

J00A01
The Secretary's Office
Maryland Department of Transportation

Operating Budget Data

(\$ in Thousands)

	<u>FY 16 Actual</u>	<u>FY 17 Working</u>	<u>FY 18 Allowance</u>	<u>FY 17-18 Change</u>	<u>% Change Prior Year</u>
Special Fund	\$72,069	\$77,145	\$79,806	\$2,661	3.4%
Adjustments	0	0	-122	-122	
Adjusted Special Fund	\$72,069	\$77,145	\$79,684	\$2,539	3.3%
Federal Fund	8,160	8,906	8,887	-19	-0.2%
Adjusted Federal Fund	\$8,160	\$8,906	\$8,887	-\$19	-0.2%
Adjusted Grand Total	\$80,229	\$86,052	\$88,571	\$2,520	2.9%

Note: Includes targeted reversions, deficiencies, and contingent reductions.

- The fiscal 2018 allowance is \$2.5 million greater than the current year working appropriation, an increase of 2.9%.
- Section 19 of the fiscal 2018 budget bill reduces special funds for pension contributions for the Secretary's Office (TSO) by \$122,043.

PAYGO Capital Budget Data

(\$ in Thousands)

	<u>Fiscal 2016 Actual</u>	<u>Fiscal 2017 Legislative</u>	<u>Fiscal 2017 Working</u>	<u>Fiscal 2018 Allowance</u>
Special	\$61,093	\$63,615	\$70,541	\$89,940
Federal	21,642	51,554	66,425	13,871
Total	\$82,735	\$115,169	\$136,966	\$103,811

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

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- The fiscal 2017 working appropriation is \$21.8 million higher than the legislative appropriation. Some of the larger changes include:
 - addition of the Baltimore-Washington Superconducting Maglev project to the development and evaluation program (\$13.3 million);
 - an increase in the development and evaluation program for the Baltimore and Potomac Tunnel (\$3.1 million); and
 - an increase in funding for system preservation and minor projects (\$4.7 million).
- The fiscal 2018 allowance decreases by \$33.2 million from the current year working appropriation. Some of the larger changes include:
 - reductions for development and evaluation of the Baltimore and Potomac Tunnel (-\$42.9 million) and the Susquehanna River Bridge (-\$12.6 million); and
 - an increase in system preservation and minor project funding (\$20.5 million).

Operating and PAYGO Personnel Data

	<u>FY 16</u>	<u>FY 17</u>	<u>FY 18</u>	<u>FY 17-18</u>
	<u>Actual</u>	<u>Working</u>	<u>Allowance</u>	<u>Change</u>
Regular Operating Budget Positions	288.50	293.50	300.50	7.00
Regular PAYGO Budget Positions	<u>16.00</u>	<u>16.00</u>	<u>15.00</u>	<u>-1.00</u>
Total Regular Positions	304.50	309.50	315.50	6.00
Operating Budget FTEs	6.00	6.00	10.00	4.00
PAYGO Budget FTEs	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Total FTEs	6.00	6.00	10.00	4.00
Total Personnel	310.50	315.50	325.50	10.00

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	21.04	7.00%
Positions and Percentage Vacant as of 1/1/17	31.00	9.83%

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- The number of regular positions increases by a net 7 in the fiscal 2018 allowance, comprising the transfer of 8 positions into TSO as part of a consolidation of payroll positions offset by the abolition of 1 position as part of the Maryland Department of Transportation’s (MDOT) long-term cost containment efforts.
- Contractual full-time equivalents increase by 4 in the fiscal 2018 allowance to address workload issues in capital project delivery and compliance with federal and State mandated Minority Business Enterprise/Disadvantaged Business Enterprise compliance.
- As of January 1, 2017, there were 31 vacant positions (excluding positions to be abolished in fiscal 2018) for a vacancy rate of 9.83%. Budgeted turnover in the fiscal 2018 allowance is 7.0%, which will require that an average of 21 positions remain vacant the entire year.

Analysis in Brief

Major Trends

Productivity and Quality – Recruit and Retain Quality Employees: There were 119.5 fewer filled MDOT positions on January 1, 2017, than a year earlier. The vacancy rate for the department as a whole was 7.4% on January 1, 2017, compared with a vacancy rate of 5.9% a year earlier. If the number of authorized and vacant positions are adjusted to remove the 50.0 positions slated to be abolished in fiscal 2018, the vacancy rate is still higher (6.9%) than it was on January 1, 2016.

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 system preservation should be adequately funded at no less than \$850 million. This goal has been achieved four times in the fiscal 2009 to 2016 period, with projections that the goal will be met in both fiscal 2017 and 2018.

Issues

U.S. Department of Transportation to Conduct Civil Rights Compliance Review of MDOT: By letter dated January 19, 2017, the U.S. Department of Transportation’s Departmental Office of Civil Rights informed the Governor and the Secretary of Transportation that in response to two complaints relating to the cancellation of the Baltimore Red Line Light Rail Project, it would be conducting a comprehensive compliance review of the Administration and MDOT programs and activities to ensure compliance with Title VI of the Civil Rights Act of 1964. **The Secretary should brief the committees on when the review is likely to begin and how long it is likely to last.**

Paratransit Pilot Programs Complete: 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 concluded June 30, 2016. MDOT is conducting an audit of the pilots to verify the data to be used to evaluate the results and determine if the alternate service delivery methods used in the pilots could be employed on an ongoing basis. **MDOT should comment on the likelihood that it will pursue a statewide implementation of any of the service delivery methods used in the pilots.**

Operating Budget Recommended Actions

1. Add annual budget bill language restricting operating grants-in-aid funding.

PAYGO Budget Recommended Actions

	<u>Funds</u>
1. Add language restricting capital grants to local governments.	
2. Add annual budget bill language limiting system preservation and minor project funding to the projects identified in the Consolidated Transportation Program.	
3. Reduce funds that are in excess of the amount needed to restrict capital transportation grants to local governments to the fiscal 2017 level and to allow funds to be restricted for capital grants to county governments in an amount equal to county Highway User Revenue funding in program J00B01.05 that is restricted for another purpose.	\$ 3,016,089
Total Reductions	\$ 3,016,089

Updates

Transit-oriented Development – Project Updates: The Office of Real Estate and Economic Development 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 2016 providing the status of TOD projects.

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Maryland Department of Transportation

Budget Analysis

Program Description

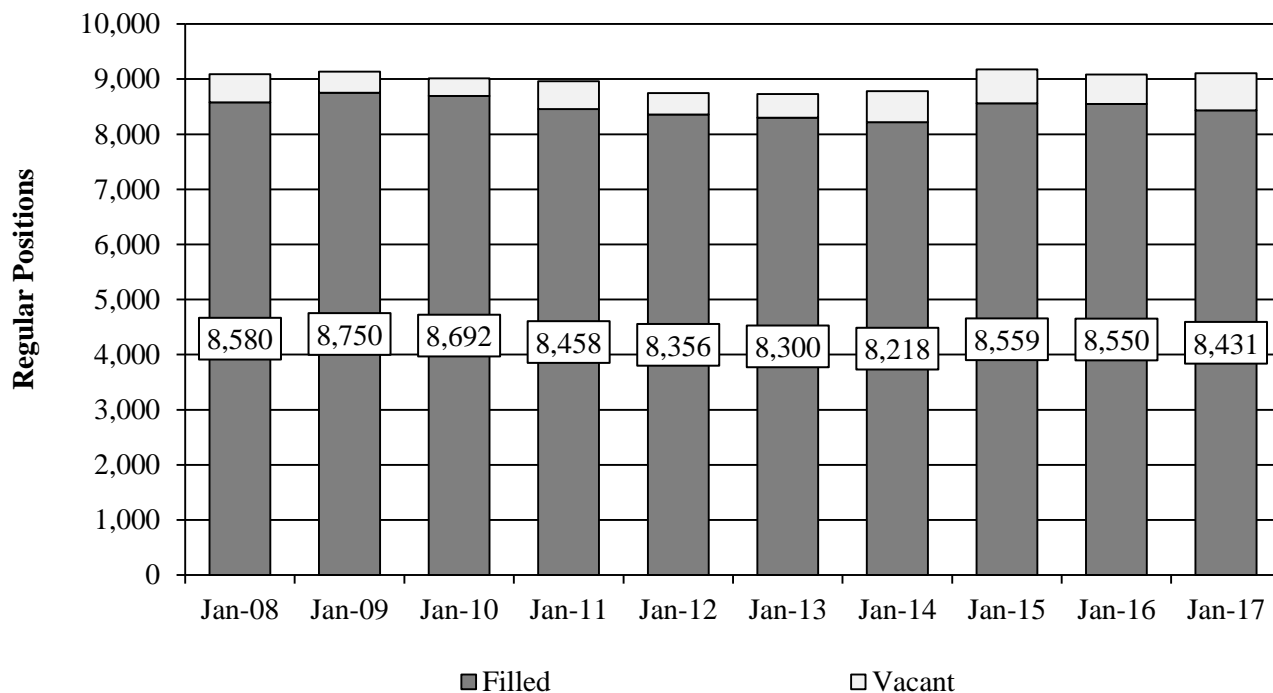
The Secretary's Office (TSO) provides overall policy direction, management, and administrative support to the Maryland Department of Transportation (MDOT). Units within the office provide support in the areas of finance, procurement, engineering, audits, administrative services, planning and capital programming, human resources, and Minority Business Enterprise 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 2008 to 2017. There were 119.5 fewer filled MDOT positions on January 1, 2017, than a year earlier. The vacancy rate for the department as a whole was 7.4% on January 1, 2017, compared with a vacancy rate of 5.9% a year earlier. One contributing factor in the higher 2017 vacancy rate is the planned abolition of 50.0 vacant positions in the fiscal 2018 budget as part of MDOT's long-range cost containment effort. Yet, even when the number of authorized and vacant positions are adjusted to remove these 50.0 positions, the vacancy rate is still higher (6.9%) than it was on January 1, 2016. MDOT also shed 151.0 positions in fiscal 2017 as part of the 657.0 vacant position reduction effort required by Section 20 of the fiscal 2017 budget bill. The combined fiscal 2017 and 2018 position reductions equates to almost 2.2% of total MDOT authorized positions in the fiscal 2016 budget.

**Exhibit 1
Departmentwide Filled and Vacant Positions
On January 1, 2008-2017**



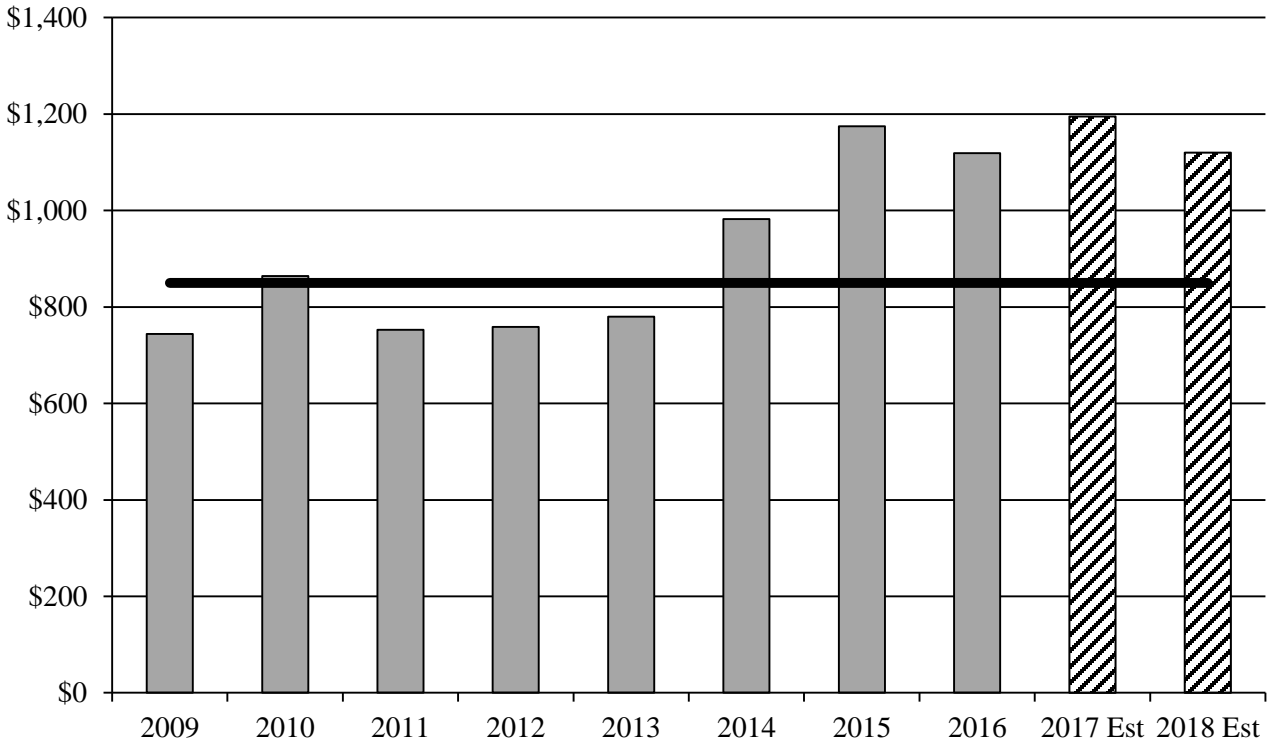
Source: Maryland Department of Transportation

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 four times in the fiscal 2009 to 2016 period, with projections that the goal will be met in both fiscal 2017 and 2018.

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 \$926 million, which is sufficient to meet the goal.

Exhibit 2
System Preservation Funding
Fiscal 2009-2018 Est.
(\$ in Millions)



Source: Department Budget and Management

Proposed Budget

As shown in **Exhibit 3**, the fiscal 2018 operating allowance for TSO increases by a net \$2.5 million from the current year working appropriation. Personnel expenses increase by \$619,000 driven by the consolidation of the payroll function in TSO, which entailed the transfer of 10 positions in fiscal 2017 and the planned transfer of an additional 8 positions in fiscal 2018. The funding for the fiscal 2017 positions is not reflected in the fiscal 2017 working appropriation leading to the full impact of the transfers showing as an increase in the fiscal 2018 allowance.

Departmental operations expenses increase just over \$1 million with software licenses accounting for over half this increase. Cost allocations comprise \$814,000 of the increase and operating grants-in-aid increase by \$35,000 over the current year.

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

How Much It Grows:	<u>Special</u> <u>Fund</u>	<u>Federal</u> <u>Fund</u>	<u>Total</u>
Fiscal 2016 Actual	\$72,069	\$8,160	\$80,229
Fiscal 2017 Working Appropriation	77,145	8,906	86,052
Fiscal 2018 Allowance	<u>79,684</u>	<u>8,887</u>	<u>88,571</u>
Fiscal 2017-2018 Amount Change	\$2,539	-\$19	\$2,520
Fiscal 2017-2018 Percent Change	3.3%	-0.2%	2.9%

Where It Goes:

Personnel Expenses

Payroll positions transferred – fiscal 2017 and 2018	\$1,527
Accrued leave payout	62
Workers’ compensation.....	-60
Abolished position	-103
Section 19 reduction to retirement contributions	-122
Turnover adjustments.....	-260
Employee and retiree health insurance.....	-423
Other fringe benefit adjustments	-2

Departmental Administration

Software licenses.....	508
Four new contractual full-time equivalents.....	160
Staff training.....	104
Headquarters facilities management contractual services.....	102
Utilities – electricity	86
Consultant contract for classification and compensation study	80
Mainframe contractual support and information technology project development	38

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Where It Goes:

Rent	32
Contract and Civil litigation units in the Office of the Attorney General	31
Postage	-5
Educational grants	-9
Subscription.....	-11
Out-of-state routine and conference travel.....	-12
Washington Suburban Transit Commission operations support (rent, staff, etc.).....	-22
Association dues.....	-26

Cost Allocations

Department of Budget and Management paid telecommunications.....	580
Retirement administrative fee	137
Department of Information Technology services allocation	89
Office of the Attorney General administrative fee.....	8

Operating Grants-in-aid

Payments in lieu of taxes.....	57
Grants to Metropolitan Planning Organizations.....	-22

Other..... align="right">-4

Total align="right">**\$2,520**

MDOT: Maryland Department of Transportation

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

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. TSO’s share of these reductions is \$122,043 in special funds. This action is tied to a provision in the Budget Reconciliation and Financing Act of 2017.

Operating Grants-in-aid

Operating grants-in-aid increase by a net \$35,745 from the fiscal 2017 level. Payments in lieu of taxes increase by \$57,339, while net payments to Metropolitan Planning Organizations decrease by \$21,594. **Exhibit 4** provides a summary of the operating grants-in-aid for fiscal 2018.

Exhibit 4 Recipients of Operating Grants-in-aid Fiscal 2018

<u>Grant Recipient</u>	<u>Special Funds</u>	<u>Federal Funds</u>	<u>Total Funds</u>
Cumberland MPO	\$9,668	\$77,349	\$87,017
Salisbury MPO	14,334	114,671	129,005
Hagerstown MPO	23,809	190,473	214,282
Baltimore MPO	570,471	4,563,769	5,134,240
Wilmington MPO	11,423	91,381	102,804
Washington MPO	481,197	3,849,572	4,330,769
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	1,070,492	0	1,070,492
Baltimore City – Marine Fire Suppression Services	1,399,940	0	1,399,940
Total	\$4,044,334	\$8,887,215	\$12,931,549

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 2017 to 2022 CTP

The fiscal 2017 to 2022 capital program for TSO totals \$320.0 million, a decrease of \$14.0 million compared with the prior year’s six-year capital program. Increases in funding for major projects (\$24.6 million) and capital salaries and wages (\$0.7 million) are more than offset by decreases in funding for system preservation and minor projects (\$18.5 million) and the development and evaluation program (\$20.8 million) over the six-year period.

Fiscal 2018 Capital Allowance

The fiscal 2018 allowance for the TSO capital program, including other funds that do not flow through the TSO budget, totals \$107.2 million, a decrease of \$32.0 million from the current year working appropriation. **Exhibit 5** shows the fiscal 2018 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 2018
(\$ in Millions)

<u>Project Description</u>	<u>2018</u>	<u>Total Cost</u>	<u>Six-year Total</u>
Projects			
Baltimore-Washington Superconducting Maglev	\$15.1	\$34.7	\$34.7
Programs			
System Preservation and Minor Projects	\$82.8	n/a	\$175.5
Transportation Emission Reduction Program	4.0	n/a	24.9
Bikeways Network Program	3.3	n/a	13.7
Capital Salaries and Wages	2.1	n/a	12.8
Subtotal – Programs	\$92.2		\$226.9
Total – Projects and Programs	\$107.2	\$34.7	\$261.6

PAYGO: pay-as-you-go

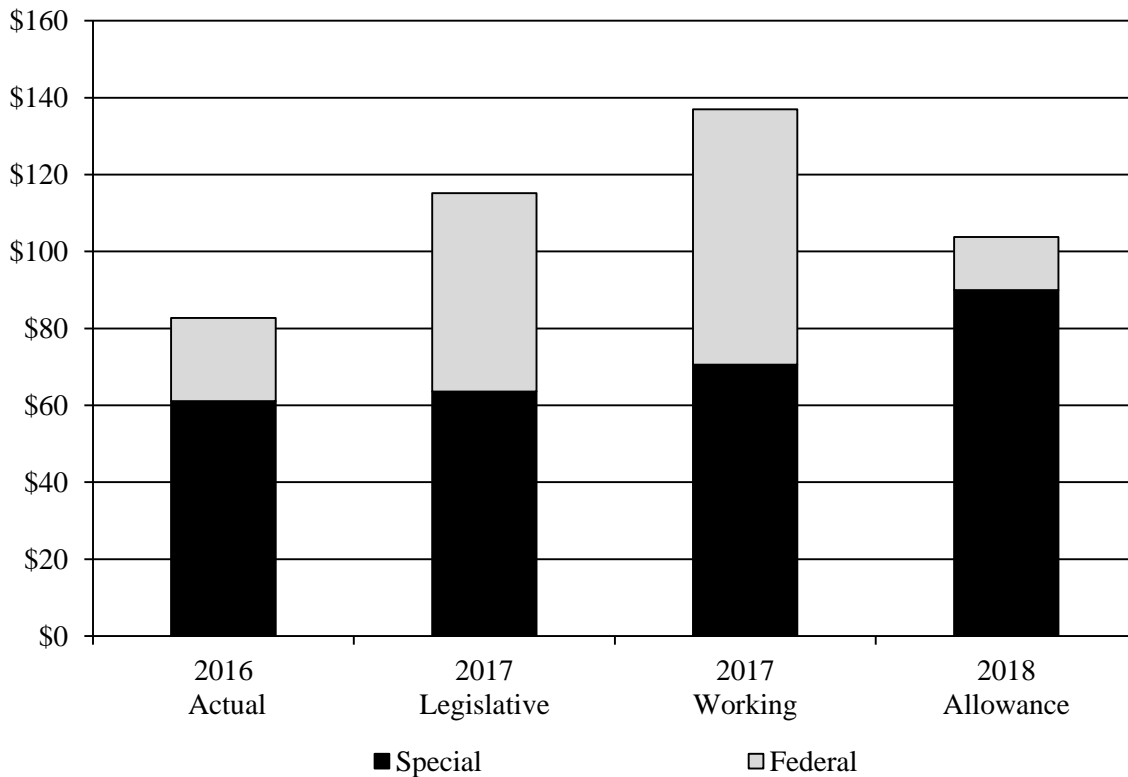
Note: Numbers may not sum to total due to rounding.

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

Fiscal 2017 and 2018 Cash Flow Analysis

Exhibit 6 shows the changes in TSO capital appropriations for fiscal 2016 through the fiscal 2018 allowance and includes both the fiscal 2017 legislative and working appropriations. The fiscal 2017 working appropriation of \$140.0 million is \$54.2 million higher than the actual level of capital spending in fiscal 2016 and \$21.8 million higher than the fiscal 2017 legislative appropriation. The fiscal 2018 allowance is \$33.2 million lower than the fiscal 2017 working appropriation.

Exhibit 6
Cash Flow Changes
Fiscal 2016-2018
(\$ in Millions)



Source: Maryland State Budget, Fiscal 2018

Cash Flow Analysis – Fiscal 2017 Changes

Exhibit 7 shows the changes between the fiscal 2017 legislative and working appropriations including other funds that do not flow through the TSO budget.

Exhibit 7
Cash Flow Changes
Fiscal 2017 Legislative to Working Appropriations
(\$ in Thousands)

Major Projects		\$13,571
Baltimore-Washington Superconducting Maglev	\$13,283	
Virginia Manor Road Relocated, Old Gunpowder Road to Ritz Road	200	
Transportation Emission Reduction Program	107	
Bikeways Network Program	-19	
Development and Evaluation Projects		\$4,857
Baltimore and Potomac Tunnel (HSIPR)	\$3,141	
Susquehanna River Bridge (HSIPR)	1,716	
System Preservation and Minor Projects		\$4,694
Total Change		\$23,122

HSIPR: High Speed Intercity Passenger Rail

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

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

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

- \$3.9 million Department Information Technology (IT) Improvement Projects (increase);
- \$2.2 million Piscataway Drive Grant (new);
- \$1.5 million I-95/Forestville Road Improvement Grant (increase);
- -\$2.3 million Network Hardware/Software Replacement Costs (decrease); and
- -\$3.3 million Canton Railroad Grant (decrease).

Cash Flow Analysis – Fiscal 2017 to 2018 Changes

Exhibit 8 shows the changes between the fiscal 2017 legislative and working appropriations including other funds that do not flow through the TSO budget. Increases in funding for major projects, system preservation and minor projects, and capital salaries and wages are more than offset by decreases in the development and evaluation program.

Exhibit 8
Cash Flow Changes
Fiscal 2017 Working Appropriation to Fiscal 2018 Allowance
(\$ in Thousands)

Major Projects		\$1,820
Baltimore-Washington Superconducting Maglev	\$1,767	
Bikeways Network Program	189	
Transportation Emission Reduction Program	64	
Virginia Manor Road Relocated, Old Gunpowder Road to Ritz Road	-200	
Development and Evaluation Projects		-\$54,434
Susquehanna River Bridge (HSIPR)	-\$12,562	
Baltimore and Potomac Tunnel (HSIPR)	-41,872	
System Preservation and Minor Projects		\$20,500
Capital Salaries and Wages		\$100
Total Change		-\$32,014

HSIPR: High Speed Intercity Passenger Rail

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

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

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

- \$28.0 million Grants to State Jurisdictions (increase);
- \$5.0 million Capital Management and Programming System (increase);

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- \$1.9 million Canton Railroad Grant (increase);
- -\$1.4 million Enterprise Budget System (removed);
- -\$2.0 million I-95/Forestville Road Improvement Grant (removed);
- -\$2.2 million Piscataway Drive Grant (removed); and
- -\$4.7 million Department IT Improvement Projects (decrease).

Significant Changes to the Fiscal 2016-2021 *Consolidated Transportation Program*

The fiscal 2017 to 2022 CTP lists one significant change to the prior year CTP, the addition of the Baltimore-Washington Superconducting Maglev project to the development and evaluation program at a total six-year cost of \$34.7 million.

Issues

1. U.S. Department of Transportation to Conduct Civil Rights Compliance Review of MDOT

By letter dated January 19, 2017, the U.S. Department of Transportation’s (USDOT) Departmental Office of Civil Rights informed the Governor and the Secretary of Transportation that in response to two complaints relating to the cancellation of the Baltimore Red Line Light Rail Project, it would be conducting a comprehensive compliance review of the Administration and MDOT programs and activities to ensure compliance with Title VI of the Civil Rights Act of 1964. The letter states that the USDOT investigation

...has revealed that the Respondents administered their programs and services in a manner that calls into question whether the Respondents violated (US)DOT’S regulations governing the planning process, including Title VI. As a general rule, a pattern of cancelling projects or a pattern by a state of underserving communities in the provision of transportation services, in a way that disproportionately affects minority Communities, may be a prima facie Title VI violation.

USDOT notes that the review may require the development of a compliance action plan and a corrective action plan to remedy any area of noncompliance.

The Secretary should brief the committees on when the review is likely to begin and how long it is likely to last.

2. Paratransit Pilot Programs Complete

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 metropolitan 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 concluded June 30, 2016. MDOT is conducting an audit of the pilots to verify the data to be used to evaluate the results and determine if the alternate service delivery methods used in the pilots could be employed on an ongoing basis.

MDOT reports that while it’s premature to offer specific analysis regarding the pilots there are two broad issues raised by the pilots:

- each pilot involved a microsegment of individuals with severe developmental disabilities yet an MDOT-sponsored initiative would need to be a competitive grant program available statewide to all human service agencies and would need to be compliant with all State and federal laws related to both procurement and the ADA; and
- since services provided under the pilots were not ADA compliant, all individuals that used the paratransit services under the pilots retained their rights to use MetroAccess, and WMATA would need to ensure that system capacity existed for these clients whether or not they used MetroAccess – this requirement significantly offsets potential cost savings that could be achieved through implementing the service delivery models used in the pilots.

MDOT should comment on the likelihood that it will pursue a statewide implementation of any of the service delivery methods used in the pilots.

Operating Budget Recommended Actions

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

, provided that no more than \$4,044,334 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 \$4,044,334 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

PAYGO Budget Recommended Actions

1. Amend the following language on the special fund appropriation:

Special Fund Appropriation, provided that these funds intended as transportation grants shall be allocated as follows:

Baltimore City	5,484,423
	<u>2,000,000</u>
County Governments	27,422,115
	<u>4,000,000</u>
Municipal Governments	20,109,551
	<u>19,000,000</u>

Further provided that ~~\$27,422,115~~ \$4,000,000 of this appropriation to county governments and ~~\$20,109,551~~ \$19,000,000 to municipal governments shall be allocated to eligible counties and municipalities as provided in Sections 8-404 and 8-805 of the Transportation Article and may be expended only in accordance with Section 8-408 of the Transportation Article.

Further provided that \$25,000,000 of this appropriation made for the purpose of providing transportation grants to county and municipal governments may not be expended for that purpose but instead may be used only to provide transportation grants to county governments that are in addition to the allocation shown above. Further provided that these funds shall be allocated as provided in Section 8-404 of the Transportation Article and may be expended only in accordance with Section 8-408 of the Transportation Article. Funds not expended for this restricted purpose may not be transferred by budget amendment or otherwise to any other purpose and shall be canceled.

Explanation: This language restricts funding for capital grants to county and municipalities to the levels funded in fiscal 2017 and restricts an additional \$25 million of the appropriation as capital grants to county governments to replace Highway User Revenue funding in J00B01.05 intended for county governments but which is restricted for another purpose.

2. 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 2017-2022 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

	<u>Amount Reduction</u>
3. Reduce funds that are in excess of the amount needed to restrict capital transportation grants to local governments to the fiscal 2017 level and to allow funds to be restricted for capital grants to county governments in an amount equal to county Highway User Revenue funding in program J00B01.05 that is restricted for another purpose.	\$ 3,016,089 SF
Total Special Fund Reductions	\$ 3,016,089

Updates

1. Transit-oriented Development – Project Updates

Background

The Office of Real Estate and Economic Development in TSO is responsible for disposing of excess land owned by MDOT as well as promoting development around transit stations. Transit-oriented development (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 2017 to 2022 CTP includes \$250,000 in fiscal 2017 and \$250,000 in fiscal 2018 for TOD studies 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 2016 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 2017:*** Continuation of construction of the first phase and second 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 43.0 acres of MDOT-owned land adjacent to the metro station that 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. The first office building shell is complete and streetscape and space leasing efforts are ongoing.

- ***Expected Actions in Fiscal 2017:*** Ongoing construction for the private component of the project. Hotel and next phase of residential buildings construction anticipated to start in spring 2017.
- ***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 space 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, 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. DGS is now the lead agency on the project, and MDOT is no longer an active participant.

In December 2016, BPW voided the leases associated with the State Center Project.

- ***Expected Actions in Fiscal 2017:*** Litigation likely.
- ***Odenton MARC Station:*** A mixed-use project on approximately 29.0 acres of MDOT parking lots and county-owned land is envisioned. The west lot, an 11.8-acre parcel, will be the first phase of the project. 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. The developer has developed *pro forma* proposals for both conventional financing and financing through the new federal program for TOD known as the Railroad Rehabilitation and Improvement Financing Program (RRIF). A preliminary application was submitted to USDOT in January 2017. 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. The county economic development office is proposing an increase in the TIF to \$16.4 million net proceeds to be used only for the public facilities portion of the project. MDOT has also committed \$5.0 million to fund the shared commuter garage and related infrastructure. The developer, county, and MDOT have agreed on the business terms and executed a term sheet and Memorandum of Understanding (MOU), which extended the exclusive negotiating privilege until March 31, 2017.

- ***Expected Actions in Fiscal 2017:*** Anne Arundel County will consider the approval of increased TIF. USDOT will review the application and consider the RRIF for the project. The parties expect to execute an MDA in calendar 2017.
- ***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 that expired on December 31, 2015. MDOT had considered a \$1.0 million contribution toward construction of a 258-space garage to be constructed to MTA standards. Laurel had considered a \$4.0 million TIF to support the project.
 - ***Expected Actions in Fiscal 2017:*** MDOT has no plans to re-offer the property for development in 2017. The Maryland Department of the Environment has granted MTA an extension until October 2019 to address possible hazardous substances contamination of the site through the Response Action Plan of Voluntary Cleanup Program.
- ***Reisterstown Plaza Metro:*** The TOD site consisted of 35.0 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 2017:*** MDOT will continue predevelopment work for this site with a goal of issuance of an RFP in early 2018 on the remaining approximately 24.0-acre site owned by MTA.
- ***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 2017:*** The city and county expect to continue efforts to find developers for the area around the MARC station. East Side MARC Station

improvements are being considered using the federal Transportation Alternatives Program.

- ***Westport Light Rail Station:*** 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 2017:*** No further action is anticipated.
- ***White Flint Metro Station:*** In March 2012, the Montgomery County Executive and MDOT jointly designated the White Flint Metro Station for 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 that was constructed in 2016. Negotiations with WMATA in the fiscal 2016 budget process resulted in an agreement for WMATA to increase Metrorail service from White Flint to Shady Grove beginning in summer 2018 to make the White Flint site more attractive for development. However, as a result of WMATA’s projected fiscal 2018 operating deficit, the funds that were to have been used to increase the frequency of trains serving White Flint and other Red Line stations may be used to help close the budget gap. On January 7, 2014, BPW approved the sale of approximately three acres of excess property owned by the State Highway Administration (SHA) in the TOD area to Montgomery County for a police/fire station and senior housing. The WMATA-owned parcels are under a Joint Development Agreement (JDA) with a developer that was extended in 2016 to pursue a large office tenant that has since announced it will relocate to another Metro station. This agreement is set to expire in June 2017.
- ***Expected Actions in Fiscal 2017:*** Construction of the garage is expected to be completed during summer 2017. Design work has begun on the police station and senior housing with construction start anticipated in fiscal 2020 and completion expected in fiscal 2021. 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 23.0 acres of WMATA property and 16.0 acres of adjacent MTA-owned property at the New Carrollton Metro/MARC Station. A developer was selected in February 2011. WMATA executed a JDA with the development team in December 2012 addressing the WMATA property. MDOT and the developer have initiated discussions on addressing the

State-owned land for future phase, because the developer determined that Phase I of the project will be located entirely on WMATA-owned property. A binding JDA for the WMATA property was executed in September 2015 covering a mixed-use development with ground floor commercial space and residential space above along with an attached parking garage. In January 2017, following a public hearing process, the WMATA board is expected to approve amending the JDA to reflect changes in the project phasing accelerating the development of office space on WMATA property. Later in 2017, following Federal Transit Administration concurrence, it is expected that WMATA and the developer will close on the first ground lease for development of an office building and private parking garage.

- ***Expected Actions in Fiscal 2017:*** MDOT, WMATA, and the developer will discuss 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 was moved from the development and evaluation program to the construction program in the fiscal 2016 to 2021 CTP. GSA released the RFP on January 22, 2016, to four preselected development teams that will be bidding on developing the FBI consolidated Headquarters at one of the short-listed sites – the Greenbelt Metro, the former Landover Mall, and/or the GSA site near the Springfield Metro. On July 28, 2016, following a public hearing process, the WMATA board approved reconfiguring WMATA-owned facilities at Greenbelt to accommodate the FBI should GSA select the Greenbelt location.
 - ***Expected Actions in Fiscal 2017:*** MDOT will continue to advance infrastructure planning and funding strategies for the proposed FBI relocation. The final decision by the developer and the selection of the site is expected in calendar 2017.
- ***Branch Avenue Metro Station:*** WMATA owns 33.0 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 MOU 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 3.0 acres of WMATA property at the station to SHA in order to enhance station access. That same month, SHA broke ground on \$47.0 million of access improvements to the station that is scheduled to be substantially completed 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. To advance development on the WMATA site, further work will be needed by stakeholders to develop a plan to finance the needed infrastructure for the GSA project, which includes a street grid and WMATA replacement transit facilities (*e.g.*, new commuter parking garage, kiss-and-ride lot, and relocated bus bays). Should GSA express an interest in pursuing the location, further work will be conducted. In addition to the WMATA site, Prince George’s County is working with an adjacent property owner on a potential GSA office opportunity.

- ***Expected Actions in Fiscal 2017:*** MDOT anticipates that WMATA and the county will continue with predevelopment planning to support planned development.

- ***Naylor Road Metro Station:*** WMATA owns 10.0 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. A notice to proceed on the CSEP project was issued on June 30, 2014.
 - ***Expected Actions in Fiscal 2017:*** SHA construction of the CSEP project has begun and as of January 2017 was 65% complete with full completion anticipated by the end of 2017.

- ***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 2017:*** MDOT participation is uncertain due to the project scope.

- ***Shady Grove Metro Station:*** Montgomery County is currently working on an initiative to redevelop 90.0 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.
 - ***Expected Actions in Fiscal 2017:*** MDOT expects to continue coordination with Montgomery County and WMATA on 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. Two ground leases have been executed. The developer has completed two phases; Phase 1A includes the Alaire apartment complex comprising 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, which included the Terano apartment complex with 214 apartments and 18,000 sq. ft. of retail and construction of a 426-space commuter parking garage to replace surface parking displaced by the development. For future phases, the developer has indicated changes to the development plan may be needed to reflect current market demand.
- ***Expected Actions in Fiscal 2017:*** WMATA and the developer continue to explore strategies to support completion of the project.

**Appendix 1
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 2016					
Legislative Appropriation	\$0	\$73,764	\$8,906	\$0	\$82,671
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	0	406	0	0	406
Reversions and Cancellations	0	-2,101	-747	0	-2,848
Actual Expenditures	\$0	\$72,069	\$8,160	\$0	\$80,229
Fiscal 2017					
Legislative Appropriation	\$0	\$73,926	\$8,906	\$0	\$82,833
Cost Containment	0	0	0	0	0
Budget Amendments	0	3,219	0	0	3,219
Working Appropriation	\$0	\$77,145	\$8,906	\$0	\$86,052

MDOT: Maryland Department of Transportation

Note: Does not include targeted reversions, deficiencies, and contingent reductions. Numbers may not sum to total due to rounding.

Fiscal 2016

The fiscal 2016 budget for the Secretary’s Office closed out \$2.4 million lower than the legislative appropriation. An increase in special funds added by budget amendment to restore funds reduced through the 2% salary reduction action (\$380,225) and to realign expenses between operating and capital programs (\$25,786) was more than offset by year-end cancellations totaling \$2,847,561 with cancellations as follows:

- salary and benefits savings from vacant positions (\$1,519,000 in special funds);
- lower than budgeted utilization of the Office of the Attorney General civil and contract litigation services (\$214,000 in special funds);
- unused contractual employment (\$148,000 in special funds);
- lower than budgeted assessment of the retirement administration fee (\$53,000 in special funds);
- cost containment 2% reduction savings (\$141,962 in special funds);
- unexpended operating grants-in-aid to Metropolitan Planning Organizations (\$22,494 in special funds and \$746,719 in federal funds); and
- miscellaneous special fund cancellations (\$2,386).

Fiscal 2017

The fiscal 2017 special fund working appropriation is \$3,218,990 higher than the legislative appropriation due to budget amendments adding funds for salary increments (\$358,701) and to realign expenses for supplies and information technology among Maryland Department of Transportation programs (\$2,860,289).

**Appendix 2
Object/Fund Difference Report
MDOT – The Secretary’s Office**

<u>Object/Fund</u>	<u>FY 16 Actual</u>	<u>FY 17 Working Appropriation</u>	<u>FY 18 Allowance</u>	<u>FY 17 - FY 18 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	288.50	293.50	300.50	7.00	2.4%
02 Contractual	6.00	6.00	10.00	4.00	66.7%
Total Positions	294.50	299.50	310.50	11.00	3.7%
Objects					
01 Salaries and Wages	\$ 28,234,246	\$ 30,307,532	\$ 31,048,983	\$ 741,451	2.4%
02 Technical and Spec. Fees	153,626	311,664	486,906	175,242	56.2%
03 Communication	5,120,045	4,204,454	4,778,977	574,523	13.7%
04 Travel	165,497	193,182	179,420	-13,762	-7.1%
06 Fuel and Utilities	374,075	317,628	403,868	86,240	27.2%
07 Motor Vehicles	47,673	63,933	64,637	704	1.1%
08 Contractual Services	30,668,495	34,318,782	35,372,422	1,053,640	3.1%
09 Supplies and Materials	221,972	222,170	223,926	1,756	0.8%
10 Equipment – Replacement	5,145	2,100	2,100	0	0%
11 Equipment – Additional	17,410	96,221	96,221	0	0%
12 Grants, Subsidies, and Contributions	12,327,293	13,016,304	13,043,549	27,245	0.2%
13 Fixed Charges	2,893,547	2,997,677	2,992,241	-5,436	-0.2%
Total Objects	\$ 80,229,024	\$ 86,051,647	\$ 88,693,250	\$ 2,641,603	3.1%
Funds					
03 Special Fund	\$ 72,069,334	\$ 77,145,238	\$ 79,806,035	\$ 2,660,797	3.4%
05 Federal Fund	8,159,690	8,906,409	8,887,215	-19,194	-0.2%
Total Funds	\$ 80,229,024	\$ 86,051,647	\$ 88,693,250	\$ 2,641,603	3.1%

MDOT: Maryland Department of Transportation

Note: Does not include targeted reversions, deficiencies, and contingent reductions.

**Appendix 3
Fiscal Summary
MDOT – The Secretary’s Office**

<u>Program/Unit</u>	<u>FY 16 Actual</u>	<u>FY 17 Wrk Approp</u>	<u>FY 18 Allowance</u>	<u>Change</u>	<u>FY 17 - FY 18 % Change</u>
01 Executive Direction	\$ 26,055,091	\$ 28,329,309	\$ 29,943,905	\$ 1,614,596	5.7%
02 Operating Grants-in-aid	12,232,143	12,895,804	12,931,549	35,745	0.3%
03 Facilities and Capital Equipment	82,482,087	136,659,681	97,237,089	-39,422,592	-28.8%
07 Office of Transportation Technology Services	41,941,790	44,826,534	45,817,796	991,262	2.2%
08 Major IT Development Projects	252,878	306,318	6,574,237	6,267,919	2046.2%
Total Expenditures	\$ 162,963,989	\$ 223,017,646	\$ 192,504,576	-\$ 30,513,070	-13.7%
Special Fund	\$ 133,162,644	\$ 147,686,237	\$ 169,746,361	\$ 22,060,124	14.9%
Federal Fund	29,801,345	75,331,409	22,758,215	-52,573,194	-69.8%
Total Appropriations	\$ 162,963,989	\$ 223,017,646	\$ 192,504,576	-\$ 30,513,070	-13.7%

MDOT: Maryland Department of Transportation

Note: Does not include targeted reversions, deficiencies, and contingent reductions.

Appendix 4
Budget Amendments for Fiscal 2017
Maryland Department of Transportation
The Secretary’s Office – Operating

<u>Status</u>	<u>Amendment</u>	<u>Fund</u>	<u>Justification</u>
Approved	\$358,701	Special	Funding for increments.
Approved	2,860,289	Special	Realign spending between operating and capital budgets.

Source: Maryland Department of Transportation

Appendix 5
Budget Amendments for Fiscal 2017
Maryland Department of Transportation
The Secretary’s Office – Capital

<u>Status</u>	<u>Amendment</u>	<u>Fund</u>	<u>Justification</u>
Approved	\$22,596	Special	Funding for increments.
Approved	-2,860,289	Special	Realign spending between operating and capital budgets.
Pending	9,763,375	Special	Adjusts the amended appropriation to agree with the final fiscal 2017 to 2022 Consolidated Transportation Program.
	14,871,000	Federal	
	\$24,634,375	Total	

Source: Maryland Department of Transportation