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Maryland Port Administration
Maryland Department of Transportation

Operating Budget Data

(\$ in Thousands)

	<u>FY 02</u>	<u>FY 03</u>	<u>FY 04</u>	<u>FY 02-04</u> <u>Change</u>	<u>FY 05</u>	<u>FY 04-05</u> <u>Change</u>
Operations	\$36,011	\$38,694	\$38,433	\$2,422	\$38,922	\$489
Contractual Services	50,338	54,249	58,520	8,182	58,953	433
Grants	453	488	418	-35	260	-158
Adjusted Grand Total	\$86,803	\$93,430	\$97,371	\$10,568	\$98,134	\$764
Special Funds	86,803	93,430	97,308	10,505	98,134	827
Reimbursable Funds	0	0	63	63	0	-63
Adjusted Grand Total	\$86,803	\$93,430	\$97,371	\$10,568	\$98,134	\$764
Annual % Change		7.6%	4.2%		0.8%	

- The operating allowance for the Maryland Port Administration (MPA) increases by \$763,738 (less than 1%) over the fiscal 2004 working appropriation.
- In fiscal 2003 the total volume of cargo handled at the public terminals at the Port of Baltimore (POB) topped seven million short tons for the first time in MPA's history.

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

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PAYGO Capital Budget Data

(\$ in Thousands)

	<u>FY 02</u>	<u>FY 03</u>	<u>FY 04</u>	<u>FY 05</u>	<u>FY 04-05</u> <u>Change</u>	<u>FY 04-05</u> <u>% Change</u>
Special Funds	\$85,457	\$64,821	\$86,213	\$88,043	\$1,830	2.1%
Federal Funds	0	321	1,748	4,017	\$2,269	129.8%
Adjusted Grand Total	\$85,457	\$65,142	\$87,961	\$92,060	\$4,099	4.7%

- The fiscal 2005 allowance increases by \$4.1 million (nearly 5%) over the fiscal 2004 working appropriation; this increase is due to cash flow changes in ongoing projects.

Operating and PAYGO Personnel Data

	<u>FY 02</u>	<u>FY 03</u>	<u>FY 04</u>	<u>FY 02-04</u> <u>Change</u>	<u>FY 05</u>	<u>FY 04-05</u> <u>Change</u>
Regular Positions	313.0	314.0	306.0	-7.0	310.0	4.0
Contractual FTEs	1.3	0.9	1.7	0.4	1.7	0.0
Total Personnel	314.3	314.9	307.7	-6.6	311.7	4.0

Vacancy Data: Regular Positions

Turnover Expectancy	10.31	3.37%
Positions Vacant as of 12/31/03	21.00	3.58%

- The fiscal 2005 personnel allowance includes four new regular positions. These positions are crane mechanic positions that will service MPA's new rubber tire gantry cranes; the addition of these positions is expected to reduce overtime costs associated with crane maintenance.
- The fiscal 2005 allowance for contractual positions is 1.7; this number is unchanged from the fiscal 2004 working appropriation.

Analysis in Brief

Major Trends

Niche Cargo: The three main niche cargos handled at POB are automobiles, forest products, and Roll On/Roll Off (Ro/Ro). The total tonnage of both automobiles and forest products handled at POB increased significantly between fiscal 2002 and 2003. However, Ro/Ro cargo showed a slight decline during that time period due to declines in farm equipment and heavy construction machinery cargos.

Containerized Cargo: Container volumes handled through POB increased by nearly 13% between calendar 2002 and 2003. While this rate of growth is not expected to continue, the high volume of container traffic achieved in 2003 is expected to be sustained in both 2004 and 2005.

Issues

MPA Business Trends: The total cargo volume handled at MPA's public terminals in fiscal 2003 increased by nearly 11.5% over the cargo volume handled in fiscal 2002. As a result, MPA's operating revenues increased by 17.5% during that time period. However, as cargo volumes often show significant volatility from year to year, MPA is predicting only 0.5% growth in cargo volumes from fiscal 2003 to 2004. In keeping with this conservative forecast, MPA is predicting a slight decline in operating revenues of 2.8%, though it is predicting an increase of nearly 5% in operating expenses. **The Department of Legislative Services (DLS) recommends that MPA discuss with the budget committees why operating expenses in fiscal 2004 are expected to outpace operating revenue attainments in that year, thus requiring an increased subsidy from the Transportation Trust Fund (TTF).**

Economic Impact of POB on the State: MPA's "Comprehensive Economic Impact Report" shows that the direct, induced, and indirect jobs associated with POB all declined from 1998 to 2002. Personal income and business revenues increased during that period, but State and local tax revenues generated by POB declined. It must be noted, however, that in 2002, cargo volumes had still not recovered to their 2000 level. **MPA should discuss with the budget committees the impact that the strong growth in cargo volumes observed in 2003 may have had on the port's economic impact on the State.**

MPA Submitted Security Assessment and Plan to U.S. Coast Guard: MPA met a December 31, 2003, deadline for submitting its Facility Security Assessment and Facility Security Plan to the U.S. Coast Guard. MPA must now implement its Security Plan by July 1, 2004. **DLS recommends that MPA brief the budget committees on the status of its effort to implement its security plan.**

MPA should also discuss the cost of implementing the plan, including providing an estimate of additional State-sourced funding that may be required in fiscal 2004 to strengthen security at the port.

New Dredge Material Placement Sites Are Being Studied: James and Barren Islands in Chesapeake Bay are being studied as potential placement sites for clean dredge material, while three sites in Baltimore’s Inner Harbor area are to be studied as potential placement sites for contaminated dredge material. The earliest that any of these sites could be opened for material placement is 2009. **DLS recommends that MPA brief the committees on the progress of its effort to develop new placement sites for both clean and contaminated dredge materials before current placement capacity is exhausted.**

Grain Task Force Recommends MPA Study the Feasibility of Building a Barge Transshipment Site: Construction of a grain elevator to replace the elevator that closed in March 2003 could cost as much as \$41 million. The Grain Task Force found that construction of a barge transshipping site would be a more cost effective method for assisting Maryland farmers and recommended that MPA identify and study sites where such a facility could be located. **DLS recommends that MPA discuss with the budget committees the cost and potential timing of a study of barge transshipment sites. DLS also recommends the adoption of budget language prohibiting the expenditure of any funds from the TTF on the reconstruction of a grain exporting elevator or any related infrastructure, including a grain pier.**

Operating Budget Recommended Actions

1. Concur with Governor’s allowance.

Capital Budget Recommended Actions

1. Add language prohibiting the expenditure of funds for construction of a grain elevator.

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Budget Analysis

Program Description

The Maryland Port Administration (MPA) is responsible for stimulating waterborne commerce through the Port of Baltimore (POB) in a manner that provides economic benefit to the citizens of the State. MPA operates five public facilities at the POB (which comprise slightly less than half of the port's terminal acreage) and provides marketing, operations, and maintenance services that support the expansion of waterfront commerce throughout the port and the improvement and expansion of State capital facilities. MPA also works with the U.S. Army Corps of Engineers to coordinate the delivery of services to the maritime community – such as dredging services to maintain and expand shipping channels – and to enhance the environment in port projects.

Performance Analysis: Managing for Results

Exhibit 1 displays a selection of measures of the total volume of four major cargos passing through all terminals at the POB, including MPA's public terminals and all private terminals. These measures utilize data reported by the U.S. Maritime Administration, which is available three months after the end of each quarter.

These data indicate that among POB's three main niche commodities, autos and forest products showed very strong growth between fiscal 2002 and 2003. Total automobile tonnage increased by nearly 58% from fiscal 2002 to 2003, and POB increased its market share for auto handling among East Coast ports from 20 to 26%. POB was ranked second in 2002 among East Coast ports for total volume of autos handled; data on POB's ranking for 2003 are not yet available. Total forest products tonnage increased by 18% from fiscal 2002 to 2003, increasing POB's market share for this commodity among U.S. North Atlantic ports from 34 to 35%.

Ro/Ro cargo showed an increase from fiscal 2002 to 2003 of just over 1%. The lack of strong growth in this niche cargo is due to a slow down in farm equipment exports as well as heavy construction imports (two primary Ro/Ro cargos); this slow down is attributed to declines in the world farm economy and in domestic construction. Despite the lack of strong growth in total Ro/Ro volumes between fiscal 2002 and 2003, POB retained 44% of the market share among East Coast ports in fiscal 2003 and remained the number one port on the East Coast for this cargo.

**Exhibit 1
Program Measurement Data
Maryland Port Administration
Fiscal 2001 – 2005**

	<u>Actual 2001</u>	<u>Actual 2002</u>	<u>Actual 2003</u>	<u>Est. 2004</u>	<u>Est. 2005</u>	01-05 Average Annual Change
Ro/Ro tonnage	362	365	369	365	365	0.2%
Ro/Ro market share (among East Coast ports)	47%	46%	44%	46%	46%	
Auto tonnage	496	683	1,079	1,100	1,125	22.7%
Auto market share (among East Coast ports)	16%	20%	26%	26%	27%	
Forest products tonnage	998	1,222	1,436	1,440	1,440	9.6%
Forest products market share (among North Atlantic ports)	29%	34%	35%	35%	35%	
Container (thousands of 20 foot equivalent units)	398	371	418	419	420	1.4%
Foreign container market share ¹	7.6%	7.7%	Available in April	n/a	n/a	
Number of crane moves per hour at Seagirt Marine terminal	34.3	35	34	37	37	

¹The measures for container market share are for calendar years.

Source: Maryland Port Administration, U.S. Maritime Administration

Container volumes at POB increased by nearly 13% between fiscal 2002 and 2003. This increase was due in large part to significant growth in the amount of container traffic moved through the port by the Mediterranean Shipping Company (MSC). MSC accounted for more than one million tons of container volume in calendar 2003 alone. While it would be unrealistic for the port to expect that annual growth in container volumes will continue to exceed 10% in the coming years, POB is expecting to maintain the current high volume of container traffic in fiscal 2004 and 2005 on the strength of new container contracts with Evergreen company (which has signed a new five-year contract with MPA) and Atlantic Container Line (which is planning to introduce a new container service to MPA).

Governor's Proposed Operating Budget

MPA's fiscal 2005 allowance totals \$98.1 million, an increase of just \$763,738 (less than 1%) over the fiscal 2004 working appropriation. Specific changes between the fiscal 2004 working appropriation and the fiscal 2005 allowance are detailed in **Exhibit 2**.

Exhibit 2
Governor's Proposed Budget
Maryland Port Administration
(\$ in Thousands)

	<u>FY 03</u>	<u>FY 04</u>	<u>FY 05</u>	<u>FY 04-05</u>	<u>FY 04-05</u>
	<u>Actual</u>	<u>Approp.</u>	<u>Allowance</u>	<u>Change</u>	<u>% Change</u>
Special Funds	\$93,430	\$97,308	\$98,134	\$827	0.8%
Reimbursable Funds	\$0	\$63	\$0	-\$63	-100.0%
Adjusted Grand Total	\$93,430	\$97,371	\$98,134	\$764	0.8%

Where It Goes:

Personnel Expenses

New positions	\$160
Increments and other compensation	254
Employee and retiree health insurance	41
Retirement contribution cost increase	-20
Turnover adjustments and cost containment restoration	223
Other fringe benefit adjustments	-222

Other Changes

Contractual services, including the rental of equipment such as portable restrooms and heating, ventilation, and air conditioning equipment to support cruise operations and security services	348
Supplies and materials, including repair parts for container cranes	313
Lease payment to MdTA for Seagirt Marine Terminal	200
Insurance costs	189
Telecommunication expenses	121
New and replacement equipment, including data processing equipment	-405
Travel costs, including both in-state and out-of-state travel	-233

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Where It Goes:

Grants, including grants to Ocean Race Chesapeake and the Pride of Baltimore	-158
Stevedoring contract costs	-121
Other Changes	74
Total	\$764

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

Personnel costs are expected to increase by approximately \$436,000. The four new crane maintenance positions will cost approximately \$160,000; increases are also seen in the allowance for increments and other compensation and for turnover adjustments. Decreases are seen in retirement contribution costs and other fringe benefits.

Shed 3A at Dundalk Marine Terminal is now serving as the cruise terminal; MPA will spend approximately \$500,000 for the fiscal 2003 to 2005 period on the rental of equipment such as portable restrooms and other equipment to meet the needs of cruise passengers. Cruise operations will continue to be handled at Shed 3A until a new facility can be identified.

The allowance for security services – including private security guards as well as police services provided by the Maryland Transportation Authority (MdTA) police – increases by about \$140,000, bringing total estimated security-related expenditures to nearly \$6 million for fiscal 2005. Additional increases are seen in costs for property and related equipment insurance (\$189,000) and in the capital lease payment made by MPA to MdTA for the Seagirt Marine Terminal.

The allowance for in-state and out-of-state travel decreases by \$233,000; reduced funding for travel decreases the ability of MPA personnel to market POB to potential clients. Other decreases are seen in the allowance for equipment purchases and the contract for stevedoring services, which decreases because MPA no longer needs to rent top loaders following acquisition of its new rubber tire gantry cranes.

The allowance for grants decreases by \$158,000; however, a grant in the amount of \$178,000 for the Pride of Baltimore was transferred from the MPA's budget to the Secretary's Office. In fiscal 2005 MPA will continue to provide a grant to the Pride of Baltimore (\$200,000) in lieu of a lease payment for that amount to the MdTA. Additional grants are funded for Ocean Race Chesapeake (\$35,000), which is the local portion of the Volvo Race, and the Baltimore Maritime Exchange (\$25,000), which is a private trade association that serves as a clearinghouse for information on POB's berths and terminals (both public and private) and cargo and vessel activity.

PAYGO Capital Program

Program Description

MPA's capital program identifies and manages projects and funding for port facilities that provide increased capacity for existing cargo and promote the shipment of new cargo. Current projects focus on improving and modernizing existing State capital facilities, developing new facilities, and supporting the improvement of shipping channels through dredging activities conducted in cooperation with the U.S. Army Corps of Engineers.

Fiscal 2004 to 2009 Consolidated Transportation Program (CTP)

Exhibit 3 lists the capital projects currently programmed in MPA and shows expenditures planned for fiscal 2005 as well as the total anticipated cost of each project. No new capital projects have been added to the CTP, and no projects are expected to be completed in fiscal 2004. Updates on projects that have experienced delays or scope changes are provided below.

- **Terminal Security Program (Dundalk and Seagirt Marine Terminals):** An additional \$7.5 million in federal funding has been added to the total cost of this program due to the receipt in fiscal 2004 of five new port security grants from the U.S. Department of Transportation (most of the funds provided by these grants will be expended in fiscal 2005 and 2006). These new grants will support the acquisition of a police boat for use by the MdTA police, the improvement of cargo and information security systems, and the installation of enhanced remote surveillance and perimeter security equipment.
- **Construction of New Cargo Warehouses on Dundalk Marine Terminal:** Several new cargo warehouses are being constructed on Dundalk Marine Terminal. Construction of these warehouses is proceeding concurrently, and the projects have experienced some delays.
- **Niche Cargo Warehouse – Shed 6B:** A total of \$1.5 million is budgeted in fiscal 2005 for construction of the Niche Cargo Warehouse, which will provide approximately 108,000 square feet of covered storage space; the total cost of constructing this warehouse is expected to be \$7.6 million. Construction of the warehouse had been scheduled to begin in fiscal 2004 but has been delayed until fiscal 2005 due to a delay in soil stabilization work associated with construction of Shed 5B (described below) and to a delay in the demolition of Shed 3B. Demolition of Shed 3B was delayed because of its close proximity to Shed 3A, which is currently serving as the cruise ship terminal.
- **Forest Products Warehouse – Shed 5B (Dundalk Marine Terminal):** MPA is constructing a new warehouse on Dundalk to store wood pulp. The project site suffered damage due to high winds during the summer of 2003 and some soil stabilization activities have taken longer than planned, but the project is expected to be completed on schedule in fiscal 2004.

Exhibit 3
Major Ongoing Capital Projects
(\$ in Thousands)

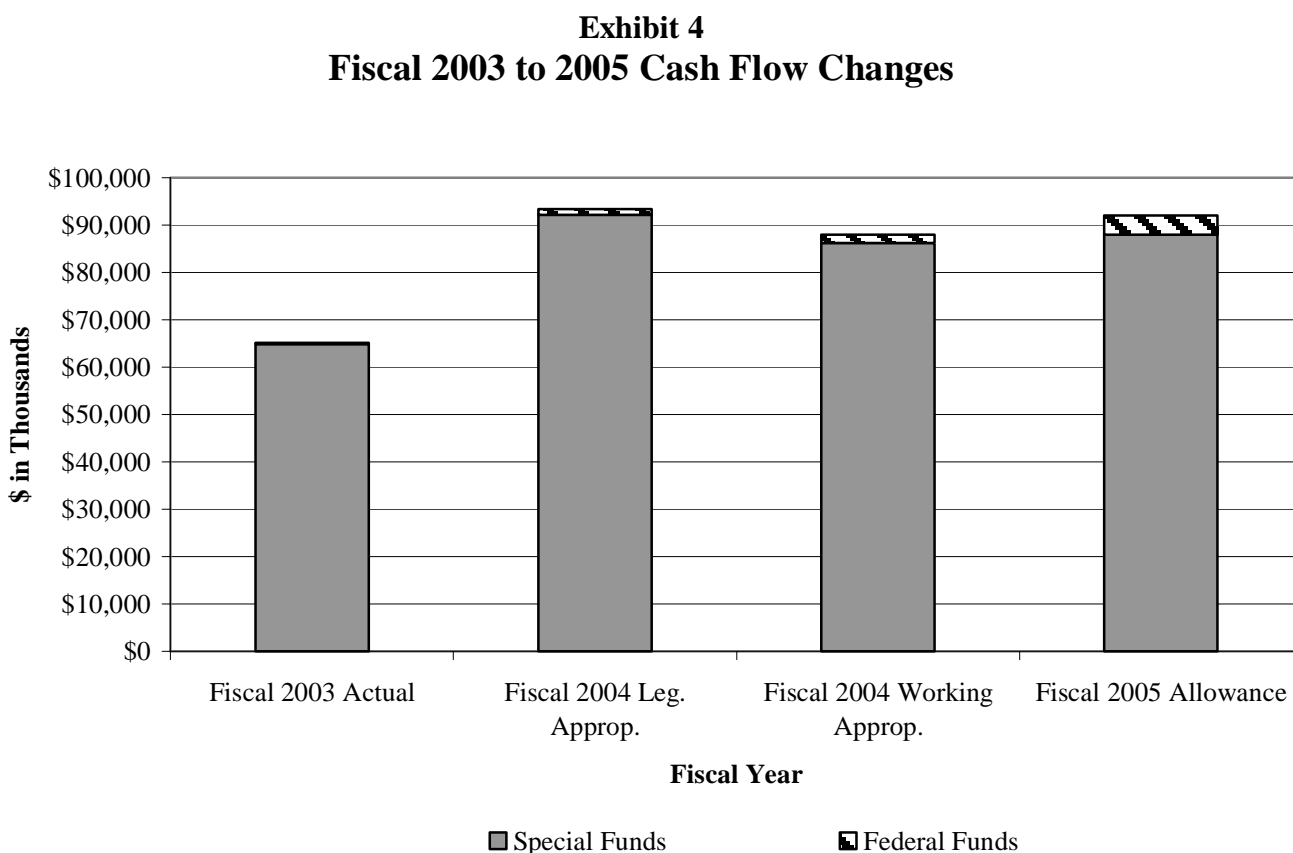
<u>Project Description</u>	<u>FY 2005</u>	<u>Total Project Costs</u>
Projects at Hart-Miller Island Dredge Placement Site	\$4,092	\$64,537
Dredge Material Placement and Monitoring	16,036	ongoing
Dredge Material and Management Program	10,903	ongoing
Rehabilitation of Berths 1-6, Dundalk Marine Terminal – Phase I	4,761	25,172
Niche Cargo Warehouse – Dundalk Marine Terminal	1,500	7,600
North American Paper Hub – South Locust Point Marine Terminal	11,127	24,450
Forest Products Warehouse – Dundalk Marine Terminal	500	9,800
Terminal Security Program	5,669	13,108
C&D Canal Deepening Study	50	1,988
Truck and Rail Circulation Improvements – Dundalk Marine Terminal	50	100
Minor Projects	33,300	ongoing
Capital Salaries and Wages	4,200	ongoing
Total	\$92,188	\$146,755

Source: Maryland Department of Transportation, 2004 *Consolidated Transportation Program*

- **C&D Canal Deepening:** The C&D Canal, which links the Chesapeake Bay and the Delaware River, provides the fastest transit time to and from POB to vessels coming from or heading north. MPA and the U.S. Army Corps of Engineers have been analyzing the need to deepen this canal, which would allow larger vessels to transit through the Canal; a total of \$104,000 is budgeted in fiscal 2004 for these analyses. The Army Corps has, however, deferred a decision on whether the canal should be deepened.
- **Dredge Material Management Program:** A total of \$10.9 million is budgeted in fiscal 2005 for the Dredge Material Management Program, which funds a number of ongoing studies needed to manage current dredge material placement sites and identify and assess new sites. Among the studies funded through this program are cell monitoring and quality assurance studies at the Poplar Island containment site as well as studies of possible new placement sites in the Inner Harbor and on several Mid-Chesapeake Bay islands. New site studies are discussed in more detail later in the analysis.

Fiscal 2004 and 2005 Cash Flow Analysis

Exhibit 4 presents the cash flow changes between MPA’s fiscal 2003 and 2005 capital budgets.



Source: Maryland Department of Transportation, 2004 *Consolidated Transportation Program*

The fiscal 2004 working appropriation decreased by \$5.5 million (5.9%) below the fiscal 2004 legislative appropriation. This decrease is due to cash flow changes in ongoing projects, including the delays discussed above, in construction of the cargo warehouses on Dundalk Marine Terminal.

The fiscal 2005 allowance totals \$92.1 million, an increase of \$4.1 million (nearly 5%) over the fiscal 2004 working appropriation; this increase is due to cash flow changes in ongoing projects. The fiscal 2005 special fund allowance increases by just \$1.8 million (2%) over the fiscal 2004 working appropriation; the federal fund allowance more than doubles from \$1.7 million in the fiscal 2004 working appropriation to \$4 million in the fiscal 2005 allowance. The increase in the federal fund allowance is due to MPA’s receipt of the new federal port security grants.

Issues

1. MPA Business Trends

MPA is responsible for stimulating waterborne commerce through the POB by providing marketing, operations, and maintenance services. Additionally, MPA coordinates with the U.S. Army Corps of Engineers in managing the dredging programs that keep waterways safe and efficient for commercial navigation.

Total Cargo Handled by MPA Terminals

Exhibit 5 shows the total volume of cargo handled at MPA’s public terminals from fiscal 1999 through 2005.

Exhibit 5
Volume of Total Cargo at Public Terminals by Cargo Type
Fiscal 1999 – 2005
(Thousands of Short Tons)

	<u>Actual</u> <u>1999</u>	<u>Actual</u> <u>2000</u>	<u>Actual</u> <u>2001</u>	<u>Actual</u> <u>2002</u>	<u>Actual</u> <u>2003</u>	<u>Proj.</u> <u>2004</u>	<u>Proj.</u> <u>2005</u>	<u>Annual %</u> <u>Change</u> <u>FY 99-03</u>
General Cargo								
Containers	4,347	4,467	4,233	4,156	4,557	4,680	4,703	1.19%
Breakbulk	336	335	254	226	242	270	271	-7.88%
Ro/Ro	507	448	414	415	411	430	432	-5.11%
Steel/Metals	77	88	65	55	77	100	101	0%
Forest Prod.	544	814	813	1,032	1,264	1,110	1,116	23.46%
Automobiles	316	327	309	386	504	510	513	12.38%
Total General Cargo	6,127	6,479	6,088	6,270	7,055	7,100	7,136	3.59%
% of Total Cargo	96.5%	96.5%	96.7%	97.4%	98.3%	97.9%	97.9%	
Bulk Cargo								
Liquid Bulk	221	232	206	170	123	150	151	-13.63%
% of Total Cargo	3.5%	3.5%	3.3%	2.6%	1.7%	2.1%	2.1%	
Total	6,348	6,711	6,294	6,440	7,178	7,250	7,287	3.12%

Source: Maryland Port Administration

Trends in cargo volume at MPA’s public terminals mirror the strong growth observed in cargo volumes throughout POB as whole. In fiscal 2003, the total volume of cargo handled at the public terminals at POB topped seven million short tons for the first time in the port’s history. The total

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cargo volume has now not only recovered from the downturn witnessed in fiscal 2001 but has exceeded by nearly 7% the high volume reached in fiscal 2000.

Fiscal 2003 Cargo Volumes

The total cargo volume handled at MPA's public terminals in fiscal 2003 increased nearly 11.5% over the total cargo volume handled in fiscal 2002. Approximately 98.3% of all cargo handled at the port in fiscal 2003 was general cargo, while the remaining 1.7% of cargo was liquid bulk cargo comprised almost exclusively of molasses and latex. The majority of all other bulk cargoes (including coal, salt, sugar, and cement) is handled by the private terminals at the POB.

Between fiscal 2002 and 2003, all major general cargo types have shown increases in total volume except Ro/Ro, which decreased at MPA's public terminals by less than 1%. Container volumes at the public terminals increased nearly 10% in fiscal 2003 over the 2002 levels. Significant increases were also seen in fiscal 2003 in the total tonnage of forest products (which increased nearly 22.5% over the fiscal 2002 level) and in automobiles (which increased by nearly 31% over the fiscal 2002 level).

The decline in the total tonnage of liquid bulk products at MPA's public terminals is due to changes among tenants handling these products. Currently, only one molasses handler is operating at the port's public terminals, though this handler plans to construct several new tanks at North Locust Point. Volumes of latex are down because one of three tenants handling latex ceased operations at POB.

Projected Cargo Volumes in Fiscal 2004 and 2005

Fiscal 2004 tonnage projections are based on year-to-date actual volumes through October 2003; volumes in fiscal 2005 are projected to show a 0.5% increase over estimates of the fiscal 2004 volumes. Historically, cargo volume has shown significant volatility in year to year totals; years with high cargo volumes are often followed by years that experience declines in cargo volumes. While MPA's forecast is projecting that the cargo volumes achieved in fiscal 2003 will generally be maintained in fiscal 2005, the forecast does not anticipate that cargo volumes will continue to grow at the high rates experienced in fiscal 2003.

MPA's Cruise Business

The cruise business continues to grow at the Port of Baltimore. In fiscal 2003 a total of 42 ships made port calls at or originated cruises from POB; currently, MPA expects 49 cruise ships to visit POB in fiscal 2004. As **Exhibit 6** shows, MPA generated an operating profit of \$156,732 from the cruise business in fiscal 2003 and is expected to generate \$716,230 in operating profit from that business in fiscal 2004.

Exhibit 6
Revenues and Expenses Accruing to MPA from the Cruise Business⁽¹⁾
Fiscal 2003 – 2004

	FY 2003 <u>Actual</u>	FY 2004 <u>Projected</u>
Cruise-related Revenues	\$1,072,496	\$1,810,616
Cruise-related Expenses	915,764	1,094,386
Profit Generated from Cruise Industry	\$156,732	\$716,230

⁽¹⁾ Cruise-related expenses do not currently include overhead costs and the depreciation of assets used to serve cruise customers. A full analysis of MPA's return on its investment in the cruise industry would include both these costs.

Source: Maryland Port Administration

Shed 3A on Dundalk Marine Terminal currently serves as the MPA's cruise terminal. The cruise business was moved to this shed when the rehabilitation of berths 5 and 6 at Dundalk rendered the permanent cruise terminal unusable.

MPA should update the committees on the status of efforts to develop a permanent cruise terminal, including the status of terminal development projects proposed by private developers.

MPA's Operating Revenues Increased by More than 16% between Fiscal 2002 and 2003

MVA's revenues consist of charges paid by shipping companies and terminal tenants for dockage, wharfage, stevedoring, crane usage, and cargo storage. Stevedoring charges are paid with shipping line payments; all other revenues pass into the TTF, which funds MPA's other operating costs and its capital budget. **Exhibit 7** presents MPA's financial performance for the period of fiscal 2000 to 2005.

Between fiscal 2002 and 2003, MPA's operating revenues increased by over 17.5%, reflecting the strong growth in cargo volumes experienced by MPA during fiscal 2003. As a result of this revenue growth, the amount of MPA's total operating expenses subsidized by the Transportation Trust Fund (TTF) decreased from \$10.8 million in fiscal 2002 to \$3.7 million in fiscal 2003 (a decrease of nearly 66%).

Exhibit 7
MPA Actual and Projected Operating Expenses and Revenues
Fiscal 2000 – 2003 Actual and Fiscal 2004 – 2005 Projected

	<u>Actual</u> <u>2000</u>	<u>Actual</u> <u>2001</u>	<u>Actual</u> <u>2002</u>	<u>Actual</u> <u>2003</u>	<u>Projected</u> <u>2004</u>	<u>Projected</u> <u>2005</u>	<u>00-05</u> <u>Average</u> <u>Annual %</u> <u>Change</u>
Operating Revenue	\$73,082	\$76,743	\$78,207	\$91,901	\$89,301	\$88,909	4.0%
Total Operating Expenses	75,282	85,180	89,029	95,608	100,375	101,138	6.1%
Total Exclusions*	-7,520	-12,235	-12,252	-12,046	-13,843	-13,584	12.6%
Net MPA Operating Expenses	67,762	72,945	76,777	83,562	86,532	87,554	5.3%
Amount Subsidized by TTF (exclusions plus operating deficit if applicable)	-2,200	-8,437	-10,822	-3,707	-11,074	-12,229	40.9%

* Excluded expenditures include payments-in-lieu of taxes, support provided through the Secretary's Office for the Baltimore City Marine Fire Suppression system, certain capital equipment, all lease payments to MdTA, and the contribution made by MPA to the Pride of Baltimore on behalf of MdTA.

Source: Maryland Port Administration

In keeping with MPA's conservative projections for cargo growth in fiscal 2004 and 2005, MPA projects that it will continue to generate operating revenues near the level generated in fiscal 2003; however, operating expenses are expected to show slightly higher growth than operating revenues during that time period. Thus, between fiscal 2003 and 2004, operating revenues are projected to decline by just under 2.8% (\$2.6 million), while operating expenses are projected to increase by nearly 5% (\$4.8 million). As a result, the amount of MPA's total operating expenses subsidized by the TTF is expected to increase from \$3.7 million in fiscal 2003 to just over \$11 million in fiscal 2004.

The Department of Legislative Services (DLS) recommends that MPA discuss with the budget committees why operating expenses in fiscal 2004 are expected to outpace operating revenue attainments in that year, thus requiring an increased operating subsidy from the TTF.

2. Economic Impact of POB on the State

MPA was required by fiscal 2002 budget bill language to provide an updated “Comprehensive Economic Impact Report” that discusses the impact of POB on the State’s economy from fiscal 1999 to 2002. MPA submitted a report that discusses the impact of POB on employment, personal income, and tax revenues.

In 2002 POB handled \$23 billion worth of international waterborne cargo through all public and private terminals, making POB eighth among U.S. ports in the dollar value of cargo handled. POB handled 23.6 million tons of foreign cargo, ranking POB sixteenth among U.S. ports in foreign cargo tonnage handled. It should be noted, however, that cargo volumes in 2002 had still not recovered to the levels observed in 2000 (prior to the terrorist attacks of September 11, 2001). Thus, the economic impact study provides a point-in-time picture of conditions in 2002 that may not have continued into 2003, when cargo volumes recovered to – and then exceeded – the high levels observed in 2000.

Exhibit 8 shows that the total tonnage handled by POB (including domestic cargo) appears to have increased by 2.8 million tons (9.4%) from 1998 to 2002; the increase is attributed primarily to increases in coal and other dry bulk cargo – cargos handled primarily by the private terminals at the port. However, the study notes that it is likely that much of the increase can be attributed to variances in the methodologies utilized in the 1998 and 2002 studies. Thus, for example, some domestic cargo was apparently not included in the cargo volumes reported in the 1998 study (though jobs associated with terminals reporting the domestic tonnage may have been included in the jobs assessment portion of that study); the tonnage used in the 1998 study included only international tonnage at the public and private terminals. Such apparent lack of comparability between the data on cargo volumes reported in the 1998 study and the data reported in this new 2002 study make it difficult for conclusions to be drawn about trends in cargo volume.

Exhibit 9 compares the impact of maritime activity at POB on employment and personal income between 1998 and 2002. The exhibit shows that between 1998 and 2002, the number of direct jobs (jobs directly generated by and dependent on activities at the port, including jobs with the International Longshoremen’s Association, terminal operators, stevedores, and trucking firms etc.) fell by 1,993. Most of these jobs were lost at shipping/consigning companies that move cargo through the port, including Bethlehem Steel and railroad companies. The study found that the majority of jobs directly associated with the port (nearly 70%) were held by residents of Baltimore City and Baltimore County.

Declines were also observed from 1998 to 2002 in induced jobs (jobs supported by the local purchases made by the 15,740 individuals holding jobs directly attributed to port activities, including jobs with local grocery stores, retail outlets, and local government services, etc.) and in indirect jobs (jobs supported by the purchases of the firms dependent upon the port). The declines in these job categories reflect and follow from the decline in direct jobs.

Exhibit 8
Total Tonnage (Including Domestic Cargo) Imported and Exported
through the Port of Baltimore
(1,000 Short Tons)

<u>Cargo</u>	<u>1998</u>	<u>2002</u>	<u>Change</u>
Containers	4,409	4,369	-40
Steel	643	454	-189
Ro Ro/Autos	884	1,062	178
Lumber	31	167	136
Paper	161	601	440
Pulp	318	434	116
Other Breakbulk	456	526	70
Coal	9,166	9,646	480
Other Dry Bulk	4,111	5,764	1,653
Iron Ore	5,138	5,000	-138
Petroleum/Other Liquid Bulk	1,218	1,267	49
Total	26,535	29,291	2,756

Source: Maryland Port Administration

Exhibit 9
**Impact of the Port of Baltimore on Job Creation, Income,
Business Revenues, and Taxes**

<u>Impact Area</u>	<u>1998</u>	<u>2002</u>	<u>Change</u>
Jobs			
Direct	17,733	15,740	-1,993
Induced	11,312	8,297	-3,015
Indirect	14,588	8,919	-5,669
Total	43,633	32,956	-10,677
Direct Personal Income (\$ in Millions)	\$740	\$801	\$61
Business Revenue	\$1,400	\$1,470	\$70
Local Purchases	\$380	\$761	\$381
State and Local Taxes	\$290	\$216	-\$74

Source: Maryland Port Administration

Between 1998 and 2002, personal income increased by \$61 million and the average earnings per direct employee increased from about \$42,000 to nearly \$51,000. Business revenues remained nearly constant, while local purchases grew substantially. However, indirect jobs fell, reflecting a change in the type of purchases from construction/maintenance/repair to retail/wholesale and utilities purchases, which are less labor intensive. The decline in State and local tax revenues is attributed to the overall decline in port-related employment.

DLS recommends that MPA discuss with the budget committees the impact that the strong growth in cargo volumes observed in 2003 may have had on the port's economic impact on the State, particularly in creating direct, induced, and indirect jobs.

3. MPA Submitted Security Assessment and Plan to U.S. Coast Guard

The Maritime Transportation Security Act of 2002 required all U.S. ports to submit a Facility Security Assessment and a Facility Security Plan to the U.S Coast Guard by December 31, 2003. The Security Assessments were required to address general security issues, such as surveillance, prevention of unauthorized entry, and cargo monitoring; in developing its plan, each port was also

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required to assess the likelihood of various threat scenarios, including bombings, sabotage, and smuggling, etc. Ports are required to implement their Security Plans by July 1, 2004.

MPA met the required deadline for submitting its Security Assessment and Security Plan. MPA's plan addressed all areas of security concern at the port, including access control, perimeter security, facilities monitoring, record/document keeping, and training. MPA intends to have implemented its Security Plan by the required July 1 deadline. The plan will meet security requirements and will evolve over time as new and better facilities come on line. It is unclear at this time, however, how much the implementation of the plan will cost as specific interventions are still being planned and priced; it is therefore also unclear whether MPA will require a budget amendment in fiscal 2004 to meet increased security costs.

Concurrent with the security plans being implemented by MPA, the U.S. Coast Guard command in Baltimore is developing an area-wide security plan for the entire port; such plans are being developed for each of the 50 largest U.S. ports. The assessments made by the Coast Guard as it develops the security plan will be updated every five years. The results of these vulnerability assessments are classified and will not be released to the public.

MPA Has Received \$10.7 Million in Port Security Grants

The U.S. Department of Transportation awarded the most recent round of port security grants in June 2003. While U.S. ports requested nearly \$997 million in funding, only \$245 million in grants was awarded. MPA received nearly \$3.2 million from this round, making it the eleventh highest recipient of port security grants in that round; for purposes of comparison, the largest recipient (CITGO Petroleum Corporation Facility in Lake Charles, Louisiana) received \$13.5 million, while the second highest recipient (the Harbor Department of Long Beach, California) received \$9.8 million. In addition to the funding received by MPA, the Baltimore Police Department received a \$750,000 grant from the June 2003 issuance while the CNX Marine Terminal – a privately owned coal terminal at POB – received \$420,438.

The Port of Baltimore has received just over \$10.7 million in port security grants from fiscal 2003 until the present. **Exhibit 10** provides information on the amount and purpose of each security grant received by MPA.

It is anticipated that applications for a fourth round of port security grants will be announced in February 2004. MPA will submit requests at that time for funding for security projects that are part of MPA's Security Plan.

DLS recommends that MPA discuss with the budget committees the status of its effort to implement its Security Plan by the required date of July 1, 2004. MPA should also discuss the anticipated cost of implementing the plan, including providing an estimate of additional State-sourced funding that may be required in fiscal 2004 to strengthen security.

Exhibit 10
Port Security Grants Received by MPA
Fiscal 2003 – 2004

<u>Project</u>	<u>Date of Receipt</u>	<u>Amount of Grant</u>	<u>Security Enhancements to be Funded by the Grant</u>
Dundalk Marine Terminal Security Access	Fiscal 2003	\$3,264,000	Construction of new terminal access gate at Dundalk Marine Terminal that will consolidate security, cargo processing, and inspection functions at a single centralized security checkpoint.
Remote Video Surveillance System	Fiscal 2004	2,962,000	Installation of remote video surveillance system.
Patrol Boat	Fiscal 2004	208,000	Purchase of a vessel for use by MdTA police in port.
Seagirt Marine Terminal Security Access	Fiscal 2004	2,107,000	Construction of new terminal access security systems at Seagirt Marine Terminal.
Terminal Perimeter Security	Fiscal 2004	2,000,000	Installation of bollards and fiber optic cable along terminal fence lines to prevent intrusion.
Cargo & Information System Security	Fiscal 2004	175,000	Improvement of security access to computer system at Seagirt Terminal through introduction of biometrics and video surveillance technologies.
Total Funding		\$10,716,000	

Source: Maryland Port Administration

4. New Dredge Material Placement Sites Are Being Studied

The Dredged Material Management Act of 2001 initiated a process to phase out the practice of open-water disposal of dredged material within Maryland waters by 2010. In addition to one open water placement site still used by MPA, MPA currently operates Hart-Miller Island, Poplar Island, and the new Cox Creek facility as dredge material placement sites. These four sites are expected to provide placement capacity for an additional 54 million cubic yards (mcy) of material, including 37 mcy of capacity that can be utilized only for clean dredge material and 17 mcy that can be utilized for either clean or contaminated materials. This amount of placement capacity is expected to be able to

accommodate maintenance and new work dredging at POB through July 2009. Updates on dredge material placement studies being conducted by MPA are provided below.

Contaminated Dredge Materials

Materials dredged from POB (inside the Key Bridge) are considered to be contaminated; however, the designation of this material as contaminated is based on its geographical point of origin (inside the Key Bridge) rather than analysis of the actual contents of this soil.

- **Cox Creek:** The Cox Creek placement site, which will handle contaminated materials, is scheduled to begin receiving dredge materials during the dredging season beginning October 2004 and ending in April 2005 assuming that a discharge permit for the facility is received prior to the start of the dredging season. The innovative use program planned for implementation at Cox Creek has been abandoned. In the spring and summer of 2003, four vendors were to undertake demonstration scale testing that would have required them to recycle 30,000 cubic yards of material from the site. However, the methodologies proposed by the vendors for innovative use recycling proved to be cost prohibitive. The costs of the proposals submitted by the vendors ranged from \$60 per cubic yard of material up to \$300 per cubic yard of material; currently, the cost of placing material at all three active placement sites ranges from \$2.50 per cubic yard to \$11 per cubic yard.
- **Study of Inner Harbor Sites:** MPA and the U.S. Army Corps of Engineers have studied several potential dredged material placement areas in the Inner Harbor, including Hawkins Point/Thoms Cove, Dead Ship Anchorage, and Sollers Point Containment Facility. This study is currently assessing three new sites (all located in POB) which were recommended to the Governor and General Assembly for further study by the Dredge Material Management Program's Executive Committee (this committee and the advisory groups with which it works were created by the Dredged Material Management Act of 2001). The three sites under assessment are Masonville, Sparrows Point, and the BP Fairfield tank farm facility; in addition, a non-site specific innovative use option will be retained for possible long-term study. Studies of Masonville and Sparrows Point were initiated in 2003, while studies of BP Fairfield will begin in early 2004. All studies are expected to be completed by March 2006 if not earlier. The earliest that any of these sites could be opened as a placement site is 2009.

Clean Dredge Materials

Materials dredged from the channel harbors located outside the Key Bridge are classified as clean materials.

- **Poplar Island Environmental Restoration Project:** The Poplar Island site, where clean dredge material is currently placed, is the subject of 32 environmental studies. These studies collect and analyze wetland field data and support ongoing engineering designs and assessments. In addition,

a study initiated in December 2002 is assessing the feasibility of raising the dikes at this site to increase its placement capacity. This study was initiated in December 2002 and a draft report on this study is expected to be available in October 2005. The cost of this study is \$2.3 million; the State is paying 25% of these costs while the remaining 75% of the costs are borne by the U.S. Army Corps of Engineers.

- **Mid-Chesapeake Bay Island Study:** MPA and the U.S. Army Corps of Engineers are sharing equally the cost of a \$7 million study of James and Barren Islands in the Mid-Bay region to assess the feasibility of using these islands as placement sites for clean dredge materials. This study began in November 2002; a draft report is scheduled to be available for public review in July 2005.

DLS recommends that MPA brief the committees on the progress of its effort to develop new placement sites for both clean and contaminated dredge materials before current containment capacity is exhausted.

5. Grain Task Force Recommends MPA Study the Feasibility of Building a Barge Transshipment Site

Chapter 85, Acts of 2003 created the Task Force on the Marketing of Grain and Other Agricultural Products to study the feasibility of re-establishing a grain export facility at POB and, concomitantly, to develop new strategies for marketing grain and other related agricultural products. The task force has reported its recommendations, which are discussed below.

Background: History of the Grain Elevator at POB

Originally constructed in 1923, the grain elevator at MPA's North Locust Point Marine Terminal had been operated by the Archer Daniels Midland company (ADM) since the early 1960s. At that time, the CSX Transportation company leased North Locust Point to MPA while retaining an easement over the grain pier, which it assigned to ADM. In 2002 MPA exercised an option established in the original lease to purchase North Locust Point (including the grain pier but not the elevator) from CSX at a cost of \$1.6 million (the appraised value of the property was \$65 million). On June 30, 2001, the grain pier collapsed into the harbor and the grain elevator was rendered unusable either to store or to transload grain.

In investigations conducted subsequent to the collapse of the grain pier, MPA has found that unlike all other shippers using the POB's public terminals, ADM never paid any dockage or wharfage charges associated with the shipments of grain through POB. MPA discussed with ADM the possibility of rebuilding the grain pier; however, MPA required as a condition for its capital investment that ADM begin to pay dockage and wharfage for the subsequent use of the facility. After further negotiations, MPA offered to allow ADM to retain 25% of these fees; however, the company refused all such offers and moved its grain shipment business to Chesapeake, Virginia. MPA

subsequently undertook negotiations with other major grain handlers to assess their interest in establishing a grain business at POB; none expressed interest in making a capital contribution toward the construction of a new grain elevator and pier.

ADM closed the grain elevator in March 2003 and is in the process of disposing of the elevator and surrounding property; plans have been announced for the development of a mixed residential and commercial development at the site. ADM and MPA have reached a tentative settlement of all pending lawsuits, subject to approval by the Maryland Port Commission and the Board of Public Works (which will be requested in March 2004). Under this settlement, MPA be responsible for demolishing and removing the grain pier and all of the grain elevator back to the end of MPA property and to remove debris from the Chesapeake Bay; this demolition is expected to cost approximately \$1.2 million.

Impact of the Closure of POB's Grain Elevator

As recently as 1989, POB had three active grain elevators; the ADM elevator was the last remaining elevator. The task force found that the volume of grain exported through POB had begun to decline in the 1980s, and that while some years of high exports had been seen in the 1990s, the volume of grain exports handled at the ADM elevator had been highly volatile from year to year. During the 10-year period from 1991 through 2001, exports ranged from a high of just over 2.5 million tons in 1993 to a low of just over 500,000 tons in 1997 and 1999 to approximately 1.7 million tons in 2001. The task force also found that much of the grain exported through the ADM elevator had originated in states other than Maryland. For example, of the approximately 42 million bushels of grain exported via the POB in 2001, the total amount of grain originating in Maryland was just over 10 million bushels (only approximately one-fourth of the entire amount of grain handled at POB that year).

The elevator did, however, benefit Maryland farmers, and its closure has reduced the value to Maryland farmers of the grain they produce by increasing the costs of transporting the grain to market. Specifically, the task force estimated that the closure of the ADM elevator has raised the cost Maryland farmers pay to transport their grain by between \$.35 and \$.70/bushel, depending on the location from which the grain originates.

Recommended Actions

The task force recommended against reconstruction of a grain export elevator at POB; this recommendation was based on the following assessments:

- Maryland alone does not produce enough grain to support reconstruction of a major grain elevator. Such a facility could only be supported if the facility could attract grain from other states. However, the major grain producing states of the mid-west and great plains export the vast majority of their grain through New Orleans or, to a lesser degree, the Columbia River, and it was

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found that the cost of transporting grain from these areas to Baltimore would be too high to attract producers away from these two main shipment sites.

- There has been a general contraction in grain exporting facilities, with 13 export elevators having closed in the last 10 years (including the ADM elevator in Baltimore). This decline has supported the increased concentration of grain export activities in New Orleans and the Columbia River area.
- It could cost as much as \$41 million to construct an elevator and pier capable of handling just 2.6 million bushels (enough to fill one 80,000 ton ship).

Instead of reconstructing a grain export elevator, the task force recommended that the most cost-effective way of assisting Maryland farmers would be to develop a barge transshipment site. Such a site could be used to move soybeans and meal to a newly established bulk handling facility in Wilmington, North Carolina, or to the port at Chesapeake, Virginia. It was estimated that construction of such a facility could reduce the cost to Maryland farmers of transporting their grain by between \$.21 to \$.42/bushel. The cost of constructing such a facility was estimated to be between \$2 million and \$2.5 million, and the facility was estimated to require annual operating expenditures of between \$130,000 and \$160,000. On the basis of this assessment, the task force recommended that MPA should conduct a study of potential barge transshipment sites, including assessing the costs of acquiring these sites and constructing and operating a transshipping facility on them.

DLS recommends that MPA discuss with the budget committees the cost and potential timing of a study of barge transshipment sites. MPA should discuss potential sites in POB and in other locations where a transshipping facility could be located. Further, as two truck-to-rail grain transshipping sites opened in Maryland in 2003 – one at Keymar Fertilizer in Carroll County and one at the Canton Railroad transloading facility in Baltimore City – through the combined efforts of public and private interests, MPA should discuss the potential for attracting private participation in the construction and operation of a barge transshipping site.

DLS also recommends that the budget committees add budget language prohibiting the expenditure of any funds from the TTF on the reconstruction of a grain elevator or any related infrastructure, including a grain pier.

Operating Budget Recommended Actions

1. Concur with Governor's allowance.

Capital Budget Recommended Actions

1. Add the following language:

No funds shall be expended from the Transportation Trust Fund to construct a grain elevator or a grain pier in the Port of Baltimore.

Explanation: The Task Force on the Marketing of Grain and Other Agricultural Products created by Chapter 85, Acts of 2003 found that construction of a grain elevator at the Port of Baltimore could cost as much as \$41 million. Further, the task force found that Maryland does not produce enough grain to support an export elevator and that such a facility is unlikely to attract enough grain from other states to make its construction and operation cost effective. The task force found that construction of a barge transshipping site would be a more cost effective method of assisting Maryland farmers and recommended that the Maryland Port Administration undertake a study to identify potential barge transshipping sites.

Current and Prior Year Budgets

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

	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
Fiscal 2003					
Legislative Appropriation	\$0	\$90,918	\$0	\$0	\$90,918
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	0	4,101	0	0	4,101
Cost Containment	0	-1,578	0	0	-1,578
Reversions and Cancellations	0	-11	0	0	-11
Actual Expenditures	\$0	\$93,430	\$0	\$0	\$93,430
Fiscal 2004					
Legislative Appropriation	\$0	\$94,045	\$0	\$0	\$94,045
Cost Containment	0	-867	0	0	-867
Budget Amendments	0	4,130	0	63	4,193
Working Appropriation	\$0	\$97,308	\$0	\$63	\$97,371

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

Fiscal 2003

In fiscal 2003 the legislative appropriation was increased by budget amendments totaling just over \$4.1 million. Approximately \$1.9 million of this increase was appropriated to cover increased security costs associated with port operations, including increased security services at the marine terminals and the World Trade Center; implementation of background checks; increases in premiums for general liability insurance; and the establishment of emergency preparedness procedures, including development of a Security Office responsible for reviewing/enhancing security at the marine terminals and the World Trade Center. The remaining \$2.2 million in increases covered a range of contractual service costs (property management, equipment leasing costs and personnel expenses incurred in conjunction with cruise ship port calls, and advertising); as well as increases in diesel fuel costs (\$337,500); overtime for crane electricians, mechanics, and other staff members (\$210,878); and supplies and materials related to crane maintenance (\$188,500).

Nearly \$1.6 million was withdrawn from MPA's operating budget as part of cost containment actions. The largest part of these funds (\$950,500) was withdrawn from contractual services, including reductions in maintenance services for Point Breeze, reductions in MdTA police presence, and reductions in MPA's stevedoring contract. Approximately \$519,000 was withdrawn from salaries and wages, due to the hiring freeze and to the elimination of a half-step increment. Additional smaller reductions were seen in travel, fixed costs, and communication charges.

Fiscal 2004

MPA's fiscal 2004 working appropriation has increased by a net total of \$3,326,000. An increase of \$4,000,000 was provided through a budget amendment to pay for increases in MPA's stevedoring contract to meet the anticipated rise in demand for these services due to projected fiscal 2004 cargo volume increases at POB. The amendment also provided \$130,000 to pay for supplies and materials for MPA's new rubber tire gantry cranes. An additional \$63,000 in reimbursable funds was added to the budget to fund security upgrades, including new radios and computer upgrades; these funds are received through the Maryland Emergency Management Agency.

These increases were offset by cost containment reductions totaling \$867,000, including reductions in the appropriations for travel, advertising, the conduct of background checks (funding for this will be available from federal sources), the World Trade Center management contract, and elimination of the extended gate service at the Seagirt Marine Terminal.

**Object/Fund Difference Report
MDOT – Maryland Port Administration**

<u>Object/Fund</u>	<u>FY03 Actual</u>	<u>FY04 Working Appropriation</u>	<u>FY05 Allowance</u>	<u>FY04 - FY05 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	268.00	261.00	265.00	4.00	1.5%
02 Contractual	0.80	1.20	1.20	0	0%
Total Positions	268.80	262.20	266.20	4.00	1.5%
Objects					
01 Salaries and Wages	\$ 17,858,259	\$ 18,301,113	\$ 18,737,317	\$ 436,204	2.4%
02 Technical & Spec Fees	2,713,178	371,058	371,156	98	0%
03 Communication	479,817	416,712	537,420	120,708	29.0%
04 Travel	420,484	557,783	324,408	-233,375	-41.8%
06 Fuel & Utilities	3,352,205	3,140,162	3,008,356	-131,806	-4.2%
07 Motor Vehicles	897,022	919,624	907,694	-11,930	-1.3%
08 Contractual Services	54,248,706	58,519,900	58,952,835	432,935	0.7%
09 Supplies & Materials	1,249,310	1,957,468	2,270,098	312,630	16.0%
10 Equip - Replacement	175,413	391,369	250,553	-140,816	-36.0%
11 Equip - Additional	217,156	522,325	257,983	-264,342	-50.6%
12 Grants, Subsidies, Contracts	488,000	418,000	260,000	-158,000	-37.8%
13 Fixed Charges	11,267,227	11,564,842	11,963,274	398,432	3.4%
14 Land & Structures	63,603	290,276	293,276	3,000	1.0%
Total Objects	\$ 93,430,380	\$ 97,370,632	\$ 98,134,370	\$ 763,738	0.8%
Funds					
03 Special Fund	\$ 93,430,380	\$ 97,307,632	\$ 98,134,370	\$ 826,738	0.8%
09 Reimbursable Fund	0	63,000	0	-63,000	-100.0%
Total Funds	\$ 93,430,380	\$ 97,370,632	\$ 98,134,370	\$ 763,738	0.8%

Note: The fiscal 2004 appropriation does not include deficiencies, and the fiscal 2005 allowance does not reflect contingent reductions.

**Fiscal Summary
MDOT – Maryland Port Administration**

<u>Unit/Program</u>	<u>FY03 Actual</u>	<u>FY04 Legislative Appropriation</u>	<u>FY04 Working Appropriation</u>	<u>FY03 - FY04 % Change</u>	<u>FY05 Allowance</u>	<u>FY04 - FY05 % Change</u>
2010 Port Operations	\$ 93,430,380	\$ 94,044,632	\$ 97,370,632	4.2%	\$ 98,134,370	0.8%
2020 Port Facilities and Capital Equipment	65,141,909	93,431,736	87,960,736	35.0%	92,059,921	4.7%
Total Expenditures	\$ 158,572,289	\$ 187,476,368	\$ 185,331,368	16.9%	\$ 190,194,291	2.6%
Special Fund	\$ 158,251,345	\$ 186,151,368	\$ 183,520,368	16.0%	\$ 186,177,291	1.4%
Federal Fund	320,944	1,325,000	1,748,000	444.6%	4,017,000	129.8%
Total Appropriations	\$ 158,572,289	\$ 187,476,368	\$ 185,268,368	16.8%	\$ 190,194,291	2.7%
Reimbursable Fund	\$ 0	\$ 0	\$ 63,000	N/A	\$ 0	-100.0%
Total Funds	\$ 158,572,289	\$ 187,476,368	\$ 185,331,368	16.9%	\$ 190,194,291	2.6%

Note: The fiscal 2004 appropriation does not include deficiencies, and the fiscal 2005 allowance does not reflect contingent reductions.

Budget Amendments for Fiscal 2004
Maryland Department of Transportation
Maryland Port Administration

Operating Budget Amendments for Fiscal 2004

<u>Status</u>	<u>Amount</u>	<u>Fund</u>	<u>Justification</u>
Pending	\$3,263,000	SF Operating	Cover increased stevedoring costs and cover supplies and materials purchases for maintenance of rubber tire gantry cranes.
Pending	63,000	RF Operating	Federal grant provided through the Maryland Emergency Management Agency to support purchase of radios and cargo data computer.
Projected	8,600	SF Operating	Injured Workers' Insurance Fund Workplace Safety Incentive Grants.
Projected	390,000	SF Operating	Hurricane Isabel expenses, including debris removal and emergency protective measures.

PAYGO Budget Amendments for Fiscal 2004

Projected	-\$5,894,000 423,000	SF Capital FF Capital	Adjust appropriation to agree with the anticipated expenditures for the current year as shown in the 2004 CTP.
Projected	7,235,000 6,075,000	SF Capital FF Capital	Hurricane Isabel costs, including World Trade Center repair costs and erosion control. Commercial insurance is expected to provide \$3.5 million while State self-insurance is expected to provide \$1.6 million for hurricane-related expenses.

Source: Maryland Department of Transportation