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The Secretary's Office
Maryland Department of Transportation

Operating Budget Data

	(\$ in Thousands)				
	<u>FY 02</u>	<u>FY 03</u>	<u>FY 04</u>	<u>FY 03 - 04</u>	<u>FY 03 - 04</u>
	<u>Actual</u>	<u>Approp.</u>	<u>Allowance</u>	<u>Change</u>	<u>% Change</u>
Special Funds	\$53,974	\$57,299	\$61,133	\$3,834	6.7%
Contingent & Back of Bill Reductions	0	-14	-152	-138	
Adjusted Special Funds	\$53,974	\$57,285	\$60,981	\$3,696	6.5%
Federal Funds	5,629	7,249	7,818	568	7.8%
Reimbursable Funds	247	256	253	-4	-1.4%
Adjusted Grand Total	\$59,850	\$64,790	\$69,051	\$4,261	6.6%

- The Secretary's Office (TSO) operating allowance for fiscal 2004 totals approximately \$69.1 million, which is an increase of \$4.3 million (6.6%) over the fiscal 2003 working appropriation.
- The largest increase in the allowance (approximately \$2 million) results from operating costs associated with the new Maryland Department of Transportation (MDOT) headquarters building, including a lease payment made to the Maryland Economic Development Corporation. Additional increases are seen in the grants-in-aid provided by TSO (\$1.3 million) and in the allowance for the Office of Transportation Technology Services (\$400,000).

PAYGO Capital Budget Data

	(\$ in Thousands)				
	<u>FY 02</u>	<u>FY 03</u>	<u>FY 04</u>	<u>FY 03 - 04</u>	<u>FY 03 - 04</u>
	<u>Actual</u>	<u>Approp.</u>	<u>Allowance</u>	<u>Change</u>	<u>% Change</u>
Special Funds	\$19,252	\$34,385	\$25,382	-\$9,002	-26.2%
Contingent & Back of Bill Reductions	0	0	-6	-6	
Adjusted Special Funds	\$19,252	\$34,385	\$25,376	-\$9,008	-26.2%
Federal Funds	1,826	6,859	16,810	9,951	145.1%
Adjusted Grand Total	\$21,078	\$41,244	\$42,186	\$943	2.3%

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

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- The fiscal 2004 allowance for the Secretary's Office capital program is \$42.2 million, an increase of approximately \$943,000, or 2.3% over the fiscal 2003 working appropriation.
- The federal fund allowance increases by nearly \$10 million (145%). This increase consists entirely of Congestion Management and Air Quality funds provided to support implementation of the Washington Region Transportation Emission Reduction Measures initiative.
- The special fund appropriation shows a decrease of just over \$9 million (26%). This reduction is due entirely to cash flow changes in ongoing projects.
- Funding for system preservation and minor projects decreases by nearly half, going from \$27.5 million in fiscal 2003 to \$13.8 million in fiscal 2004. This decrease is due to cash flow changes associated with the completion in fiscal 2003 of several minor projects initiated in fiscal 2002 and the payment of several large one-time grants in fiscal 2003.

Personnel Data

	<u>FY 02</u> <u>Actual</u>	<u>FY 03</u> <u>Working</u>	<u>FY 04</u> <u>Allowance</u>	<u>Change</u>
Regular Positions	342.00	332.00	332.00	0.00
Contractual FTEs	6.45	10.50	12.00	1.50
Total Personnel	348.45	342.50	344.00	1.50

Vacancy Data: Regular Positions

Budgeted Turnover: FY 04	9.93	2.99%
Positions Vacant as of 12/31/02	5.00	1.51%

Note: Reflects personnel data for all operating and PAYGO capital positions.

- The fiscal 2004 allowance includes funding for a total of 332 regular positions; this number represents no change from the fiscal 2003 working appropriation.
- In fiscal 2003, the allowance for regular positions was reduced from 342 to 332 due to across-the-board position reductions.
- The allowance for contractual full-time equivalent positions increases by 1.5 positions. One position, which is being funded through the Secretary's Office by the State Highway Administration, is assisting in implementing the Minority Business Enterprise procurement efforts associated with the Woodrow Wilson Bridge construction project. The additional .5 position is filled by a senior-level security advisor who is assisting MDOT in developing threat mitigation plans to enhance security at MDOT facilities.

Analysis in Brief

Major Trends

System Preservation Spending Will Consume Increasing Portions of the Capital Program: Under current economic and revenue projections, total annual spending on capital outlays is projected to decrease by more than half from nearly \$1.9 billion in fiscal 2003 to \$832 million in fiscal 2008. By fiscal 2006, TSO anticipates spending only \$417 million on system preservation projects; however, this will account for 36% of the entire capital program. MDOT will also be constrained in its ability to sell additional Consolidated Transportation Bonds after fiscal 2005, when total debt outstanding will be within \$41 million of the statutory ceiling of \$1.5 billion. Further, the ratio of net income to debt outstanding will decline from 5.0 in fiscal 2001 to 3.3 in fiscal 2005.

Issues

Security at Transportation Facilities: MDOT has received nearly \$3 million in federal security grants for fiscal 2003 and 2004, including funding for the Maryland Aviation Administration and the Maryland Port Administration and a small amount of funding for the Motor Vehicle Administration. Baltimore-Washington International Airport is now in full compliance with a federal regulation requiring that all checked baggage be screened for explosives, and the Port of Baltimore has introduced several new security enhancements. **The Department of Legislative Services (DLS) recommends that TSO brief the committees on additional security requirements that may arise as a result of federal legislation and on additional security costs that may have to be met with special funds.**

MDOT Conducting New Study of Ferry Service on the Chesapeake Bay: MDOT is currently undertaking the fourth study in 15 years of the feasibility of ferry service on the Chesapeake Bay. Previous studies have not found conclusive evidence of the financial viability of such a service. **DLS recommends that the committees add budget bill language prohibiting the use of State funds to support the development of a public or private ferry service, to support improvements in transportation infrastructure in the area of any proposed ferry landing site, or to conduct any new study of ferry service on any part of the Chesapeake Bay.**

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Operating Budget Recommended Actions

	<u>Funds</u>	Positions
1. Delete funds for a grant to the Department of Business and Economic Development's Office of International Business.	\$ 35,000	
2. Reduce funding for travel in the Office of Transportation Technology Services.	20,000	
3. Reduce funding for travel in the Office of Executive Direction.	17,000	
4. Delete funds for replacement of one automobile.	17,282	
5. Add annual language limiting operating grants-in-aid.		
Total Reductions	\$ 89,282	

Capital Budget Recommended Actions

	<u>Funds</u>	Positions
1. Delete funding for the Key Highway extension.	\$ 5,000,000	
2. Delete special funds for the Prince Frederick Loop Road Study.	400,000	
3. Reduce funding for capital project studies.	100,000	
4. Reduce funding for printing and reproduction charges.	12,000	
5. Add language limiting the use of special funds for ferry service on the Chesapeake Bay.		
Total Reductions	\$ 5,512,000	

Updates

Construction of New MDOT Headquarters Completed: The new MDOT headquarters building was completed in January 2003 at a cost of approximately \$42 million.

Office of Transportation Technology Services (OTTS) Establishes Information Technology Equipment Replacement Schedule: OTTS has established a replacement schedule for computer hardware, operating systems, and software that is intended to regularize purchases and flatten MDOT's computer-related budgets.

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Implementation of the Commercial Vehicle Information Systems and Networks (CVISN) Project Continues: Since 1996, Maryland has been a prototype state in which the technology associated with the Federal Highway Administration's CVISN project has been tested and refined as it has been introduced into use in the State. In fiscal 2004, the original requirements for the implementation of the credentialing and safety information exchange portions of this project will be completed; roll-out of the electronic screening portion of the project will continue.

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Budget Analysis

Program Description

The Secretary's Office (TSO) provides overall policy direction and management 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, Minority Business Enterprise (MBE) certification, and equal opportunity. The Office of Transportation Technology Services (OTTS) provides centralized computing, network infrastructure, and general information technology services for MDOT. Executive staff support is provided for management services, public affairs, general counsel, and policy and governmental relations. TSO also makes grants to various entities for transportation-related purposes.

Performance Analysis: Managing for Results

The administration's Managing for Results (MFR) initiative provides a context for evaluating an agency's performance or outcomes rather than their resources or inputs. The MFR framework also serves as a planning tool that identifies appropriate results and aids the agency in concentrating limited resources on the attainment of those results. The current performance data for four of TSO's key performance objectives are presented below. These indicators reflect the array of services provided by TSO, including management of the capital program and MBE certification.

- **Objective:** Provide resources for transportation services through a fiscally prudent program that maintains a bond coverage ratio where net revenues are at least 2.5 times the maximum annual debt service in every year of a six-year program.

Due to the transfer of \$300 million from the Transportation Trust Fund (TTF), MDOT has accelerated the sale of Consolidated Transportation Bonds. By statute, the total debt outstanding cannot exceed \$1.5 billion. In addition, net revenues (minus annual operating expenditures) and pledged taxes must both exceed the maximum annual debt service by at least 2.0 times. As a matter of policy, MDOT uses a minimum coverage test of 2.5 times the maximum annual debt service. Data on the annual coverage ratio of net revenues to maximum annual debt service from fiscal 2001 through 2005 are presented below.

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
	<u>Actual</u>	<u>Actual</u>	<u>Est.</u>	<u>Est.</u>	<u>Est.</u>
Measure: Bond coverage ratio of net revenues to maximum annual debt service	5.0	4.6	4.3	3.4	3.3

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The data indicate that the coverage ratio is declining from 5.0 in 2001 to 3.3 in 2005; under the current forecast, the ratio will continue to decline to 2.6 by 2008. Under current economic conditions, MDOT will have an annual debt outstanding of \$1.459 billion by fiscal 2005 (only \$41 million under the ceiling of \$1.5 billion). These trends will substantially limit the amount of bonds MDOT is able to sell in the out years of the current capital program. Further, the total amount of annual spending on capital programs is projected to decrease from \$1.876 billion in fiscal 2003 to \$832 million in fiscal 2008.

- **Objective:** Adequately fund system preservation needs in the *Consolidated Transportation Program* (CTP) at \$448 million in fiscal year 2004, or 29% of the fiscal year 2004 capital program. This funding level ensures that at least 25% of the capital program goes to maintaining and preserving the system.

The data presented below indicate the total amount of funding in the CTP allocated to system preservation projects from fiscal 2001 through 2004.

	2001	2002	2003	2004
	<u>Actual</u>	<u>Actual</u>	<u>Est.</u>	<u>Est.</u>
Measure: System preservation funding in CTP (\$ in millions)	526	566	550.1	516.8

In fiscal 2002, MDOT spent a total of \$566 million on system preservation projects, which amounted to 39% of the total CTP spending in that year of \$1.438 billion. The performance measurement data presented above indicate that MDOT projects spending 29% (\$550 million) of the fiscal 2003 capital program on system preservation projects in fiscal 2003. MDOT will thus meet its goals for spending on system preservation in the short run; however, as the total amount of annual capital spending continues to decline, funding of system preservation needs will reduce the amount of money available for spending on new capital outlays. Thus, by fiscal 2006, TSO anticipates spending only \$417 million on system preservation projects; however, this will account for 36% of the entire capital program.

- **Objective:** Improve the accuracy of capital program forecasting from 84% to 90% by fiscal year 2002, and maintain an expenditure rate of 90% or better each year thereafter.

By determining whether funds forecasted for expenditure in a particular year are actually spent as planned, this measure assesses the ability of MDOT to manage its construction program and anticipate delays in construction schedules. TSO's objective is to ensure that 90% of forecasted expenditures are made as planned in each fiscal year. The data presented in the performance measure below indicate that MDOT has attained this objective.

	2001	2002	2003	2004
	<u>Actual</u>	<u>Actual</u>	<u>Est.</u>	<u>Est.</u>
Measure: Actual expenditures as a percent of capital forecasted expenditures	84%	90%	90%	90%

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- **Objective:** Reduce in-state processing time for certification as a MBE from 180 days to 90 days by June 30, 2003, and maintain this level.

MDOT certifies businesses as MBE; upon certification, MBEs are eligible to participate in any State (and many local) procurements. MDOT is required by law to process certifications within 90 days. In fiscal 2002, TSO processed a budget amendment to support seven new positions, including two contractual full-time equivalents and five regular positions approved by the Board of Public Works (BPW); however, two full-time positions were subsequently eliminated in an across-the-board position reduction associated with cost containment. The performance data presented below indicate that TSO has met the statutory requirement for reducing the MBE processing time to 90 days; however, position reductions may result in delays in subsequent years.

	2001	2002	2003	2004
	<u>Actual</u>	<u>Actual</u>	<u>Est.</u>	<u>Est.</u>
Measure: Average number of days for MBE Certification.	150	90	90	90

Fiscal 2003 Actions

Impact of Cost Containment

The fiscal 2003 cost containment reflects the reversion of appropriations to support free transit ridership for State employees, contingent upon enactment of a provision in the Budget Reconciliation and Financing Act of 2003.

TSO advises that it expects to reduce the fiscal 2003 budget by an additional \$952,000, which may include extensive reductions to the information technology (IT) budget. As of January 30, 2002, however, neither the BPW nor the Maryland General Assembly has taken any action on these potential reductions.

Governor's Proposed Operating Budget

The fiscal 2004 allowance is approximately \$69.1 million, which is an increase of approximately \$4.3 million (6.6%) over the fiscal 2003 working appropriation. The allowance for the Executive Direction unit (which includes the offices of Finance, Human Resources, Planning, Minority Business Enterprise and Equal Opportunity, Management Services, and Facility Services) increases by 14% (\$2.7 million). Additional increases occur in the allowance for grants-in-aid funded through the Secretary's Office (\$1.3 million) and in the allowance for the Office of Transportation Technology (\$400,000). These increases are further detailed in **Exhibit 1**.

Exhibit 1

**Governor's Proposed Budget
The Secretary's Office**

(\$ in Thousands)

	<u>FY 02</u> <u>Actual</u>	<u>FY 03</u> <u>Approp.</u>	<u>FY 04</u> <u>Allowance</u>	<u>FY 03 - 04</u> <u>Change</u>	<u>FY 03 - 04</u> <u>% Change</u>
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Federal Funds	5,629	7,249	7,818	568	7.8%
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Adjusted Grand Total	\$59,850	\$64,790	\$69,051	\$4,261	6.6%

Where It Goes:

Personnel Expenses

Employee and retiree health insurance	308
Workers' compensation premium assessment	-108
Turnover adjustments	801
Other fringe benefit adjustments	-95
Personnel Subtotal	\$906

Executive Direction – Facility Operations

Lease payment, including payment to MEDCO for new headquarters building.....	1,350
Contractual services for the new headquarters building, including equipment maintenance, janitorial services, refuse removal, and contract management	488

Grants-in-aid

Additional federal support for grants to Metropolitan Planning Organizations	828
Increases in payments-in-lieu of taxes (PILOTS) for properties at the Port of Baltimore, including McComas, Dundalk-Bendix, Toyota.....	698
Federal grant provided to support the Downtown Partnership shuttle service	-260

Office of Transportation Technology Services

Contractual services, including training for department users, deferment of system upgrades, and reductions in maintenance support	-663
New and replacement computer-related hardware/software.....	427
Communication charges.....	150

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Travel costs, including travel to in-state and out-of-state conferences	100
Office of Human Resources	
Development of ADA-compliant medical standards classifications for technician positions	276
Other Changes	-39
Total	\$4,261

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

Executive Direction

The largest increase (approximately \$2 million) in TSO's fiscal 2004 operating budget occurs in facility operations costs associated with the new MDOT Headquarters building, including a \$1.35 million increase in the capital lease payment paid to the Maryland Economic Development Corporation (to fund a total annual capital lease payment of approximately \$2.9 million), and an increase of nearly \$500,000 in facility maintenance and utility services.

The allowance for the Office of Human Resources also increases by more than \$500,000. Approximately half of this increase is due to a decrease in the budgeted turnover rate. The other 50% of the increase will fund the development of job function descriptions that are compliant with the standards of the Americans with Disabilities Act (ADA). These will help reduce on-the-job injuries in MDOT by providing standards for assessing an applicant's ability to perform the duties of a specific job and for assessing an employee's fitness for work after an injury. These standards will also assist in identifying reasonable workplace accommodations for employees with disabilities.

Grants-in-aid

Funding for operating grants-in-aid increases by nearly \$1.3 million in fiscal 2004 over the fiscal 2003 allowance. Federal funds increase by a net total of \$568,000. Federal funds provided to support the State's six Metropolitan Planning Organizations increase by nearly \$828,000; however, the federal grant issued to the Downtown Partnership shuttle service operated from parking lots at Camden Yards and Ravens Stadium to downtown Baltimore decreases by nearly \$260,000.

The payments-in-lieu of taxes (PILOTS) paid by the State to local jurisdictions for properties at the Port of Baltimore (POB) increase by nearly \$700,000. Section 411 of Article 6 requires that for fiscal 2000 and each subsequent year, PILOTs must be calculated on the basis of the assessed value of the land times the applicable Baltimore City tax rate. A number of properties at POB have been reassessed and therefore the amount of PILOTs due has increased; these costs are paid entirely from special funds. A special fund grant given to the Maryland Department of Planning has been reduced by \$260,000 to the fiscal 2003 level, and a special fund grant previously issued to the Maryland Distribution Council has been eliminated (\$20,000).

Office of Transportation Technology Services

The increase in the fiscal 2004 allowance for OTTS includes increases for new and replacement equipment, including equipment for the new MDOT headquarters building (\$427,000), telecommunications equipment (\$152,000), travel (\$103,000), and increases in personnel expenses (\$548,000).

These increases are offset by a reduction of \$663,000 in contractual services utilized by TSO. OTTS will be reducing maintenance support for the IBM mainframe – which now runs the risk of incurring increased down time – and will reduce support services for the Financial Management Information System. In addition, the deployment of some new network security systems will be delayed as will system upgrades and consolidations, and the amount of training provided to users and technicians will be reduced.

Impact of Cost Containment

The fiscal 2004 allowance reflects the elimination of the appropriation for matching employee deferred compensation contributions up to \$600, contingent upon enactment of a provision in the Budget Reconciliation and Financing Act of 2003.

PAYGO Capital Program

Program Description

The Secretary's Office capital program has historically consisted of MDOT headquarters' system preservation and statewide planning funds. Funding also supports air quality improvement programs and grants issued to public and private entities for transportation-related purposes.

Fiscal 2003 to 2008 Consolidated Transportation Program (CTP)

The Secretary's Office fiscal 2004 capital allowance is \$42.2 million, which is a \$948,000, or 2.3% increase over the fiscal 2003 working appropriation. The Secretary's Office capital program represents approximately 2% of the department's total fiscal 2004 capital spending. **Exhibit 3** lists the capital projects currently programmed in TSO and shows projected funding for fiscal 2004 as well as the total anticipated cost of each project.

Exhibit 3

Major Ongoing Secretary's Office Projects (\$ in Thousands)

<u>Jurisdiction</u>	<u>Project Description</u>	<u>FY 2004</u>	<u>Total Six-year Program</u>
Statewide	Emission Reduction Program	4,762	20,802
Washington Area	Transportation Emission Reduction Measures	20,272	33,300
Statewide	Transportation Planning Studies	2,000	4,582
Statewide	System Preservation and Minor Projects	13,758	ongoing
n/a	Capital Program Salaries and Wages	1,394	ongoing
	Total	42,186	58,684

Source: Maryland Department of Transportation, 2003 *Consolidated Transportation Program*

Project Deletions or Delays

Due to the transfer of funds from the TTF to the general fund, TSO has removed funding for two years of the Transit Station Development Project (\$1.6 million) from the CTP. This initiative is designed to support increased development in the vicinity of rail transit stations by providing grants for transit station development ventures proposed by private developers. Applications for assistance under this program were first accepted in fiscal 2002; to date only one application received by the program has been judged to merit further consideration.

In addition, one phase of the development and modification of the Capital Program Management System, an IT project that is creating a software platform to standardize and manage capital program data for MDOT's modal administrations, will be delayed from fiscal 2004 to 2005.

Project Additions

Two new projects were added to the minor projects program:

- **Minority Business Enterprise Disparity Study** (\$500,000): MDOT is required to conduct a study of the MBE program's continued compliance with the requirements of "strict scrutiny" (which requires that any classifications based on factors such as race must be narrowly tailored to meet a "compelling governmental purpose") and any subsequent federal or constitutional requirements.
- **Security/Emergency Management Project Study** (\$350,000): Each MDOT building will be examined to identify additional measures needed to enhance security at the facility.

Fiscal 2003 and 2004 Cash Flow Analysis

Exhibit 4 shows the cash flow changes in the TSO's capital program between fiscal 2002 and 2004.

Fiscal 2003

In fiscal 2003, there was a \$22.5 million (120%) increase from the legislative appropriation to the working appropriation. Approximately \$6 million of the increase was related to the construction of MDOT headquarters, including a transfer of special funds from the Maryland Aviation Administration (MAA) to the TSO budget totaling \$5.4 million to pay for cost overruns.

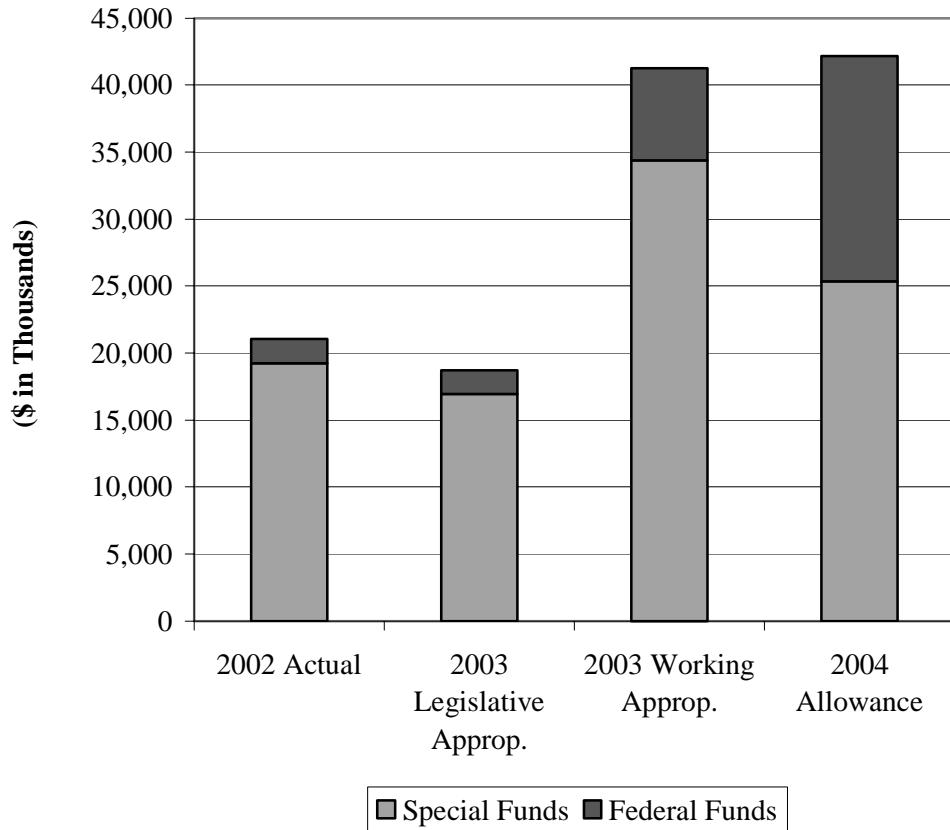
Approximately \$4.7 million of the increase was due to the addition of the Washington Region Transportation Emission Reduction Measures (TERMS) project to the CTP in fiscal 2003. The TERMS project is a set of initiatives that are expected to provide a reduction of 1.3 tons of nitrogen oxide mobile source emissions per day. Maryland has committed to provide this amount of emissions reductions of the total shortfall in air quality attainments of three tons per day incurred in the Washington region. These air quality attainment improvements are required to ensure compliance with the standards of the Clean Air Act. If these standards are not met, the Washington region will be ineligible to receive federal funding for transportation projects.

A number of minor projects and grants were also added to the CTP in fiscal 2003, including a grant for the Airport Citizens Committee (\$432,000), an air quality analysis project (\$326,000), a grant to the Maryland Department of Planning to fund implementation of the Maryland Economic Growth, Resource Protection, and Planning Act of 1992 (\$260,000), a grant for the Bloomsbury Square Public Housing project to support improvements on Bladen Street (\$246,000), and a grant to support a trash sweeper on the Anacostia River (\$100,000). Several other grants originally planned for fiscal 2002 were delayed until 2003, including a grant to Carroll County for the Sheperds Mill Road (\$3.4 million), Rocky Gap Ampitheatre Access (\$1.1 million), and a grant for development of Gilbert Road around Ripken Stadium (\$400,000).

Finally, the Capital Program Management System project experienced a cost increase of \$571,000 due to a system maintenance contract renewal, and the Port Land Use Grant initiative received additional federal funding in the amount of \$450,000.

Exhibit 4

Fiscal 2003 to 2004 Cash Flow Changes



Source: Maryland Department of Transportation, 2003 *Consolidated Transportation Program*

Fiscal 2004

In fiscal 2004, the federal fund allowance increases by nearly \$10 million over the fiscal 2003 allowance and now comprises 40% of the total allowance. The special fund appropriation decreases by just over \$9 million (26%); all of this decrease is due to cash flow changes and is not caused by overall spending reductions.

The majority of the increase in federal funding is attributable to an increase of \$9.9 million in the federal Congestion Management Air Quality grant provided to fund the TERMS initiative. Total spending for the TERMS project increases from \$4.7 million in fiscal 2003 to nearly \$20.3 million in fiscal 2004; the total cost of the project remains at \$33.3 million. Initiatives to be funded under TERMS include such things as incremental funding of the purchase of compressed natural gas (CNG) buses (rather than diesel

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buses) for local fleets in Montgomery and Prince George's counties and provision of support for CNG fueling stations to support fleets in the region; provision of bike lockers at transit stations, at park/ride lots, and on Metro buses; and increased marketing of the commuter choice tax credit and benefits.

Spending on system preservation and minor projects will decrease by nearly half from the fiscal 2003 working appropriation of \$27.5 to \$13.8 million in fiscal 2004. This change does not represent a reduction in planned spending but instead results from planned cash flow changes. A number of one-time grants have been issued in fiscal 2003 and several minor projects initiated in 2002 are scheduled to be completed in 2003. These expenditures are not fully replaced in the fiscal 2004 minor projects program.

Issues

1. Security at Transportation Facilities

MDOT continues to enhance security at all transportation facilities and is developing strategies for managing specific security threats. As of October 2002, MDOT had drafted a Security Strategic Plan, an Emergency Operations Plan, and a Business Continuity Plan. MDOT's senior-level security advisor, a retired intelligence official, has advised on the development of all of these documents and has assisted the administration in developing a close working relationship with the new Department of Homeland Security (DHS). MDOT has also conducted a department-wide exercise in response to a "weapon of mass destruction" scenario, and vulnerability analyses have been conducted at the Port of Baltimore (POB), Baltimore-Washington International Airport (BWI), and at various Maryland Transit Administration (MTA) facilities.

MDOT has received nearly \$3 million in federal security grants for fiscal 2003 and 2004, including more than \$1.3 million awarded to the Maryland Aviation Administration (MAA), \$1.3 million for the Maryland Port Administration (MPA), and approximately \$100,000 for the Motor Vehicle Administration (MVA) (to monitor the process of issuing Commercial Drivers Licenses). In addition to security-specific federal grants, MAA will also use approximately \$8.8 million in federal formula funding for capital projects related to security and will bill another \$3.3 million directly to the Transportation Security Administration (TSA) to cover the presence of Maryland Transportation Authority (MdTA) police until federal law enforcement personnel from TSA are in place. Specific security issues at BWI and POB are discussed below.

Security at BWI

On January 24, 2003, DHS officially came into existence, integrating 22 federal security agencies including the Coast Guard, Immigration and Naturalization Service, U.S. Customs Service, and the Secret Service into one single department. DHS will also include the new TSA, which is now in charge of screening passengers at all U.S. airports, including BWI.

BWI is now in full compliance with the requirement of the federal Aviation and Transportation Security Act of 2001 that all checked baggage be screened for explosives. There are 13 explosive detection machines in operation at the airport; they are currently being moved from the main floor of the building to the lower level where baggage handling occurs. While TSA has paid for the explosive detection machines and provides the personnel who screen passengers, MAA is responsible for structural modifications at the airport necessary to accommodate placement of these machines in the lower level of the airport; it is unclear at this time exactly what modifications will be required, how much they will cost, or who will pay for these costs.

MAA anticipates introducing security enhancements under its operating budget totaling approximately \$6.8 million in fiscal 2003, of which nearly \$3 million will be covered by federal funds. Similarly, in fiscal 2004, MAA anticipates adding enhancements totaling approximately \$6.6 million, of which only about

\$1.1 million will be covered by federal funds. These enhancements will include such items as an increased security personnel presence and new security technology services.

Security at the Port of Baltimore

A number of security enhancements have been made at POB and on MdTA-owned properties at the Port following the September 11, 2001, terrorist attacks. In fiscal 2002, MPA received a budget amendment for approximately \$1.5 million that supported the creation of a new security office responsible for developing and executing a comprehensive security plan throughout the public terminals at POB and the World Trade Center. In fiscal 2003, funds totaling nearly \$2 million have been added to MPA's budget to fund additional security measures, including an increased MdTA police presence at the terminals, the implementation of an identification system for truck drivers, and the conduct of background checks on terminal vendors, International Longshoreman's Association members, and truck drivers. The increase also covered increases in the costs of general liability insurance.

In addition to these security measures implemented by MPA, the U.S. Customs service has added a new mobile X-ray machine called the Vehicle and Cargo Inspection System (VACIS) through which containers can be driven for inspection. The VACIS machine is expected to be fully operational by the end of January 2003. Presently, the U.S. Customs service inspects only about 2% of containers passing through the POB, and inspection adds about \$215 to the cost of shipping a container due to the need to move the container from the terminal to the customs office and back to the terminal. It is not clear at this time whether the use of the VACIS machine, which may be placed at the terminal, will increase the number of containers inspected or reduce the cost of these inspections.

Federal Funding for Security Enhancements

On November 14, 2002, the U.S. Congress passed the Maritime Transportation Security Act of 2002, which integrates the federal, State, local, and private law enforcement agencies overseeing security at U.S. ports. Regulations developed by the U.S. Customs Service require ocean carriers to submit their cargo manifests to the U.S. Customs Service 24-hours prior to the loading of the cargo in a foreign port on a ship bound for the U.S., and require background checks for all personnel who enter secure areas in ports or on vessels. The Act also requires the U.S. Coast Guard to conduct vulnerability assessments of all U.S. ports. POB is one of only five U.S. ports to have completed such an assessment prior to September 11, 2001. This assessment was accepted by the Coast Guard and will not have to be repeated to respond to the requirements of the Maritime Security Act.

The Maritime Security Act also extends the Port Security Grant program. According to TSA, \$92.3 million in grants has already been distributed to 51 U.S. ports since June 2002. POB received a grant for \$3.3 million that will be used to construct a central security gate at Dundalk Marine Terminal. On January 14, 2003, the U.S. government announced that an additional \$105 million in Port Security Grants will be made available. However, at the time the first round of grants was awarded, applications totaling more than \$700 million were submitted for consideration, and the total of \$200 million in grants made available to date is only about one-fifth of the amount of the funding that the U.S. government has said is needed

just in the first year of the Act. MPA indicates that it will be applying for grants ranging in value from \$8 to \$10 million under this next round of grants to support security enhancements such as remote video surveillance equipment, improvements in cargo and information system security, and additional perimeter security systems.

DLS recommends that TSO brief the committees on additional security requirements that may arise as a result of federal legislation and on additional security costs that may have to be met with special funds.

2. MDOT Conducting New Study of Ferry Service on the Chesapeake Bay

MDOT is currently conducting an assessment of potential ferry terminal locations on both the western and eastern shores of the Chesapeake Bay. This study expands upon a study conducted in 2001 (see below) of a proposed connection between Crisfield (Somerset County) and Point Lookout (St. Mary's County) by providing a comprehensive examination of potential ferry sites throughout the entire length of the Chesapeake Bay. The current study will provide information regarding suitable ferry terminal locations and will assess examples of illustrative pairings (one site on the Eastern Shore matched with a site on the Western Shore), including looking at the crossing times, potential capital and operating costs, and ridership for these illustrative pairings, and assessing whether service in these pair-areas would impact local economic development. Information presented in the study, which is expected to be completed in mid-2003, will be made available to local governments and the private sector to inform their decision-making regarding the establishment of ferry operations.

Over the past 15 years, three previous studies of a variety of possible Chesapeake Bay ferry crossing routes and types of ferry vessels have been undertaken. These studies are briefly described below.

- **Chesapeake Bay Ferry Boat Service (1987):** MDOT completed a feasibility analysis of high-speed (hovercraft-type) waterborne service on four passenger routes from Baltimore to Rock Hall, Annapolis, Kent Island, and Cambridge; a car ferry between Chesapeake Beach and Cambridge was also evaluated. The report concluded that substantial tourist traffic would be required on most of the routes to offset somewhat weaker commuter traffic volumes; however, required tourist ridership exceeded the hypothetical capacity of the service (ferry service on the Bay would be limited to certain seasons and weather conditions).
- **Feasibility Assessment of Mid-Chesapeake Bay between Crisfield and Point Lookout (1994):** MDOT completed a preliminary economic feasibility assessment of a mid-Bay ferry service between Crisfield and Point Lookout. The study assessed both passenger-only crafts and two types of car ferries. This study concluded that ferry service would require tens of thousands of passengers to be financially viable. As the proposed Crisfield/Point Lookout route did not appear to offer sufficient passenger volume from the combined commuter/tourist traffic in the region, the study concluded that "current conditions do not provide any encouragement for further consideration of ferry service" along that route.

- **Crisfield-Point Lookout Ferry Feasibility Study (2001):** MDOT undertook a second feasibility study of the proposed Crisfield-Point Lookout route; however, this study was not published and resulted only in a collection of technical memoranda that provided updates to economic and ridership assumptions made in a 1994 study of this route. This “summary” concluded that the total annual cost of ferry service would be approximately \$13.8 million, resulting in a true cost per automobile of \$136. Like previous studies of ferry service on the Chesapeake Bay, this effort also found that while there was insufficient data to calculate exact levels of business travel ridership, it was not expected to contribute significantly to overall ferry ridership levels due to the length of pre-/post-embarkation travel times and the potentially prohibitive costs of regular ferry transit usage.

Based on the recommendations of the 1987 report, the Task Force on Chesapeake Bay Ferry Boat Service subsequently provided assistance to support three private initiatives in ferry services. These ventures studied a variety of routes between Solomon’s Island and the mouth of the Saint John Creek south of Taylor’s Island on the Eastern Shore. One company, the Chesapeake Flyer, Inc., operated a service between Rock Hall and the Baltimore Inner Harbor in 1991 until the catamaran operated by the company hit floating debris and was unable to resume service. Similarly, a cruise service was operated between Solomon’s Island and Hooper Island in Dorchester County. The service, which ran twice a week at a cost of \$8 one way (\$15 round trip), proved unprofitable and was eventually discontinued.

Previous MDOT studies of a number of different ferry crossing routes and a wide variety of passenger-only and vehicle ferry vessel options have not found conclusive evidence of the financial viability of such a service. Private firms that are interested in studying or initiating ferry service on the Chesapeake Bay can and should proceed without State involvement.

Therefore, the DLS recommends that the committees add budget bill language prohibiting the use of State funds to support the development of a public or private ferry service, to support improvements in transportation infrastructure in the area of any proposed ferry landing site, or to conduct any new study of ferry service on any part of the Chesapeake Bay.

Operating Budget Recommended Actions

	<u>Amount Reduction</u>	
1. Delete funds for a grant to the Department of Business and Economic Development's Office of International Business. This is not a core activity of the Department of Transportation and should not be supported from the Transportation Trust Fund.	\$ 35,000	SF
2. Reduce funding for out-of-state travel in the Office of Transportation Technology Services. This reduction reduces the allowance to the level of the fiscal 2002 actual expenditures plus a nearly 10% increase.	20,000	SF
3. Reduce funding for travel to in-state conferences and seminars to the level of fiscal 2002 actual expenditures plus a 10% increase.	17,000	SF
4. Delete funds for replacement of one Chevy Cavalier sedan. Replacement of three sedans is requested; however, it is recommended that the purchase of a replacement for the vehicle with the lowest mileage be deferred.	17,282	SF
5. Add the following language:		
<p><u>, provided that no more than \$4,317,526 of this appropriation may be expended for operating grants-in-aid, except for:</u></p>		
<p>(1) <u>any additional special funds necessary to match unanticipated federal fund attainments; or</u></p>		
<p>(2) <u>any proposed increase either to provide funds for a new grantee or to expand funds for an existing grantee; and</u></p>		
<p>(3) <u>the department provides notification to the budget committees to justify the need for additional expenditures due to either provision (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.</u></p>		
Total Special Fund Reductions	\$ 89,282	

Capital Budget Recommended Actions

	<u>Amount Reduction</u>	<u>Position Reduction</u>
1. Delete funding for the Key Highway extension. These funds are proposed to support the extension of the Key Highway to Nicholson and Hull Streets so that it runs beside the Tide Point office complex in Locust Point. The Key Highway is not a State road; therefore, costs for this extension should be borne by the local jurisdiction and by private developers involved in the Tide Point project.	\$ 5,000,000	SF
2. Delete special funds for the Prince Frederick Loop Road Study. These funds are intended to assess the feasibility of constructing a road to skirt the urbanized area of Prince Frederick. As this does not involve a State road, such costs are traditionally the responsibility of the district in which the proposed road would be located.	400,000	SF
3. Reduce funding for capital project studies. DLS recommends reducing funding by \$100,000 to limit spending on unnecessary and unjustified feasibility studies.	100,000	SF
4. Reduce funding for printing and reproduction charges to fiscal 2002 actual spending level plus an addition of 5%.	12,000	SF

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5. Add the following language:

Provided that no special funds shall be expended to support the development of any public or private ferry service on the Chesapeake Bay, or for the purpose of supporting ferry service-related transportation infrastructure improvements in the area of any proposed ferry landing site, or for the purpose of conducting any study of ferry service on any part of the Chesapeake Bay.

Explanation: This language limits the use of special funds for ferry service on the Chesapeake Bay. Previous studies of the feasibility of ferry service on the Chesapeake Bay have not found conclusive evidence of the viability of such service. Private firms that are interested in studying and/or initiating ferry service on the Chesapeake Bay can proceed without State involvement.

Total Special Fund Reductions **\$ 5,512,000**

Updates

1. Construction of New MDOT Headquarters Building Completed

MDOT's headquarters building was completed in early January 2003, and staff have moved into the building. The final cost of the building, which is rated as a "gold" level Green Building according to the standards established by the U.S. Green Building Council, was approximately \$42 million, including cost increases of approximately \$4.6 million required to fund a series of change orders for security modifications, environmental modifications, IT facilities, and modular workspace additions.

A total of \$36 million in bonds was sold by the Maryland Economic Development Corporation to finance the facility. These bonds will be re-paid by MDOT over a term of 20 years, and ownership of the building will then revert to MDOT. The additional \$6 million required for construction of the building was funded by the Transportation Trust Fund.

2. OTTS Establishes IT Equipment Replacement Schedule

As required by the 2002 *Joint Chairman's Report*, the Office of Transportation Technology Services (OTTS) has reported its plan for establishing a regular computer equipment replacement schedule for each MDOT mode, which is intended to stabilize computer-related expenditures. The plan calls for MDOT to standardize computer hardware replacements and operating system and software package upgrades as described below.

- **Hardware Replacement:** MDOT proposes to replace one quarter of the total personal computer (PC) inventory in each modal administration annually. The manufacturer's warranty will be purchased for each new PC; extended warranties will be purchased as appropriate. Hardware maintenance after the warranty period has ended will be the responsibility of the modal administration using the computer.
- **Operating System Replacement:** The evolution of operating systems is the main force driving the need to upgrade PCs. Manufacturers typically stop supporting an operating system four years after its general release. In an attempt to standardize operating system upgrades and control the costs associated with the upgrades, MDOT will now purchase PCs with the most current operating system that is still compatible with the operating system in current use as the MDOT standard operating system. In this way, once MDOT migrates to a new department-wide operating system standard, the migration among individual users can be made more seamlessly because the new operating system can simply be activated on each machine.
- **Software Replacement:** MDOT has decided to purchase Software Assurance (SA) for each Microsoft product license (i.e., each individual computer terminal). SA is a Microsoft licensing program that enables customers to acquire (upon demand) and administer multiple licenses for new product releases. SA is purchased for a yearly fee of just over \$100. If the SA option is exercised

(i.e., a new release is requested and installed) every 3 years, the use of SA can save approximately 13% in software purchase costs over the cost of buying a new product off the shelf. However, software packages are generally made to run on the most current operating system available. Therefore, to realize the cost savings that can be obtained through the regular exercise of the SA option, operating systems (and therefore PC hardware) need to be kept up-to-date with software development.

The implementation of these hardware, operating system, and software replacement guidelines will begin with the fiscal 2004 budget and is intended to reduce fluctuations in MDOT's hardware and software budgets. In addition, MDOT is migrating to the use of Windows 2000 as its standard operating system. If the agency is unable to maintain the proposed replacement schedule, computer-related costs will continue to remain volatile and cost spikes may be experienced in subsequent years as MDOT encounters the need to upgrade a large number of PCs and operating systems at one time.

3. Implementation of the Commercial Vehicle Information Systems and Networks (CVISN) Project Continues

The CVISN project is a component of the U.S. Department of Transportation Federal Highway Administration program supporting the development of nationwide Intelligent Transportation Systems (ITS) projects. The CVISN system is intended to allow safe and legally registered trucks to bypass weigh stations through the use of electronic equipment in the truck and at the weigh stations that allows a truck's registration and safety status to be checked while the truck is driving at regular highway speeds. The CVISN initiative is also establishing systems to enable truck operators to register themselves and their vehicles electronically over the Internet.

Maryland was selected in 1996 as a prototype state in which the technology associated with CVISN would be tested and refined as it was introduced in the State. According to the Federal Motor Carrier Safety Administration, the program is now active in various stages in 49 states. In fiscal 2004, a total of \$1.4 million in special funds and \$650,000 in federal funds are to be spent on continued implementation of the CVISN project in Maryland. Implementation of the original requirements for the credentialing and safety information exchange portions of the project will be completed this year; roll-out of the electronic screening portion of the project will continue. Presented below is a brief overview of the progress of the implementation of the CVISN system throughout the State.

Roadside Systems: Roadside systems are the electronic systems that support enforcement of safety and credentialing standards in trucks in service on the highway. A system called the Roadside Operations Computer (ROC) is to be located at each Weigh and Inspection Station to check trucks as they pass the station. ROCs are currently installed along I-95 north/southbound at Perryville and at I-70 westbound at West Friendship. The State Highway Administration is currently developing a Request for Proposals (RFP) to support installation of electronic screening equipment at six additional Weigh and Inspection stations over fiscal 2004 and 2005; funding in the amount of \$2.45 million in State funds and \$450,000 in federal funds is planned for the RFP, in addition to a total of \$900,000 in special funds budgeted for scalehouse maintenance.

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To participate in the program – i.e., to be screened electronically and thus to avoid the need to stop at weigh stations – trucks must be equipped with transponders. A transponder costs \$34.70; MDOT, which is distributing the transponders, is currently subsidizing the cost of the first 10,000 transponders issued to truckers, requiring them to pay only \$23.00 to obtain the device. Truckers who have toll accounts with MdTA can also have tolls charged to their accounts through the transponder device. Nearly 500 transponders had been issued as of December 2002. MdTA is working with the I-95 Corridor Coalition and ITS America to promote participation in this program among area truckers. It expects that more transponders will be requested as additional Weigh and Inspection Stations are equipped with the electronic screening systems necessary to read the transponders.

Credentialing: Credentialing is the process by which a trucker completes electronic business transactions, including enrolling in the International Registration Plan (IRP) and the International Fuel Tax Agreement (IFTA). It is the responsibility of the MVA to oversee IRP registration, while the Comptroller's Office oversees enrollment in IFTA. MDOT's web site now contains a Motor Carrier Portal, which provides a one-stop source of information for the trucking industry and related State agencies. A motor carrier can obtain software known as the "InterCat" through MVA that will allow it to process IRP transactions; otherwise, these forms are available for printing on-line (but must then be submitted to MVA). The Comptroller's Office has developed an on-line application for enrollment in IFTA and has issued nearly 40,000 IFTA decals to-date from Internet-based applications. A trucker can also enroll in the electronic screening process via the Motor Carrier Portal; this is a stand-alone process separate from enrollment in either IRP or IFTA.

Current and Prior Year Operating Budgets

**Current and Prior Year Operating Budgets
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 2002					
Legislative Appropriation	\$0	\$52,794	\$5,629	\$247	\$58,670
Deficiency Appropriation	0	400	0	0	400
Budget Amendments	0	1,385	0	0	1,385
Reversions and Cancellations	0	-605	0	0	-605
Actual Expenditures	\$0	\$53,974	\$5,629	\$247	\$59,850
Fiscal 2003					
Legislative Appropriation	\$0	\$56,364	\$7,249	\$256	\$63,869
Budget Amendments	0	921	0	0	921
Working Appropriation	\$0	\$57,285	\$7,249	\$256	\$64,790

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

Object/Fund Difference Report
MDOT The Secretary's Office

<u>Object/Fund</u>	<u>FY 02 Actual</u>	<u>FY 03 Working Appropriation</u>	<u>FY 04 Allowance</u>	<u>FY 03 - FY 04 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	330.00	320.00	320.00	0	0%
02 Contractual	1.75	4.50	6.00	1.50	33.3%
Total Positions	331.75	324.50	326.00	1.50	0.5%
Objects					
01 Salaries and Wages	\$ 21,117,100	\$ 21,116,947	\$ 22,023,276	\$ 906,329	4.3%
02 Technical & Spec Fees	112,539	224,960	305,284	80,324	35.7%
03 Communication	987,250	527,092	716,524	189,432	35.9%
04 Travel	250,375	265,666	378,919	113,253	42.6%
06 Fuel & Utilities	150,165	150,050	205,000	54,950	36.6%
07 Motor Vehicles	109,570	97,268	162,087	64,819	66.6%
08 Contractual Services	26,316,265	29,186,587	29,209,123	22,536	0.1%
09 Supplies & Materials	282,734	463,566	338,803	(124,763)	(26.9%)
10 Equip - Replacement	1,021	6,000	285,121	279,121	4652.0%
11 Equip - Additional	107,900	163,627	307,502	143,875	87.9%
12 Grants, Subsidies, Contr	10,266,271	10,892,284	12,162,549	1,270,265	11.7%
13 Fixed Charges	148,833	1,710,479	3,108,926	1,398,447	81.8%
Total Objects	\$ 59,850,023	\$ 64,804,526	\$ 69,203,114	\$ 4,398,588	6.8%
Funds					
03 Special Fund	\$ 53,974,159	\$ 57,298,833	\$ 61,132,821	\$ 3,833,988	6.7%
05 Federal Fund	5,628,987	7,249,497	7,817,714	568,217	7.8%
09 Reimbursable Fund	246,877	256,196	252,579	(3,617)	(1.4%)
Total Funds	\$ 59,850,023	\$ 64,804,526	\$ 69,203,114	\$ 4,398,588	6.8%

Note: Full-time and contractual positions and salaries are reflected for operating budget programs only.

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**Fiscal Summary
MDOT The Secretary's Office**

<u>Unit/Program</u>	<u>FY 02</u>	<u>FY 03</u>	<u>FY 03</u>	<u>FY 02 - FY03</u>	<u>FY 04</u>	<u>FY 03 - FY 04</u>
	<u>Actual</u>	<u>Legislative</u>	<u>Working</u>	<u>% Change</u>	<u>Allowance</u>	<u>% Change</u>
01 Executive Direction	\$ 17,571,290	\$ 19,404,997	\$ 19,464,997	10.8%	\$ 22,189,200	14.0%
02 Operating Grants-In-Aid	10,230,373	10,859,272	10,859,272	6.1%	12,135,240	11.8%
03 Facilities and Capital Equipment	20,611,966	18,716,315	39,272,720	90.5%	41,281,380	5.1%
07 Office of Transportation Technology Services	32,048,360	33,605,257	34,480,257	7.6%	34,878,674	1.2%
08 Major IT Development Projects	465,989	0	1,971,000	323.0%	911,000	(53.8%)
Total Expenditures	\$ 80,927,978	\$ 82,585,841	\$ 106,048,246	31.0%	\$ 111,395,494	5.0%
Special Fund	\$ 73,226,518	\$ 73,305,148	\$ 91,683,553	25.2%	\$ 86,515,201	(5.6%)
Federal Fund	7,454,583	9,024,497	14,108,497	89.3%	24,627,714	74.6%
Total Appropriations	\$ 80,681,101	\$ 82,329,645	\$ 105,792,050	31.1%	\$ 111,142,915	5.1%
Reimbursable Fund	\$ 246,877	\$ 256,196	\$ 256,196	3.8%	\$ 252,579	(1.4%)
Total Funds	\$ 80,927,978	\$ 82,585,841	\$ 106,048,246	31.0%	\$ 111,395,494	5.0%

**Budget Amendments for Fiscal 2003
Maryland Department of Transportation
The Secretary's Office**

<u>Status</u>	<u>Amount</u>	<u>Fund</u>	<u>Description</u>
Approved (1)	\$60,000	SF Oper	Security - provides for a temporary employee to act as the Security Advisor to the Secretary of Transportation. Also provides travel funds for MDOT's Emergency Management staff to travel to and register for security seminars and to fund terrorism awareness training.
Approved (2)			Funding for major IT project development is being transferred from existing programs to the new programs as required by Senate Bill 491 which was enacted during the 2002 legislative session.
Pending (3)	\$875,000	SF Oper	Provides funding for software licensing, annual software maintenance fees, and other support services related to system, application, and utility software products that run on the MDOT data center's mainframe and other computer platforms. Also, to provide funding for the PBX/IVR Network Phase II Project in MVA. Both of these projects are being funded by the Transportation IT fund.
Pending (4)	\$150,000 \$354,000 <u>\$504,000</u>	SF Cap FF Cap	Allows MDOT's appropriation for major IT projects to match the cash flow projections reported in the Draft Consolidated Transportation Program (CTP).
Projected (5)	\$17,293,405 \$4,730,000 <u>\$22,023,405</u>	SF Cap FF Cap	Adjusts the amended appropriation to agree with the anticipated expenditures for the current year as reflected in the FY 2003 - FY 2008 Final CTP.
Projected (6)	\$(923,858) \$(27,700) <u>\$(951,558)</u>	SF Oper SF Cap	FY 2003 Cost containment consisting mainly of reductions to the Information Technology budget.