

**J00I00**  
**Maryland Aviation Administration**  
**Maryland Department of Transportation**

***Operating Budget Data***

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(\$ in Thousands)

	<b>FY 2002 <u>Actual</u></b>	<b>FY 2003 <u>Approp.</u></b>	<b>FY 2004 <u>Allowance</u></b>	<b>FY 03 - 04 <u>Change</u></b>	<b>FY 03 - 04 <u>% Change</u></b>
Special Funds	\$95,704	\$103,525	\$110,218	\$6,693	6.5%
Contingent & Back of Bill Reductions	0	(21)	(130)	(109)	
<b>Adjusted Special Funds</b>	<b>\$95,704</b>	<b>\$103,504</b>	<b>\$110,088</b>	<b>\$6,584</b>	<b>6.4%</b>
Federal Funds	1,933	1,135	199	(936)	-82.5%
Reimbursable Funds	1,250	2,000	0	(2,000)	-100.0%
<b>Adjusted Grand Total</b>	<b>\$98,886</b>	<b>\$106,639</b>	<b>\$110,287</b>	<b>\$3,648</b>	<b>3.4%</b>

- The fiscal 2004 allowance increases \$3.6 million for additional janitorial services, increases in mechanical and equipment repair contracts, and costs for new terminal space. This change, however, is offset by a \$2 million reduction in reimbursable funds creating an actual increase of \$5.6 million when compared to fiscal 2003.
- The allowance reflects a decrease of \$2 million in reimbursable funds from the general fund due to the conclusion of the Regional Air Service Development pilot program.

***PAYGO Capital Budget Data***

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(\$ in Thousands)

	<b>FY 2002 <u>Actual</u></b>	<b>FY 2003 <u>Approp.</u></b>	<b>FY 2004 <u>Allowance</u></b>	<b>FY 03 - 04 <u>Change</u></b>	<b>FY 03 - 04 <u>% Change</u></b>
<b>Special Funds</b>	<b>\$69,176</b>	<b>\$104,003</b>	<b>\$71,117</b>	<b>-\$32,886</b>	<b>-31.6%</b>
Contingent & Back of Bill Reductions	0	0	-22	-22	
Adjusted Special Funds	69,176	104,003	71,096	-32,907	-31.6%
Federal Funds	11,396	21,935	23,716	1,781	8.1%
<b>Adjusted Grand Total</b>	<b>\$80,572</b>	<b>\$125,938</b>	<b>\$94,812</b>	<b>-\$31,126</b>	<b>-24.7%</b>

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- During fiscal 2003 work on six projects at BWI was completed while work on one project significantly increased, resulting in a net decrease of approximately \$31.1 million between fiscal 2003 and 2004.

***Personnel Data***

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	<b><u>FY 02</u></b> <b><u>Actual</u></b>	<b><u>FY 03</u></b> <b><u>Working</u></b>	<b><u>FY 04</u></b> <b><u>Allowance</u></b>	<b><u>Change</u></b>
Regular Positions	550.50	568.50	568.50	0.00
Contractual FTEs	8.50	6.00	4.00	(2.00)
<b>Total Personnel</b>	<b>559.00</b>	<b>574.50</b>	<b>572.50</b>	<b>(2.00)</b>

*Vacancy Data: Regular Positions*

Budgeted Turnover: FY 04	28.77	5.06%
Positions Vacant as of 12/31/02	65.50	11.52%

- The Maryland Aviation Administration (MAA) advises that its records for fiscal 2003 reflect four contractual positions providing no net change in contractual support between fiscal 2003 and 2004.

## *Analysis in Brief*

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### Major Trends

***Passenger Traffic at BWI in Calendar 2002 Decreases 6.7% Over 2001:*** MAA's objective with respect to passenger volume is to serve 30 million passengers by calendar 2010. Calendar 2002 saw 19 million passengers at BWI, a decrease of 6.7 % below calendar 2001 when passenger traffic reached an all time high of 20.3 million passengers. **MAA should discuss with the committees its attempts to grow cargo and passenger volume at BWI.**

***The Airport as a Business – Efficiency Measures:*** MAA collects data on two efficiency measures, airline cost per enplaned passenger and airport revenue per enplaned passenger. MAA can impact the airlines cost per enplaned passenger based on its rates and charges each airline pays for using BWI. The airport revenue per enplaned passenger data is important to BWI in ensuring that this State-owned enterprise is operating, as a business should, profitably. **MAA should discuss how it uses the efficiency measures to guide its operations and spending plans.**

### Issues

***MAA Revenues Are Not Keeping Pace with All Expenditures:*** MAA is able to recover all operating expenditures through its operating revenues. However, when capital expenditures are included, BWI's ability to be self-sustaining is somewhat limited. MAA is able to pass portions of the costs of some capital improvements on to airlines by including the cost of the investment in the rates and charges that MAA calculates for each airline. Regardless, MAA relies on the Transportation Trust Fund (TTF) or other non-MAA financing mechanisms such as Maryland Transportation Authority (MdTA) revenue bonds for capital investments. **Because a portion of the BWI development program hinges on several specific revenue sources, and to assist the legislature in its oversight of revenues, MAA should provide a revenue and expenditure forecast with each annual budget submission. MAA should brief the committees on its expectations for future revenue attainment to meet debt service payments and to support its operating program. MAA should also identify steps it intends to take to reduce the level of TTF subsidy necessary to fund operating and capital expenses.**

***MdTA Should Take Ownership of BWI:*** MAA is responsible for the ownership of two airports, BWI and MTN, as well as the overall coordination of aviation policy in the State. If MdTA assumed the responsibility for the ownership and operation of BWI, cost savings could be realized, and there could be benefits to the operation of one of the nation's largest airports. MAA currently works with the MdTA regularly to sell bonds supporting capital projects. Legislative oversight of this State entity would be retained even with its nonbudgeted status. The MdTA is a stable entity with a relatively strong financial position, and MAA will be able to respond more quickly to changes in the airline and airport industry without first undertaking a lengthy procurement or budget amendment process as is now expected. **The**

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**Department of Legislative Services (DLS) recommends that the Budget Reconciliation and Financing Act of 2003 (BRFA) include provisions to transfer the ownership and responsibilities for the operation of BWI from the Maryland Aviation Administration to the Maryland Transportation Authority. The MAA will be retained to coordinate the State's aviation policy and to continue to inspect and license public-use airports.**

***Update on MAA's Basic Use Lease Agreement Negotiations:*** At the country's largest airports, serving over 1 million passengers annually, the relationship between the airport management and the major airlines with scheduled commercial air service is typically governed by a basic use lease agreement (BULA). The agreement covers the use of airside and terminal facilities including gate usage, aircraft parking, holdrooms, ticket counters, back office space, and baggage make-up space. The BULA also establishes the rate-setting methodology for airline activities and the basic philosophy for the recovery of airport costs. BWI is currently in the process of renegotiating its BULA agreements with the airlines serving BWI. Most of the agreements were signed in the 1970s and are set to expire February 28, 2003. **The administration should comment on the status of concluding the BULA negotiations and its goals in reaching a final agreement.**

***Airport Security at BWI:*** The Transportation Security Administration (TSA) set a deadline of Dec 31, 2002, to perform 100% baggage screening for passenger flights. All baggage originating from BWI was screened after December 31, 2002, using either explosive detection machines (EDS) or explosive trace detection machines (ETD). The bag screening function will largely be performed behind the scenes in the bag make up area of the airport. MAA's expected financial responsibility and what the necessary changes will be is still unclear. In addition MAA contracts with MdTA police and private security guard companies to provide terminal and airport facility security. **MAA should discuss with the committees its current understanding of future funding requirements for security improvements to BWI and the level of federal assistance for securing BWI and MTN the State can expect to receive.**

### **Operating Budget Recommended Actions**

	<u>Funds</u>	<u>Positions</u>
1. Reduce rent payments for office space.	\$ 10,430	
2. Delete funds for MAA sign shop.	63,868	<b>1.0</b>
3. Delete grant to Department of Business and Economic Development.	50,000	
<b>Total Reductions</b>	<b>\$ 124,298</b>	<b>1.0</b>

## Capital Budget Recommended Actions

	<u>Funds</u>
1. Reduce funding for office furniture and supplies.	\$ 44,638
<b>Total Reductions</b>	<b>\$ 44,638</b>

## Updates

**Regional Air Service between BWI and Western Maryland in Trouble:** Chapter 325, Acts of 2000 required the establishment of a regional air service development program in keeping with MAA’s statutory mission to “encourage, foster, and assist in the development of aeronautics in this State...”. Beginning in January 2002, Pan Am (d/b/a Boston-Maine Airways) began six daily flights, three eastbound from Cumberland stopping in Hagerstown arriving at BWI and three westbound serving those same cities. BWI advises that for Pan Am to continue to offer air service after the conclusion of the State subsidy in fiscal 2004, load factors of 45% would have to be achieved. Load factor is a measure of the number of fare-paying passengers that must fly each flight for that flight to cover its operating and fixed costs. The average load factor per day from February through mid-June 2002 was 25.8 %. In December 2002, load factors were averaging 15%.

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## ***Budget Analysis***

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### **Program Description**

The Maryland Aviation Administration (MAA) has responsibility for fostering, developing, and regulating aviation activity throughout the State and for operating, maintaining, and developing the State-owned Baltimore/Washington International Airport (BWI) and Martin State Airport (MTN). The administration has identified the following key goals:

- Operate Maryland's State-owned airports as successful business enterprises that are cost-effective and efficiently serve the air transportation needs of its customers.
- Exceed customer expectations with state-of-the-art, convenient, customer-friendly services and facilities.
- Integrate safety enhancements and security considerations into all facets of Maryland's Aviation System.
- Operate in an environmentally proactive manner.
- Contribute to the economic well being of Maryland.
- Develop an organization that fosters opportunities to attract, develop, and retain a highly motivated workforce.

### **Performance Analysis: Managing for Results**

MAA's Managing for Results (MFR) submission continues to be a document useful to MAA for its day-to-day operations management as well as useful for oversight purposes. The largest areas of attention are the volume of passengers and cargo using BWI facilities. However BWI is a State-owned business and MAA's MFR presents appropriate data regarding operating costs.

Growth in passenger volume at BWI is a measure of its success as a business, but this growth also creates additional opportunities and challenges. Additional passenger volume increases the need for janitorial assistance, parking spaces, and other customer services. MAA's objective with respect to passenger volume is to serve 30 million passengers by calendar 2010. Calendar 2002 saw 19 million passengers at BWI, a decrease of 6.7 % below calendar 2001 where passenger traffic reached an all time high of 20.3 million passengers. **Exhibit 1** shows passenger traffic for calendar 2000 through 2002. As seen in Exhibit 1, BWI was making gains on a month-by-month basis until the terror attacks of September 11, 2001. Calendar 2002 passenger volume levels show that BWI still has not reached the highs it had previously attained. Despite decreasing 6.7% between calendar 2002 and 2001, passenger traffic at BWI is greater than total traffic using Dulles Airport (17.1 million passengers) or National Airport (12.9 million

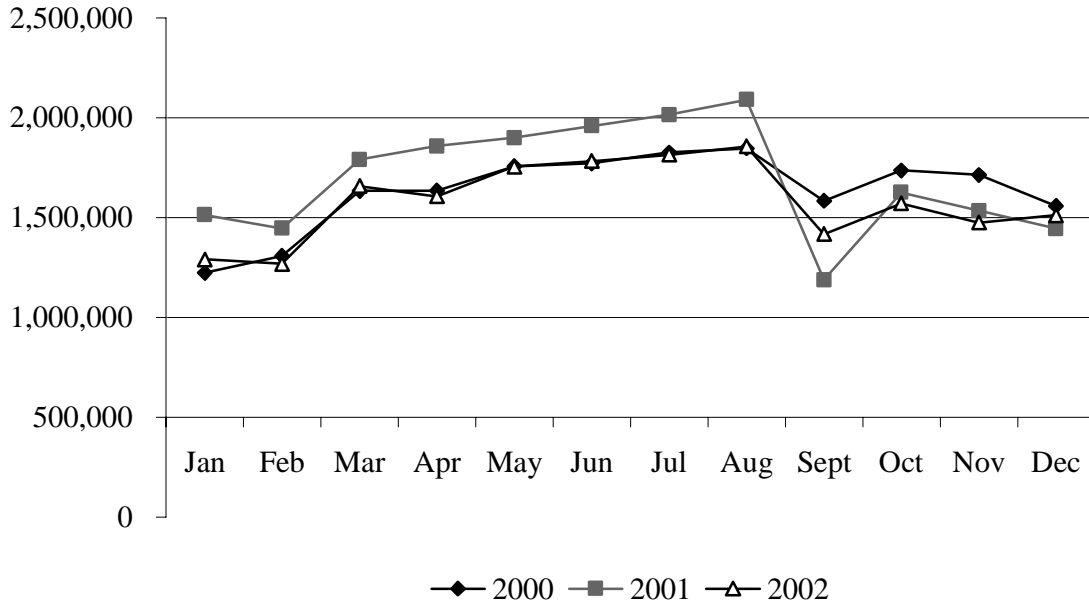
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passengers) in that same time period.

**Exhibit 1**

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**Calendar 2002 Passenger Volume Growth Over 2000 and 2001**



Source: Maryland Aviation Administration

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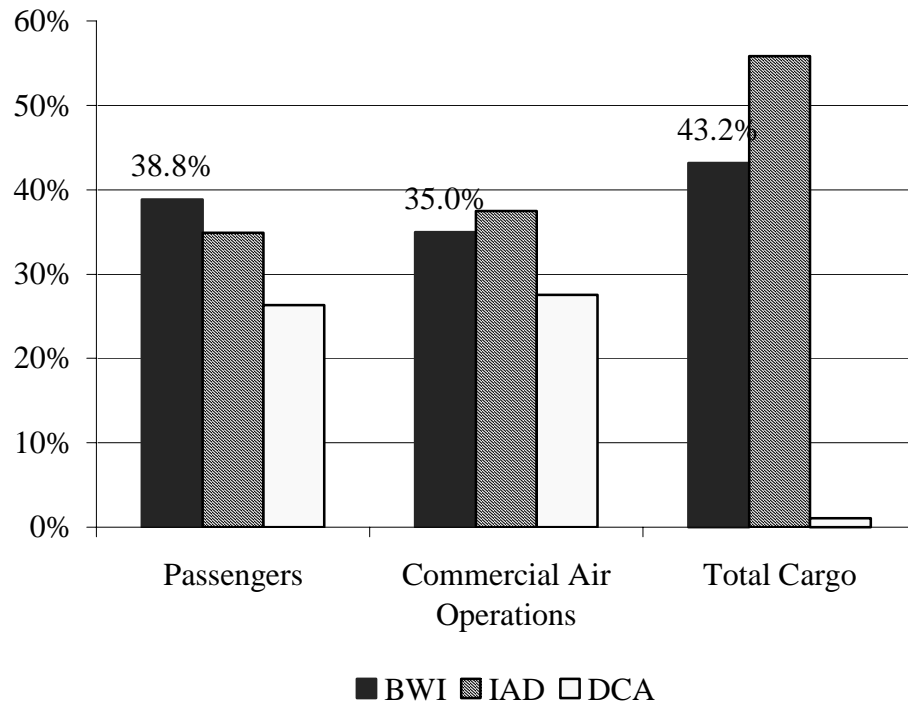
**Passenger, Cargo, and Air Operations Market Share**

While MAA states that it is not its intention, in the spirit of fair business competition, to “steal” business from Dulles or National airports, how BWI measures up to these two airports is an important measure of its ability to remain a valued option by air travel and air cargo customers. It is necessary for BWI to grow its business, and this entails a certain amount of competition with other area airports. In the future, BWI needs to continue to create new business by bringing in airlines and cargo carriers not currently serving the Washington area as well as reinforce itself as an option for Washington-area travelers. **Exhibit 2** demonstrates that BWI has a larger percentage of passenger market share than Dulles or National airports. However, Dulles has a greater share of cargo service than BWI or National.

Exhibit 2

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**Passenger, Cargo, and Air Operations Market Share  
Calendar 2002**



Notes: IAD = Washington Dulles International Airport  
DCA = Ronald Reagan Washington National Airport

Source: Maryland Aviation Administration

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Between calendar 2002 and 2001 BWI made progress in increasing cargo volume. Between calendar 2000 and 2002, lead by the increase in volume, BWI has made gains in market share over Dulles and National. MAA advises that 88% of its total cargo facility space is leased. Disturbingly though only 30% of BWI's midfield cargo facility space is leased, leaving 42,000 square feet in this facility unleased. In addition MAA has leased portions of cargo space at BWI to noncargo related entities. Filling this space with cargo carriers will increase BWI's presence on the world market as a destination for air cargo.

**MAA should discuss with the committees its attempts to grow cargo and passenger volume at BWI.**

## The Airport as a Business: Efficiency Measures

MAA's MFR also presents two important efficiency measures, airline cost per enplaned passenger and airport revenue per enplaned passenger. **Exhibit 3** provides this data. MAA can impact the airlines cost per enplaned passenger based on its rates and charges each airline pays for using BWI. Keeping these costs lower than the regional median, \$7.21 per enplaned passenger, is important to attracting new business and retaining airlines already serving BWI. MAA has selected Pittsburgh, Philadelphia, Dulles, and National airports as comparable airports in terms of cost per enplaned passenger.

The airport revenue per enplaned passenger data is important to BWI in ensuring that this State-owned enterprise is operating, as a business should, profitably. Again, MAA's objective is to maintain the annual airport revenue per enplaned passenger at BWI at or above the comparable airports 2000 median of \$14.70 per enplaned passenger. MAA compares itself to airports in San Diego, California and Tampa, Florida and to National airport due to similar characteristics such as the mix of origin and destination passengers and number of passenger.

**MAA should discuss how it uses the efficiency measures to guide its operations and spending plans.**

### Exhibit 3

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#### BWI Efficiency Measures Fiscal 1998 through 2002

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Airline cost per enplaned passenger	\$4.47	\$4.16	\$3.85	\$3.88	\$4.25
Benchmark	\$4.26	\$4.26	\$4.26	\$7.21	\$7.21
Airport revenue per enplaned passenger	\$14.87	\$15.31	\$14.84	\$14.55	\$15.94
Benchmark	\$15.33	\$15.33	\$14.70	\$14.70	\$14.70

Source: Maryland Aviation Administration

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## Fiscal 2003 Actions

### Impact of Cost Containment

MAA is planning on taking operating budget cost containment measures totaling \$348,359 in fiscal 2003 to offset the proposed transfer of \$300 million from the TTF to the general fund. Reduced expenditures include funds for temporary staff no longer needed, delaying painting projects, and

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reductions in other small administrative items. However, neither the Board of Public Works nor the budget committees have approved MAA's cost containment plan.

Fiscal 2003 cost containment also 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.

### **Governor's Proposed Operating Budget**

The fiscal 2003 allowance increases \$3.6 million, or 3.4%, over the fiscal 2003 working appropriation. The operating budget actually increases \$5.6 million; however, this increase is offset by a \$2 million reduction in reimbursable funds, due to the conclusion of the Regional Air Service Development pilot program. Expenditures at BWI increase \$5.4 million or 5.5%. Operating expenditures at MTN increase \$453,000 or 7.0%. The regional aviation division is experiencing a decrease of -\$2.1 million due to the conclusion of the subsidy to a regional air carrier. **Exhibit 4** provides details on the major changes occurring in the fiscal 2004 allowance.

### **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.

**Exhibit 4**

**Governor's Proposed Budget  
Maryland Aviation Administration  
(\$ in Thousands)**

	<u>FY 2002 Actual</u>	<u>FY 2003 Approp.</u>	<u>FY 2004 Allowance</u>	<u>FY 03 - 04 Change</u>	<u>FY 03 - 04 % Change</u>
Special Funds	\$95,704	\$103,525	\$110,218	\$6,693	6.5%
Contingent & Back of Bill Reductions	0	(21)	(130)	(109)	
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**Where It Goes:**

**Personnel Expenses**

Employee and retiree health insurance .....	\$592
Other fringe benefit adjustments .....	484
Retirement contribution .....	-169
Workers' compensation premium assessment .....	-526
Turnover and cost containment adjustments .....	-531

**Other Changes**

**BWI**

Increased utility and janitorial expenses due to the addition of new facilities .....	3,022
Increased contract costs for maintenance and repair of mechanical systems such as moving walkways.....	790
Increased contract costs for janitorial services due to additional time passengers are spending in terminal building.....	693
Increased costs for information technology equipment maintenance, including hardware, application software, and system software maintenance.....	673
New contract for Maryland Environmental Service inspection of sanitary sewers .....	524

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**Where It Goes:**

Reduced cost for MdTA police at BWI based on negotiated staffing levels .....	-266
<b>Martin State Airport</b>	
Increased contract costs for janitorial services and additional fuel for resale	266
<b>Regional Aviation</b>	
Elimination of reimbursable fund grant to Boston-Maine Airways for subsidized air service as required by Chapter 325, Acts of 2000 due to the conclusion of the pilot program.	-2,000
<b>Other</b> .....	96
<b>Total</b>	<b>-\$3,648</b>

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

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## **PAYGO Capital Program**

### **Program Description**

The MAA capital program provides for the development and maintenance of facilities at BWI and MTN. The administration undertakes projects that meet the demands of commercial and general aviation for both passenger and cargo activities at BWI. At MTN, facilities improvements and rehabilitation activities such as runway and taxiway improvements, building and system renovations, and various maintenance projects are implemented.

### **Fiscal 2003 to 2008 Consolidated Transportation Program**

The fiscal 2003 through 2008 *Consolidated Transportation Program* (CTP) provides a decrease of \$120.2 million over the six-year period when compared to the 2002 CTP. The 2003 CTP provides for total spending of \$1.1 billion, including \$522.3 million in other non-Transportation Trust Funds (TTF).

### **Fiscal 2003 and 2004 Cash Flow Analysis**

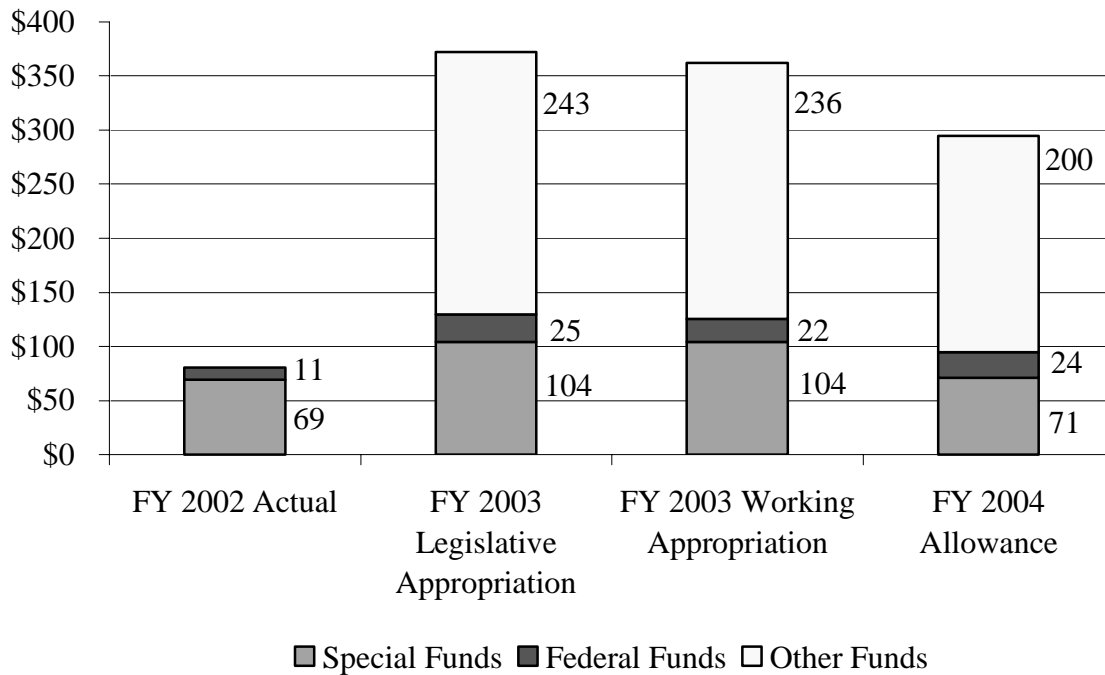
The fiscal 2004 capital program decreased by \$31.1 million, or 24.7%, below the fiscal 2003 working appropriation. The decrease is largely attributable to the completion of six projects (-\$64.7 million) while work on one project significantly increased (\$31.7 million). **Exhibit 5** provides the fluctuation in cash flow for MAA projects between fiscal 2002 and 2004.

### **Large Portion of the Fiscal 2004 Capital Program Supported by Non-TTF Revenues**

The fiscal 2004 MAA capital program is supported by \$295 million in total funds, which includes \$200 million in non-TTF revenues such as revenue bonds sold by MdTA or the Maryland Economic Development Corporation. The portion of projects included in the 2003 CTP funded by other non-TTF types of funding has decreased slightly from \$243 million in the fiscal 2003 legislative appropriation to \$200 million in fiscal 2004. MAA projects using non-TTF resources are related to the expansion of airport facilities at BWI.

**Exhibit 5**

**Fiscal 2003 to 2004 Cash Flow Changes  
(\$ in Millions)**



Note: MAA advises that other funding in fiscal 2002 totaled \$113 million.

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

**Status Report: Expansion of BWI Is Underway**

**Exhibit 6** presents the fiscal 2004 funding for BWI Expansion Program projects included in the 2003 CTP. MAA advises that construction of five major projects and one minor project was or will be completed in fiscal 2003.

- **Elm Road Surface Lot and Elm Road Garage (\$169.7 million):** The surface lot, with 1,400 spaces, opened in November 2001, and the first of 3,000 spaces in the garage opened in November 2002. The remaining 5,400 spaces at the Elm Road Garage will open beginning with 3,200 spaces in summer 2003 and the remaining 2,200 spaces in January 2004. Fiscal 2004 provides \$26.5 million for the completion of the project.
- **Terminal Curbside Extension and Access Roadways (\$55.3 million):** Phase One of this project relocated entrance roads to the BWI terminal building and extended the upper level curbside by 700 feet. Work will be completed by spring 2003.

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- ***Tenant Parking Lot (\$13.8 million):*** The project provides for a 3,400 space tenant/employee parking lot located adjacent to the new rental car facility under construction. The facility opened in September 2002.
- ***Surface Movement Guidance Control Systems (\$3.8 million):*** This information technology project aids air traffic controllers in tracking the movement of aircraft and other vehicles on the airfield. Implementation was completed in December 2002.
- ***Electronic Parking Guidance System Buildout in Main Garage (\$3.2 million):*** The red light/green light system that aids travelers in locating parking spaces at BWI will be installed throughout the main garage directly adjacent to the terminal building by the conclusion of fiscal 2003.
- ***Remote Aircraft Parking (\$2.6 million):*** The parking ramp will provide space for four aircraft and is located east of the International Terminal.

In addition to the completion of six expansion projects in fiscal 2003, MAA advises that the consolidated rental car facility project will be completed in fall 2003. The total project cost is \$131.1 million.

Finally, MAA advises that in fiscal 2004 it will begin planning and design for the expansion of the existing parking garage (5,600 spaces) located adjacent to the terminal building. The project will add 3,000 spaces to the existing parking garage and will include red light/green light parking space locator technology. The upper level of the garage expansion will be equipped with covered, moving walkways to transport passengers to the terminal building. The project cost is estimated to total \$43 million with \$158,000 planned for expenditure in fiscal 2004.

**Exhibit 6**

**BWI Expansion Program Projects – Fiscal 2004**  
 (\$ in Millions)

<u>Project</u>	<u>Estimated Total Cost</u>	<u>Fiscal 2004 Allowance</u>	<u>Fiscal 2004 Other Funding</u>
<b>Parking Improvements</b>			
Elm Road Surface Lot and Elm Road Garage	\$169.7	\$26.5	\$26.5
Tenant Parking Lot	13.8	Opened September 2002	
Consolidated Rental Car Facility	131.1	26.3	25.5
Expansion of Existing Parking Garage	43.3	0.2	0
<b>Terminal Expansion</b>			
Concourse A Expansion	219.9	82.9	82.9
New Concourse F	90	0	0
Widening of Concourse D	30	0	0
Main Terminal Expansion	100	4.3	0
Concourse B Extension	47.3	Opened Summer 2000	
Central Utility Plant Upgrades	26.6	12.0	12.0
Midfield Cargo Complex Phase 2	8.9	On Hold	
Remote Aircraft Parking	2.6	Opens Spring 2003	
CUTE International Terminal	2.5	0.8	0.8
Surface Movement Guidance Control Systems	3.8	Complete Fall 2003	
Parallel Taxiway and Ramp	61.3	15.9	2.3
Electronic Parking Guidance System Buildout	3.2	Complete Spring 2003	
<b>Terminal Access</b>			
Terminal Roadway Access/Return Improvements:			
Phase 1: Curbside Extension and Access Roadways	55.3	Complete Spring 2003	
Phase 2: Skywalks and Upper Roadway Widening	181.3	54.8	49.9
People Mover	400.0	2.0	0
Comprehensive Roadway Signage	5.0	2.5	0
Roadway Landscaping	0.8	0.5	0.4
<b>Total</b>	<b>\$1,596.4</b>	<b>\$228.7</b>	<b>\$200.3</b>

Notes: CUTE = Common Use Terminal Equipment  
 Numbers may not sum to total due to rounding.

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

## **Financing the Expansion of BWI**

The cost of the BWI expansion program totals \$1.6 billion. Funding for a large portion of these projects, \$641.3 million (40%), has yet to be determined. The MdTA sold revenue bonds totaling approximately \$265 million to finance capital costs. The MdTA revenue bonds will be backed by passenger facility charges of \$4.50 per flight segment, parking fees paid at BWI-owned parking garages, and customer facility charges of \$3.00 per transaction day for rental cars at BWI. Federal aid totaling \$46 million and \$94 million from the TTF will also support the program. **Appendix 5** presents MAA's current plans for financing projects related to the expansion of BWI.

During fiscal 2002 and 2003, MdTA issued \$417.4 million in revenue bond to support construction of two projects.

- ***Parking Garage:*** In February 2002, MdTA sold \$264.1 million in parking revenue bonds for the construction of 8,400 additional parking spaces, roadway improvements, and central utility plant upgrades. Debt service payments for the parking garage will be met by parking revenues collected at BWI parking facilities.
- ***Consolidated Rental Car Facility:*** In June 2002, MdTA sold revenue bonds totaling \$117.3 million. The bonds for the rental car facility are backed by a \$3.00 per transaction day customer facility charge assessed on all cars rented at BWI.

During fiscal 2004, MAA plans two nontraditional debt issuances totaling \$280 million for several projects.

- ***Terminal Building Expansion and Pier A and B Construction:*** In March 2003, the MEDCO is expected to issue \$230 million for construction of an expanded terminal building and Piers A and B at BWI. A memorandum of understanding has been signed with Southwest Airlines for the use of the new space. Debt service in fiscal 2006, once construction is complete, will be met using lease revenue paid by airline and concession tenants.
- ***Various BWI Projects:*** In June 2003, MdTA will sell approximately \$50.0 million to construct roadway, terminal curbside pedestrian access/circulation, apron/taxiway and expansion of Piers A and B.

Much of the development at BWI is financed with anticipated future revenues. Many of these revenues, however, are specifically tied to passenger and airline traffic volumes. If the national and State economies, as well as the airline industry and air travel, continue to remain depressed, attaining the necessary level of revenues to support a development program of this magnitude will be difficult. Regardless, it is imperative to assess the ability to pay for and the continued need for these new facilities.

**DLS recommends that MAA discuss its plans for financing the development projects at BWI and the steps it will take to mitigate any shortfall in future revenues that are financing bonds sold today. The agency should also discuss the source of "other" revenue which represents 40% of the cost of the expansion.**

## ***Issues***

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### **1. MAA Revenues Are Not Keeping Pace with All Expenditures**

The MAA is responsible for the ownership of two airports, BWI and MTN, as well as the overall coordination of aviation policy in the State. This includes making grants to small general aviation airport, licensing airports, and inspecting all public-use airports in the State. BWI generates revenues through charges on airport users, rental agreements for facilities, and concessions at the airport. All operating revenues are deposited in the TTF and are used to support airport expenditures. MTN generates revenues by selling fuel and other concessions to private plane operators. In addition, MAA collects other revenues that are dedicated to specific purposes, such as passenger facility charges (PFCs) that are currently dedicated to the repayment of bonds sold by the MdTA and do not support ongoing airport expenditures. Beginning in fiscal 2004, however, MAA will have collected sufficient PFC revenue to retire debt sold in 1994. As a result, in fiscal 2004 MAA will begin to use all PFCs collected on a cash basis for capital projects at BWI. **Exhibit 7** presents MAA's revenues and expenditures by category for fiscal 2001 through 2004.

Exhibit 7

**MAA Revenue and Expenditures**  
**Fiscal 2001 through 2004**  
**(\$ in Thousands)**

	<u>Actual</u> <u>FY 2001</u>	<u>Actual</u> <u>FY 2002</u>	<u>Estimated</u> <u>FY 2003</u>	<u>Estimated</u> <u>FY 2004</u>	<u>Avg. Annual</u> <u>Change</u>
<b>Operating Revenues *</b>					
Flight Activities	\$23,585	\$20,657	\$25,876	\$28,055	6.0%
Rent/User Charges	21,822	28,344	22,585	22,790	1.5%
Parking and Concessions**	70,133	63,027	73,626	69,327	-0.4%
Other	3,029	2,359	2,454	5,099	19.0%
MTN Activities	5,519	6,001	6,219	6,426	5.2%
<b>Subtotal</b>	<b>124,089</b>	<b>120,388</b>	<b>130,760</b>	<b>131,697</b>	<b>2.0%</b>
Federal Funds – Operating	200	1,933	1,135	199	-0.1%
Federal Funds – Capital	10,724	11,396	21,935	23,716	30.3%
<b>Total Revenues</b>	<b>\$135,012</b>	<b>\$133,717</b>	<b>\$153,830</b>	<b>\$155,612</b>	<b>4.8%</b>
<b>Expenditures</b>					
Operating	76,871	98,886	106,660	110,417	12.8%
Capital	97,819	80,572	125,938	94,833	-1.0%
<b>Total Expenditures</b>	<b>\$174,691</b>	<b>\$179,458</b>	<b>\$232,598</b>	<b>\$202,250</b>	<b>5.5%</b>
<b>Difference</b>	<b>-\$39,679</b>	<b>-\$45,741</b>	<b>-\$78,768</b>	<b>-\$49,639</b>	
Capital Project Financing Revenues ***	31,778	39,037	69,104	73,486	32.2%

\* Does not include revenues dedicated to debt service payments on bonds sold for specific purposes.

\*\* MAA advises that it has revised its estimate for fiscal 2003 concessions revenue to \$59.3 million.

\*\*\* Includes parking revenues, CFCs, and PFCs and reflects the increase in the PFC collected from \$3.00 to \$4.50 in June 2002. PFCs cannot be raised higher than \$4.50. In addition, capital project financing revenues are not included in the operating revenue line since PFCs and CFCs collected above the amount necessary to pay debt service do not fund other projects but are retained for future debt service payments.

CFC: Customer facility charge

PFC: Passenger facility charge

Source: Maryland Aviation Administration

MAA is able to recover all operating expenditures through its operating revenues. However, when capital expenditures are included, BWI's ability to be self-sustaining is somewhat limited. MAA is able to pass portions of the costs of some capital improvements on to airlines by including the cost of the investment in the rates and charges that MAA calculates for each airline. Regardless, MAA relies on the TTF or other non-MAA financing mechanisms such as MdTA revenue bonds for capital investments.

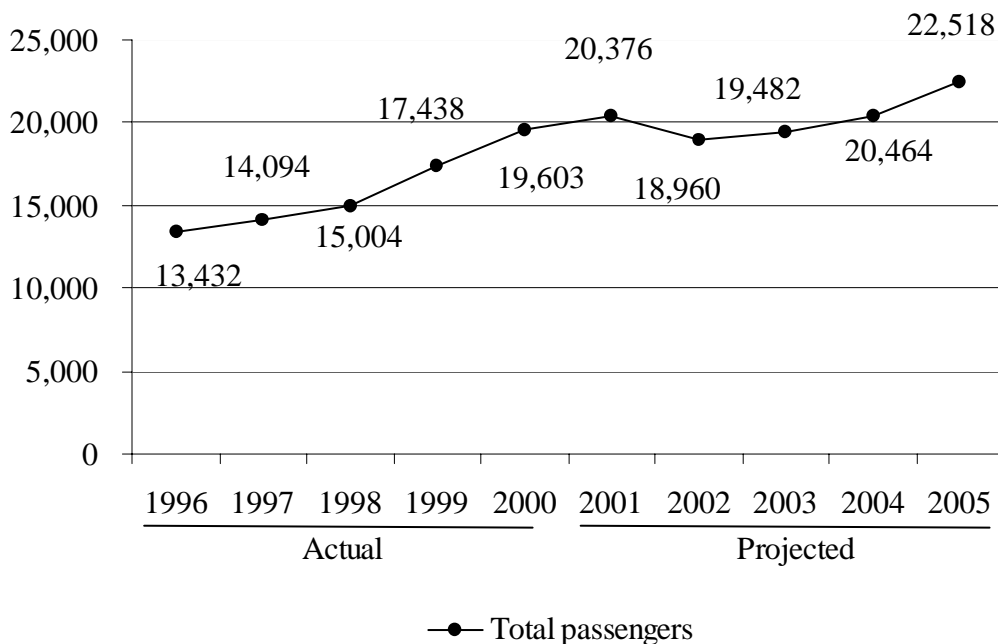
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Many of these investments are supported by specific user fees, which are not considered part of the MAA's operating revenues for purposes of covering ongoing operating or general capital expenses. In Exhibit 7, these revenues are shown separately as capital project financing revenues because PFCs and CFCs collected above the amount necessary to pay debt service do not fund other projects but are retained for future debt service payments.

Increasingly development at BWI is financed with anticipated future revenues. Many of these revenues, however, are tied specifically to passenger and airline traffic using BWI. As **Exhibit 8** indicates, MAA expects a short-term reduction in passenger traffic in fiscal 2002 and 2003; however, passenger traffic is expected to grow on average 2.53% each year between calendar 2001 and 2005. In addition the number of air travelers using BWI has grown 45% when calendar 2000 is compared to 1996. Whether MAA's forecast is too conservative or not conservative enough, remains to be seen. Factors that will affect future passenger levels and ultimately the level of revenue MAA will collect include national economic conditions, airline industry stability, competition from other airports, and travel costs. **Because a portion of the BWI development program hinges on several specific revenue sources, and to assist the legislature in its oversight of revenues, MAA should provide a revenue and expenditure forecast with each annual budget submission.**

**Exhibit 8**

**Passenger Forecast  
Calendar 1996 through 2005**



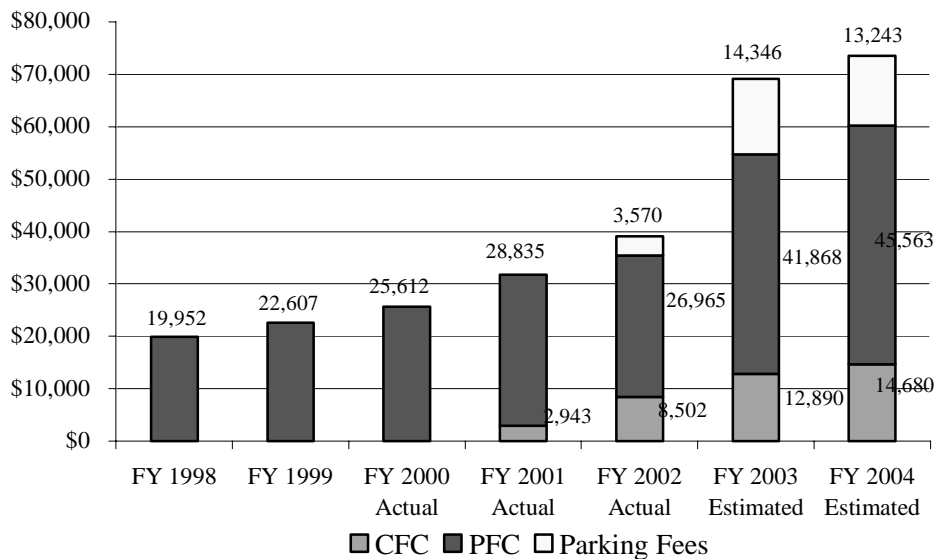
Source: Maryland Aviation Administration, *Financial Feasibility Report for the Rental Car Facility Project*, June 2002.

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**Exhibit 9** provides revenue collections for three specific categories of revenues that are backing bonds sold for the \$1.6 billion BWI development program. Based on the existing financing plan and excluding those projects for which revenues have not been identified, 36.1% of the program is financed with parking revenues, 25.9% is built upon future passengers paying PFCs, and 16.6% will come from individuals renting cars at BWI and paying the CFC. The financial health of specific projects, not to mention the overall development plan, is threatened if the revenue expected to pay for construction is not attained. The ability of MAA to support its operating costs with the revenues received from airport operations could also come into question.

**Exhibit 9**

**Revenue Attainment for Special Project Financing Revenues  
Fiscal 1998 through 2004  
(\$ in Thousands)**



CFC = Customer facility charge; MAA began collecting \$3.00 CFC per transaction day on all cars rented at BWI in March 2001. PFC = Passenger facility charge: MAA began collecting a \$3.00 PFC per flight segment in 1992. In June 2002, MAA raised the PFC to \$4.50.

Source: Maryland Aviation Administration

**MAA should brief the committees on its expectations for future revenue attainment to meet debt service payments and to support its operating program. MAA should also identify steps it intends to take to reduce the level of TTF subsidy necessary to fund operating and capital expenses.**

## 2. MdTA Should Take Ownership of BWI

Operating and capital expenses for fiscal 2004 for the MAA are provided in **Exhibit 10**. The Transportation Trust Fund (TTF) subsidizes a portion of the operating and capital costs for the administration. When MTN and regional aviation activities are removed from this calculation, the subsidy of MAA operating and capital expenses totals \$49.6 million.

### Exhibit 10

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**Summary Revenues and Expenditures**  
**Maryland Aviation Administration**  
**Fiscal 2004**  
**(\$ in Thousands)**

	<u>Operating</u>	<u>Capital</u>	<u>Total</u>
<b>Revenues</b>			
BWI	\$125,470	\$23,716	\$149,186
MTN and Regional Aviation	6,426	0	6,426
Subtotal	131,896	23,716	155,612
<b>Expenditures</b>			
BWI	103,005	90,549	193,554
MTN and Regional Aviation	7,412	4,284	11,696
Subtotal	110,417	94,833	205,250
<b>Total MAA Difference</b>	<b>\$21,479</b>	<b>-\$71,117</b>	<b>-\$49,638</b>
<b>Total BWI Difference (excluding MTN and Regional)</b>	<b>\$22,465</b>	<b>-\$66,833</b>	<b>-\$44,368</b>

Note: BWI revenues and capital expenditures do not include special project financing revenues or projects financed by those revenues.

Source: Maryland Aviation Administration

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If the MdTA assumed the responsibility for the ownership and operation of BWI, cost savings could be realized.

- **Savings to the TTF:** By no longer subsidizing BWI's operations and capital projects, the TTF will retain \$44.4 million in subsidies based on fiscal 2004 budget information. The costs for operating MTN and for funding regional aviation activities will total \$18.1 million in fiscal 2004. The TTF should still support these costs.
- **Savings to MAA:** Currently BWI pays the MdTA for police costs to secure BWI property. In fiscal 2004 this totals \$14.4 million. Depending on how the MdTA structures the management of BWI, these costs are essentially saved as MdTA would not pay itself for security.

- **Savings to MdTA:** MdTA would benefit from having more control over the projects for which it sells bonds. However, MdTA would not be able to use excess airport revenues for non-airport purposes due to FAA regulations.

In addition to providing cost savings, there would be several benefits to the operation of one of the nation's largest airports. First, MAA currently works with MdTA regularly to sell bonds supporting capital projects. Outstanding MdTA or MEDCO revenue bonds for MAA projects include a new 8,400 space-parking facilities, a consolidated rental car facility, and the upcoming sale of bonds for expansion of Pier A. In addition, legislative oversight of this State entity would be retained even with its nonbudgeted status. State ownership affords BWI stability in terms of ability to repay bonds in soft economic times such as those that followed the terror attacks of September 11, 2001. The MdTA is a stable entity with a relatively strong financial position. Finally, MAA will be able to respond more quickly to changes in the airline and airport industry without first undertaking a lengthy procurement or budget amendment process as is now expected.

**DLS recommends that the 2003 BRFA include provisions to transfer the ownership and responsibilities for the operation of BWI from the Maryland Aviation Administration to the Maryland Transportation Authority. The MAA will be retained to coordinate aviation policy of the State and to continue to inspect and license public-use airports.**

### **3. Update on MAA's Basic Use Lease Agreement Negotiations**

At the country's largest airports, serving over 1 million passengers annually, the relationship between the airport management and the major airlines with scheduled commercial air service is typically governed by a basic use lease agreement (BULA). The agreement covers the use of airside and terminal facilities including gate usage, aircraft parking, holdrooms, ticket counters, back office space, and baggage make-up space. The BULA also establishes the rate-setting methodology for airline activities and the basic philosophy for the recovery of airport costs.

BWI is currently in the process of renegotiating its BULA agreements with the airlines serving BWI. Most of the agreements were signed in the 1970s and are set to expire February 28, 2003. The new BULA will become effective May 1, 2003. Between March and May, the airlines will operate under interim month-to-month agreements at the rates and charges developed during the BULA negotiations. Airlines may choose not to sign the new BULA. These airlines will then operate under a new month-to-month agreement at the rates and charges developed during the BULA negotiations. It is unknown at this time how many airlines will execute the BULA.

There are several key components to the new use and lease agreement, including the rates that MAA will charge for the airline's use of space and the degree of control MAA will exercise over facilities at BWI. Several of the key provisions are outlined below:

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- ***Gate Use:*** MAA intends to continue to define its gates as preferential-use (assigned to one specific tenant but may be used from time to time by another airline at the direction of the airport management) and common-use (assigned to any airline by MAA at its discretion). The airport will continue to have three exclusive gates, which are under the control of the airline using the gates and not the airport management.
- ***Control of Gate Use:*** In the existing BULA, the airport had inadequate control over the use of gates resulting in an inefficient use of airport facilities. The new BULA will establish a Minimum Use Requirement for airlines with preferential use gates. The MAA has proposed that preferential use gates must be used an average of five times each day (minimum use) by the airline or the MAA may convert such gates to common use gates or lease the gates to another airline that meets the Minimum Use Requirement.
- ***Term of Agreement:*** The existing BULA was a 25-year agreement with one 10-year option. In that time, airlines were deregulated; airlines were started, merged, or dissolved, and methods of funding capital improvements such as PFCs were created. The new BULA is planned to become effective on May 1, 2003, and will expire on June 30, 2008. There will be no options for renewal and a new agreement will be negotiated.
- ***Airline Concurrence on Capital Improvement Projects – Airfield:*** MAA calculates its rates and charges based on operating and certain capital costs. In the past for MAA to include a new capital improvement project in landing fees and boarding device fees, it had to receive approval from the airlines to do so. If the airlines did not approve the project, MAA could still proceed but could not include the costs of the project in the amount that the rates to the airlines were based on. This review and approval was necessary for projects over \$68,000. Obviously this amount is not reflective of the large cost of capital improvements these days. The MAA has proposed raising the threshold for getting airline concurrence and including a list of pre-approved projects in BULA.
- ***Airline Concurrence on Capital Improvement Projects – Terminal:*** In the 1978 BULA, there was no provision to pass the cost of capital improvements in the Terminal building or other landside facility automatically on to the airlines through the rates and charges schedule since the rental rates were fixed to only recover the cost of the 1978 Terminal Expansion Project (TEP). The 2003 BULA will change this and allow the MAA to recover operating costs and include capitals costs into the rates and charges.
- ***Performance Guarantee Bonds:*** MAA has begun to include performance bonds on airlines that have joined BWI since 1978; however, that was not part of the original BULA. The proposal under the new BULA requires that each airline provide a bond.

**The administration should comment on the status of concluding the BULA negotiations and its goals in reaching a final agreement.**

#### **4. Airport Security at BWI**

In the time since the terror attacks of September 11, 2001, security at airports has changed dramatically. However, the Transportation Security Administration's (TSA) charge for securing air travel is not a completed mission. TSA has advised MAA that additional changes to the way that BWI provides facilities for air travel are forthcoming. The total cost and the source of the funds to pay for whatever changes are necessary is still unclear. MAA must provide facilities and police presence to secure the facilities and is concerned about the satisfaction of customers using BWI; however, the TSA is the entity that is ultimately responsible for air travel security. This joint jurisdiction is an important distinction.

##### **Baggage Screening**

The TSA set a deadline of December 31, 2002, to perform 100% baggage screening for passenger flights. BWI was able to meet this requirement by the deadline and did not request an extension. All baggage originating from BWI was screened after December 31, 2002, using either explosive detection machines (EDS) or explosive trace detection machines (ETD). The MAA has not wanted the screening function to be done in the public areas/lobby due to the queuing issues already experienced there. The bag screening function will largely be performed behind the scenes in the bag make up area of the airport. The actual responsibility for screening the bags lies with TSA and with the airlines, but MAA played a large role in determining the location for the necessary screening devices in the baggage areas of the airport.

Currently there are at least 15 explosive detection machines and at least 30 trace detection machines downstairs in the bag make up areas. Two EDS machines remain upstairs in the lobby due to space constraints downstairs. By April there will be no EDS machines in the lobby (this is contingent on several airlines moving locations). The physical infrastructure of the bag make up areas of the airport accommodated the expected number of EDS and ETD machines for the December 2002 deadline by moving walls or redirecting bag cart traffic etc.; however, seasonal rises in passenger levels, thereby volume of baggage, may affect the ability of meeting this requirement in the future. In addition the current solution is not ideal given the constrained space in the bag areas but it does meet the December 2002 deadline.

It is expected that it may be necessary to bump out the back wall of the airport to provide additional space for bag make up and screening processes at some later time. The fiscal 2004 allowance includes \$4.3 million in planning and design funds for expanding the main terminal. The scope of the terminal expansion project now includes accommodations for the screening operations where previously it did not. The project has been placed in the D&E program now because the need to bump out the back wall of the terminal building may be sooner than later depending on several factors, including the ability to 100% screen baggage in the constrained space. This project was initially estimated at \$100 million but could be higher depending on the accommodations necessary for security.

MAA's role in meeting the security requirements established by federal law and by TSA has been to assist the airlines and TSA in realigning the use of space in the bag make up areas to accommodate the machines, personnel, and the actual function of screening baggage. This is a particularly difficult task because the space assigned to each airline differs depending on the number of flights/passengers each

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airline handles in a given day. The airlines are still working out operational issues with TSA such as how to get the bags from the ticket counters to the screening area downstairs and out to waiting flights.

It is unknown who will pay for physical infrastructure changes should significant changes be necessary. Its expected that all improvements necessary to meet the December 2002 deadline will be paid for by the TSA, but MAA indicates that it will most likely have to participate in security infrastructure costs expenses post-December 2002. MAA's expected financial responsibility and what the necessary changes will be is still unclear.

#### **Boarding Passes**

TSA also required that airports begin reviewing boarding passes at security checkpoints as a means to reduce the need for random security checks as each flight boards. BWI began requiring all passengers to have boarding passes prior to entering the secured piers leading to the boarding gates on February 4, 2003. The costs for implementing the boarding pass requirement are borne entirely by the airlines. BWI staff have been working to assist travelers in understanding the new requirements regarding boarding passes.

#### **Security Guards and MdTA Police Presence**

TSA provides the baggage screening personnel. MAA is required to provide terminal building security and secure other airport facilities. MAA uses private security guard contracts to provide security at entrances to certain areas of airport property. The fiscal 2004 allowance includes \$3.6 million for these contracts. In addition MAA contracts with MdTA for sworn police officers to provide a law enforcement presence at BWI. The fiscal 2004 allowance includes \$14.4 million for these services. In addition MAA has complied with TSA requirements to collect fingerprints from all employees, and provide security badges that are renewed periodically as well as other security related activities.

**MAA should discuss with the committees its current understanding of future funding requirements for security improvements to BWI and the level of federal assistance for securing BWI and MTN the State can expect to receive.**

**Operating Budget Recommended Actions**

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	<b><u>Amount Reduction</u></b>		<b><u>Position Reduction</u></b>
1. Reduce rent payments for office space. MAA rents commercial office space at three locations near BWI. Rental rates for one of the locations rose from \$15.55 per square foot to \$15.98 per square foot as of January 2003. The fiscal 2004 allowance assumed an increase in the rental rate to \$22.00 per square feet; however, the lease was renegotiated to a lower rate and the difference should be deleted.	\$ 10,430	SF	
2. Delete funds for the Maryland Aviation Administration (MAA) sign shop. The MAA advises that the fiscal 2004 allowance includes approximately \$100,000 to operate a sign shop to fabricate signs for MAA facilities. Rather than operate its own sign-making facility, MAA should contract with the State Highway Administration (SHA) for its sign fabrication needs. SHA operates a sign shop facility less than one mile from MAA's sign shop. In addition, MAA is currently contracting out a large, roadway signage project rather than use its own facility. This action deletes one position, a sign fabricator and funding for contractual services. Funds totaling \$33,000 remain in the budget to allow MAA to fund contracts with SHA. The individual performing sign fabricating activities should be reassigned to a vacant position. The MAA has 65.5 vacant positions as of December 31, 2003. Alternatively, the MAA may transfer the sign fabricator position and the individual performing this task to the SHA sign shop. SHA has 115.0 vacant positions.	63,868	SF	1.0
3. Delete grant to Department of Business and Economic Development. The fiscal 2004 allowance provides funds for a \$50,000 grant to the tourism office within the Maryland Department of Business and Economic Development. Given the fiscal constraints on the Transportation Trust Fund, this grant is unnecessary and should be deleted.	50,000	SF	

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<b>Total Special Fund Reductions</b>	<b>\$ 124,298</b>	<b>1.0</b>
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## ***Capital Budget Recommended Actions***

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	<b><u>Amount Reduction</u></b>	<b><u>Position Reduction</u></b>
1. Reduce funding for office furniture and supplies. The fiscal 2004 allowance includes \$44,638 with the explanation that increased furniture and supplies are needed due to the addition of new staff. The allowance does not include new positions so the funding should be deleted for this purpose.	\$ 44,638	SF
<b>Total Special Fund Reductions</b>	<b>\$ 44,638</b>	

## *Updates*

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### **1. Regional Air Service between BWI and Western Maryland in Trouble**

Chapter 325, Acts of 2000 required the establishment of a regional air service development program in keeping with MAA's statutory mission to "encourage, foster, and assist in the development of aeronautics in this State..." BWI, in its role of fostering air services worked with underserved communities in the State and selected Cumberland and Hagerstown for a pilot regional air service program. Boston-Maine Airways (operating as Pan Am Airways) was selected to provide the air service. The air service is supported by State grants totaling \$4.25 million reflecting appropriations of \$1 million in fiscal 2001, \$1.25 million in fiscal 2002, and \$2 million in fiscal 2003. The contract with Pan Am expires June 30, 2003. The contract also required that Pan Am meet certain performance standards such as on-time performance.

Beginning in January 2002, Pan Am began six daily flights, three eastbound from Cumberland stopping in Hagerstown arriving at BWI and three westbound serving those same cities. BWI advises that for Pan Am to continue to offer air service after the conclusion of the State subsidy in fiscal 2004, load factors of 45% would have to be achieved. Load factor is a measure of the number of fare-paying passengers that must fly each flight for that flight to cover its operating and fixed costs. The average load factor per day from February through mid-June 2002 was 25.8%. In December 2002, load factors were averaging 15%.

MAA has identified several factors in the poor performance of the air service. The largest impact on the success of the service were the following:

- ***Terror Attacks of September 11, 2001:*** Air service began four months after the terror attacks. Worldwide air traffic was depressed, and the effect has been for passengers to choose to drive rather than fly for longer distances than they otherwise would have.
- ***Cumberland Community Did Not Embrace Service:*** The ownership of Cumberland Airport sought assistance from business leaders and the community to keep the service at its airport. However, due to issues out of the control of MAA or Pan Am, the corporate businesses which was expected would use the service did not.
- ***Convenience Factors:*** Pan Am's ticketing system is not part of the centralized ticketing system used by most travel agents and online services. While Pan Am offered companies served by this service the option to create in-house accounts with the airline, few passengers participated. Pan Am did not have interline agreements with air carriers at BWI. Passengers with baggage flying in or out of BWI must first claim their baggage, recheck in, and re-submit to security checks conducted at the first airport of their trip.

As a result, it is most likely that at the conclusion of State support, the Pan Am flights will end as it will be even more unprofitable for the airline to continue to provide this service. The fiscal 2004 allowance, per the statute, does not include funding for additional State subsidies for the program.

***Current and Prior Year Operating Budgets***

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**Current and Prior Year Operating Budgets  
Maryland Aviation Administration  
(\$ in Thousands)**

	<b><u>General Fund</u></b>	<b><u>Special Fund</u></b>	<b><u>Federal Fund</u></b>	<b><u>Reimb. Fund</u></b>	<b><u>Total</u></b>
<b>Fiscal 2002</b>					
Legislative Appropriation	\$0	\$85,458	\$211	\$0	\$85,669
Deficiency Appropriation	0	5,997	0	0	5,997
Budget Amendments	0	7,943	1,722	1,250	10,915
Reversions and Cancellations	0	-3,695	0	0	-3,695
<b>Actual Expenditures</b>	<b>\$0</b>	<b>\$95,703</b>	<b>\$1,933</b>	<b>\$1,250</b>	<b>\$98,886</b>
<b>Fiscal 2003</b>					
Legislative Appropriation	\$0	\$94,910	\$199	\$2,000	\$97,109
Budget Amendments	0	8,594	936	0	9,530
<b>Working Appropriation</b>	<b>\$0</b>	<b>\$103,504</b>	<b>\$1,135</b>	<b>\$2,000</b>	<b>\$106,639</b>

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

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## **Fiscal 2002**

The fiscal 2002 budget for the MAA increased by \$13.2 million from \$85.7 million to \$98.9 million. Much of this change was driven by increases in special funds for airport security related expenses (\$747,975), for the purchase of 17 gates at BWI from US Airways (\$4.6 million), and other underestimated expenses (\$2.6 million). MAA added federal funds totaling \$1.9 million for security expenses; however this is not an overall increase in spending as the MAA cancelled special funds of \$1.7 million after the receipt of the federal aid. MAA received a deficiency appropriation of approximately \$6 million for security expenses related to the terror attacks of September 11, 2001. MAA cancelled special funds totaling \$2.8 million due largely to the hiring freeze, which led to unfilled vacancies. Finally cost containment actions taken by the department totaled approximately \$870,000.

## **Fiscal 2003**

The fiscal 2003 budget for the MAA has increased \$9.5 million from \$97.1 million to \$106.6 million. The majority of the increase in special funds is related to security improvements at BWI. MAA also received a federal grant for security expenses from the US Department of Justice. The funds will support the Office of the State Fire Marshal's bomb squad unit and canine explosive detection teams at the airport.

Object/Fund Difference Report  
MDOT Maryland Aviation Administration

Object/Fund	FY02	FY03	FY04	FY03 - FY04	Percent Change
	<u>Actual</u>	<u>Working Appropriation</u>	<u>Allowance</u>	<u>Amount Change</u>	
<b>Positions</b>					
01 Regular	490.50	497.50	497.50	0	0%
02 Contractual	6.00	6.00	4.00	-2.00	-33.3%
<b>Total Positions</b>	<b>496.50</b>	<b>503.50</b>	<b>501.50</b>	<b>-2.00</b>	<b>-0.4%</b>
<b>Objects</b>					
01 Salaries and Wages	\$ 26,853,069	\$ 29,045,850	\$ 29,003,730	-\$ 42,120	-0.1%
02 Technical & Spec Fees	1,553,636	2,017,982	2,005,553	-12,429	-0.6%
03 Communication	1,047,760	1,508,175	1,349,491	-158,684	-10.5%
04 Travel	262,067	444,890	425,165	-19,725	-4.4%
06 Fuel & Utilities	5,360,285	6,713,934	6,916,603	202,669	3.0%
07 Motor Vehicles	1,274,340	1,564,381	1,461,390	-102,991	-6.6%
08 Contractual Services	45,072,391	51,191,314	53,867,800	2,676,486	5.2%
09 Supplies & Materials	4,310,169	4,925,427	5,417,389	491,962	10.0%
10 Equip - Replacement	420,880	123,787	472,954	349,167	282.1%
11 Equip - Additional	619,547	49,882	189,485	139,603	279.9%
12 Grants,Subsidies,Contr	379,210	374,000	365,412	-8,588	-2.3%
13 Fixed Charges	4,419,334	4,539,333	4,871,448	332,115	7.3%
14 Land & Structures	7,313,573	4,161,107	4,070,492	-90,615	-2.2%
<b>Total Objects</b>	<b>\$ 98,886,261</b>	<b>\$ 106,660,062</b>	<b>\$ 110,416,912</b>	<b>\$ 3,756,850</b>	<b>3.5%</b>
<b>Funds</b>					
03 Special Fund	\$ 95,703,726	\$ 103,525,046	\$ 110,217,912	\$ 6,692,866	6.5%
05 Federal Fund	1,932,535	1,135,016	199,000	-936,016	-82.5%
09 Reimbursable Fund	1,250,000	2,000,000	0	-2,000,000	-100.0%
<b>Total Funds</b>	<b>\$ 98,886,261</b>	<b>\$ 106,660,062</b>	<b>\$ 110,416,912</b>	<b>\$ 3,756,850</b>	<b>3.5%</b>

Note: Fiscal 2003 appropriations and fiscal 2004 allowance do not include cost containment and contingent reductions.

Fiscal Summary  
MDOT Maryland Aviation Administration

<u>Unit/Program</u>	<u>FY02 Actual</u>	<u>FY03 Legislative Appropriation</u>	<u>FY03 Working Appropriation</u>	<u>FY02 - FY03 % Change</u>	<u>FY04 Allowance</u>	<u>FY03 - FY04 % Change</u>
02 Airport Operations	\$ 98,886,261	\$ 97,108,828	\$ 106,660,062	7.9%	\$ 110,416,912	3.5%
03 Airport Facilities and Capital Equipment	80,551,785	126,529,446	121,637,000	51.0%	91,513,496	-24.8%
08 Major IT Development Projects	20,000	0	4,301,000	21405.0%	3,320,000	-22.8%
<b>Total Expenditures</b>	<b>\$ 179,458,046</b>	<b>\$ 223,638,274</b>	<b>\$ 232,598,062</b>	<b>29.6%</b>	<b>\$ 205,250,408</b>	<b>-11.8%</b>
Special Fund	\$ 164,879,618	\$ 196,132,274	\$ 207,528,046	25.9%	\$ 181,335,408	-12.6%
Federal Fund	13,328,428	25,506,000	23,070,016	73.1%	23,915,000	3.7%
<b>Total Appropriations</b>	<b>\$ 178,208,046</b>	<b>\$ 221,638,274</b>	<b>\$ 230,598,062</b>	<b>29.4%</b>	<b>\$ 205,250,408</b>	<b>-11.0%</b>
Reimbursable Fund	\$ 1,250,000	\$ 2,000,000	\$ 2,000,000	60.0%	\$ 0	-100.0%
<b>Total Funds</b>	<b>\$ 179,458,046</b>	<b>\$ 223,638,274</b>	<b>\$ 232,598,062</b>	<b>29.6%</b>	<b>\$ 205,250,408</b>	<b>-11.8%</b>

Note: Fiscal 2003 appropriations and fiscal 2004 allowance do not include cost containment and contingent reductions.

**Maryland Department of Transportation  
Maryland Aviation Administration**

<u>Status</u>	<u>Amount</u>	<u>Fund</u>	<u>Justification</u>
<b>Approved (1)</b>	\$6,074,596	SF Oper	Security. Add 2 contractuals for fingerprinting and CCTV maintenance; consultants; additional MdTA police and security guards; changes to CAS and CCTV systems; and equipment and supplies.
<b>Approved (2)</b>	\$0		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.
<b>Approved (3)</b>	\$3,241,337	SF Oper	Funds are needed for the additional costs of new union contracts for firefighters; consultants to advise on legal issues concerning bankruptcy and employment; increased costs for numerous contracts including janitorial, solid waste disposal, elevator/escalator R&M and a lease management system; and increased general liability insurance.
<b>Pending (4)</b>	\$618,250 \$9,750 \$628,000	SF Cap FF Cap	Allows MDOT's appropriation for major IT projects to match the cash flow projections reflected in the Draft Consolidated Transportation Program (CTP).
<b>Pending (5)</b>	\$(700,715) \$936,016 \$188,483 \$423,784	SF Oper FF Oper SF Cap	Provides for the transfer of 4 PINs to capital and 1 PIN to operating due to a reorganization. Provides appropriate federal funds for an Explosive Ordnance Disposal grant from the Department of Justice to a) upgrade BWI's Control Access Security system, b) upgrade equipment and provide training equipment to the State Fire Marshal's Bomb Squad and c) to equip and furnish a canine facility at BWI.
<b>Projected (6)</b>	\$2,162,304 \$(3,381,750) \$(1,219,446)	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.
<b>Projected (7)</b>	\$(348,359) \$(29,382) \$(377,741)	SF Oper SF Cap	MAA identified \$2.7 million in cost containment which more than offsets \$2.3 million in immediate budget amendment needs for such things as overtime, ytd snow removal and emergency repairs.
<b>Projected (8)</b>	\$8,200,000	SF Oper	Possible future needs are roughly estimated at \$1.6 million for snow removal and \$6.6 million for one-time capital upgrades (water and sewer) to two counties.

Source: Maryland Department of Transportation

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**BWI Expansion Program Financing Options**

Project	Est. Cost	TTF	TTF PFCs - Reimb.	TTF PFCs - PAYGO	MdTA Bonds Backed by Parking Revenues *	MEDCO	MdTA Bonds Backed by CFCs	Federal	MdTA Bonds Backed by PFCs	COPS	TBD
<b>Parking</b>	<b>\$357.9</b>										
Elm Road Surface Parking Lot and Garage (includes \$12.6 million for new MDOT Headquarters Building)	169.7	13.6	4.9		151.2						
Tenant Parking Lot	13.8	13.8									
Consolidated Rental Car Facility	131.1	8.8					121.8	0.5			
Expansion of Existing Parking Garage	43.3	3.3									40.0
<b>Terminal Expansion</b>	<b>\$596.1</b>										
Concourse A Expansion	219.9			0.9		211.6			7.4		
New Concourse F	90.0										90.0
Widening of Concourse D	30.0										30.0
Concourse B Extension	47.3	18.4						2.4		26.5	
Main Terminal Expansion	100.0	14.2						2.5			83.3
Central Utility Plan Upgrades	26.6				26.6						
Midfield Cargo Complex – Phase 2	8.9	8.9									
Remote Aircraft Parking	2.6	2.6									
CUTE – International Terminal	2.5			1.7					0.8		

**BWI Expansion Program Financing Options**

Project	Est. Cost	TTF	TTF PFCs - Reimb.	TTF PFCs - PAYGO	MDTA Bonds Backed by Parking Revenues *	MEDCO	MDTA Bonds Backed by CFCs	Federal	MDTA Bonds Backed by PFCs	COPS	TBD
SMGCS	3.8		0.6	3.2							
Parallel Taxiway and Ramp	61.3		9.5	8.9				40.6	2.3		
Parking Guidance Buildout	3.2	3.2									
<b>Terminal Access</b>	<b>\$642.4</b>										
Terminal Access Improvements: Phase 1 and Phase 2	236.6		25.9	89.0	86.7				35.0		
Roadway Landscaping	.8	.2			.6						
People Mover	400.0	2.0									398.0
Roadway Signage	5.0	5.0									
<b>Total</b>	<b>\$1,596.4</b>	<b>\$94.0</b>	<b>\$40.9</b>	<b>\$103.7</b>	<b>\$265.1</b>	<b>\$211.6</b>	<b>\$121.8</b>	<b>\$46.0</b>	<b>\$45.5</b>	<b>\$26.5</b>	<b>\$641.3</b>

Notes:

\* = Includes \$8.8 TTF, fiscal 2001 expenditures which will be reimbursed from the bond proceeds.

TTF = Transportation Trust Fund

SMGCS = Surface Movement Guidance Control System

COPS = Certificates of Participation

PFC = Passenger Facility Charge

MEDCO = Maryland Economic Development Corporation

TBD = To Be Determined

CFC = Customer Facility Charge

CUTE = Common Use Terminal Equipment