federal capital spending exceeded \$2.0 billion for the first time in fiscal 2015. It is projected to peak in fiscal 2017 at \$2.7 billion and then decline through the rest of the forecast.

**Exhibit 5**  
**Capital Spending Trends**  
**Fiscal 1999-2022**  
**(\$ in Billions)**



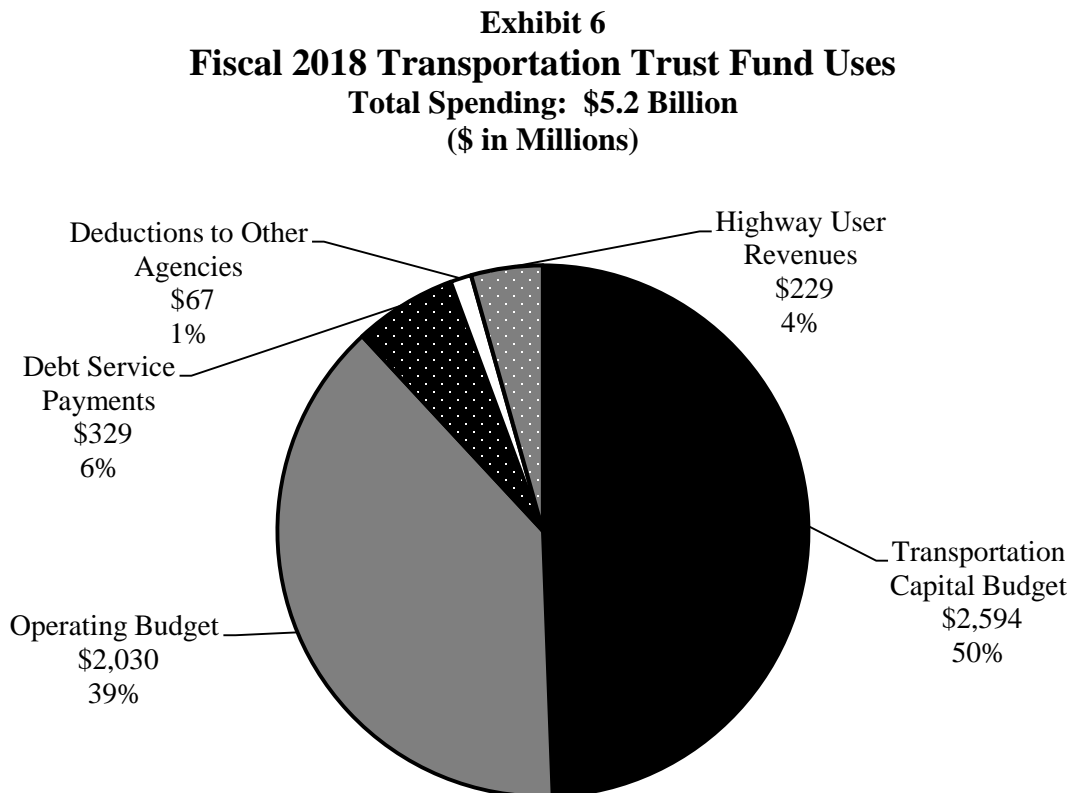
Source: Maryland Department of Transportation; Department of Legislative Services

## Budget Overview

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**Exhibit 6** shows all expenditures from the TTF by category for fiscal 2018. The capital program comprises half the spending and the operating budget for the department comprises an additional 39% of total spending. The remainder of TTF expenditures go toward debt service on Consolidated Transportation Bonds (CTB), the share of the Highway User Revenues (HURs) distributed to counties and municipalities, and deductions to other State agencies.

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PAYGO: pay-as-you-go

Notes: The chart includes special funds from the Transportation Trust Fund and federal funds only. It excludes \$183 million in other funding for the capital program. For illustrative purposes, other funding can include the Maryland Transportation Authority, passenger facility charges, customer facility changes, local county participation, pass through federal funding for the Washington Metropolitan Area Transit Authority, and funding from the Transportation Security Administration.

The \$53 million capital grant to local governments is included in the Highway User Revenues slice and deducted from the Transportation Capital Budget slice.

Source: Maryland Department of Transportation, *Transportation Trust Fund Forecast*, January 2017

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## Fiscal 2017 Actions

### Section 20 Position Abolitions

Section 20 of the fiscal 2017 budget bill required the Governor to abolish 657 vacant positions and reduce general funds by \$20 million and special funds by \$5 million from the fiscal 2017 budget. Pursuant to this section, 151 MDOT positions were abolished and \$3 million in special funds were reduced. **Exhibit 7** shows the position reduction by mode.

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#### Exhibit 7 Fiscal 2017 Budget Bill Section 20 Position Reduction

	<u>Operating</u>	<u>Capital</u>	<u>Total</u>
<b>Regular Positions</b>			
Secretary's Office	0.0	0.0	0.0
State Highway Administration	75.0	0.0	75.0
Port Administration	3.0	1.0	4.0
Motor Vehicle Administration	14.0	0.0	14.0
Transit Administration	53.0	2.0	55.0
Aviation Administration	2.0	1.0	3.0
<b>Total</b>	<b>147.0</b>	<b>4.0</b>	<b>151.0</b>

Source: Department of Budget and Management

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The \$3 million reduction made to MDOT's fiscal 2017 budget as part of the Section 20 actions represented only 29% of the total \$10.4 million in savings that resulted from the position abolitions. The excess savings remain within MDOT's fiscal 2017 budget and will either be reallocated to other purposes or be retained in the TTF to support future operating or capital spending needs.

## Proposed Budget

**Exhibit 8** shows the operating and transportation capital budgets for the modal administrators, along with amounts budgeted for debt service and local transportation grants from the fiscal 2016 actuals through the 2018 allowance. Capital grants to local governments have been reflected in the Local Highway User Grants line and subtracted from the capital budget line for the Secretary's office. The fiscal 2018 amounts have been adjusted to reflect reductions contained in Section 19 of the budget to funds budgeted for pension contributions.

MDOT's total fiscal 2018 allowance of \$5.2 billion is an increase of \$78.3 million (1.5%) over the current year working appropriation. The modal operating portion of the allowance increases

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\$94.7 million (4.9%), local HUR grant funding, including capital grants to local governments, increases \$26.1 million (12.9%), and debt service increases \$18.8 million (6.1%). The allowance for the transportation capital budget decreases by \$61.4 million (2.3%) from the current year working appropriation. An increase in special funds of \$160.8 million (4.1%) is partially offset by a decrease of \$81.6 million (6.8%) in federal funds.

**Exhibit 8  
Transportation Budget Overview  
Fiscal 2016-2018**

	<u>Actuals 2016</u>	<u>Working App. 2017</u>	<u>Allowance 2018<sup>1</sup></u>	<u>\$ Change 2017-2018</u>	<u>% Change 2017-18</u>
<b>Operating</b>					
Secretary's Office	\$80,229,024	\$86,051,647	\$88,571,207	\$2,519,560	2.9%
WMATA	318,917,068	323,422,000	365,284,953	41,862,953	12.9%
State Highway Administration	297,189,849	272,011,478	277,915,411	5,903,933	2.2%
Port Administration	47,520,647	51,612,926	51,572,106	-40,820	-0.1%
Motor Vehicle Administration	198,914,821	208,831,670	206,465,521	-2,366,149	-1.1%
Maryland Transit Administration	781,769,161	787,692,101	828,126,539	40,434,438	5.1%
Aviation Administration	192,692,250	187,928,742	194,355,952	6,427,210	3.4%
<b>Subtotal</b>	<b>\$1,917,232,820</b>	<b>\$1,917,550,564</b>	<b>\$2,012,291,689</b>	<b>\$94,741,125</b>	<b>4.9%</b>
<b>Debt Service</b>	<b>\$259,323,630</b>	<b>\$309,911,986</b>	<b>\$328,755,010</b>	<b>\$18,843,024</b>	<b>6.1%</b>
<b>Local Highway User Grants</b>	<b>\$202,303,982</b>	<b>\$202,413,088</b>	<b>\$228,517,625</b>	<b>\$26,104,537</b>	<b>12.9%</b>
<b>Capital</b>					
Secretary's Office	\$57,734,965	\$111,965,999	\$50,788,394	-\$61,177,605	-54.6%
WMATA	129,659,546	125,400,000	155,922,000	30,522,000	24.3%
State Highway Administration	1,321,798,517	1,503,187,000	1,528,397,323	25,210,323	1.7%
Port Administration	102,039,939	125,661,000	98,563,772	-27,097,228	-21.6%
Motor Vehicle Administration	21,377,919	21,827,729	22,409,183	581,454	2.7%
Maryland Transit Administration	389,987,148	636,023,000	634,241,823	-1,781,177	-0.3%
Aviation Administration	147,097,807	134,200,000	106,584,121	-27,615,879	-20.6%
<b>Subtotal</b>	<b>\$2,169,695,841</b>	<b>\$2,658,264,728</b>	<b>\$2,596,906,615</b>	<b>-\$61,358,113</b>	<b>-2.3%</b>
<b>Total of All Funds</b>					
Special Fund	\$3,737,565,152	\$3,886,262,427	\$4,047,111,858	\$160,849,431	4.1%
Federal Fund	810,089,362	1,200,977,939	1,119,359,081	-81,618,858	-6.8%
Reimbursable Fund	901,759	900,000	0	-900,000	-100.0%
<b>Grand Total</b>	<b>\$4,548,556,273</b>	<b>\$5,088,140,366</b>	<b>\$5,166,470,939</b>	<b>\$78,330,573</b>	<b>1.5%</b>

WMATA: Washington Metropolitan Area Transit Authority

<sup>1</sup> Adjusted to reflect reductions made to pension contribution funding in Section 19 of the budget bill.

Note: Capital grants to local governments have been added to the Local Highway User Grants line and subtracted from the capital line for the Secretary's Office.

Source: Maryland State Budget

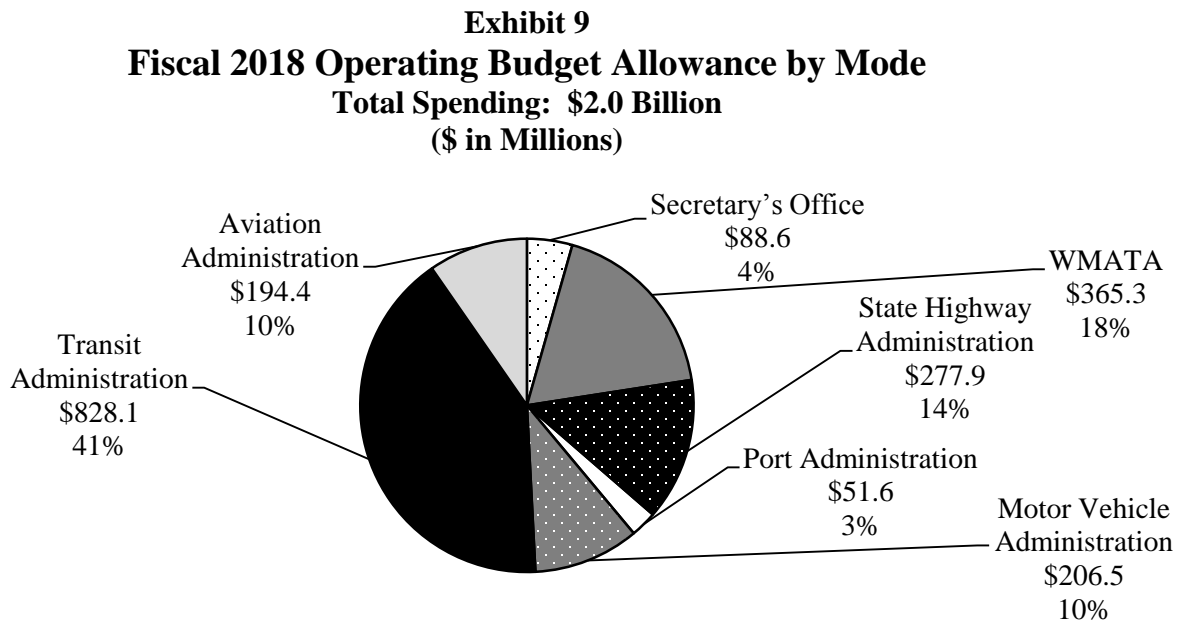
## Operating Budget Analysis

MDOT’s operating allowance includes funding for the operations of each of the modes as well as debt service and local aid through HURs. MDOT’s fiscal 2018 operating budget allowance totals almost \$2.6 billion, an increase of \$139.7 million compared to the current year working appropriation. Just over 78% of the operating allowance is used for the operating budget of each of the modes. Debt service accounts for almost 13% of operational spending and local HUR/capital grants comprises almost 9% of operational spending.

### Fiscal 2018 Proposed Budget

#### Operating Programs

The fiscal 2018 allowance for the modal operating budgets, adjusted to reflect the Section 19 reductions for pension contributions, totals \$2.0 billion, an increase of \$94.7 million or 4.9% over the fiscal 2017 working appropriation. The largest increase is in the grant to the Washington Metropolitan Area Transit Authority (WMATA), which increases by almost \$41.9 million or 12.9%. The next largest increase occurs in the budget for MTA which grows by \$40.4 million or 5.1% over the current year working appropriation. **Exhibit 9** shows fiscal 2018 operating budget allowances by mode and provides the percentage of total operating spending that the budget for each mode represents. Combined MTA and WMATA transit spending represents the largest share of the MDOT operating budget at 59.3%.



WMATA: Washington Metropolitan Area Transit Authority

Source: Department of Legislative Services; Maryland State Budget Books, Fiscal 2018, Volume 1

## **Across-the-board Reductions**

The fiscal 2018 budget bill includes a \$54.5 million (all funds) across-the-board contingent reduction for a supplemental pension payment. Annual payments are mandated for fiscal 2017 through 2020 if the Unassigned General Fund balance exceeds a certain amount at the close of the fiscal year. MDOT’s share of these reductions is \$1,952,439 in special funds, and \$108,920 in federal funds. This action is tied to a provision in the Budget Reconciliation and Financing Act of 2017.

## **Personnel**

As shown in **Exhibit 10**, the fiscal 2018 allowance contains 9,057.5 regular positions – 50.0 fewer than in the fiscal 2017 working appropriation. The reduction results from the abolition of long-term vacancies and was made to improve the long-term affordability of the MDOT budget. Contractual full-time equivalents (FTEs) increase by 81.5 in the fiscal 2018 allowance and are added to help with capital project delivery, compliance with new legislation, and additional responsibilities imposed in the area of federal- and State-mandated compliance with minority and disadvantaged business requirements.

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**Exhibit 10**  
**Regular and Contractual Full-time Equivalents**  
**Operating and Capital Programs**  
**Fiscal 2016-2018**

	<u>2016</u>	<u>Working 2017</u>	<u>Allowance 2018</u>	<u>Change 2017-18</u>	<u>% Change 2017-18</u>
<b>Regular Positions</b>					
Secretary’s Office	304.5	309.5	315.5	6.0	1.9%
State Highway Administration	3,034.5	2,983.5	2,958.5	-25.0	-0.8%
Port Administration	219.0	215.0	215.0	0.0	0.0%
Motor Vehicle Administration	1,710.5	1,714.5	1,707.5	-7.0	-0.4%
Transit Administration	3,357.5	3,389.5	3,367.5	-22.0	-0.6%
Aviation Administration	499.5	495.5	493.5	-2.0	-0.4%
<b>Subtotal</b>	<b>9,125.5</b>	<b>9,107.5</b>	<b>9,057.5</b>	<b>-50.0</b>	<b>-0.5%</b>
<b>Contractual Positions</b>					
Secretary’s Office	6.0	6.0	10.0	4.0	66.7%
State Highway Administration	17.0	17.0	88.0	71.0	417.6%
Port Administration	0.7	1.2	1.2	0.0	0.0%
Motor Vehicle Administration	0.0	0.0	6.5	6.5	n/a
Transit Administration	16.0	16.0	16.0	0.0	0.0%
Aviation Administration	0.5	0.5	0.5	0.0	0.0%
<b>Subtotal</b>	<b>40.2</b>	<b>40.7</b>	<b>122.2</b>	<b>81.5</b>	<b>200.2%</b>

Source: Department of Budget and Management

The large increase in the number of contractual FTEs is worrisome in that it appears as if FTEs are being used to replace regular positions lost through the fiscal 2017 Section 20 reductions and in the fiscal 2018 allowance as noted in Exhibit 10. For example, the State Highway Administration (SHA), which receives 71 new contractual FTEs in the fiscal 2018 allowance lost a combined 100 regular positions between the fiscal 2017 and 2018 actions. The purpose of contractual FTEs is to cover temporary staffing needs. Ongoing agency functions should be handled by regular positions. **The Secretary should discuss with the committees the impacts the loss of regular positions will have on carrying out the functions of the department and the extent to which new contractual FTEs will be used for ongoing functions.**

## **Debt Service**

The fiscal 2018 allowance for debt service payments is \$328.8 million, an increase of \$18.8 million, or 6.1%, from the fiscal 2017 working appropriation. The increase is the result of debt service on currently outstanding debt plus the estimated debt service due to the planned issuance of an additional \$185.0 million in bonds in fiscal 2017 (which will bring total issuances in fiscal 2017 to \$570.0 million) and \$745.0 million in bonds in fiscal 2018.

At the end of fiscal 2018, CTB debt outstanding is projected to total \$3.0 billion, which remains below the statutory cap of \$4.5 billion. The MDOT forecast indicates that bond coverage ratios will be adequate throughout the forecast period although they will be at the minimum acceptable level for the final three years of the forecast period.

## **Local Highway User Revenues**

HUR are derived from a portion of tax and fee revenues that are deposited into the GMVRA and subsequently distributed among the TTF, Baltimore City, counties, and municipalities. The local share of HUR in fiscal 2018 is \$175.5 million, a \$1.9 million decrease from the fiscal 2017 working appropriation. The decrease reflects the lower estimated attainment levels of the motor fuel tax and Corporate Income Tax.

In addition to the HUR distribution, local governments received capital grants totaling \$25.0 million in each of fiscal 2016 and 2017 and the allowance contains capital grants to local governments totaling \$53.0 million. The combined HUR and capital grant amount in fiscal 2018 equals 12.5% of estimated HUR revenues.

**Exhibit 11** provides a summary of HUR and capital grant distributions for fiscal 2016 to 2018. The capital grants, when added to the base HUR distributions, change the relative allocation percentages among the counties, municipalities, and Baltimore City. Under the statutory allocation of HUR, Baltimore City receives 80.2% of total local HUR, counties receive 15.6%, and municipalities receive 4.2%. The combined HUR/capital grant percentages are 64.0% for Baltimore City, 24.0% for counties, and 12.0% for municipalities.



**Exhibit 11  
Distribution of Highway User Revenues and Local Transportation Capital Grants  
Fiscal 2016-2018**

	<u>Percent Share</u>	<u>Actual Fiscal 2016</u>	<u>Working Fiscal 2017</u>	<u>Allowance Fiscal 2018</u>
<b>Highway User Revenues</b>				
MDOT	90.4%	\$1,669,612,496	\$1,630,072,008	\$1,652,639,464
Local Share	9.6%	177,303,982	173,104,992	175,501,536
<b>Total HUR</b>	<b>100.0%</b>	<b>\$1,846,916,478</b>	<b>\$1,803,177,000</b>	<b>\$1,828,141,000</b>
<b>HUR Local Distribution</b>				
Baltimore City	7.7%	\$142,212,569	\$138,844,629	\$140,766,857
Counties	1.5%	27,703,747	27,047,655	27,422,115
Municipalities	0.4%	7,387,666	7,212,708	7,312,564
<b>Total</b>	<b>9.6%</b>	<b>\$177,303,982</b>	<b>\$173,104,992</b>	<b>\$175,501,536</b>
<b>Local Transportation Capital Grants</b>				
Baltimore City		\$2,000,000	\$2,000,000	\$5,484,423
Counties		4,000,000	4,000,000	27,422,115
Municipalities		19,000,000	19,000,000	20,109,551
<b>Total</b>		<b>\$25,000,000</b>	<b>\$25,000,000</b>	<b>\$53,016,089</b>
<b>Total Local HUR and Capital Grants</b>		<b>\$202,303,982</b>	<b>\$198,104,992</b>	<b>\$228,517,625</b>

MDOT: Maryland Department of Transportation

HUR: Highway User Revenues

Source: Maryland State Budget Books, Fiscal 2018, Volume 1

## ***PAYGO Capital Budget Analysis***

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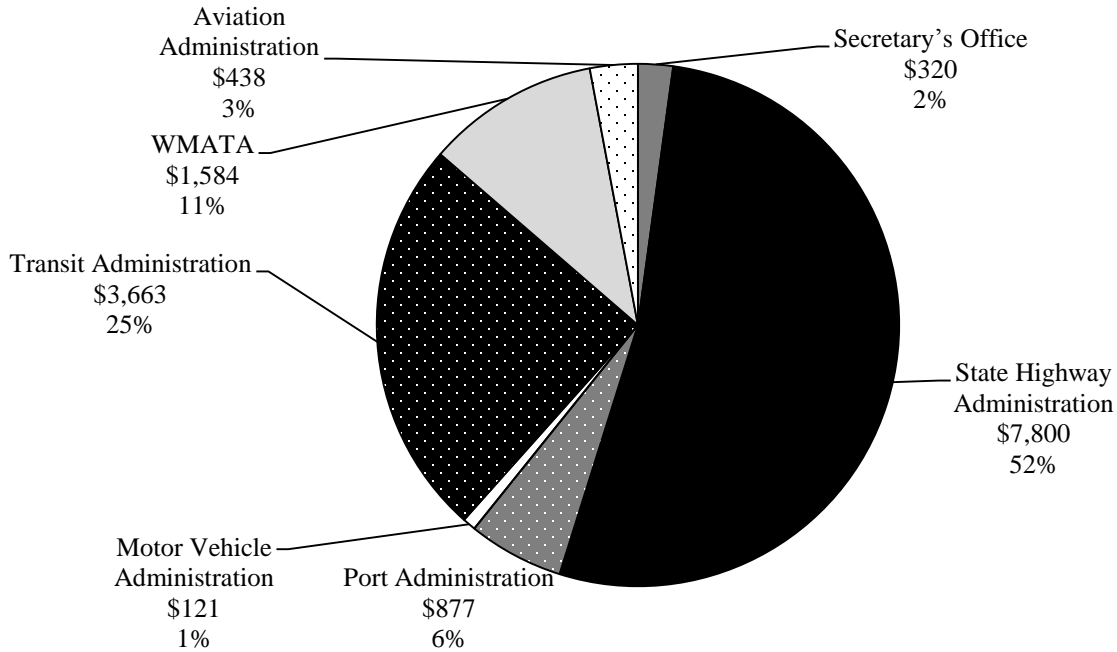
The *Consolidated Transportation Program* (CTP) is issued annually and is posted on the MDOT website. The CTP provides a description of major projects proposed by MDOT for development and evaluation or construction over the next six-year period.

### **Fiscal 2017 through 2022 CTP**

The fiscal 2017-2022 CTP totals \$14.8 billion for projects supported by State, federal, and other funds. This is a decrease of approximately \$902 million from the fiscal 2016-2022 CTP. **Exhibit 12** shows the funding level for each mode for the current six-year period. SHA accounts for over half the capital program at 53%. Transit, including WMATA, accounts for 36% of capital spending.

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**Exhibit 12**  
**Proposed Six-year Capital Funding by Mode**  
**Fiscal 2017-2022**  
**(\$ in Millions)**



**Total Spending: \$14.8 Billion**

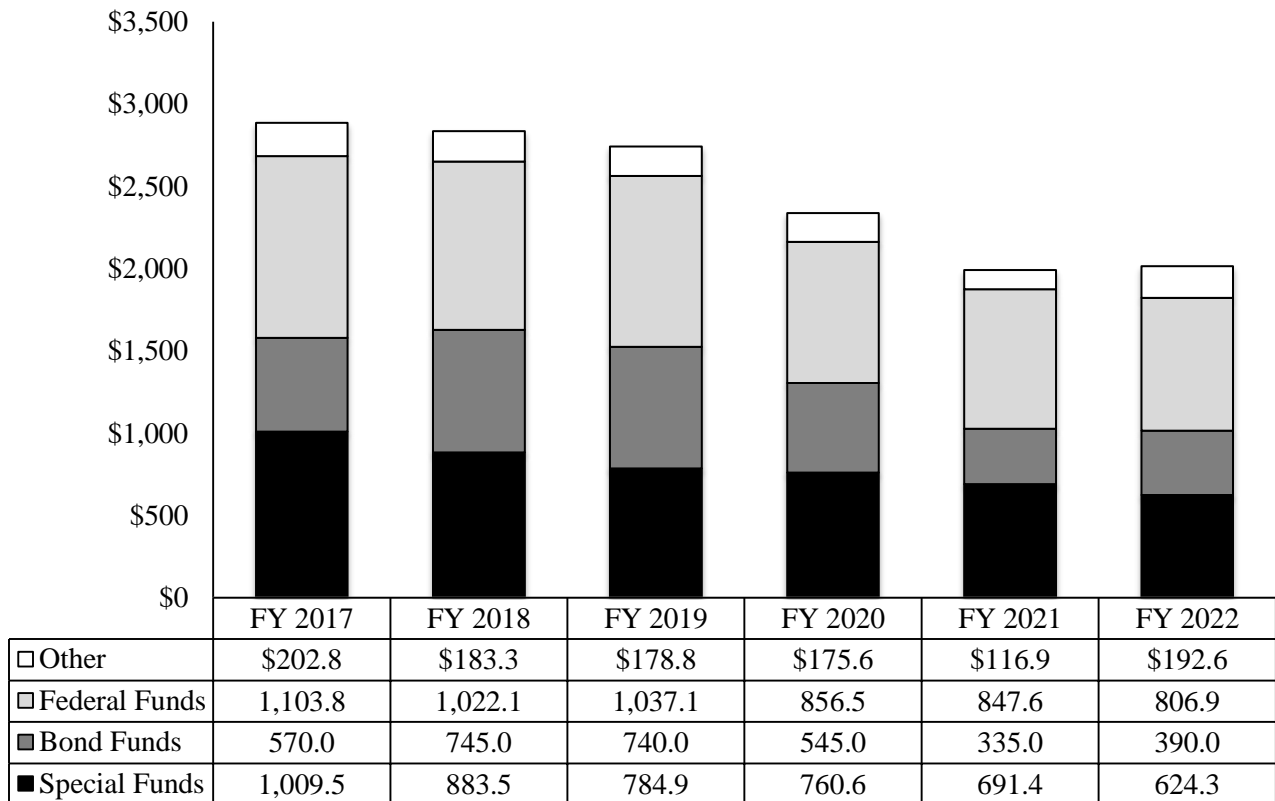
WMATA: Washington Metropolitan Area Transit Authority

Source: Maryland Department of Transportation, *2017-2022 Consolidated Transportation Program*

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**Exhibit 13** shows the level of special, federal, and other funds for each year of the capital program. Special funds, including bond funds, make up the largest share of the capital program at 54.6%. Federal funds comprise 38.3% of the six-year total.

**Exhibit 13**  
**Proposed Capital Funding by Year and Source**  
**Fiscal 2017-2022**  
**(\$ in Millions)**

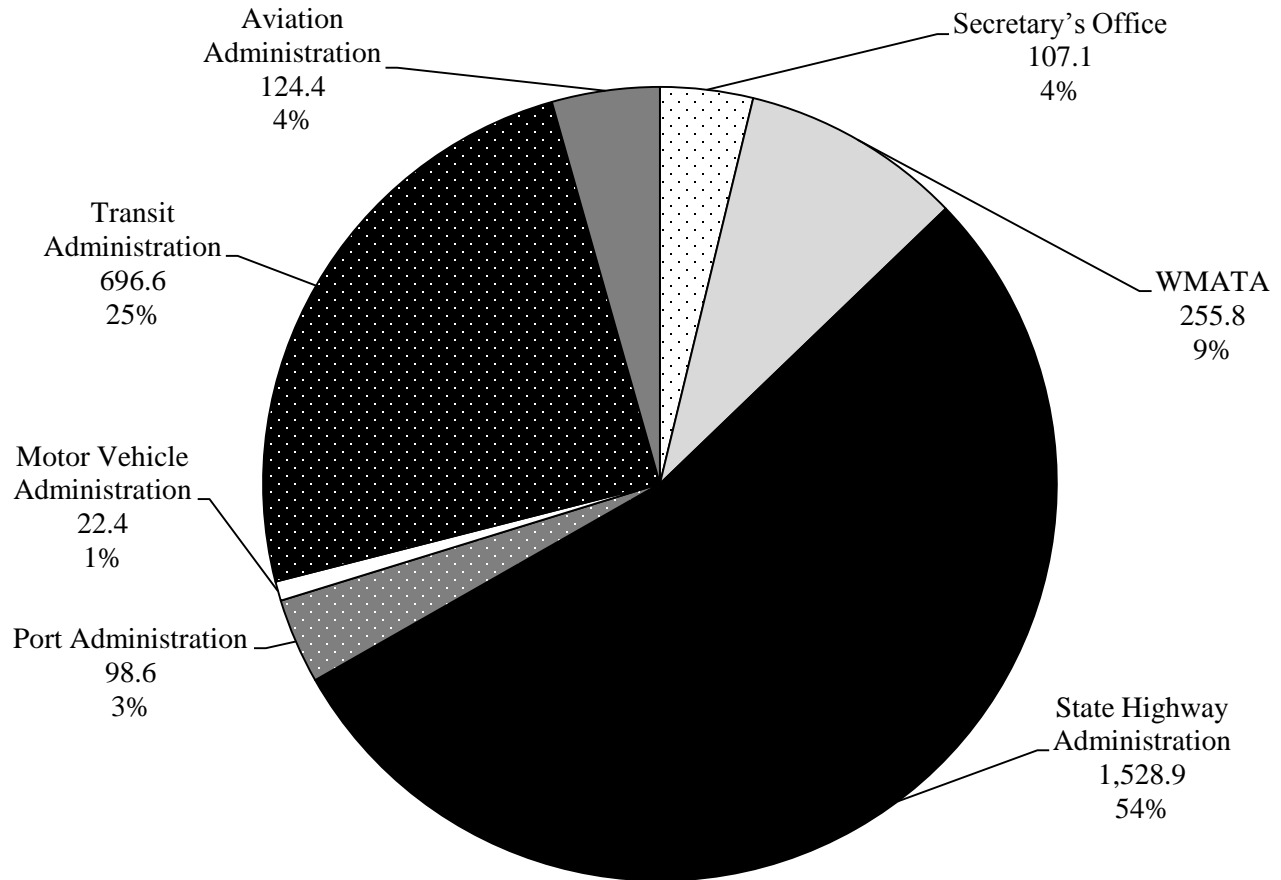


Source: Maryland Department of Transportation, *2017-2022 Consolidated Transportation Program*

## **Fiscal 2018 Capital Budget**

**Exhibit 14** shows the MDOT fiscal 2018 capital budget by mode. Including other funds that do not flow through the MDOT budget, fiscal 2018 capital spending is projected at \$2.8 billion, a decrease of \$52.3 million (1.8%) from the planned capital spending for the current year. Special funds increase by \$49.0 million (3.1%), while federal and other funds decrease by \$81.8 million (7.4%) and \$19.5 million (9.6%) respectively.

**Exhibit 14**  
**Fiscal 2018 Capital Funding by Mode**  
**(\$ in Millions)**



**Total Spending: \$2.8 Billion**

WMATA: Washington Metropolitan Area Transit Authority

Source: Maryland Department of Transportation, *2017-2022 Consolidated Transportation Program*

### **Other Funds**

The fiscal 2017-2022 CTP includes \$183.5 million in other funds for fiscal 2018 as shown in **Exhibit 15**. This funding comprises passenger and customer facility charges for projects at the Baltimore/Washington Thurgood Marshall Airport, county participation, private funds, and federal funds received directly by WMATA.

**Exhibit 15**  
**Fiscal 2018 Other Funds**  
(\$ in Thousands)

<u>Project</u>	<u>Other Source</u>	<u>2018 Funding</u>
Rental Car Shuttle Bus replacement	Customer Facility Charges	\$16,000
Snow removal equipment replacement	Passenger Facility Charges	600
Permanent Noise Monitoring system replacement	Passenger Facility Charges	1,189
<b><i>Subtotal – Maryland Aviation Administration Other Funds</i></b>		<b><i>\$17,789</i></b>
Purple Line	Montgomery/Prince George’s	\$20,000
Purple Line Capital Crescent Trail	Montgomery	8,247
Bethesda Metro (Purple Line)	Montgomery	16,915
Associated Purple Line projects	Montgomery	79
Montgomery County BRT	Montgomery	9,000
MARC Camden Station improvements	Local federal funding	375
North Avenue Rising	Baltimore City/ Local federal funding	1,500
TMDL compliance	Local federal funding	2,185
MAGLEV	Private company	2,613
LOTS Elderly and disabled nonprofit services	Local governments	963
LOTS Baltimore City Harbor Connector	Baltimore Ferry	158
LOTS Howard County hybrid vehicles	Howard	207
LOTS Transit Development Plan	Local governments	77
<b><i>Subtotal – Maryland Transit Administration Other Funds</i></b>		<b><i>\$62,319</i></b>
MAGLEV	Private company	\$2,487
Canton Railroad Grant	Canton Railroad Company	987
<b><i>Subtotal – The Secretary’s Office Other Funds</i></b>		<b><i>\$3,474</i></b>
WMATA Federal Funding	Federal Government	\$99,870
<b><i>Subtotal – WMATA Other Funds</i></b>		<b><i>\$99,870</i></b>
<b>Total – Other Funds</b>		<b>\$183,452</b>

BRT: Bus Rapid Transit

LOTS: locally operated transit systems

MARC: Maryland Area Regional Commuter

TMDL: Total Maximum Daily Load

WMATA: Washington Metropolitan Area Transit Authority

Source: Maryland Department of Transportation

## ***Recommended Actions***

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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, 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 that 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 2017-2022 Consolidated Transportation Program (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 2017 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.

*J00 – MDOT – Fiscal 2018 Budget Overview*

<b>Information Request</b>	<b>Authors</b>	<b>Due Date</b>
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) may not expend funds on any job or position of employment approved in this budget in excess of X,XXX.X positions and XXX.X contractual full-time equivalent (FTE) positions 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 2018. The level of contractual FTE positions 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 ??? imposed by the General Assembly. The establishment of new jobs or positions of employment not authorized in the fiscal 2018 budget shall be subject to Section 7-236 of the State Finance and Procurement Article and the Rule of ???.

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

<b>Information Request</b>	<b>Author</b>	<b>Due Date</b>
Need for additional regular or contractual positions	MDOT	As needed

3. Adopt the following narrative:

**Transportation Trust Fund Forecast Assumptions:** The committees are concerned that the 3.4% average annual increase in departmental operating expenses that the Maryland Department of Transportation (MDOT) used in its fiscal 2017 through 2022 Transportation Trust Fund (TTF) forecast understates the amount of operating expenses likely to be incurred over the forecast period and, as a consequence, leads to an overestimate of the level of funding that will be available during the forecast period to support the capital program. The committees note that only three times since fiscal 1992 has the five-year average annual increase in departmental operating expenses dipped below 3.50% and those instances covered the years of the Great Recession. It is therefore the intent of the committees that the out-year estimates of departmental operating expenses that MDOT incorporates in TTF forecasts be inflated, at a minimum, by a rate equal to the five-year average annual increase in operating expenses experienced during the period ending with the most recently completed fiscal year.