

J00A01
The Secretary's Office
Maryland Department of Transportation

Operating Budget Data

(\$ in Thousands)

	FY 05	FY 06	FY 07	FY 06-07	% Change
	<u>Actual</u>	<u>Working</u>	<u>Allowance</u>	<u>Change</u>	<u>Prior Year</u>
Special Fund	\$60,307	\$60,284	\$62,605	\$2,320	3.8%
Federal Fund	7,147	7,008	9,402	2,394	34.2%
Reimbursable Fund	450	0	0	0	
Total Funds	\$67,904	\$67,292	\$72,007	\$4,714	7.0%

- The fiscal 2007 allowance for the Secretary's Office increases \$4.7 million (7.0%) compared to the fiscal 2006 working appropriation.
- Federal funds increase by approximately \$2.4 million (34.2%) for operating grants-in-aid due to the enactment of the federal transportation reauthorization bill "Safe, Accountable, Flexible and Efficient Transportation Equity Act – A Legacy for Users" providing additional funding for regional metropolitan planning organizations.

PAYGO Capital Budget Data

(\$ in Thousands)

	Fiscal 2005	Fiscal 2006		Fiscal 2007	
	<u>Actual</u>	<u>Legislative</u>	<u>Working</u>	<u>Request</u>	<u>Allowance</u>
Special	\$25,107	\$21,205	\$30,924	\$12,641	\$16,652
Federal	\$1,416	\$12,174	\$9,509	\$6,694	\$1,200
Total	\$26,522	\$33,379	\$40,433	\$19,335	\$17,852

- The fiscal 2006 PAYGO working appropriation increased \$7.0 million due to cash flow changes in fiscal 2005 that were carried over into fiscal 2006.
- Spending in fiscal 2007 decreases by a net \$22.6 million compared to the fiscal 2006 working appropriation. This is largely due to decreases in the transportation enhancement and emission reduction programs.

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

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Operating and PAYGO Personnel Data

	<u>FY 05</u> <u>Actual</u>	<u>FY 06</u> <u>Working</u>	<u>FY 07</u> <u>Allowance</u>	<u>FY 06-07</u> <u>Change</u>
Regular Positions	342.00	334.00	334.00	0.00
Contractual FTEs	<u>5.44</u>	<u>4.00</u>	<u>5.50</u>	<u>1.50</u>
Total Personnel	347.44	338.00	339.50	1.50

Vacancy Data: Regular Positions

Turnover, Excluding New Positions	8.35	2.50%
Positions Vacant as of 12/31/05	21.00	6.29%

- The agency added a net of 1.5 contractual full-time equivalents (FTEs) from fiscal 2006 to 2007. This includes one FTE to provide background checks on potential Maryland Department of Transportation (MDOT) employees.
- Turnover expectancy is set at 2.5% requiring 8.35 vacant positions. As of December 31, 2005, the agency had 21 vacant positions. Of these 21 vacant positions, 8 positions were vacant less than 2 months.

Analysis in Brief

Major Trends

70% of Vacant Positions Filled within Six Months: One of the Secretary’s Office’s (TSO) goals is to fill 65% of the department’s vacancies within six months. In fiscal 2004 the percentage of vacant positions filled within six months was 52.9%; this is projected to increase to 70% in fiscal 2007.

Percentage of Managing for Results (MFR) Goals Met: TSO has the goal of having 70% of all MDOT mode MFR objectives meeting or making notable progress towards targets. In fiscal 2004, TSO met 62% of its MFR objectives and increased to 73% in fiscal 2005. For fiscal 2006 and 2007, TSO projects meeting 70% of its MFR goals.

System Preservation Funding Exceeds \$550 Million: MDOT reports system preservation funding exceeding \$550 million in fiscal 2004, 2005, 2006, and 2007; however, the estimate for fiscal 2007 does not correspond to the figure provided in the *Consolidated Transportation Program*.

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. The agency expects to have a bond coverage ratio of 5.7 in fiscal 2007, well above the goal of 2.5.

Issues

Deputy Secretary’s Salary Increased Despite Legislative Intent: The legislature reduced the deputy secretary’s fiscal 2006 salary by \$9,055, to \$120,000 during the 2005 session. Despite this legislative reduction, the deputy secretary’s salary is set at \$130,991 in the fiscal 2006 working appropriation and \$135,601 in the fiscal 2007 allowance. **The Department of Legislative Services (DLS) recommends that the department comment as to why the legislative intent of what the deputy secretary’s salary should be was not followed. DLS recommends reducing this salary for fiscal 2007 consistent with legislative intent.**

MDOT Is Paying Ground Rent for Headquarters Building: As part of the Maryland Economic Development Corporation’s (MEDCO) financing for the MDOT headquarters, MDOT and MEDCO agreed to a land exchange with the owner of the land rather buying the land outright. If the land exchange did not occur before December 21, 2004, MDOT would be required to make a ground rent payment to the owner of the land until the land exchange occurred. MDOT has budgeted \$400,000 in fiscal 2007 for this ground rent payment, as the land exchange has yet to occur. **DLS recommends that MDOT comment on why the financing deal with MEDCO was structured using a land exchange rather than buying the property outright and comment as to when they project completing the land exchange. Budget bill language is also recommended to prohibit MDOT from financing any projects through MEDCO.**

Operating Budget Recommended Actions

	<u>Funds</u>	<u>Positions</u>
1. Add budget bill language prohibiting MDOT from issuing bonds through the Maryland Economic Development Corporation.		
2. Add language to amend the Executive Pay Plan schedule to reflect reduction in Deputy Secretary's salary for fiscal 2007.		
3. Add language to reduce the salary of the deputy secretary's salary by \$15,601.		
4. Reduce funds for subscriptions for the department.	\$ 9,000	
5. Increase turnover expectancy.	157,866	
6. Reduce funds for contractual positions.	57,186	
7. Delete three vacant PINs.	139,218	3.0

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- 8. Add annual budget language to cap special fund grants pending budget committee review.

Total Reductions	\$ 363,270	3.0
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PAYGO Budget Recommended Actions

Funds **Positions**

1. Concur with Governor’s allowance.

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J00A01
The Secretary's Office
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 (OTTS) provides centralized computing, network, infrastructure, and general information technology services for MDOT. TSO also makes grants to various entities for transportation-related purposes.

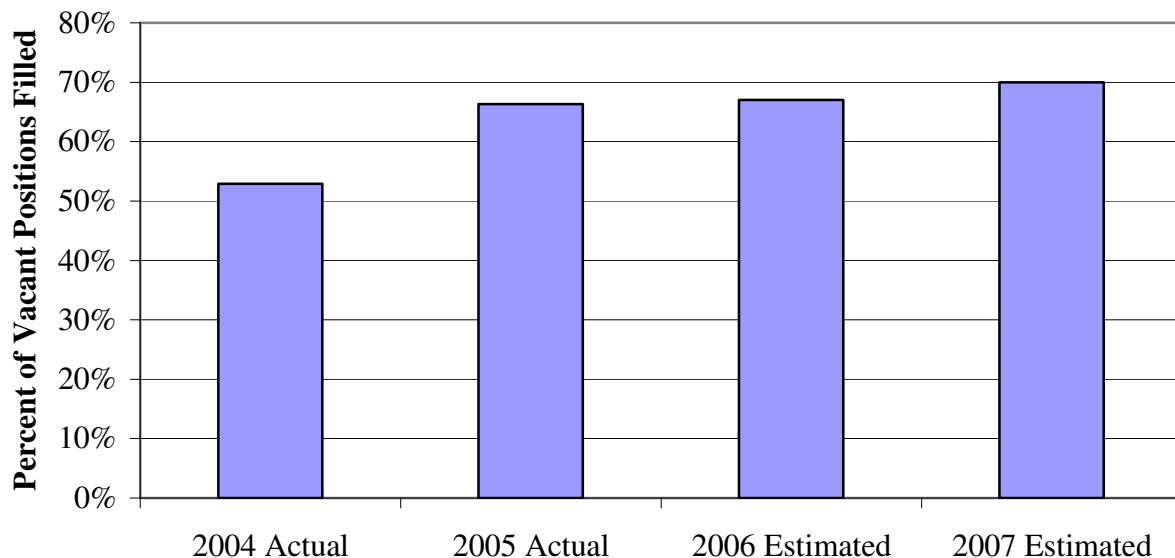
Performance Analysis: Managing for Results

During the 2005 legislative session, the budget chairmen requested that TSO adopt Managing for Results (MFR) measures which not only ascertain its success in directing statewide financial and capital resources but also its internal and administrative performance. In its report to the chairmen, TSO included the following MFR measures as part of its fiscal 2007 budget submission:

- Information Technology Performance Measures
 - ***Objective 1:*** Maintain enterprise network availability of 99%; and maintain mainframe availability of 98%.
- Human Resources Performance Measures
 - ***Objective 1:*** Achieve an average vacancy rate of 5%, or less, for the department by end of fiscal 2006.
 - ***Objective 2:*** Fill 65% of the department's vacant positions within six months of vacancy date.

Exhibit 1 displays the percent of vacant positions filled within six months and indicates that MDOT anticipates reducing the length of time positions are vacant. In fiscal 2004 the percentage of vacant positions filled within six months was 52.9%; this is projected to increase to 70% in fiscal 2007.

Exhibit 1
Percentage of Vacant Positions Filled within Six Months

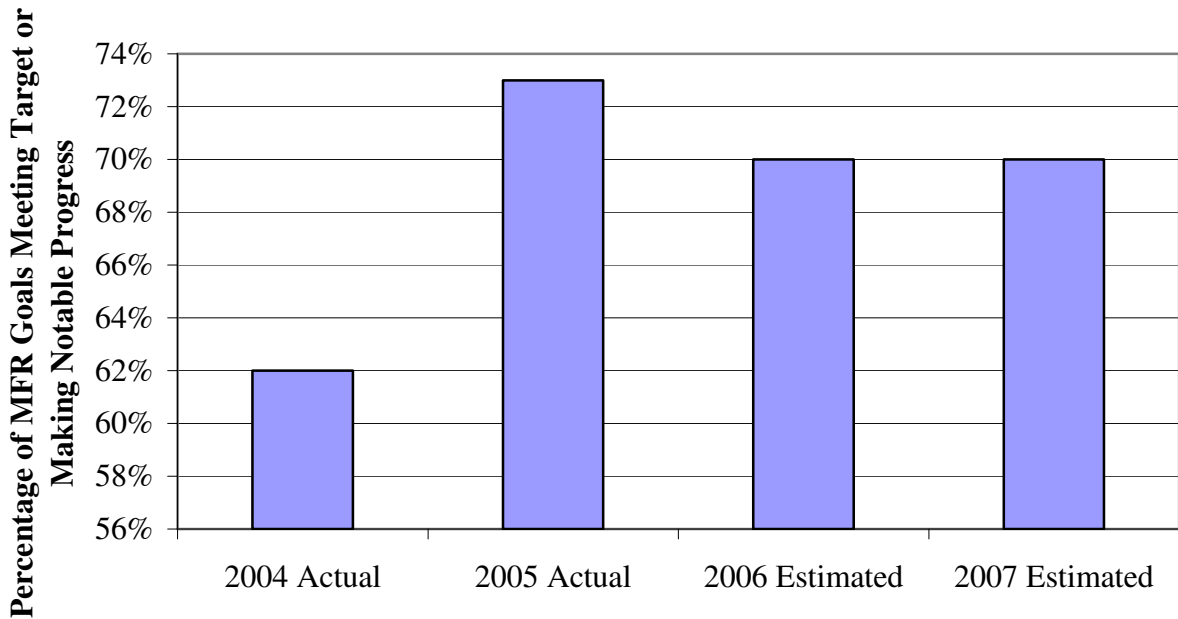


Source: Maryland Department of Transportation

- Productivity and Quality – improve program and project delivery
 - **Objective 1:** Achieve a lower percentage of repeat audit findings compared to the statewide average of repeat audit findings.
 - **Objective 2:** Increase the percentage of MFR objectives that meet or make notable progress towards targets to 70% by fiscal 2007.

Exhibit 2 displays the percentage of MFR objectives for all MDOT modes, and the Maryland Transportation Authority, which meet or make notable progress toward targets. In fiscal 2004, MDOT met 62% of its MFR objectives and increased to 73% in fiscal 2005. For fiscal 2006 and 2007, MDOT projects meeting 70% of its MFR goals. The decrease from fiscal 2005 to 2006 and 2007 is due to a number of measures performing higher than anticipated in fiscal 2005, but decreasing to levels more consistent with the MFR objectives in later fiscal years.

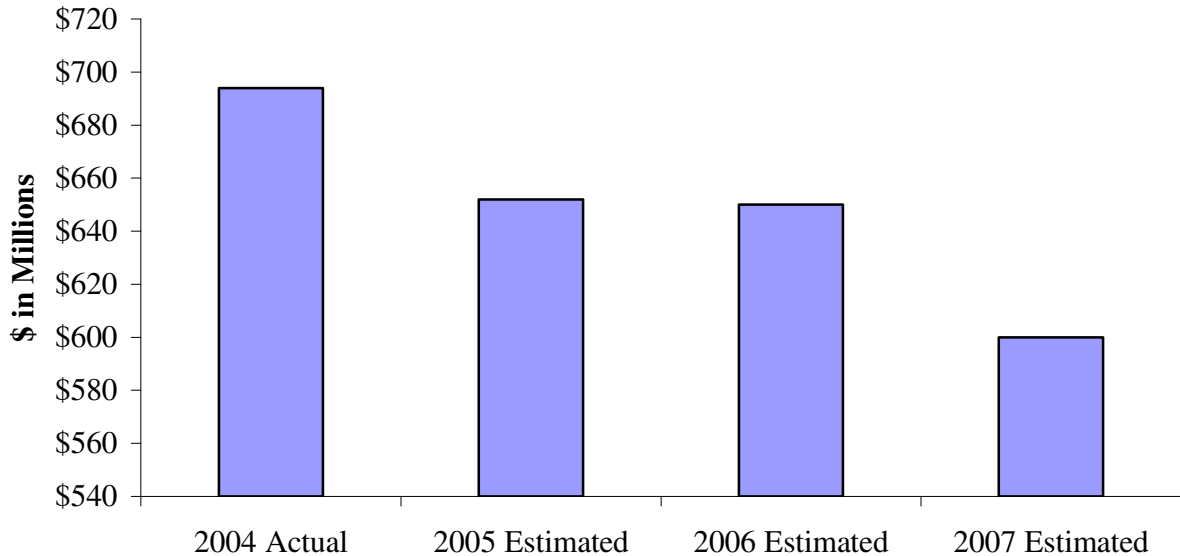
Exhibit 2
Percent of MFR Goals Meeting Targets



Source: Maryland Department of Transportation

In addition, TSO has a number of goals to ensure the ongoing financial and operational success of Maryland’s roads and transit systems. Goal 2 focuses on preserving and enhancing the transportation system with objective 2.1 measuring that the *Consolidated Transportation Program* (CTP) adequately funds system preservation needs. **Exhibit 3** displays the level of system preservation funding in the CTP. MDOT reports that system preservation funding exceeds \$550 million in fiscal 2004, 2005, 2006, and 2007. It should be noted that the CTP proposed system preservation funding at \$764.3 million is higher than the \$600 million included in the MFR.

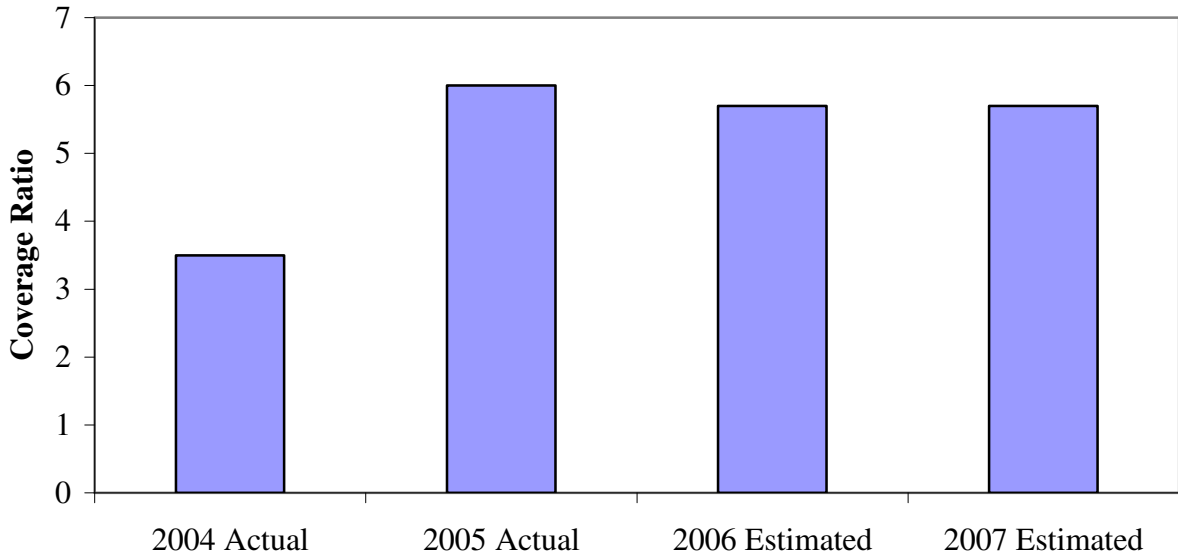
Exhibit 3
System Preservation Funding Levels
(\$ in Millions)



Source: Maryland Department of Transportation

Goal 3 measures MDOT’s ability to ensure stable funding for transportation while being fiscally prudent. MDOT uses two debt service coverage tests for consolidated transportation bonds (CTB) 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 4** indicates that net revenues have been sufficient to maintain a coverage ratio of 3.5 during fiscal 2004, increasing to an estimated 5.7 coverage ratio in fiscal 2007. CTBs are also constrained by a cap of \$2.0 billion on maximum debt outstanding.

Exhibit 4
Bond Coverage Ratio
Net Revenues to Maximum Annual Debt Service



Source: Maryland Department of Transportation

Governor’s Proposed Budget

The fiscal 2007 operating allowance increases \$4.7 million, or 7.0% compared to the fiscal 2006 working appropriation. This increase, as shown in **Exhibit 5**, is largely due to three factors.

- Due to the passage of the Safe, Accountable, Flexible and Efficient Transportation Equity Act – A Legacy for Users (SAFETEA-LU), federal funds for operating grants-in-aid for regional Metropolitan Planning Organizations (MPOs) have increased approximately \$2.4 million.
- Routine personnel and contractual position costs increase by a net of approximately \$1.3 million principally due to health insurance rate increases for current and retired employees, the pension contribution rate increase, and increments.
- A net increase of \$676,000 in OTTS for the acquisition of applications software due to upgrades in MDOT’s mainframe computer.

Exhibit 5
Governor's Proposed Budget
MDOT – The Secretary's Office
(\$ in Thousands)

	Special	Federal	
	Fund	Fund	Total
How Much It Grows:			
2006 Working Appropriation	\$60,284	\$7,008	\$67,292
2007 Governor's Allowance	<u>62,605</u>	<u>9,402</u>	<u>72,007</u>
Amount Change	\$2,320	\$2,394	\$4,714
Percent Change	3.8%	34.2%	7.0%

Where It Goes:

Personnel Expenses

Employee and retiree health insurance	\$609
Increments and other compensation.....	356
Employee retirement.....	218
Workers' compensation premium assessment.....	49
Deferred compensation match increase	45
Turnover adjustments.....	-217
Other fringe benefit adjustments.....	70

Operating Grants-in-aid

Washington Metropolitan Planning Organization	1,376
Baltimore Metropolitan Planning Organization.....	1,267
Hagerstown Metropolitan Planning Organization	47
Salisbury Metropolitan Planning Organization.....	33
Increase in funding for the Maryland Department of Planning	31
Cumberland Metropolitan Organization	28
Decrease in Payments-in-lieu-of-taxes for Baltimore City due to a calculation error	-598

Office of Transportation Technology Services

Increase due to upgrade of mainframe computer and associated operating cost increases...	676
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Other Changes

Increase in MDOT rent associated with one-time payment for ground rent.....	240
Increase in contractual payroll due to 2.5 contractual positions being added for administrative and security purposes	119
Increase in electricity and fuel costs	108
Increase in financial audit contract costs	68
Increase in fee assessed for the Office of Administrative Hearings	30
Increase in subscriptions	22
Other	137

Total	\$4,714
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Note: Numbers may not sum to total due to rounding.

Executive Direction

The Executive Direction unit increases by \$1.2 million compared to the 2006 working appropriation. Approximately half of this amount (\$650,000) is associated with increases in personnel expenses. Other major increases include \$240,000 for ground rent payments associated with the new MDOT headquarters, \$119,000 associated with the addition of 2.5 contractual FTEs, and an \$89,000 increase for electricity costs per Department of Budget and Management instructions.

Operating Grants-in-aid

Operating grants-in-aid increase by \$2.4 million compared to the fiscal 2006 working appropriation. **Exhibit 6** provides a summary of the total amount of operating grants-in-aid, by special and federal funds, included in the fiscal 2007 allowance. The major increases include:

- \$1.4 million for the Washington Metropolitan Planning Organization (MPO); and
- \$1.3 million for the Baltimore MPO.

In addition, due to an error in calculating the payments-in-lieu-of-taxes for Baltimore City from Maryland Port Administration properties, there is approximately a \$600,000 decrease in the fiscal 2007 allowance. These funds were redistributed to the other various entities receiving operating grants-in-aid including the need to increase special fund matching of federal funds.

Exhibit 6
Fiscal 2007 Recipients of Operating Grants-in-aid

<u>Grant Recipient</u>	<u>Special Funds</u>	<u>Federal Funds</u>	<u>Total Funds</u>
Cumberland MPO	\$11,182	\$92,525	\$103,707
Salisbury MPO	12,442	102,032	114,474
Hagerstown MPO	18,311	150,878	169,189
Baltimore MPO	606,450	5,074,764	5,681,214
Wilmington MPO	6,788	54,303	61,091
Washington MPO	482,230	3,927,577	4,409,807
Tri-County Planning Organization DHCD (to support the Appalachian Regional Commission)	100,000 54,731	0 0	100,000 54,731
Maryland Office of Planning	258,230	0	258,230
Payments In Lieu of Taxes	1,005,222	0	1,005,222
Pride of Baltimore	164,000	0	164,000
Baltimore City – Marine Fire Suppression Services	1,399,940	0	1,399,940
Grand Total	\$4,119,526	\$9,402,079	\$13,521,605

MPO = Metropolitan Planning Organization

DHCH = Maryland Department of Housing and Community Development

Source: Maryland Department of Transportation

Office of Transportation Technology Services

OTTS increased by \$1.1 million. The major increases for the office include \$676,000 for the acquisition of software upgrades resulting from upgrades in the MDOT mainframe network. In addition, personnel costs increased \$478,000 due to rate increases for health care and pension contributions.

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 2006 to 2011 Consolidated Transportation Program

The fiscal 2007 allowance provides \$17.9 million for the TSO capital program as shown in **Exhibit 7**. A majority of the allowance funds system preservation and minor projects (\$13.2 million) with the transportation enhancement program, which is required by SAFETEA-LU and provides community and environmental value to the transportation system, accounting for \$7.8 million. Other large system preservation projects include:

- \$3.8 for a Baltimore Rail Tunnel Improvement Study; and
- \$3.3 million for network hardware and software replacement costs.

The fiscal 2007 allowance is \$22.5 million less than the fiscal 2006 working appropriation. This decrease is due to a number of large projects ending in fiscal 2006. In addition, federal funding for the Transportation Emissions Reduction Program was transferred to the Maryland Transit Administration (MTA) where the federal Congestion Mitigation and Air Quality (CMAQ) funds could be more easily and better expended.

Exhibit 7 Major Ongoing TSO Projects (\$ in Millions)

<u>Jurisdiction</u>	<u>Project Description</u>	<u>FY 2007</u>	<u>Total Project Costs</u>
Baltimore and Washington, DC	Transportation Emissions Reduction Program	\$2.8	\$19.4
Statewide	System Preservation and Minor Projects	13.2	66.9
N/A	Capital Salaries, Wages, and Other Costs	1.9	11.4
	Total	\$17.9	\$97.7

Source: Maryland Department of Transportation, 2006 – 2011 *Consolidated Transportation Program*

Fiscal 2006 and 2007 Cash Flow Analysis

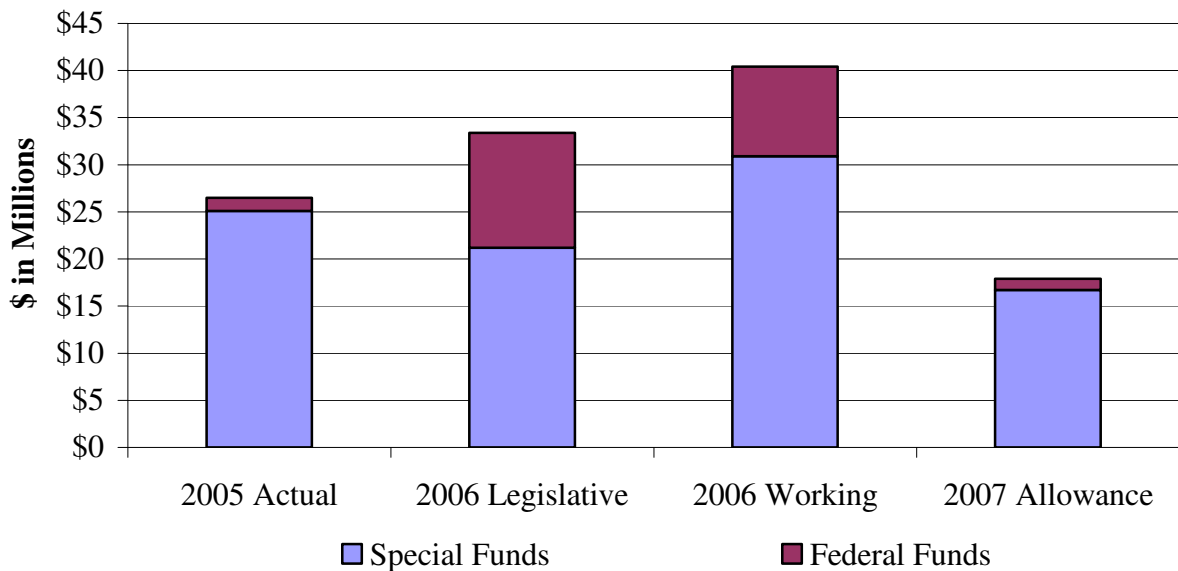
The fiscal 2006 working appropriation increases \$7 million as indicated in **Exhibit 8**. The majority of the increase is the result of cash flow changes in fiscal 2005 that were carried over into fiscal 2006.

Among the larger changes were:

- \$5 million for the Key Highway Road Extension; and
- \$5 million for the new MDOT building.

These changes were offset somewhat by the transfer of CMAQ funds to MTA.

Exhibit 8
Cash Flow Changes
Fiscal 2006 to 2007



Source: Maryland Department of Transportation, 2006 – 2011 *Consolidated Transportation Program*

Issues

1. Deputy Secretary’s Salary Increased Despite Legislative Intent

During the 2005 session, the legislature reduced the deputy secretary’s fiscal 2006 salary by \$9,055, to \$120,000. The previous deputy secretary earned \$120,000 before being transferred to the Maryland Transportation Authority. The fiscal 2006 allowance increased the deputy secretary’s salary to 129,055. Given that the \$9,055 was a significant salary increase from the previous deputy secretary, the salary of the deputy secretary was held to the salary level paid in fiscal 2005.

The fiscal 2006 working appropriation for the deputy secretary salary is \$130,991 and the fiscal 2007 allowance is \$135,601. This is \$15,601 above the amount specified in the *Joint Chairmen’s Report* (JCR) for fiscal 2006. The salary reduction was not implemented by MDOT apparently because (1) a technical change was not made in the Executive Pay Plan schedule at the back of the budget; and (2) the budget bill language did not have specific language limiting the salary of the deputy secretary. In other words, the action explaining the reduction in the JCR is apparently being interpreted as not legally enforceable for effecting a specific reduction. As result, MDOT elected to implement the \$9,055 reduction elsewhere in the budget and fund the salary of the deputy secretary despite the intent of the legislature. While MDOT did not violate the law, the actions did not conform to the intent of the language in the JCR.

The Department of Legislative Services (DLS) recommends that the deputy secretary’s salary be reduced to \$120,000 consistent with legislative intent.

2. MDOT Is Paying Ground Rent for Headquarters Building

The new MDOT headquarters office was financed using Maryland Economic Development Corporation (MEDCO) bonds in 2002. MEDCO issued 20-year bonds with a standard 10-year call provision. Rather than buying the land (approximately 11 acres) where the headquarters was built, MDOT and MEDCO agreed to a land exchange with the developer (also the owner of the property) for property that was comparably valued. The land exchange for the property was to have been completed by December 21, 2004. If the exchange did not occur by this date, MDOT and MEDCO agreed to pay ground rent to the developer until the land exchange occurred. To date, this land exchange has not occurred.

MDOT indicates that most of the land under consideration for the land exchange was Maryland Aviation Administration (MAA) property at the Baltimore-Washington International (BWI) Thurgood Marshall Airport. Federal Aviation Administration regulations and the federal process dictate how MAA can transfer the land to any non-airport entity. MDOT indicates that due to this drawn out federal process, MDOT and MEDCO have been unable to complete the land exchange.

As a result of not having completed the land exchange prior to the agreed upon date, MDOT is required to pay ground rent payments. In fiscal 2006, \$150,000 was included in the budget for this

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lump sum payment. MDOT has included an additional \$250,000 in the fiscal 2007 budget for a total of \$400,000 for this ground rent. Should the land exchange not occur in fiscal 2006, MDOT is projecting a ground rent payment of \$400,000 in fiscal 2007.

In the 2005 session, budget bill language was adopted prohibiting MDOT from using MEDCO to finance the building of a hangar at the Martin State Airport. At that time, DLS raised the following concerns about MDOT using MEDCO bonds:

- MDOT has its own bonding authority, so that MEDCO bonds are unnecessary;
- MEDCO bonds were more expensive than CTBs issued by MDOT due to the length of maturity and MEDCO bonds were not insured; and
- given the small amount of money involved, cash identified through legislative efficiencies could fund the project.

DLS recommends that MDOT comment on why the financing deal with MEDCO was structured using a land exchange rather than buying the property outright and comment as to when they project completing the land exchange.

DLS recommends that budget bill language be added prohibiting MDOT from funding projects through MEDCO.

Operating Budget Recommended Actions

1. Add the following language:

Further provided that the Maryland Department of Transportation may not issue bonds through the Maryland Economic Development Corporation for any project.

Explanation: The Maryland Department of Transportation (MDOT) has issued debt through the Maryland Economic Development Corporation (MEDCO) for various projects in past fiscal years. Issuing MEDCO bonds raises the following concerns:

- MDOT has sufficient cash and bonding authority, so that MEDCO bonds are unnecessary;
- MEDCO bonds are more expensive than Consolidated Transportation Bonds issued by MDOT due to the length of maturity and additional provisions such as the ground rent costs for the Secretary’s Office headquarters building ; and

The language precludes MDOT from issuing bonds through MEDCO.

2. Add the following language:

Deputy Secretary	9909	135,601
		<u>120,000</u>

Explanation: This action amends the Executive Pay Plan schedule to reflect the reduction of \$15,601 in the deputy secretary’s salary.

3. Add the following language:

Further provided that \$15,601 shall be reduced from the deputy secretary’s salary in fiscal 2007 and the salary of the deputy secretary shall not exceed \$120,000 in fiscal 2007 for any purpose from any source.

Explanation: This language reduces the salary of the deputy secretary to a level consistent with legislative intent expressed during the 2005 legislative session and provides that the salary level shall not exceed \$120,000. A corresponding reduction is also made in the Executive Pay Plan schedule.

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	<u>Amount Reduction</u>		<u>Position Reduction</u>
4. Reduce funds for subscriptions for the department. This provides funding equal to the fiscal 2005 actual level.	\$ 9,000	SF	
5. Increase turnover expectancy to 3.2% requiring 10.7 vacant positions, a level more consistent with the current number of vacant positions.	157,866	SF	
6. Reduce funds for contractual positions. This reduces funding to the fiscal 2005 actual expenditure.	57,186	SF	
7. Delete three vacant PINs. (010328, 008902, and 084368). Two positions are being considered for reclassification as part of Governor’s Initiative regarding environmental compliance. The third PIN has been vacant almost 4 years. Each of these PIN reductions is necessary due to the department reprogramming \$29.3 million in restricted funds that are not available prior to the end of fiscal 2006.	139,218	SF	3.0

8. Add the following language:

, provided that no more than \$4,119,526 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.

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Information Request	Author	Due Date	
Explanation of need for additional special funds for grants-in-aid	MDOT	As needed	
Total Special Fund Reductions		\$ 363,270	3.0

PAYGO Budget Recommended Actions

1. Concur with Governor’s allowance.

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 2005					
Legislative Appropriation	\$0	\$62,279	\$8,073	\$0	\$70,352
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	0	628	0	450	1,078
Reversions and Cancellations	0	-2,600	-926	0	-3,526
Actual Expenditures	\$0	\$60,307	\$7,147	\$450	\$67,905
Fiscal 2006					
Legislative Appropriation	\$0	\$58,727	\$7,008	\$0	\$65,735
Budget Amendments	0	1,557	0	0	1,557
Working Appropriation	\$0	\$60,284	\$7,008	\$0	\$67,292

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

Fiscal 2005

Fiscal 2005 expenditures for TSO totaled \$67.9 million, \$2.4 million less than the legislative appropriation.

Special funds decreased by a net of \$2.0 million with a \$628,000 increase in budget amendments and \$2.6 million in cancellations. The budget amendments were (1) \$270,000 for the fiscal 2005 cost-of-living adjustment (COLA) increase; and (2) \$350,000 to create the Office of Freight Logistics. The \$2.6 million in cancellations resulted from \$1.7 million from the Office of Technology Services which included (1) \$726,000 for cash flow changes in IBM Mainframe Services; (2) \$800,000 from lower than expected costs associated with engineering work due to a new contract and migration; and (3) \$200,000 resulting from delay in software and network upgrades that eliminated the immediate need for technical training. The remainder resulted from (1) cancelled personnel expenses; (2) delays in rent payments; (3) delayed consulting services; and (4) various office supplies.

Cancellations for federal funds totaled \$926,000 due to (1) \$476,000 in Congestion Mitigation and Air Quality not being needed for the Downtown Partnership grant ending in mid-fiscal 2005; and (2) \$450,000 due to Metropolitan Planning Organizations actual work plan costs being less than the budgeted amount.

Reimbursable funds increased by \$450,000. TSO received this money from the Maryland Emergency Management Agency for a consultant to support a statewide Public Safety Communications Interoperability Project.

Fiscal 2006

To date, the fiscal 2006 special fund working appropriation has increased approximately \$1.6 million. This included a net of \$470,000 to consolidate the costs of telecommunications for all MDOT modes in TSO, \$430,000 for PIN transfers occurring after the submission of the budget, \$360,000 to fund the increased costs related to health insurance, and \$300,000 to fund the 1.5% COLA for State employees.

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)	n/a

- 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>FY05 Actual</u>	<u>FY06 Working Appropriation</u>	<u>FY07 Allowance</u>	<u>FY06 - FY07 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	326.00	317.00	317.00	0	0%
02 Contractual	4.41	2.00	4.50	2.50	125.0%
Total Positions	330.41	319.00	321.50	2.50	0.8%
Objects					
01 Salaries and Wages	\$ 22,412,431	\$ 23,784,709	\$ 24,914,003	\$ 1,129,294	4.7%
02 Technical & Spec Fees	224,638	140,420	262,897	122,477	87.2%
03 Communication	1,009,749	1,064,300	1,396,354	332,054	31.2%
04 Travel	208,848	417,630	411,960	-5,670	-1.4%
06 Fuel & Utilities	254,255	205,000	287,530	82,530	40.3%
07 Motor Vehicles	124,490	65,197	74,428	9,231	14.2%
08 Contractual Services	28,673,980	26,922,619	27,280,717	358,098	1.3%
09 Supplies & Materials	292,962	260,458	265,559	5,101	2.0%
10 Equip - Replacement	11,859	4,000	9,500	5,500	137.5%
11 Equip - Additional	73,391	5,897	26,897	21,000	356.1%
12 Grants, Subsidies, and Contributions	11,514,906	11,154,329	13,547,355	2,393,026	21.5%
13 Fixed Charges	3,102,955	3,267,751	3,529,506	261,755	8.0%
Total Objects	\$ 67,904,464	\$ 67,292,310	\$ 72,006,706	\$ 4,714,396	7.0%
Funds					
03 Special Fund	\$ 60,307,440	\$ 60,284,417	\$ 62,604,627	\$ 2,320,210	3.8%
05 Federal Fund	7,147,146	7,007,893	9,402,079	2,394,186	34.2%
09 Reimbursable Fund	449,878	0	0	0	0.0%
Total Funds	\$ 67,904,464	\$ 67,292,310	\$ 72,006,706	\$ 4,714,396	7.0%

Note: The fiscal 2006 appropriation does not include deficiencies, and the fiscal 2007 allowance does not reflect contingent reductions.

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

<u>Program/Unit</u>	<u>FY05 Actual</u>	<u>FY06 Wrk Approp</u>	<u>FY07 Allowance</u>	<u>Change</u>	<u>FY06 - FY07 % Change</u>
01 Executive Direction	\$ 21,987,668	\$ 22,693,286	\$ 23,906,993	\$ 1,213,707	5.3%
02 Operating Grants-in-Aid	11,506,164	11,123,279	13,521,605	2,398,326	21.6%
03 Facilities and Capital Equipment	26,582,423	39,436,533	17,201,983	-22,234,550	-56.4%
07 Office of Transportation Technology Services	34,410,632	33,475,745	34,578,108	1,102,363	3.3%
08 Major IT Development Projects	-60,000	996,000	650,000	-346,000	-34.7%
Total Expenditures	\$ 94,426,887	\$ 107,724,843	\$ 89,858,689	-\$ 17,866,154	-16.6%
Special Fund	\$ 85,414,298	\$ 91,207,950	\$ 79,256,610	-\$ 11,951,340	-13.1%
Federal Fund	8,562,711	16,516,893	10,602,079	-5,914,814	-35.8%
Total Appropriations	\$ 93,977,009	\$ 107,724,843	\$ 89,858,689	-\$ 17,866,154	-16.6%
Reimbursable Fund	\$ 449,878	\$ 0	\$ 0	\$ 0	0.0%
Total Funds	\$ 94,426,887	\$ 107,724,843	\$ 89,858,689	-\$ 17,866,154	-16.6%

Note: The fiscal 2006 appropriation does not include deficiencies, and the fiscal 2007 allowance does not reflect contingent reductions.

Budget Amendments for Fiscal 2006
Maryland Department of Transportation
The Secretary’s Office – Operating

<u>Status</u>	<u>Amendment</u>	<u>Fund</u>	<u>Justification</u>
Approved	\$302,423	Special	Fund the 1.5% COLA granted to all eligible State employees.
Approved	362,359	Special	Fund the increased cost to health insurance for active and retired employees.
Approved	421,479	Special	Reallocates funds between MDOT modes for PIN transfers completed after the submission of the budget.
Approved	471,464	Special	Consolidates all funds for State telecommunications under TSO.
Pending	261,481	Special	Increases funding for statewide audit contract (\$61,500) and restores funding to fiscal 2005 level for Baltimore Marine Fire Suppression grant (167,993), the Maryland Department of Planning (\$30,988), and Payments-in-lieu of taxes for the World Trade Center.

Source: Maryland Department of Transportation

Budget Amendments for Fiscal 2006
Maryland Department of Transportation
The Secretary’s Office – Capital

<u>Status</u>	<u>Amendment</u>	<u>Fund</u>	<u>Justification</u>
Approved	\$17,734	Special	Fund the 1.5% COLA granted to all eligible State employees.
Approved	47,276	Special	Fund the increased cost to health insurance for active and retired employees.
Approved	164,099	Special	Reallocates funds between MDOT modes for PIN transfers completed after the submission of the budget.
Projected	9,489,000	Special	Adjusts the amended appropriation to agree with the anticipated expenditures for the current year as reflected in the fiscal 2006 – 2011 final CTP.
	<u>-2,665,000</u>	Federal	
Total	\$6,824,000		

Source: Maryland Department of Transportation