

J00A01
The Secretary's Office
Maryland Department of Transportation

Operating Budget Data

(\$ in Thousands)

	FY 04	FY 05	FY 06	FY 05-06	% Change
	<u>Actual</u>	<u>Working</u>	<u>Allowance</u>	<u>Change</u>	<u>Prior Year</u>
Special Fund	\$57,251	\$62,907	\$59,362	-\$3,545	-5.6%
Federal Fund	7,721	8,073	7,008	-1,065	-13.2%
Reimbursable Fund	<u>11</u>	<u>450</u>	<u>0</u>	<u>-450</u>	<u>-100.0%</u>
Total Funds	\$64,983	\$71,430	\$66,370	-\$5,060	-7.1%
Contingent & Back of Bill Reductions			-136	-136	
Adjusted Total	\$64,983	\$71,430	\$66,234	-\$5,196	-7.3%

- The fiscal 2006 allowance for the Secretary's Office decreases by \$5.2 million overall, a decline of 7.3%. Special funds decrease by \$3.5 million, much of which is due to re-bid of the contracts for the Financial Management Information System (FMIS) and network services. Federal funds decrease by \$1.1 million due to the end of a grant to the Downtown Partnership that supported shuttle bus service in Baltimore City. Reimbursable funding ends with the completion of a grant to study public safety communication interoperability.
- A contingent reduction of \$136,000 included in proposed budget reconciliation legislation would delete funding for the statewide deferred compensation match in fiscal 2006.

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

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Analysis of the FY 2006 Maryland Executive Budget, 2005

PAYGO Capital Budget Data

(\$ in Thousands)

	Fiscal 2004	Fiscal 2005		Fiscal 2006	
	<u>Actual</u>	<u>Legislative</u>	<u>Working</u>	<u>Request</u>	<u>Allowance</u>
Special	\$20,521	\$17,198	\$31,723	\$0	\$24,208
Federal	\$334	\$7,415	\$8,442	\$0	\$12,174
Total	\$20,855	\$24,613	\$40,165	\$0	\$36,382

- The fiscal 2005 PAYGO capital program increased during the fiscal year by \$15.6 million due mainly to cash flow changes in system preservation and minor project spending and the addition of a limited number of new projects.
- Spending in fiscal 2006 decreases by \$3.8 million; however, this includes a large cash flow decrease of \$13.6 million in system preservation spending offset by a \$10 million increase in transportation emission reduction program expenditures.

Operating and PAYGO Personnel Data

	<u>FY 04 Actual</u>	<u>FY 05 Working</u>	<u>FY 06 Allowance</u>	<u>FY 05-06 Change</u>
Regular Positions	334.00	334.00	327.00	-7.00
Contractual FTEs	<u>5.29</u>	<u>7.00</u>	<u>6.50</u>	<u>-0.50</u>
Total Personnel	339.29	341.00	333.50	-7.50

Vacancy Data: Regular Positions

Turnover, Excluding New Positions	8.18	2.50%
Positions Vacant as of 12/31/04	16.00	4.79%

- Five positions are abolished in fiscal 2006 from various functions within the agency. Another two positions are transferred to the Office of Minority Affairs in the Governor’s Executive Boards, Commissions and Offices budget. The loss of positions is not expected to significantly affect operations, as work will either be absorbed by existing personnel or result in additional contracting out for services.
- Turnover expectancy in the allowance is set at 2.5%, requiring 8 vacant positions. At the end of calendar 2004, the agency had 16 vacant positions.

Analysis in Brief

Major Trends

Bond Coverage Ratio Remains Above 2.5: One of the agencies goals is to manage transportation financial resources prudently, as measured by maintaining a 2.5 coverage ratio of net revenues to the Transportation Trust Fund relative to maximum debt service. This debt service coverage ratio is expected to remain above the 2.5 level through fiscal 2006.

System Preservation Spending Exceeds \$550 Million in Fiscal 2006: The department’s goal of allocating at least \$550 million for system preservation in fiscal 2006 is exceeded, although the fiscal 2006 performance measure was not updated to match spending in the transportation capital program.

Minority Business Enterprise (MBE) Recertification Reassessments Are on Target: The agency intent to perform at least 100 MBE recertification reassessments continues to be met.

Issues

Agency Liaison and Public Information Positions Appear Overstaffed: Compared with other State agencies, the Maryland Department of Transportation (MDOT) has significantly more liaison and public information positions than other cabinet level agencies. **It is recommended that MDOT consolidate its liaison and public information functions into one centralized office, at a level comparable to other cabinet level agencies. This would entail the elimination of 19 regular positions and \$1,384,923 leaving five positions (one of which is contractual) and \$368,484.**

What Is the Impact of the Transportation Emission Reduction Program?: Over the coming years, the State needs to comply with stricter ozone and fine particular matter air quality standards. Failure to do so impacts public health but also could result in reductions in the transportation capital program. Since 1996 the department has funded grants to reduce transportation emissions, which has grown from a \$5 million project to a \$63 million project. Despite these measures vehicle miles traveled continue to increase annually. **The department should discuss how transportation emission reduction funds are spent, whether the funds are spent cost effectively, and the potential consequences if non-compliance with air quality standards continues.**

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Operating Budget Recommended Actions

	<u>Funds</u>	<u>Positions</u>
1. Add budget language to delete 19 liaison and public information positions.	\$1,384,923	19
2. Reduce subscriptions to current spending levels plus inflation.	27,000	
3. Delete funds for one contractual position and fill one regular position.	16,845	
4. Delete funds for one contractual position and fill one vacant position.	30,373	
5. Reduce postage to current funding levels.	5,000	
6. Reduce funds for employee awards.	5,000	
7. Reduce funds for cell phones.	43,850	
8. Reduce funds for recruitment advertising.	25,000	
9. Reduce funds for per diems.	5,700	
10. Reduce funds for building and road repairs.	25,000	
11. Delete funds for Washington Representation Services.	500,000	
12. Reduce salary for Deputy Secretary.	6,055	
13. Delete funds for promotional activities.	8,800	
14. Delete long-term contractual position and fill one regular position.	31,582	
15. Add annual budget language to cap special fund grants pending budget committee review.		
16. Reduce funds for Payments In Lieu of Taxes due to proposed sale of the World Trade Center.	1,000	
17. Reduce out-of-state travel to current spending levels.	16,870	
18. Adopt committee narrative to request development of additional Managing for Results data by the Secretary's Office.		
Total Reductions	\$2,132,998	19

PAYGO Budget Recommended Actions

	<u>Funds</u>
1. Reduce funding for consultant services.	\$ 3,500,000
Total Reductions	\$ 3,500,000

Updates

Office of Freight Logistics Established in TSO: In fiscal 2004 and 2005, funds were transferred from the State Highway Administration and Maryland Transit Administration to establish an Office of Freight Logistics in the Secretary’s Office to serve as a central location to improve homeland security and to oversee freight movement across all modes of transportation.

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Maryland Department of Transportation

Budget Analysis

Program Description

The Secretary's Office (TSO) provides overall policy direction and management to the Maryland Department of Transportation (MDOT). Units within the office provide support in the areas of finance, procurement, engineering, audits, administrative services, planning and capital programming, human resources, freight logistics, and Minority Business Enterprise (MBE) certification; executive staff support is also provided for management services, public affairs, the general counsel's office, and policy and governmental relations. Within TSO, the Office of Transportation Technology Services provides centralized computing, network, infrastructure, and general information technology services for MDOT. TSO also makes grants to various entities for transportation-related purposes.

Performance Analysis: Managing for Results

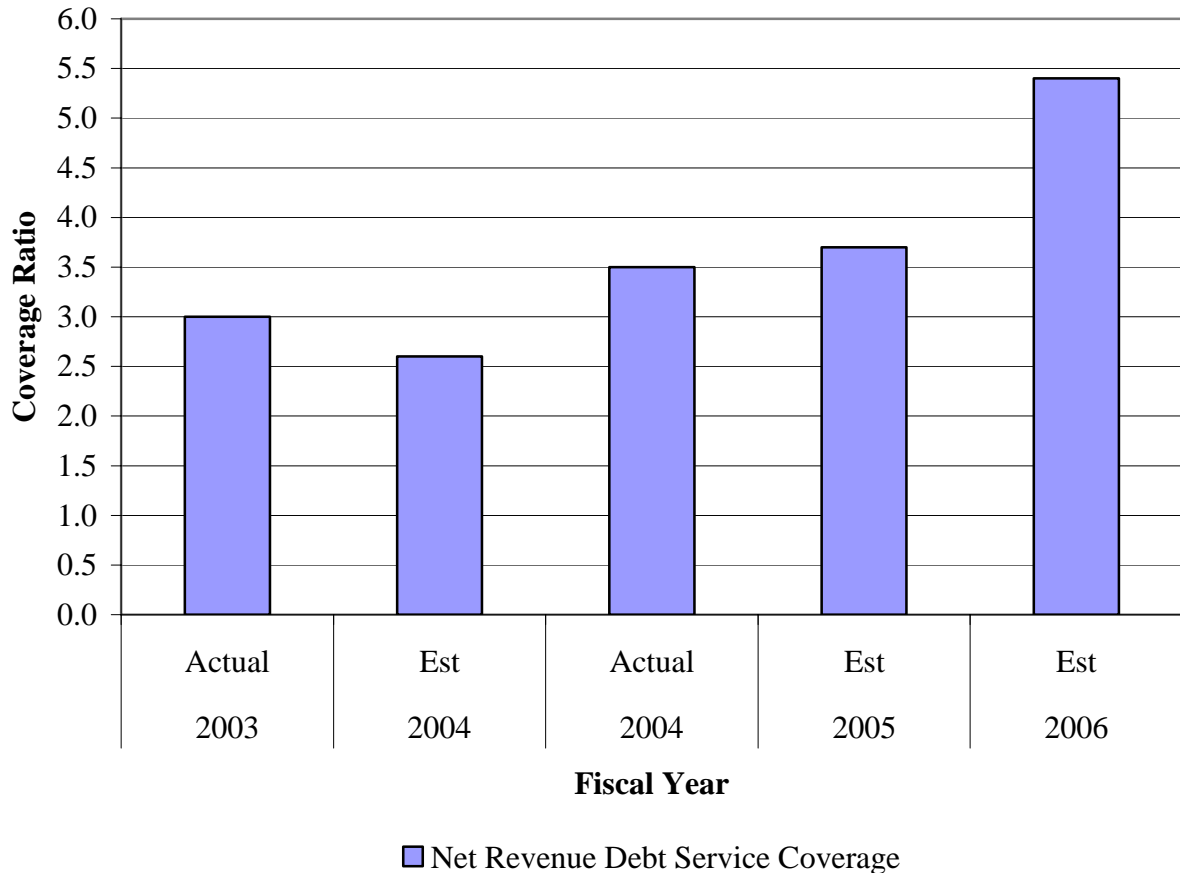
In the context of providing overall policy direction for MDOT, TSO has three Managing for Results (MFR) goals. This includes:

- **Goal 1:** Ensuring stable funding for transportation.
 - **Objective:** Provide resources for transportation services through a fiscally prudent program that maintains a bond coverage ratio where net revenues are at least 2.5 times the maximum annual debt service in every year of a six-year program.

MDOT uses two debt service coverage tests for consolidated transportation bonds based on either pledged taxes, or net revenues to the Transportation Trust Fund. The agency must maintain at least 2.0 times coverage of maximum debt service per its bond agreements but uses an administrative level of 2.5. Since the pledged tax coverage rate is typically far above 2.0, the net revenues test is the limiting factor. **Exhibit 1**, indicates that net revenues have been sufficient to maintain a coverage ratio of 3.0 to 3.5 during fiscal 2003 and 2004, increasing to an estimated 5.4 coverage ratio in fiscal 2006. CTBs are also constrained by a cap of \$2.0 billion on maximum debt outstanding.

- **Goal 2:** Preserve and enhance the transportation system.
 - **Objective:** Adequately fund system preservation needs in the *Consolidated Transportation Program* (CTP) at \$550 million in fiscal 2006.

Exhibit 1
Bond Coverage Ratio
Net Revenues to Maximum Annual Debt Service

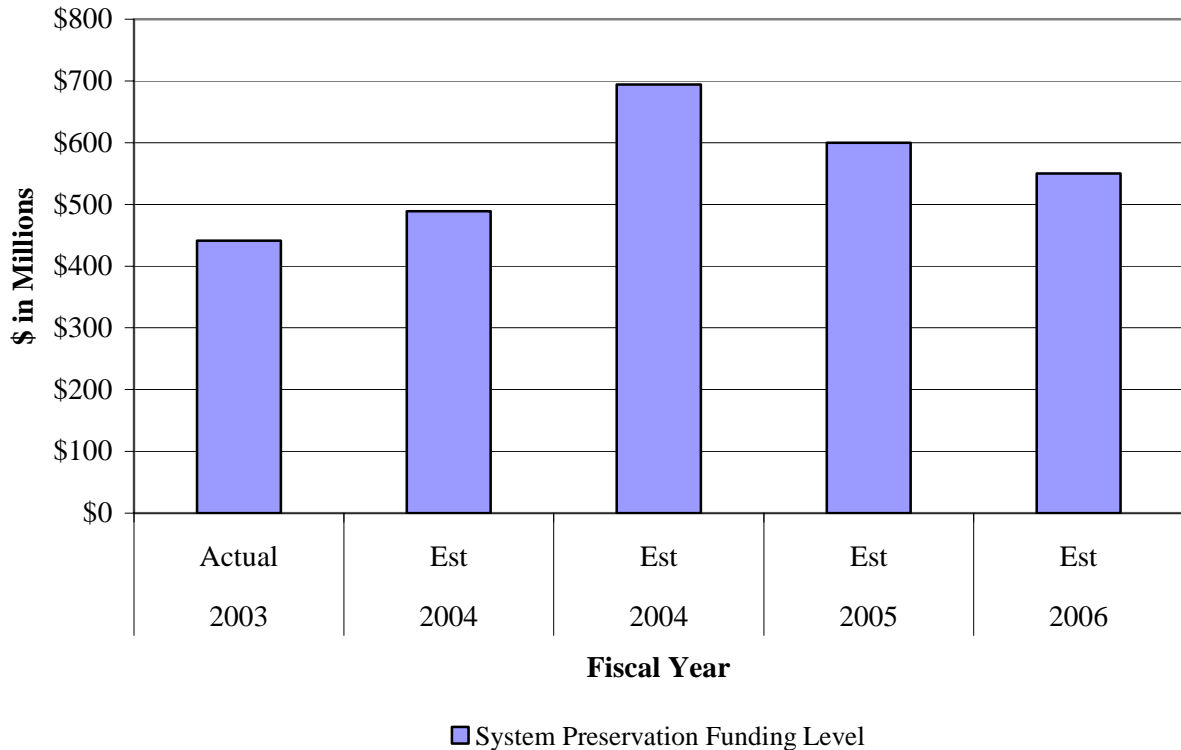


Source: Maryland Department of Transportation

Consistent with this goal, funding levels for system preservation is estimated to exceed \$550 million in fiscal 2004, 2005, and 2006, as shown in **Exhibit 2**. It should be noted that proposed system preservation spending in fiscal 2006 was not revised to match the capital program, which allocates \$735 million for this purpose.

A second problem with the data is that minor projects are also included in reported system preservation spending levels, thus it is not known how much is actually spent on preservation of existing infrastructure nor what constitutes a minimum level of annual spending to maintain the existing infrastructure system. **The agency should consider refining this measure to report only system preservation spending and to ascertain what level of minimum spending is necessary on an annual basis to keep the transportation infrastructure at a satisfactory level.**

Exhibit 2
System Preservation Funding Levels
(\$ in Millions)

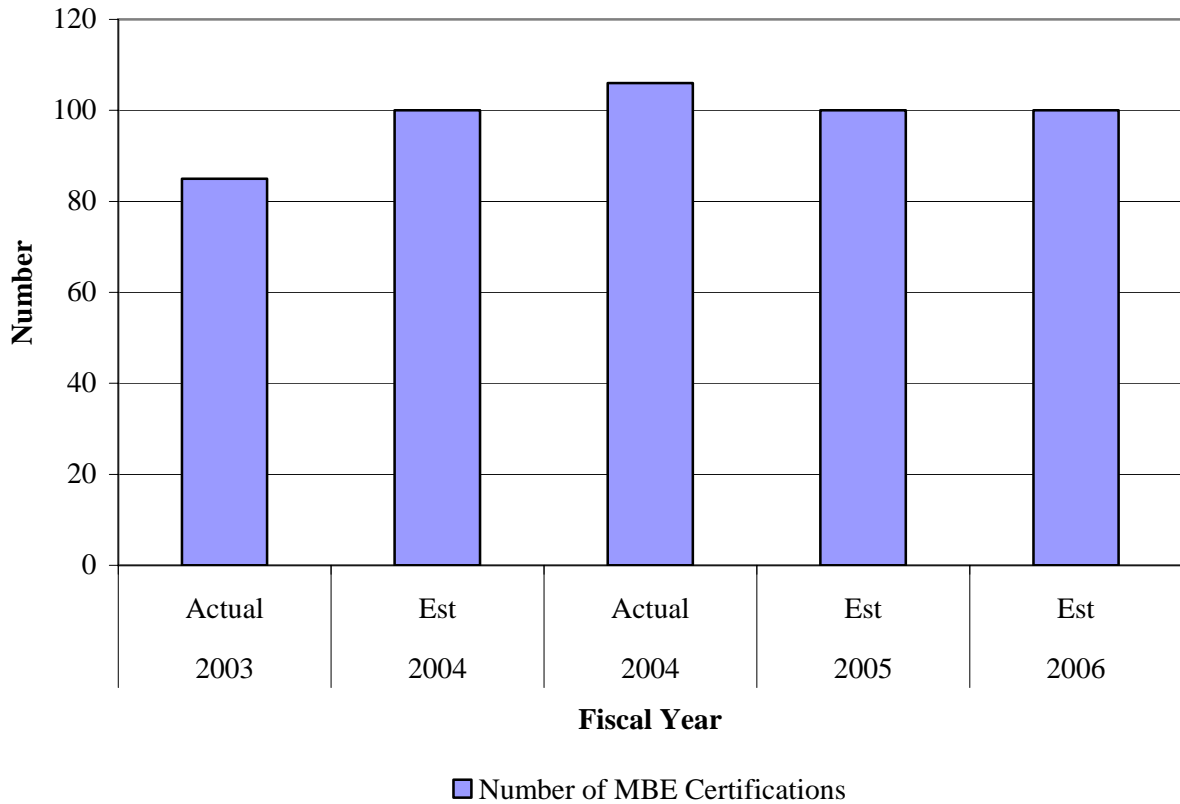


Source: Maryland Department of Transportation

- **Goal 3:** Strengthen MBE certification processes thereby enabling qualified firms to have access to business opportunities.
 - **Objective:** Complete 100 MBE recertification reassessment case reviews per year by June 30, 2005, and maintain it.

Although the number of recertification reassessments fell below the goal of 100 in fiscal 2003, the agency has maintained, or expects to maintain, at least 100 recertification reassessments per year as indicated in **Exhibit 3**.

Exhibit 3
Number of Annual MBE Recertification Reassessments



Source: Maryland Department of Transportation

MFR Issues

- **MFR Capital Program Objective Dropped:** For fiscal 2006, TSO dropped one MFR objective which measured its ability to maintain a capital program expenditure rate of 90% or better. **The agency should comment on why this MFR objective is no longer included, and whether some alternative measures should be added to track the degree to which capital spending is implemented on schedule as appropriated.**
- **Adoption of Additional MFR Goals, Objectives, and Measures Recommended:** A review of other administrative units in State government suggests that TSO should adopt MFR goals, objectives, and performance measures which not only ascertain its success in directing statewide financial and capital resources but which also examine its internal administrative performance. Examples include:

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- number of repeat audit findings;
- agency vacancy rate;
- number of vacant positions filled within six months;
- % of MFR performance measures met;
- percent of information technology systems available as scheduled; and
- percent of services available through web-based applications.

The adoption of committee narrative is recommended to request TSO to examine and report on internal-oriented MFR goals, objectives, and performance measures that it will adopt for future budget submissions.

Governor’s Proposed Budget

The fiscal 2006 operating budget allowance for TSO decreases \$5.2 million, or -7.3% relative to the fiscal 2005 working appropriation. This decrease, as shown in **Exhibit 4**, is attributable largely to three actions:

- -\$3.2 million in savings associated with re-bid of the contracts for network services and the agency’s Financial Management Information System (FMIS);
- -\$1.2 million in savings due to the end of a federal fund grant that was provided to the Downtown Partnership for the establishment of shuttle bus service in downtown Baltimore City; and
- -\$0.5 million due to expiration of a reimbursable grant from the Maryland Emergency Management Agency to study public safety communication interoperability. TSO had acted as the project manager for the study.

**Exhibit 4
Governor's Proposed Budget
The Secretary's Office
(\$ in Thousands)**

How Much It Grows:	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimbursa ble Fund</u>	<u>Total</u>
2005 Working Appropriation	\$62,907	\$8,073	\$450	\$71,430
2006 Governor's Allowance	59,362	7,008	0	66,370
Contingent & Back of Bill Reductions	-136	0	0	-136
Adjusted Allowance	<u>59,226</u>	<u>7,008</u>	<u>0</u>	<u>66,234</u>
Amount Change	-\$3,681	-\$1,065	-\$450	-\$5,196
Percent Change	-5.9%	-13.2%	-100.0%	-7.3%

Where It Goes:

Personnel Expenses

Increments and other compensation	\$377
Employee retirement	185
Employee and retiree health insurance	-212
Four abolished positions and two positions transferred to the Governor's Office of Minority Affairs	-204
Workers' compensation premium assessment	-17
Other fringe benefit adjustments	-16

Grants

Federal grant to Downtown Partnership to establish and operate shuttle service in downtown Baltimore City	-1,165
Baltimore City marine fire suppression grant	-168
Maryland. Department of the Environment Diesel Vehicle Emissions Inspection Program (VEIP) grant to implement and monitor air quality issues	-44

Office of Transportation Technology Services

FMIS network contract rebid	-3,150
Software lease, maintenance, and purchase costs	-262
Department of Budget and Management (DBM) paid telecommunications	-120

Other Changes

Washington Representation Services	500
Building and road maintenance	25
End of MEMA grant to study interoperability	-450

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Where It Goes:

Completed medical standards plan to reduce workers' compensation and sick leave costs.....	-275
Vehicle replacements	-135
Use of Office of Administrative Hearings services	-127
Other	61
Total	-\$5,196

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

The allowance also reflects routine personnel expense growth for employee increments and retirement. Health care costs decrease partly because seven positions are abolished or transferred in fiscal 2006, but also because reductions associated with position abolitions in fiscal 2005 were not allocated to the health insurance subobject. A total of seven positions were either abolished or transferred from TSO for fiscal 2006. The five abolished positions were vacant, while the two transferred positions were filled. The disposition of these positions and the expected impact are noted in **Exhibit 5**.

**Exhibit 5
Disposition of Abolished and Transferred Positions for Fiscal 2006**

<u>Unit</u>	<u>Transfers</u>	<u>Abolished</u>	<u>Impact/Comment</u>
Office of the Secretary	2		None/Transfer to Gov’s Office of Minority Affairs
Office of Finance		2	Reduce Information Technology and clerical support
Office of Minority Business		1	Absorb workload
Office of Trans. Tech. Serv.		1	Hire contractual support
Facilities and Capital Equip		1	Absorb workload

Source: Maryland Department of Transportation

The impact of the loss of positions is expected to be minimal, with existing personnel absorbing the workload. In the Office of Transportation Technology Services, the loss of one position is expected to be offset by additional contracting out for similar services. The agency estimates savings exceeding \$200,000 associated with these personnel actions.

Changes to operating expenses include an additional \$500,000 for Washington Representation Services to assist the agency on transportation legislation before the U.S. Congress, completion of a medical standards plan to reduce workers’ compensation and sick leave costs, downward adjustments

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in funds for DBM paid telecommunication and Office of Administrative Hearing services, and other miscellaneous adjustments.

Impact of Contingent Reductions

The fiscal 2006 allowance reflects the elimination of \$136,000 (subobject 0172), the appropriation for matching employee deferred compensation contributions up to \$600, contingent upon enactment of a provision in budget reconciliation legislation.

Operating Grants-in-aid

Exhibit 6 lists the total grant-in-aid funding for fiscal 2006 by fund source. Funding in fiscal 2006 decreases \$1.3 million, or -10.5%. Major decreases include:

- -\$1,165,073 in federal funds for the Downtown Partnership’s shuttle bus service;

Exhibit 6
Fiscal 2006 Recipients of Operating Grants-in-aid

<u>Grant Recipient</u>	<u>Special Funds</u>	<u>Federal Funds</u>	<u>Total Funds</u>
Cumberland MPO	\$8,189	\$67,818	\$76,007
Salisbury MPO	8,741	72,373	81,114
Hagerstown MPO	13,153	108,907	122,060
Baltimore MPO	415,395	3,999,122	4,414,517
Wilmington MPO	6,558	52,467	59,025
Washington MPO	326,958	2,707,206	3,034,164
Tri-County Planning Organization	55,000	0	55,000
DHCD (to support the Appalachian Regional Commission)	54,731	0	54,731
Maryland Office of Planning	227,242	0	227,242
Payments In Lieu of Taxes	1,604,472	0	1,604,472
Pride of Baltimore	164,000	0	164,000
Baltimore City – Marine Fire Suppression Services	1,231,947	0	1,231,947
Grand Total	\$4,116,386	\$7,007,893	\$11,124,279

MPO = Metropolitan Planning Organization

DHCH = Maryland Department of Housing and Community Development

Source: Maryland Department of Transportation

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- -\$167,993 in special funds representing a reduction in the Marine Fire Suppression grant to Baltimore City for fire services around the port of Baltimore. The grant is reduced to \$1,231,947 on the basis that Baltimore City is purchasing a new fire boat and will not need as many personnel to operate it;
- -\$43,651 in special funds which eliminated the total grant to the Maryland Department of the Environment for monitoring air quality issues related to diesel vehicle emissions; and
- -\$30,988 in special funds for services from the Maryland Department of Planning.

PAYGO Capital Program

Program Description

TSO’s capital program has historically consisted of projects that support the preservation of MDOT’s headquarters systems, and that support air quality improvement initiatives in the Baltimore and Washington DC metropolitan areas. TSO also provides capital grants to public and private entities for transportation-related purposes.

Fiscal 2005 to 2010 Consolidated Transportation Program

The fiscal 2006 allowance provides \$36.4 million for the TSO capital program. As shown in **Exhibit 7**, approximately one-half of funds are provided for the Transportation Emission Reduction Program, which is the only major PAYGO project in the TSO budget. Remaining funds are for system preservation/minor projects, and capital personnel costs.

Exhibit 7
Major Ongoing Secretary’s Office Projects
(\$ in Millions)

<u>Jurisdiction</u>	<u>Project Description</u>	<u>FY 2006</u>	<u>Total Project Costs</u>
Baltimore and Washington DC	Transportation Emissions Reduction Program	\$18.0	\$63.4
Statewide	System Preservation and Minor Projects	16.9	ongoing
n/a	Capital Program Salaries and Wages	1.5	ongoing
	Total	\$36.4	\$63.4

Source: Maryland Department of Transportation, 2005 *Consolidated Construction Program*

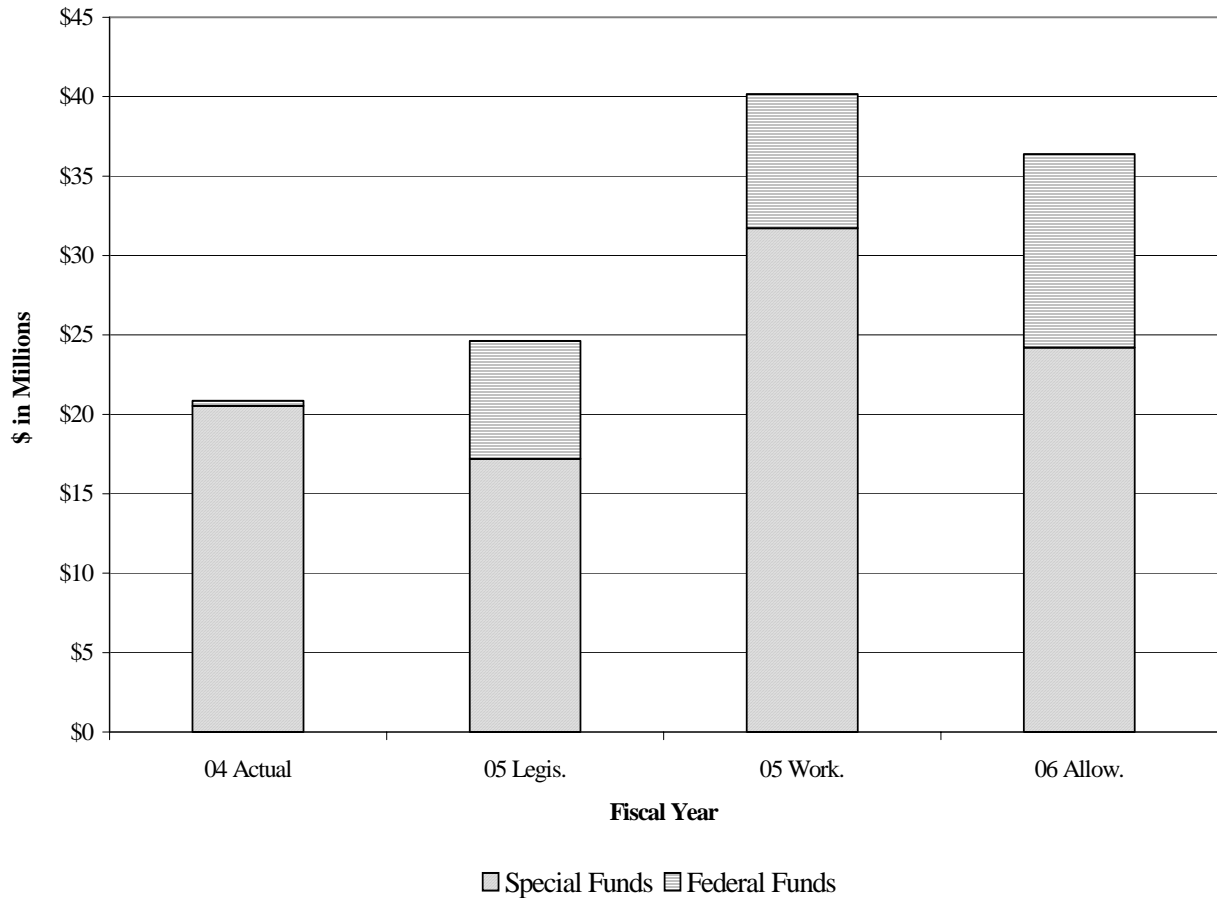
Funding for system preservation and minor projects includes:

- \$5.5 million for consultant services contracts related to air quality emission strategies, preparation of the Annual Attainment Report on Transportation System Performance, outreach efforts supporting the administration’s transportation initiatives, freight traffic transportation trends, and availability to respond to unforeseen transportation issues; and
- \$3.2 million for new mainframe data storage equipment and upgrades and replacement of peripheral information technology equipment.

Fiscal 2005 and 2006 Cash Flow Analysis

The fiscal 2005 working appropriation increases \$15.5 million as indicated in **Exhibit 8**. The majority is due to cash flow changes in the system preservation and minor project category, as delays or cash flow changes from fiscal 2004 were carried over into the current fiscal year.

Exhibit 8
Fiscal 2005 to 2006 Cash Flow Changes



Source: Maryland Department of Transportation, 2005 *Consolidated Construction Program*

Among the larger changes was:

- \$5.3 million as a cash flow carry forward of a grant to the Maryland Economic Development Corporation for payment to the contractor for the completion of the MDOT Headquarters building;

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- \$3.2 million in information technology replacement and upgrade costs;
- \$2.0 million provided as a grant to Baltimore City to assist in the reconstruction of the Clinton Street Bulkhead, using federal funds for port land use projects; and
- \$1.0 million to complete a headquarters data center backup fiber optic line across the Maryland Rail Commuter pedestrian bridge to the Amtrak station.

Issues

1. Agency Liaison and Public Information Positions Appear Overstaffed

Exhibit 9 below details the number of legislative liaison, communications, and public information officer positions currently in the Secretary’s Office and in each modal administration, as well as the salary and fringe benefit costs incurred by each entity for these positions.

Exhibit 9
Maryland Department of Transportation
Legislative Liaison and Communication Positions by Mode
Fiscal 2006 Salary and Fringe Benefit Costs

<u>Modal Administration</u>	<u>Total Number of Liaison/ Communications Positions</u>	<u>Salary & Fringe Benefit Costs</u>
Secretary’s Office	<ul style="list-style-type: none"> • Legislative Liaison (1) • Public Relations Director (1) • Deputy Director (1) 	\$273,881
State Highway Administration	<ul style="list-style-type: none"> • Legislative Liaison (1) • Director of Communications (1) • Additional Communications Position(s) (4) 	424,151
Maryland Transit Administration	<ul style="list-style-type: none"> • Legislative Liaison (1) • Director of Communications (1) • Additional Communications Position(s) (2) 	267,942
Maryland Port Administration	<ul style="list-style-type: none"> • Legislative Liaison (1) • Director of Communications (1) • Additional Communications Position(s) (1) 	257,673
Maryland Aviation Administration	<ul style="list-style-type: none"> • Director of Communications (1) • Legislative Liaison (1.5 FTE Contract) • Additional Communications Position(s) (3) 	308,533
Motor Vehicle Administration	<ul style="list-style-type: none"> • Legislative Liaison (1) • Director of Customer/Media Relations (1) • Additional Communications Position(s) (1) 	221,227

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<u>Modal Administration</u>	<u>Total Number of Liaison/ Communications Positions</u>	<u>Salary & Fringe Benefit Costs</u>
Total	<ul style="list-style-type: none"> • Legislative Liaison – 6 positions • Director of Communications (or related functions) – 6 positions • Additional Communications Positions – 12 positions 	\$1,753,407

Source: Maryland Department of Transportation

Compared with other State agencies, MDOT has significantly more liaison and public information positions than other cabinet level agencies. In an October 2003 report to the budget committees on the number of liaison and public information positions, DBM reported the following numbers of positions:

<u>Agency</u>	<u>Liaisons</u>	<u>Public Info</u>	<u>Total</u>
Environment	2	1	3
Health and Mental Hygiene	2	2	4
Housing	1	1	2
Human Resources	1	2	3
Public Safety	1	4	5
Education	3	1	4
Business and Economic Development	1	3	4

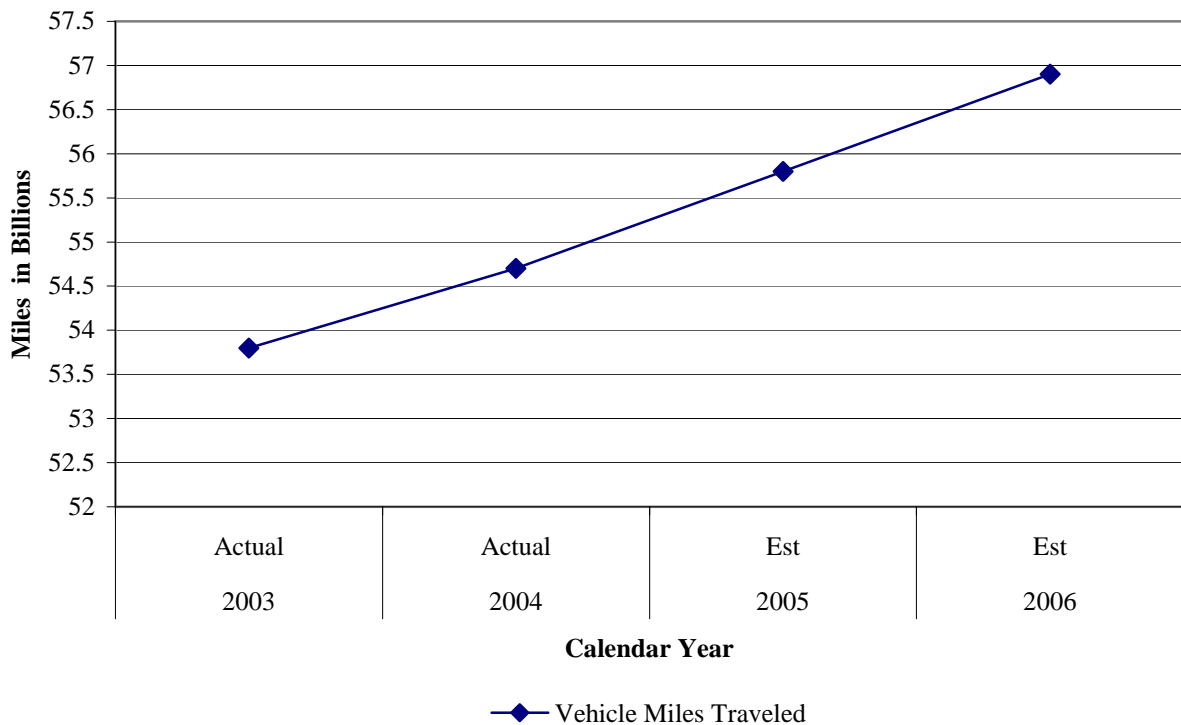
It is recommended that MDOT consolidate its liaison and public information functions into one centralized office, at a level comparable to other cabinet level agencies. This would entail the elimination of 19 regular positions and \$1,384,923 leaving five positions (one of which is contractual) and \$368,484. Since the agency has its own personnel system, it is recommended that any employees displaced by this action be given consideration for other positions within the agency for which they may be qualified.

2. What Is the Impact of the Transportation Emission Reduction Program?

MDOT indicates that 13 counties are in non-compliance with Clean Air Act requirements for ozone standards. Compliance with these standards are required between 2007 and 2010 depending on the severity of non-attainment. In addition, testing for standards for fine particulate matter is to begin in early 2006. Fine particulate matter standards that are not met require mitigation through measures to be outlined by 2008. In all instances, non-compliance with air quality standards requires states to undertake steps to come into compliance. States prepare what is called a State Implementation Plan, which outlines the steps it will take to improve air quality. States are also required to periodically test their proposed capital programs to see what impact proposed construction will have on air quality. Failure to comply could result in a reduction in the transportation capital program in the future.

In addition to VEIP, one measure that Maryland undertakes to improve air quality is the Transportation Emission Reduction Program, which provides annual grants to implement programs such as teleworking, among others, to reduce traffic congestion. What began in fiscal 1996 as a \$5 million project has now grown to be a \$63 million project, of which \$18 million is budgeted in fiscal 2006. However, as **Exhibit 10** illustrates, one performance measure from the State Highway Administration (SHA) for annual vehicle miles traveled suggests that vehicle travel will continue to increase at a rate of 2% annually – reaching an estimated 56.9 billion miles traveled in calendar 2006.

**Exhibit 10
Actual and Estimated Vehicle Miles Traveled
Calendar 2003 – 2006**



Source: Maryland Department of Transportation

The department should discuss how transportation emission reduction funds are spent, whether the funds are spent cost effectively, and the potential consequences if non-compliance with air quality standards continues.

Operating Budget Recommended Actions

1. Add the following language:

Provided that the budget for the Maryland Department of Transportation is reduced by 19 regular positions (PIN numbers 006633, 010459, 011582, 007137, 007901, 075157, 889611, 889456, 011746, 012631, 061945, 901942, 900034, 900003, 903575, 009014, 010334, 013060, and 013194) and \$1,384,923 to reduce the number of legislative liaison, public information, and communication positions for each of the following modal administrations:

<u>Mode</u>	<u>Funding</u>	<u>Positions</u>
<u>The Secretary’s Office</u>	<u>\$103,063</u>	<u>1</u>
<u>State Highway Administration</u>	<u>325,963</u>	<u>5</u>
<u>Maryland Transit Administration</u>	<u>267,942</u>	<u>4</u>
<u>Maryland Port Administration</u>	<u>188,612</u>	<u>2</u>
<u>Maryland Aviation Administration</u>	<u>278,116</u>	<u>4</u>
<u>Motor Vehicle Administration</u>	<u>221,227</u>	<u>3</u>

Further provided that it is the intent of the General Assembly that the agency consolidate its liaison, public information, and communication positions into one agencywide centralized office. It is further the intent of the legislature that none of the incumbents in these positions shall be separated but shall instead be transferred to other duties within the agency for which they are qualified.

Explanation: The Maryland Department of Transportation has 24 liaison, public information, and communications positions, which far exceeds the number of comparable positions in other cabinet level departments. The language reduces the number to 5 positions, with the intent that the agency creates a centralized office to serve all modal administrations. Inasmuch as the agency has its own personnel system, the intent is expressed that incumbent personnel not be fired but instead transferred to other duties for which they may be qualified.

- | | <u>Amount</u> | |
|--|-------------------------|----|
| | <u>Reduction</u> | |
| 2. Reduce subscriptions to current spending levels plus inflation. Funds for subscriptions increase \$28,260, or 83% in the allowance. A reduction of \$27,000 permits 3% growth over the fiscal 2005 appropriation. | \$ 27,000 | SF |
| 3. Delete funds for one part-time Office Clerk. This long-term contractual position performs ongoing functions, thus it is recommended that the agency fill one of its current 16 vacant regular positions. | 16,845 | SF |

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|-----|---|--------|----|
| 4. | Delete funds for one Administrative Assistant. This long-term contractual position performs ongoing functions, thus it is recommended that the agency fill one of its current 16 vacant regular positions. | 30,373 | SF |
| 5. | Reduce postage by \$5,000 to retain funding at the fiscal 2005 level. There is no increase in postage rates, and the 2005 funding level is \$4,000 more than was actually spent in fiscal 2004. | 5,000 | SF |
| 6. | Reduce funds for employee awards. The agency spent \$2,612 for awards in fiscal 2004 and proposes to spend \$7,000 in fiscal 2006. This reduction holds spending to the 2004 level. | 5,000 | SF |
| 7. | Reduce funds for cell phones. Spending in 2006 increases 42% as the agency proposes to lease 148 cell phones for its staff of 313. This is a 50% reduction. Moreover, many of the phones are with Nextel, while better rates can be found through the State’s master lease agreement with Cingular. | 43,850 | SF |
| 8. | Reduce funds for recruitment advertising. In fiscal 2004 the agency spent less than \$25,000 to advertise for recruitment due to the hiring freeze, which has not yet been lifted. This reduction leaves \$50,000. | 25,000 | SF |
| 9. | Reduce funds for per diem payments to board members. The agency pays \$50 per meeting for members of the Airport Zoning Board and the Board of Review. Members of the Services Selection Board receive \$100 per meeting and members of the Transportation Commission receive \$75 per meeting. This reduction pays \$50 to members of any board to ensure compensation equity. | 5,700 | SF |
| 10. | Reduce funds for building and road repairs. The MDOT Headquarters opened in 2003, thus the \$25,000 for building and road repairs should not be needed so soon after opening. | 25,000 | SF |

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- | | |
|---|------------|
| 11. Delete funds for Washington Representation Services. The agency proposes to hire a firm or individual to aid with transportation and other legislation before Congress. Both MDOT and the Governor’s Office maintain government relations functions which interact with the Maryland delegation to represent the State’s interests in federal legislation. | 500,000 SF |
| 12. Reduce salary for Deputy Secretary. In fiscal 2005 the Deputy Secretary earned \$120,000. The incumbent transferred to the Maryland Transportation Authority, and a new Deputy Secretary was named. The allowance provides \$129,055 for the Deputy Secretary for fiscal 2006; however, given that the position was filled so recently, it is recommended that the salary be held at the fiscal 2005 level plus 2.5% to recognize the average increment increase for State employees. | 6,055 SF |
| 13. Delete funds for promotional activities. The allowance includes funds for promoting the Maryland Department of Transportation to external organizations. The agency has a web site, annual reports, and other publications, not to mention public information and communication positions. Additional funds for outreach should not be necessary. | 8,800 SF |
| 14. Delete funds for one contractual administrative assistant. This long-term contractual position performs ongoing functions, thus it is recommended that the agency fill one of its current 16 vacant regular positions. | 31,582 SF |

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

, provided that no more than \$4,116,386 of this appropriation may be expended for operating grants-in-aid, except for:

- (1) any additional special funds necessary to match unanticipated federal fund attainments; or
- (2) any proposed increase either to provide funds for a new grantee or to expand funds for an existing grantee; and
- (3) the department provides notification to the budget committees to justify the need for additional expenditures due to either provision (1) or (2) above, and the committees provide review and comment or 45 days elapse from the date such notification is provided to the committees.

Explanation: This annual language caps the level of special funds provided for operating grants-in-aid. The cap may be increased to match unanticipated federal dollars or to provide new or expanded grant funding upon notification to the budget committees.

Information Request	Author	Due Date
Explanation of need for MDOT additional special funds for grants-in-aid.		As needed

	<u>Amount Reduction</u>
16. Reduce grant to Baltimore City for Payments In Lieu of Taxes. If the agency sells the World Trade Center as it proposes, then it will no longer need to provide this grant.	1,000 SF
17. Reduce out-of-state conference travel to current spending levels. Funds in the allowance increase 27%.	16,870 SF

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18. Adopt the following narrative:

Additional Managing for Results (MFR) data in the Secretary’s Office: The Secretary’s Office (TSO) should adopt MFR goals, objectives, and performance measures which not only ascertain its success in directing statewide financial and capital resources but which also examine its internal administrative performance. TSO should examine the feasibility of adopting goals, objectives, and performance measures that address:

- number of repeat audit findings;
- agency vacancy rate;
- number of vacant positions filled within six months;
- percent of MFR performance measures met;
- percent of information technology systems available as scheduled; and
- percent of services available through web-based applications.

A report should be submitted to the committees by October 1, 2005, which indicates the additional MFR goals, objectives, and measures that will be implemented by TSO and reflected in its fiscal 2007 budget submission.

Information Request	Author	Due Date
Additional MFR data in TSO	MDOT	October 1, 2005
Total Special Fund Reductions		\$2,132,998

PAYGO Budget Recommended Actions

	<u>Amount Reduction</u>
1. Reduce funds for consultants. The allowance includes \$5.5 million for various consultant services including preparation of annual air quality attainment reports. Funds are also used for freight traffic issues, public outreach efforts to support transportation initiatives, as well as to be available for unforeseen occurrences. A reduction of \$3.5 million is recommended to reduce reliance on consultants, when in-house staff should be used for public outreach and there is a new Office of Freight Logistics to analyze freight issues.	\$ 3,500,000 SF
Total Special Fund Reductions	\$ 3,500,000

Updates

1. Office of Freight Logistics Established in TSO

In fiscal 2004 and 2005, funds were transferred from SHA and MTA to establish an Office of Freight Logistics in the Secretary’s Office to serve as a central location to improve homeland security and to oversee freight movement across all modes of transportation. The previous office in MTA, focused exclusively on freight rail transit issues. For fiscal 2006 the office consists of five positions and \$470,000.

Current and Prior Year Budgets

**Current and Prior Year Budgets
The Secretary's Office
(\$ in Thousands)**

	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
Fiscal 2004					
Legislative Appropriation	\$0	\$60,754	\$7,818	\$253	\$68,824
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	0	110	0	63	173
Cost Containment	0	0	0	0	0
Reversions and Cancellations	0	-3,613	-97	-304	-4,014
Actual Expenditures	\$0	\$57,251	\$7,721	\$11	\$64,983
Fiscal 2005					
Legislative Appropriation	\$0	\$62,279	\$8,073	\$0	\$70,352
Budget Amendments	0	628	0	0	628
Working Appropriation	\$0	\$62,907	\$8,073	\$0	\$70,980

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

Fiscal 2004

Total spending in fiscal 2004 for TSO was just under \$65 million; about \$3.8 million lower than the legislative appropriation. Special funds decreased about \$3.5 million, due mostly to canceled spending for computer hardware and software upgrades pending the rebid of a contract for computer network maintenance. Budget amendments added \$109,968. The majority of this increase (\$101,121) funded the creation of an Office of Freight Logistics in the Office of the Secretary, including the relocation of personnel from MTA to the new office. It will serve as a central clearinghouse managing interactions between MDOT’s modal administrations and the private sector freight community. Nearly all reimbursable funds were canceled as part of a cost containment action approved by the Board of Public Works in July 2003, where funds from the Department of General Services to support statewide MBE certification costs by TSO were withdrawn.

Fiscal 2005

To date the fiscal 2005 special fund appropriation for the Secretary’s Office has increased by \$627,992. This included \$272,215 to fund cost-of-living adjustments (COLA) in the amount of \$752 per employee for all eligible State employees. Another \$294,079 was transferred from MTA and SHA as part of the continued consolidation of positions and funding for the Office of Freight Logistics. The remaining \$61,698 represents one position transferred from MTA to use as an Equal Opportunity Officer in the Office of Fair Practices.

Audit Findings

Audit Period for Last Audit:	August 1, 1999 – June 30, 2002
Issue Date:	February, 2003
Number of Findings:	6
Number of Repeat Findings:	2
% of Repeat Findings:	33%
Rating: (if applicable)	

- Finding 1:** The office did not maintain critical contract documentation and expenditure data necessary to adequately monitor certain information technology services procured from one vendor.
- Finding 2:** The office did not ensure that the amount of the State subsidy paid to the Washington Metropolitan Area Transit Authority for transit services was accurately computed.
- Finding 3:** **Proper internal controls were not established over the processing of purchasing and disbursement transactions.**
- Finding 4:** Reimbursement requests for federal funds were not submitted timely, resulting in lost interest income of approximately \$6,000.
- Finding 5:** Initial accountability and control was not established over cash receipts.
- Finding 6:** **There was a lack of documentation that physical inventories had been conducted as required, and equipment records were not adequately maintained.**

*Bold denotes item repeated in full or part from preceding audit report.

**Object/Fund Difference Report
MDOT – The Secretary's Office**

<u>Object/Fund</u>	<u>FY04 Actual</u>	<u>FY05 Working Appropriation</u>	<u>FY06 Allowance</u>	<u>FY05 - FY06 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	319.00	319.00	313.00	-6.00	-1.9%
02 Contractual	3.86	5.00	4.50	-0.50	-10.0%
Total Positions	322.86	324.00	317.50	-6.50	-2.0%
Objects					
01 Salaries and Wages	\$ 21,671,510	\$ 22,521,369	\$ 22,770,267	\$ 248,898	1.1%
02 Technical & Spec Fees	208,662	272,631	217,742	-54,889	-20.1%
03 Communication	971,254	764,602	641,073	-123,529	-16.2%
04 Travel	207,738	498,359	440,431	-57,928	-11.6%
06 Fuel & Utilities	147,961	235,000	205,000	-30,000	-12.8%
07 Motor Vehicles	84,655	205,073	66,869	-138,204	-67.4%
08 Contractual Services	26,251,041	30,897,311	27,321,883	-3,575,428	-11.6%
09 Supplies & Materials	245,833	265,057	258,100	-6,957	-2.6%
10 Equip - Replacement	186,338	3,000	4,000	1,000	33.3%
11 Equip - Additional	136,150	25,103	5,897	-19,206	-76.5%
12 Grants, Subsidies, Contr	11,778,881	12,474,684	11,155,329	-1,319,355	-10.6%
13 Fixed Charges	3,093,092	3,268,115	3,283,751	15,636	0.5%
Total Objects	\$ 64,983,115	\$ 71,430,304	\$ 66,370,342	-\$ 5,059,962	-7.1%
Funds					
03 Special Fund	\$ 57,250,775	\$ 62,907,309	\$ 59,362,449	-\$ 3,544,860	-5.6%
05 Federal Fund	7,721,190	8,072,995	7,007,893	-1,065,102	-13.2%
09 Reimbursable Fund	11,150	450,000	0	-450,000	-100.0%
Total Funds	\$ 64,983,115	\$ 71,430,304	\$ 66,370,342	-\$ 5,059,962	-7.1%

Note: The fiscal 2005 appropriation does not include deficiencies, and the fiscal 2006 allowance does not reflect contingent reductions.

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

<u>Program/Unit</u>	<u>FY04 Actual</u>	<u>FY05 Wrk Approp</u>	<u>FY06 Allowance</u>	<u>Change</u>	<u>FY05 - FY06 % Change</u>
01 Executive Direction	\$ 21,509,798	\$ 22,904,969	\$ 22,561,555	-\$ 343,414	-1.5%
02 Operating Grants-in-aid	11,769,610	12,432,013	11,124,279	-1,307,734	-10.5%
03 Facilities and Capital Equipment	20,333,136	40,165,238	36,381,591	-3,783,647	-9.4%
07 Office of Transportation Technology Services	31,703,707	36,093,322	32,684,508	-3,408,814	-9.4%
08 Major IT Development Projects	522,193	0	0	0	0%
Total Expenditures	\$ 85,838,444	\$ 111,595,542	\$ 102,751,933	-\$ 8,843,609	-7.9%
Special Fund	\$ 77,771,980	\$ 94,630,547	\$ 83,570,040	-\$ 11,060,507	-11.7%
Federal Fund	8,055,314	16,514,995	19,181,893	2,666,898	16.1%
Total Appropriations	\$ 85,827,294	\$ 111,145,542	\$ 102,751,933	-\$ 8,393,609	-7.6%
Reimbursable Fund	\$ 11,150	\$ 450,000	\$ 0	-\$ 450,000	-100.0%
Total Funds	\$ 85,838,444	\$ 111,595,542	\$ 102,751,933	-\$ 8,843,609	-7.9%

Note: The fiscal 2005 appropriation does not include deficiencies, and the fiscal 2006 allowance does not reflect contingent reductions.

Budget Amendments for Fiscal 2005
Maryland Department of Transportation
The Secretary’s Office – Operating

<u>Status</u>	<u>Amendment</u>	<u>Fund</u>	<u>Justification</u>
Approved	\$450,000	Reimb.	MEMA has allocated federal money to the Interoperability Program. TSO has received \$450,000 for a consultant to support a statewide Public Safety Communications Interoperability Project. The consultant will support three defined phases of the project: (1) research, survey, and document interoperability efforts to date; (2) prepare master plan recommendations to achieve increased interoperability; and (3) develop final recommendations including capital program priorities.
Pending	272,215	Special	Fund the COLA of \$752 granted to all eligible State employees. MDOT estimates the total cost to be \$843 per employee, when benefits are included.
Approved	355,777	Special	Establishes an Office of Freight Logistics in TSO using personnel and associated funds transferred from MTA and SHA – the Office of Freight Logistics will serve as a central location to facilitate interaction between Maryland’s various transportation agencies and the private sector freight community. This includes the transfer of two positions from MTA to TSO to consolidate both Real Estate offices. In addition, this transfers funding for one position from MTA to TSO to use as an Equal Opportunity Officer in the Office of Fair Practices.

Source: Maryland Department of Transportation

Budget Amendments for Fiscal 2005
Maryland Department of Transportation
The Secretary’s Office – Capital

<u>Status</u>	<u>Amendment</u>	<u>Fund</u>	<u>Justification</u>
Pending	\$17,699	Special	Fund the COLA of \$752 granted to all eligible State employees. MDOT estimates the total cost to be \$843 per employee, when benefits are included.
Approved	276,055	Special	Establishes an Office of Freight Logistics in TSO using personnel and associated funds transferred from MTA and SHA – the Office of Freight Logistics will serve as a central location to facilitate interaction between Maryland’s various transportation agencies and the private sector freight community. This includes the transfer of two positions from MTA to TSO to consolidate both Real Estate offices. In addition, this transfers funding for one position from MTA to TSO to use as an Equal Opportunity Officer in the Office of Fair Practices.
Pending	14,231,000	Special	Adjusts the amended appropriation to agree with the anticipated expenditures for the current year as reflected in the fiscal 2005 through final CTP.
	<u>1,027,000</u>	Federal	
Total	\$15,258,000		

Source: Maryland Department of Transportation