

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

***Operating Budget Data***

(\$ in Thousands)

	<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>	<u>% Change</u> <u>Prior Year</u>
Special Fund	\$125,116	\$160,697	\$170,763	\$10,066	6.3%
Federal Fund	331	241	280	39	16.4%
<b>Total Funds</b>	<b>\$125,447</b>	<b>\$160,937</b>	<b>\$171,042</b>	<b>\$10,105</b>	<b>6.3%</b>

- The fiscal 2007 operating allowance reflects an increase of \$10.1 million (6.3%) over the fiscal 2006 working appropriation. The largest increases take place in contractual services (\$3.5 million), personnel (\$2.0 million), and consultant services (\$0.9 million).

***PAYGO Capital Budget Data***

(\$ in Thousands)

	<u>Fiscal 2005</u> <u>Actual</u>	<u>Fiscal 2006</u>		<u>Fiscal 2007</u> <u>Allowance</u>
		<u>Legislative</u>	<u>Working</u>	
Special	\$41,763	\$66,440	\$53,571	\$58,304
Federal	17,708	16,888	44,500	28,044
<b>Subtotal</b>	<b>\$59,471</b>	<b>\$83,328</b>	<b>\$98,071</b>	<b>\$86,348</b>
<b>Other Funds</b>	<b>\$167,514</b>	<b>\$77,373</b>	<b>\$89,676</b>	<b>\$42,100</b>
<b>Total</b>	<b>\$226,985</b>	<b>\$160,701</b>	<b>\$187,747</b>	<b>\$128,448</b>

Note: Other funds include Maryland Transportation Authority bond financing, passenger facility charges, customer facility charges, Maryland Economic Development Corporation funds, and Certificates of Participation.

- The PAYGO capital program (including other funds) decreases by \$59.3 million from the fiscal 2006 working appropriation to the fiscal 2007 allowance. This decrease is largely due to the near completion of the first phase of the \$1.8 billion expansion program.

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	548.00	542.00	542.00	0.00
Contractual FTEs	<u>2.00</u>	<u>2.00</u>	<u>2.00</u>	<u>0.00</u>
<b>Total Personnel</b>	<b>550.00</b>	<b>544.00</b>	<b>544.00</b>	<b>0.00</b>

### *Vacancy Data: Regular Positions*

Turnover, Excluding New Positions	33.39	6.16%
Positions Vacant as of 12/31/05	34.50	6.37%

- Personnel levels in the fiscal 2007 allowance remain the same as the 2006 working appropriation.
- The Maryland Aviation Administration (MAA) reports that 20 of the 34.5 vacant positions are positions for which it continues to have difficulty recruiting. These include fire and rescue positions, skilled tradesmen (including plumbers and electricians), and heavy equipment mechanics.
- Of the six positions that have been vacant for 12 months or longer, four are in the process of being filled and two are being reclassified.

## Analysis in Brief

### Major Trends

**Passenger Volume Is Down, but Revenues Are Up:** Total passenger volume decreased by 2.9% at Baltimore/Washington International Thurgood Marshall Airport (BWI) from calendar 2004 to 2005. Following a moderate growth rate from calendar 2001 to 2004, the decline in 2005 was largely the result of the entry of a new low-fare carrier at Dulles International Airport. However, the recent bankruptcy of the airline should return customers to BWI and allow for an increase in passenger volume. Despite the decline in passenger volume, revenues were up in fiscal 2005.

**Major Airlines Grapple with Chapter 11 Status:** The struggling airline industry has seen many of the largest carriers, including American Airlines, Continental, and Delta, face bankruptcy over the last few years. The decreased demand following the terrorist attacks of September 11, 2001, fierce competition from low-fare carriers, and rising fuel prices have contributed to the situation. Although many airports have been affected by this, BWI has escaped economic injury, since two of the only three airlines that turned a profit in calendar 2005 are the dominant airlines at BWI. Southwest carries about 47% of the passengers at BWI, and AirTran carries roughly 10%.

***BWI Ranked Ninth Best in On-time Arrival Rate:*** In annual statistics released by the Bureau of Transportation Statistics, BWI ranked ninth in best on-time arrival rates of the 33 largest U.S. airports. The on-time arrival rate at BWI is 80.21%. All of the three New York area airports (John F. Kennedy, LaGuardia, and Newark) had the worst on-time arrival rates (70.27%, 66.71%, and 64.10%, respectively). BWI did better than its regional rivals, Dulles International Airport and Ronald Reagan Washington National Airport, which came in at 14 and 15, with rates of 79.05% and 78.68%. BWI did not perform as well in on-time departure rates. There, BWI ranked nineteenth overall (79.14%), behind both Dulles (ninth) and Reagan National (thirteenth).

## **Issues**

***BWI Governance Study Group:*** During the 2005 interim, the BWI Governance Study Group met to determine if changes should be made to allow BWI to be more successful. The study group found that BWI is being operated in an efficient manner and no governance changes should be made at this time. However, the study group did make some recommendations for changes to State, Maryland Department of Transportation (MDOT), and MAA practices and procedures that could enhance the management efficiency of the airport. **The Department of Legislative Service (DLS) recommends that MAA discuss the findings of the study group. MAA should be prepared to comment on the fiscal impact of the recommendations and what actions it plans to take as a result of the study group's findings.**

***Legislative Oversight of MAA Exempt Management Personnel Positions:*** Current law allows the Maryland Aviation Commission (MAC) to determine the qualifications, appointment, compensation, and leave for up to 12 management personnel positions. MDOT is currently undertaking a study to determine whether or not additional positions should be included in this exemption. Regardless of the findings, there is little legislative oversight of these positions. **DLS recommends that MAA reporting requirements should be comparable to those of the Maryland Port Administration for similar positions. It is further recommended that budget bill language or legislation should change the reporting requirements to include an annual report to the Governor and the Legislative Policy Committee of the General Assembly on actions taken by MAC in the previous fiscal year in regard to positions added or removed from the 12 exempt positions; salary changes by position, including previous salary, new salary, and change in salary; and an annual listing of all of the positions and salaries included in this exemption. Furthermore, these positions and salaries should be listed in the annual Section 3 back-of-the-bill language in the Governor's proposed budget.**

**Operating Budget Recommended Actions**

	<b><u>Funds</u></b>
1. Reduce funds for audit services.	\$ 50,000
2. Reduce funds for customer service surveys.	124,000
3. Reduce funds for telecommunications.	172,839
4. Reduce funding for miscellaneous communications charges to the average of the past three years' actual spending.	36,338
5. Reduce funding for vehicle maintenance and repair based on average of past three years' actual usage at the Baltimore/Washington International Thurgood Marshall Airport.	36,771
6. Reduce funding for vehicle insurance.	20,273
7. Reduce funds for bookbinding and photography.	15,072
8. Reduce funds for extermination to reflect actual usage.	50,597
9. Reduce funding for laundry services to the fiscal 2006 appropriation.	16,350
10. Reduce funds for maintenance and repair of other vehicles, which includes heavy trucks and fire rescue specialized vehicles.	35,408
11. Reduce funding for equipment rental to reflect actual usage.	117,453
12. Reduce funding for equipment repair and maintenance.	200,000
<b>Total Reductions</b>	<b>\$ 875,101</b>

## PAYGO Budget Recommended Actions

	<u>Funds</u>
1. Reduce funds for additional temporary assistance.	\$ 17,894
2. Delete funding for other technical and special fees.	4,450
3. Reduce funding for out-of-state travel.	40,000
4. Reduce funds for advertising and legal publications to more appropriate levels based on prior years' actual usage.	36,960
5. Delete funding for the aircraft hangar at Martin State Airport.	5,504,000
6. Reduce funding for the Homeowner Assistance Program.	953,000
<b>Total Reductions</b>	<b>\$ 6,556,304</b>

## Updates

**Consolidated MAA Facility:** MAA currently occupies space at six locations in and around BWI. At the direction of narrative in the 2004 *Joint Chairmen's Report*, MAA submitted a report in December 2004 regarding building a new Airport Administrative Office Building to consolidate the majority of MAA employees at one location. Although MAA originally advised that the building could be completed by late 2007, due to the necessary approval process by the Federal Aviation Administration, MAA does not expect the building to open until the end of 2010.

**Baggage Screening Projects at BWI:** The Transportation Security Administration requires that 100% of all checked baggage be screened for explosives. With growing passenger volumes using BWI, air carriers are experiencing increased instances of checked baggage missing flights or flights being delayed waiting for baggage. Although Concourse A opened as one of the first major airport passenger terminal facilities with a "post-9/11" design, which includes a state-of-the-art, in-line baggage screening system, existing baggage handling systems on other concourses are inadequate. After consultation with the air carriers, improvements to Terminal Area B/C have been deferred, and improvements to Terminal Area D/E are being evaluated.

**BRAC Effect on Martin State Airport:** The base realignment and closure process (BRAC) will realign the Maryland Air National Guard Station at Martin State Airport (MTN). The loss of both aircraft and personnel will take place. MAA expects that there will be little to no adverse fiscal impact on MTN revenues. The Air National Guard pays rent of roughly \$50,000 for the land it occupies and has made no mention of reducing its leased land. The realignment is expected to take place in 2008 or 2009 but could be delayed by a number of lawsuits filed by states to stop the process.

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***Budget Analysis***

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**Program Description**

The Maryland Aviation Administration (MAA) has responsibility for fostering, developing, and regulating aviation activity throughout the State. MAA is responsible for operating, maintaining, and developing the State-owned Baltimore/Washington International Thurgood Marshall Airport (BWI) as a major center of commercial air carrier service in the State and Martin State Airport (MTN) as a general aviation reliever facility and as a support facility for the Maryland Air National Guard and Maryland State Police. The administration has identified the following key goals:

- keep BWI passengers, tenants, and facilities safe;
- provide exceptional service;
- operate BWI efficiently and effectively; and
- attract, maintain, and expand air service.

**Performance Analysis: Managing for Results**

Unlike most other Maryland Department of Transportation (MDOT) modes, MAA operates as a business. The profitability of MAA determines how much the Transportation Trust Fund (TTF) must provide as a subsidy. Historically, MAA has usually been able to cover operating expenditures with operating revenues except in recent years due to debt service payments for the \$1.8 billion capital expansion program. However, operating revenues are not able to also cover all of MAA's capital expenditures. MAA relies on the TTF or other non-MAA financing mechanisms such as Maryland Transportation Authority (MdTA) revenue bonds for capital investments. Many of these investments are supported by specific user fees, which are not considered part of MAA's operating revenues for purposes of covering ongoing or general capital expenses.

**Exhibit 1** provides MAA revenues and expenditures data. MAA shows a projected operating budget loss of \$13.6 million in fiscal 2007. The revenue and expenditure imbalance is largely due to debt service payments that include \$4.1 million in fiscal 2007 for the lease payments to fund the retirement of Certificates of Participation (COPs) issued for long-term financing of the Pier B expansion, new deicing facilities, and the purchase of 50 shuttle buses; and \$15.1 million in Maryland Economic Development Corporation (MEDCO) debt for the construction of Concourse A and the expansion of Concourse B. Other large increases in operating expenditures include personnel costs, contractual services, and a greater use of consultants. These increases in expenditures were offset by increases in revenues, despite decreases in passenger volume. Increased revenue from concessions was largely the result of the new concessions contract at BWI. The new concessions have been phased in across the terminal, with completion expected in spring 2007.

**Exhibit 1**  
**MAA Revenues and Expenditures**  
**Fiscal 2004 – 2007**  
**(\$ in Thousands)**

	<b>Actual FY 2004</b>	<b>Actual FY 2005</b>	<b>Appr. FY 2006</b>	<b>Allowance FY 2007</b>	<b>Average Annual Change FY 04 – 07</b>
<b>Operating Revenues</b>					
Flight Activities	\$25,505	\$36,806	\$36,001	\$40,207	16.4%
Rent/User Charges	27,952	29,691	38,363	42,073	14.6%
Concessions	44,920	49,538	60,072	64,309	12.7%
Other Revenues <sup>1</sup>	5,135	3,039	2,837	2,891	-17.4%
Martin State Activities	8,648	7,560	7,659	8,011	-2.5%
<b>Subtotal</b>	<b>\$112,160</b>	<b>\$126,634</b>	<b>\$144,932</b>	<b>\$157,491</b>	<b>12.0%</b>
<b>Expenditures</b>					
Operating	\$116,003	\$125,447	\$160,937	\$171,042	13.8%
<b>Difference</b>	<b>\$3,843</b>	<b>\$1,187</b>	<b>-\$16,005</b>	<b>-\$13,551</b>	
Capital Project Financing Revenues <sup>2</sup>	\$38,809	\$70,900	\$72,719	\$74,664	24.4%

<sup>1</sup>Does not include passenger facility charges (PFCs) deposited into the TTF in the amount of \$28.3 million in fiscal 2004.

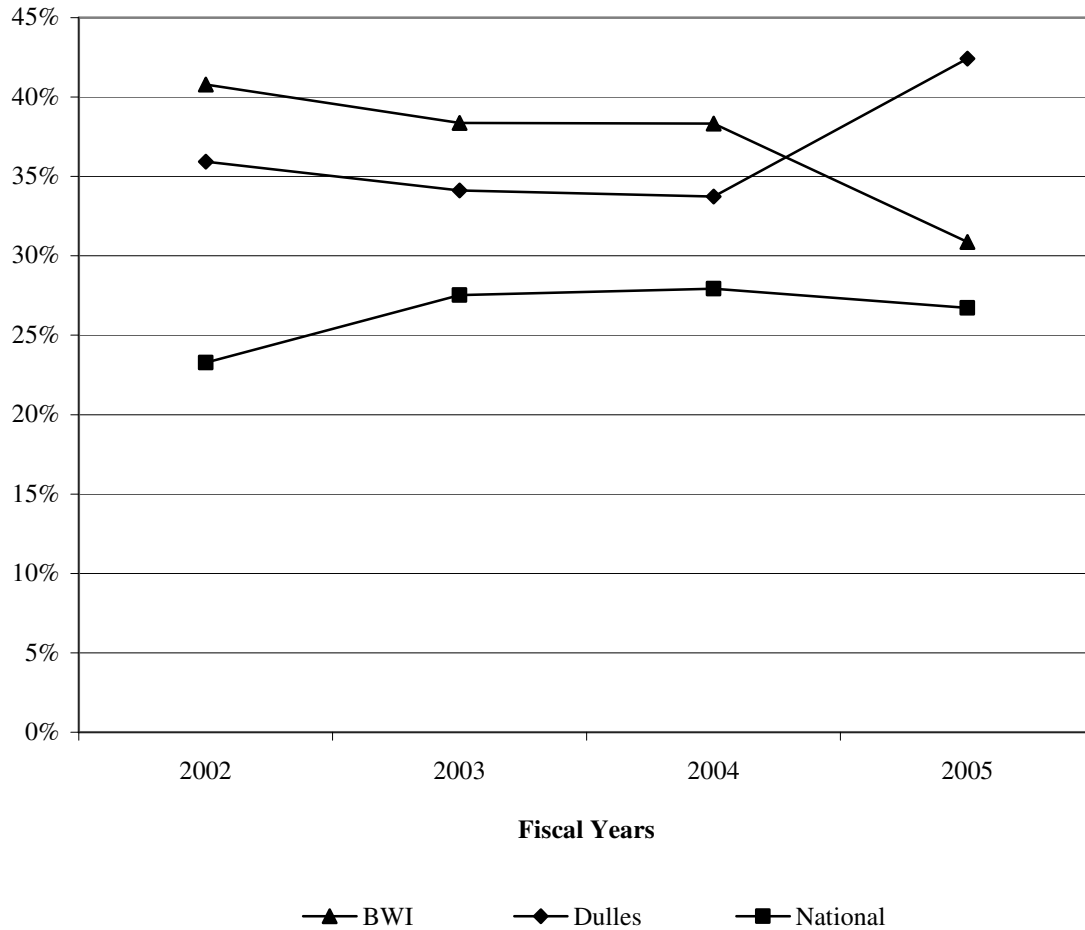
<sup>2</sup>Includes PFCs, Customer Facility Charges (CFCs), and parking garage revenue.

Source: Maryland Aviation Administration

## Passengers, Cargo, and Commercial Air Operations Market Share

In order for BWI to experience growth in business, it must remain competitive with other airports. In addition to competing with other airports nationally and internationally, BWI must also compete for passengers in this region due to the proximity of Dulles International Airport (Dulles) and Ronald Reagan Washington National Airport (Reagan National). **Exhibit 2** shows that BWI has been slightly losing market share since 2002 to Dulles and Reagan National. In 2005, BWI's market share declined sharply as BWI lost customers to the emergence of Independence Air, a low-fare carrier at Dulles. BWI is expected to regain many of these customers following the recent bankruptcy of Independence Air.

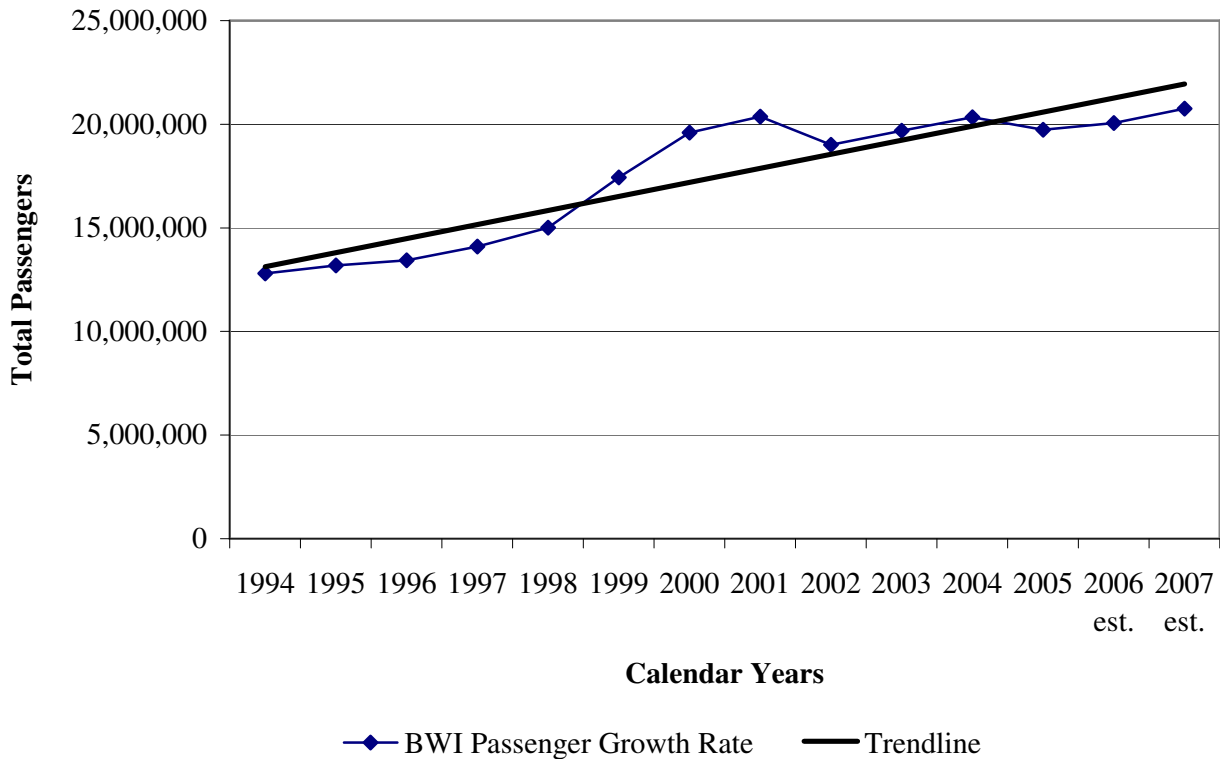
**Exhibit 2**  
**Passenger Market Share at BWI**  
**Fiscal 2002 – 2005**



Source: Maryland Aviation Commission's Annual Reports, 2003 – 2006

Passenger traffic at BWI decreased 2.9% from calendar 2004 to 2005, down from 20.3 million in calendar 2004 to 19.7 million in calendar 2005. As **Exhibit 3** shows, there is a general trend of increased total passenger volume at BWI over the time period from 1994 to 2007. Between calendar 1998 and 2001, BWI experienced a period of significant growth when Southwest Airlines became the largest low-fare carrier in the Washington, DC market and continued to expand operations at BWI. Growth slowed after the terrorist attacks of September 11, 2001. Moderate growth was then witnessed from calendar 2001 through 2004, followed by the decline in 2005 as the result of the increased competition from Independence Air at Dulles. Except for the most recent decline, passenger growth has remained steady for BWI, despite the Chapter 11 filings of many airlines. It is important to note that BWI's two largest carriers, Southwest and AirTran, are two of only three carriers that were profitable in calendar 2005.

**Exhibit 3**  
**Total Passenger Growth at BWI**  
**Calendar 1994 to 2005 Actual and Calendar 2006 to 2007 Estimated**



Source: Maryland Aviation Administration

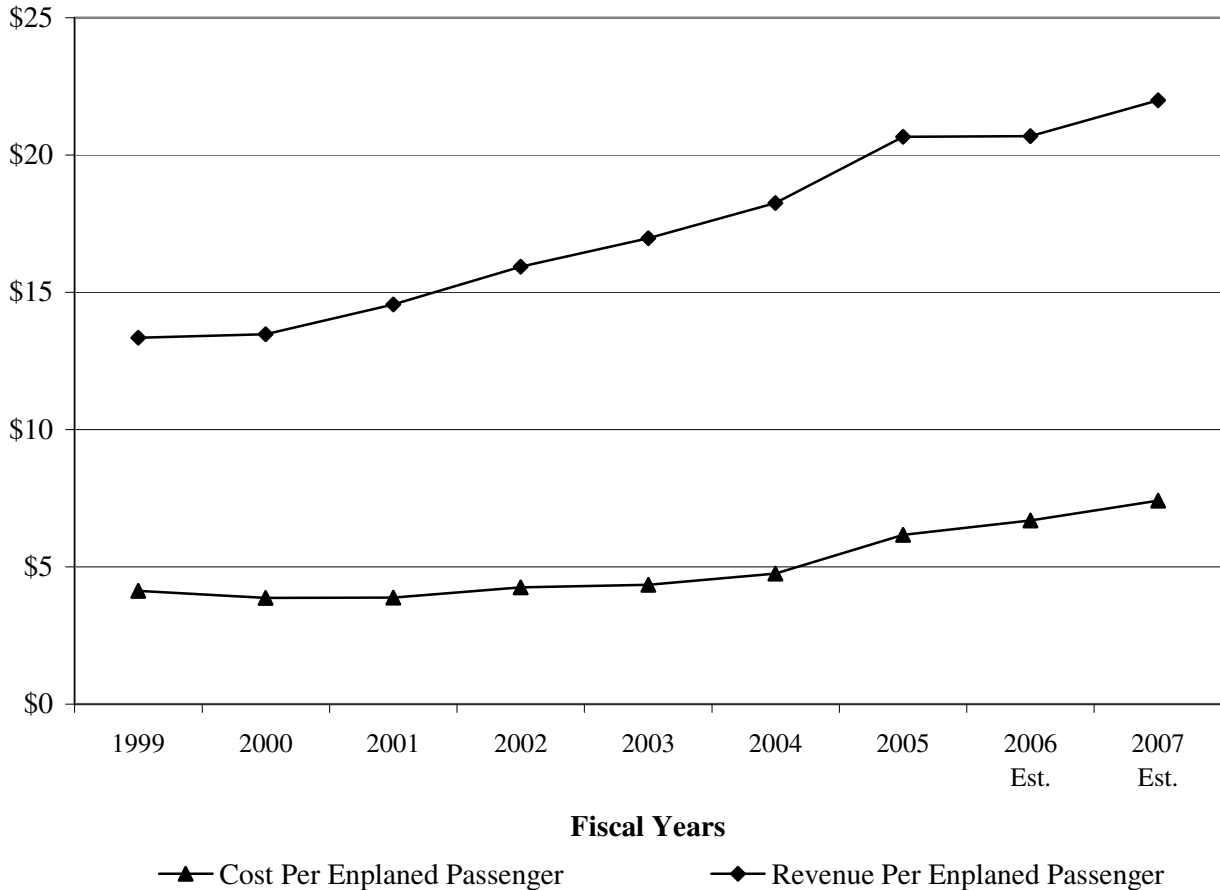
**Cost and Revenue Per Enplaned Passenger**

As shown in **Exhibit 4**, two of the important financial calculations considered in regard to airports are the cost per enplaned passenger (CPE) and the revenue per enplaned passenger (RPE). In regards to CPE, part of BWI’s success has been its ability to maintain low CPE rates. BWI maintains its CPE at roughly \$6, compared to roughly \$12 to \$15 at Dulles and Reagan National. However, the gap between BWI’s CPE and the regional competition is narrowing, primarily because the new Basic Use and Lease Agreement (BULA), the document setting forth the rates and charges for the airlines, enables MAA to recover more direct costs than in the past.

In terms of RPE, BWI is also doing well. The fiscal 2005 RPE was \$20.67, a 13.3% increase over the previous year. This increase can be attributed to the opening of Concourse A, which initiated the first phase of the new concessions contract with BAA Maryland, Inc. The new concessions program utilizes a large number of local, national, and internationally known brands for food service, retail, and consumer services. The new concessions will be phased in for the remaining concourses, with completion expected by the end of spring 2007.

*Analysis of the FY 2007 Maryland Executive Budget, 2006*

**Exhibit 4**  
**Cost and Revenue per Enplaned Passenger at BWI**  
**Actual Fiscal 1999 – 2005 and Estimated Fiscal 2006 – 2007**



Source: Maryland Aviation Administration

**Governor's Proposed Budget**

The fiscal 2007 operating allowance increases by \$10.1 million (6.3%) over the fiscal 2006 working appropriation. Personnel costs increase by \$2.0 million. The largest increases in personnel costs include health insurance (\$588,568), increments (\$484,032), and turnover (\$364,398). Additionally, there is a \$605,000 increase in personnel attributable to a one-step increase, new shift rate differential, and an increase in the clothing allowance for fire rescue personnel as the result of the latest union negotiations. These increases in personnel are offset by a decrease of \$426,000 for temporary workers and overtime as a result of cost containment initiatives by MAA.

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The largest single increase in the allowance is for contractual services. This \$3.5 million increase includes contracts for janitorial services (\$1.4 million), equipment maintenance and repair (\$774,376), plumbing (\$569,730), security (\$203,018), trash and garbage removal (\$167,570), and electrical (\$152,780). These increases occur for a variety of reasons including contract renewal, inability to attract and retain qualified plumbers, an increase in the number of escalators and moving walkways, and enhanced security measures.

The fiscal 2007 allowance also includes a large increase (\$929,263) for a variety of consultants. These positions include:

- \$255,263 to allow for increased use of BWI's air service consultants. These consultants prepare data used to convince international and domestic carriers to add or increase service from BWI. This addresses MAA's goal to attract, maintain, and expand air service.
- \$250,000 for consultants to advise MAA throughout the process of developing the next BULA, the document setting forth the rates and charges for the airlines. The current one expires June 30, 2008. This addresses MAA's goal to operate BWI efficiently and effectively.
- \$115,000 for an insurance consultant to review and comment on existing insurance coverage.
- \$309,000 for customer satisfaction services. This includes \$124,000 for additional customer service surveys; \$70,000 for additional focus group studies; and \$115,000 for mystery shopper services to observe the performance of the new concession operators. This addresses MAA's goal to provide exceptional service.

In terms of debt service, there is a \$647,351 net increase in the debt service payment. This net increase is the result of a \$57,763 decrease in payments for the COPs issued for the Pier B expansion, new deicing facilities, and the purchase of 50 new shuttle buses; and a \$705,114 increase in MEDCO payments for the construction of Concourse A and the expansion of Concourse B.

Other smaller increases include \$880,050 for increases associated with the Consolidated Transportation Information Processing Plan (CTIPP), \$642,828 for fuel and utilities, \$494,070 for ground maintenance, and \$155,070 for vehicle purchases and replacement vehicles. **Exhibit 5** provides details on the major changes occurring in the fiscal 2007 allowance.

**Exhibit 5**  
**Governor’s Proposed Budget**  
**MDOT – Maryland Aviation Administration**  
**(\$ in Thousands)**

<b>How Much It Grows:</b>	<b>Special Fund</b>	<b>Federal Fund</b>	<b>Total</b>
2006 Working Appropriation	\$160,697	\$241	\$160,937
2007 Governor’s Allowance	<u>170,763</u>	<u>280</u>	<u>171,042</u>
Amount Change	\$10,066	\$39	\$10,105
Percent Change	6.3%	16.4%	6.3%

**Personnel Expenses**

One-grade increase, new shift rate differential, and increased clothing allowance for fire rescue personnel as a result of union negotiations .....	\$605
Health insurance .....	589
Increments .....	484
Temporary workers and overtime (MAA cost containment initiatives).....	-426
Turnover adjustments .....	364
Retirement .....	157
Social Security.....	140
Other adjustments.....	129

**Other Changes**

Janitorial services .....	1,431
Plumbing and electrical contracts.....	1,186
Consultants for BULA, insurance, air service, and customer satisfaction surveys .....	929
Communications and information technology as the result of CTIPP .....	880
Net change in debt service payment.....	647
Natural gas and electricity .....	643
Maintenance and repair of mechanical equipment such as loading bridges; conveyor systems; escalators; elevators; heating, ventilation, and air conditioning system; etc.....	641
Ground maintenance .....	494
Security services.....	203
Replacement of equipment (includes 45 foot electric boom lift for MTN, two mowers, pavement cutter, identification badge printer, disaster supplies trailer, and snow plow) .....	173
Garage, roadway, and airside ramp sweeping and scrubbing .....	168
Air traffic control operations at MTN .....	150
Replacement motor vehicles .....	115
Inspection and repair of radio system and fire protection system .....	92
Insurance coverage costs.....	48
Maintenance and repair for office equipment and operating equipment.....	41
Funds for purchase of new fire and rescue pickup truck.....	40
Connection of Automated Weather Observation System for regional airports.....	35
Repair and maintenance of fire rescue specialized vehicles .....	35
Repair and maintenance of roadway signs and interior and exterior signs .....	30
Other adjustments.....	82
<b>Total</b>	<b>\$10,105</b>

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

## PAYGO Capital Program

### Program Description

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

### Fiscal 2006 through 2011 Consolidated Transportation Program

The MAA capital PAYGO program decreases by \$11.7 million from the fiscal 2006 working appropriation to the fiscal 2007 allowance. The net decrease reflects a \$16.5 million decrease in federal funds and a \$4.7 million increase in special funds. The large decrease in federal funds is due to near completion of several projects that will no longer necessitate federal funding. The projects include the 15R Parallel Taxiway and Ramp, Concourse A, the B/C Airfield Ramp Regrading, and the 800 Megahertz Radio System.

The MAA capital PAYGO program also utilizes “other funds” that includes MdTA bond financing, passenger facility charges (PFCs), customer facility charges (CFCs), and MEDCO funds. **Exhibit 6** shows the breakdown of projects using other funding. Other funds decrease from \$89.7 million in fiscal 2006 to \$42.1 million in fiscal 2007. These changes are primarily due to near completion of the first phase of the \$1.8 billion BWI expansion program.

**Exhibit 6**  
**MAA Other Funds**  
**Fiscal 2006 – 2007**  
**(\$ in Thousands)**

<u>Project</u>	<u>Other Source</u>	<u>FY 2006</u>	<u>FY 2007</u>
Central Utility Plant	MdTA	\$1,055	
Elm Road Parking Structure	MdTA	7,262	
Consolidated Rental Car Facility	CFC	96	
Rental Car Facility Bus Improvements	CFC	454	
BWI Shuttle Bus Fleet Acquisition	COPs	9	
New Concourse A Expansion	MEDCO	15,765	
Replace Glycol Recovery Vehicles (3)	PFC	850	
Parallel Taxiway and Ramp	PFC	1,548	
New Concourse A Expansion	PFC	3,499	
CUTE for International Terminal Buildout	PFC	515	

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<u>Project</u>	<u>Other Source</u>	<u>FY 2006</u>	<u>FY 2007</u>
B/C Airfield Ramp Regrading	PFC	5,346	
Additional Glycol Collection Tank #3	PFC	454	\$766
Airside Taxiway Paving Rehab	PFC	418	2,682
B/C Airfield Ramp Regrading Phase II	PFC	669	809
D/E Airfield Ramp Paving Improvements	PFC	330	1,542
High-speed Multifunction Units	PFC	2,640	260
800 Megahertz Emergency Digital Trunked Radio System	PFC	1,092	1,267
Terminal Entrance Roadway Phase II	PFC	38,196	5,581
Concourse D/E Baggage Screening System and Baggage Claim Renovation	PFC	468	10,649
Baggage Handling System Upgrades	PFC	1,010	939
Hagerstown Airport	RAA	8,000	8,000
Airport Administrative Office Building	MEDCO		1,545
Exit Lane Technology	PFC		327
Equipment and Safety Training System	PFC		715
Network Upgrades	PFC		174
External Information Technology Infrastructure Upgrades	PFC		998
Airfield Lighting Cable Replacement	PFC		2,912
C/D Airfield Ramp Improvements	PFC		160
Terminal Complex Roadway Resurfacing	PFC		969
BWI Perimeter Gates and Fencing Improvements	PFC		600
BWI Airport Mobile Command Post Vehicle	PFC		623
Perimeter Intrusion Detection Systems	PFC		506
Employee/Vendor Checkpoints	PFC		76
<b>Total MAA Other Funds</b>		<b>\$89,676</b>	<b>\$42,100</b>

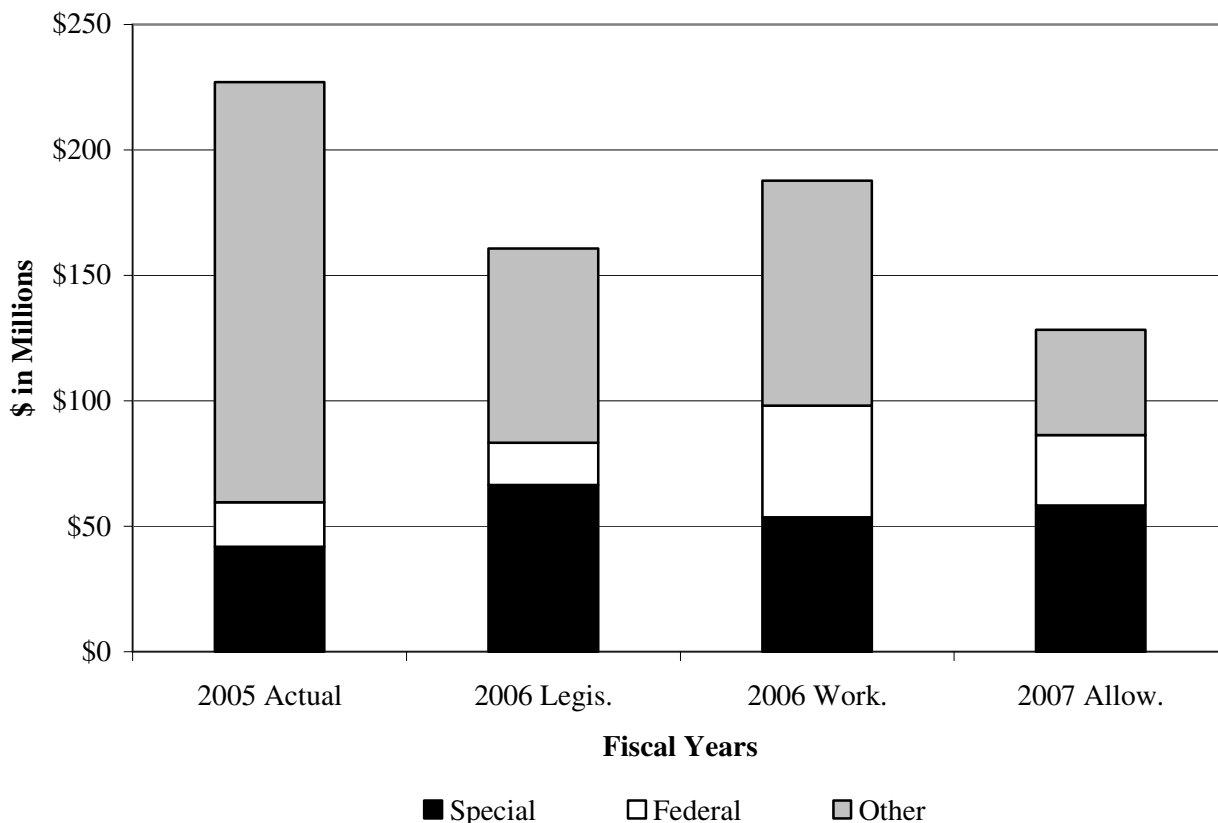
CUTE = Common Use Terminal Equipment

RAA = Regional Aviation Assistance

Source: Maryland Department of Transportation

**Exhibit 7** provides cash flow information for the MAA capital program from fiscal 2005 to 2007. The total capital program in fiscal 2007 is about \$100 million less than the program in fiscal 2005. This change is primarily due to the near completion of the first phase of the BWI expansion program and the purchase in fiscal 2005 of 50 shuttle buses.

**Exhibit 7**  
**MAA Capital Program Cash Flow Changes**  
**Fiscal 2005 – 2007**  
**(\$ in Millions)**



Source: Maryland Department of Transportation, January 2006 *Consolidated Transportation Program*

**Exhibit 8** provides a list of major MAA *Consolidated Transportation Program* (CTP) construction projects funded in fiscal 2007. The six projects listed account for 95% of all major projects in the construction program for fiscal 2007.

**Exhibit 8**  
**MAA Major Construction Projects Funded in Fiscal 2007**  
**(\$ in Thousands)**

<u>Project</u>	<u>FY 2007</u>	<u>Total \$</u>	<u>Completion of Fiscal Cashflow</u>
Terminal Entrance Roadway Improvements, Phase II – includes new enclosed, elevated pedestrian bridge skywalks with moving walkways from existing garage to terminal building; widens the upper level roadway to add new public curbside; and includes enhancements to the terminal by replacing front windows and flooring.	\$5,581	\$186,476	2007
Midfield Complex, Aircraft Hangar at MTN – construction of a 20,000 square foot hangar in the midfield complex area for public aircraft maintenance and storage and aviation-related support activities.	5,081	7,650	2007
Midfield Complex, New Air Traffic Control Tower and Taxiway Extension at MTN – provides for the construction of a new air traffic control tower to be located in the midfield complex area at MTN. The new control tower will be significantly higher to provide the air traffic controller with an improved line of sight.	4,101	13,523	2009
Airfield Pavement Improvement Program at BWI – includes the reconstruction and overlay of multiple taxiways and the reconstruction of aircraft ramp areas between Concourses D/E and Concourses C/D.	14,748	67,092	2009
Concourse D/E Baggage Screening System and Baggage Claim Expansion at BWI – reconfigures the existing baggage screening and baggage make-up system to a fully integrated baggage security and handling system. Includes changes to the baggage system configuration, sort loop, equipment, and expansion of the current building structure.	10,649	36,665	2010
Hagerstown Airport Expansion – provides for a multi-year project to expand a runway at Hagerstown Regional Airport.	10,333	57,611	2014
<b>Total</b>	<b>\$50,493</b>	<b>\$369,017</b>	

Source: Maryland Department of Transportation, January 2006 *Consolidated Transportation Program*

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## Projects Added to the Construction Program

As shown in **Exhibit 9**, two projects were added to the construction program in the fiscal 2006 through 2011 CTP. Construction of the Airfield Pavement Improvement Program is expected to begin in spring 2006. Although the Concourse D/E Baggage Screening and Baggage Claim Expansion at BWI has been included in the construction program, it is currently being reevaluated in response to concerns from the airlines regarding cost.

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### Exhibit 9 MAA Projects Added to the Construction Program (\$ in Thousands)

<u>Project</u>	<u>FY 2007</u>	<u>Total \$</u>	<u>Completion of Fiscal Cashflow</u>
Airfield Pavement Improvement Program at BWI – includes the reconstruction and overlay of multiple taxiways and the reconstruction of aircraft ramp areas between Concourses D/E and Concourses C/D. The work includes pavement removal and reconstruction, improvements to drainage structures, upgrades to deicing collection facilities, installation of centerline lighting on taxiways, and ramp lighting.	\$14,748	\$67,092	2009
Concourse D/E Baggage Screening System and Baggage Claim Expansion at BWI – reconfigures the existing baggage screening and baggage make-up system to a fully integrated baggage security and handling system. Includes changes to the baggage system configuration, sort loop, equipment, expansion of the current building structure, and an upgrade of the baggage claim area.	10,649	36,665	2010
<b>Total</b>	<b>\$25,397</b>	<b>\$103,757</b>	

Source: Maryland Department of Transportation, January 2006 *Consolidated Transportation Program*

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## Projects Added to the D&E Program

As shown in **Exhibit 10**, several projects were added to the development and evaluation (D&E) program.

**Exhibit 10**  
**MAA Projects Added to the D&E Program**  
(\$ in Thousands)

<u>Project</u>	<u>FY 2007</u>	<u>Total \$</u>	<u>Completion of Fiscal Cashflow</u>
Midfield Complex – Airport Operations and Fixed Base Operator Facility at MTN – facility to house the MAA Office of Airport Operations and Fixed Base Operator offices. The facility will also provide additional space to provide support services for airport tenants/business and other customer needs, flight schools, aircraft sales companies, and other aviation-related businesses.	\$175	\$175	2007
Midfield Complex – Second Aircraft Hangar at MTN – provides for the design of a second 20,000 square foot hangar in the midfield complex area for public aircraft servicing and storage and aviation-related support activities.	200	200	2007
Northwest Quadrant Airfield Perimeter Roadway at BWI – addresses one quadrant of a proposed perimeter roadway at BWI. The perimeter roadway will separate dedicated airside vehicles from aircraft operating within the airport operations area, eliminating potential hazards and reducing response times for all airside vehicles.	100	100	2007
Runway Safety Area Improvements (RSA) at BWI – to define the improvements necessary to bring the RSAs at both ends of runways at BWI into compliance with current Federal Aviation Administration standards.	123	700	2008
Airport Administrative Office Building at BWI – construction of a 124,500 square foot office building to consolidate MAA management and staff at one location and to accommodate aviation-related lease space.	1,545	4,000	2008
<b>Total</b>	<b>\$2,143</b>	<b>\$5,175</b>	

Source: Maryland Department of Transportation, January 2006 *Consolidated Transportation Program*

**Construction Schedule Delays**

One MAA project was delayed in the fiscal 2006 through 2011 CTP. The Interim Airport Layout Plan Environmental Assessment at BWI has been delayed from fiscal 2005 to 2007 as the result of a late contract start. This project provides for the study of the environmental impact of all capital projects shown in the current 2010 Airport Layout Plan. This environmental impact information is required by the Federal Aviation Administration (FAA).

## BWI Expansion Program Update

BWI is in the process of a \$1.8 billion construction program that will provide additional parking, expand terminal capacity, and improve vehicle and pedestrian access. As shown in **Exhibit 11**, a total of \$868 million in projects are completed or near completion. Of the projects near completion, the Terminal B Connector is expected to be substantially completed by March 2006 and the Terminal Curbside Expansion and Skywalks project is scheduled for completion by October 2006. The remaining projects that make up the \$1.8 billion total expansion program are currently in the D&E program and include an updated BWI Master Plan, a People Mover System, and a variety of system preservation projects.

### Exhibit 11 Current Status of BWI's Capital Expansion Program (\$ in Millions)

<u>Project</u>	<u>Status</u>	<u>Cost</u>	<u>Funding Source</u>
<b>Parking Improvements</b>			
Daily Surface Lot (1,400 spaces)	Open	\$5	TTF, PFC
Tenant Parking Lot (3,400 spaces)	Open	14	TTF
Daily Parking Garage (8,400 spaces)	Open	157	TTF, MdTA
Bus Fleet Acquisition (50 buses)	Complete	15	COPs
<b>Consolidated Car Facility</b>			
Garage Infrastructure	Open	106	TTF, CFC
Customer Service Building	Open	11	TTF, CFC
Bus Purchase	Complete	8	TTF, CFC
Bus Maintenance Facility	Open	7	TTF, CFC
<b>Terminal A and B Expansion</b>			
Airfield Improvements	Open	61	PFC, AIP
Terminal A (11 new gates)	Open	221	PFC, MEDCO
Terminal B Connector (4 gates)	Construction	included in above	
<b>Utility Upgrade</b>			
Central Utility Plant Expansion	Open	24	MdTA Bonds
Electrical Substations Upgrades	Open	included in above	
<b>Terminal Roadway Improvements</b>			
Terminal Return Loop	Open	239	PFC, MdTA
Concourse A Curbside Extension	Open	included in above	
Upper and Lower Roadway Widening and Sidewalks	Construction	included in above	
<b>Total</b>		<b>\$868</b>	

AIP = Airport Improvement Program

TTF = Transportation Trust Fund

CFC = Customer Facility Charges

PFC = Passenger Facility charges

MdTA = Maryland Transportation Authority

MEDCO = Maryland Economic Development Corporation

COPs = Certificates of Participation

Source: Maryland Aviation Administration

## Future PFC Funding

MAA has had FAA authority to impose PFCs since October 1992. To date, 11 projects with a total associated PFC expenditure of \$395 million have been partially funded with PFCs. These projects are largely complete. In October 2005, MAA issued a notice of intent to apply for authority to impose PFC charges for 14 additional projects with a total capital cost of \$292 million. The total capital cost of \$292 million includes \$175 million in PFC funding supplemented by \$89.8 million in Federal Airport Improvement Program (AIP) funds, \$4.9 million from the TTF, and \$22.3 million in Federal Transportation Security Administration (TSA) funding.

On November 9, 2005, MAA consulted with air carriers on the proposed new PFC projects. While air carriers concurred with the majority of projects, there were objections to two security projects and proposed baggage screening system upgrades at Terminal Areas B/C and D/E. In response to the airline comments, MAA eliminated or phased in the security projects and has deferred construction of the baggage screening improvements to allow for further investigation and design of the most cost effective and least disruptive improvements for airline operations. With these changes the total project cost for the PFC application was reduced to \$222 million which includes \$134 million PFC funding, \$71.5 million in AIP funds, \$7.3 million from the TTF, and \$9.0 million in TSA grants. **Exhibit 12** provides a summary chart detailing the projects in the revised PFC application.

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**Exhibit 12**  
**Projects Included in the Revised PFC Application**  
**(\$ in Thousands)**

	<u>PFC Project Cost</u>	<u>AIP Grants</u>	<u>TTF</u>	<u>TSA Grants</u>	<u>Total</u>
<b>Impose and Use Projects</b>					
<b>Safety and Security Projects</b>					
Security Enhancement Program	\$27,805	\$0	\$235	\$0	\$28,040
Equipment and Safety Training Systems	1,496		4		1,500
<b>Airfield Projects</b>					
Concourses C/D and D/E Apron Rehabilitation	12,806	38,424			51,230
Concourse B/C Apron Rehabilitation	9,965	10,326			20,291
Airfield Lighting and Signage	16,690	2,253	300		19,243
Perimeter Security Projects	19,413		256		19,669
Communications Equipment and Infrastructure Projects	4,999	6,422	363		11,784
Snow Removal Equipment	2,900				2,900
Glycol Collection Improvements	2,070		175		2,245

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	<u>PFC Project Cost</u>	<u>AIP Grants</u>	<u>TTF</u>	<u>TSA Grants</u>	<u>Total</u>
<b>Terminal Projects</b>					
Terminal Baggage Handling System Renovations	1,949		2,051		4,000
Terminal Area D/E Baggage Handling System Upgrades (Design)	4,250		-		4,250
Taxiway Rehabilitation Program	3,520	8,408	3,934		15,862
<b>Roadway Projects</b>					
Terminal Roadway Resurfacing	969				969
<b>Subtotal Impose and Use Projects</b>	<b>\$108,832</b>	<b>\$65,833</b>	<b>\$7,318</b>	<b>-</b>	<b>\$181,983</b>
<b>Impose Only Projects</b>					
Terminal Area D/E Baggage Handling System Upgrades (Construction)	23,416			8,999	32,415
Northwest Quadrant Perimeter Service Road	1,848	5,642			7,490
<b>Subtotal Impose Only Projects</b>	<b>\$25,264</b>	<b>\$5,642</b>	<b>\$0</b>	<b>\$8,999</b>	<b>\$39,905</b>
<b>Total All Projects</b>	<b>\$134,096</b>	<b>\$71,475</b>	<b>\$7,318</b>	<b>\$8,999</b>	<b>\$221,888</b>

Source: Maryland Aviation Administration

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MAA has submitted a draft PFC application to the FAA and met with FAA staff in January 2006. MAA submitted the final application on February 10, and application approval is expected in or before June 2006.

## ***Issues***

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### **1. BWI Governance Study Group**

The BWI Governance Study Group met during the 2005 interim to review the governance structure of the MAA and BWI. Its charge was to determine if changes should be made to enable BWI to be more successful.

A thorough examination of MAA and BWI found that:

- The State should recognize the uniqueness of MAA's business in relation to other State government agencies. MAA is a self-sustaining commercial enterprise.
- BWI is in a highly competitive and challenging air service market because three major airports – BWI, Dulles, and Reagan National – all serve the Baltimore/Washington area.
- BWI Airport is a successful operation led by talented managers and is well positioned for future success because two of the nation's three most successful air carriers, Southwest Airlines and AirTran Airways, serve the airport.
- BWI is attractive to air carriers because of its low cost. Currently, the airport's CPE passenger is approximately \$5 to \$6, compared to \$12 to \$15 at Dulles and Reagan National, \$8 to \$9 at Philadelphia, and a national average of \$6 to \$8.
- Air carriers at BWI exercise oversight of new spending and act as a controlling influence on new positions, equipment, or projects.

Based on its research and inquiries, the study group developed seven recommendations for changes to practices and procedures that could enhance the management and efficiency of the airport and permit the MAA to have additional flexibility in daily management decisions, while retaining the oversight role of the State. These recommendations are:

1. The governance structure of BWI should not be changed at this time.
2. The terms of the Maryland Aviation Commission (MAC) members should be increased from three years to a minimum of five years to provide more continuity in the oversight of BWI.
3. The budget for marketing and advertising at BWI should be increased to continue to reflect the competitive market in which BWI operates.
4. The MAA should review all internal procedures and practices related to capital projects with the goal of reducing the time to finance, plan, design, and construct new facilities.
5. The MAA should be administratively exempt from personnel and budgetary actions that are applied across all State agencies, including position caps.

6. There should be an increase in the number of positions for which MAC has the authority to determine qualifications, compensation, and leave. The increase should apply not only to management positions but also non-management positions that require aviation expertise.
7. MAA and MDOT should work more closely together to use the flexibility in the Transportation Services Human Resources System to create classifications and to facilitate recruitment and hiring for positions that have been difficult to hire and retain.

**The Department of Legislative Service (DLS) recommends that MAA discuss the findings of the study group. MAA should be prepared to comment on the recommendations and what actions it plans to take as a result of the study group's findings.**

## **2. Legislative Oversight of MAA Exempt Management Personnel Positions**

Current law allows MAC to determine the qualifications, appointment, compensation, and leave for up to 12 management personnel positions. The positions are not named in statute, and MAC has the ability to add or remove positions. In making determinations and appointments under this provision, MAC is instructed to consider the comparative status of employees serving in similar positions and performing similar duties at comparable airports or aeronautical agencies.

MAC also has the ability to increase the salaries of any positions included in these 12. Any salary changes besides general salary increases approved by the General Assembly must be submitted to the Secretary of the Department of Budget and Management (DBM) at least 10 days prior to the effective date. The Secretary of DBM then has 10 days to decide whether the adjustment poses an adverse impact on special fund expenditures. After 10 days, it is assumed that there is not an adverse impact. The statute does not address what actions the Secretary of DBM can take if the change is deemed to have an adverse impact or whether or not MAC is bound by this determination.

The only legislative oversight contained in current law is an annual report from MAC, due to the General Assembly by January 15 of each year. Among other things, this report is to include actions taken by the commission in regard to these positions, as well as the consideration of the comparative status of employees serving at comparable airports or aeronautical agencies.

In regard to the reporting requirements, the only mention of these positions in the most recent MAC report (January 2006) is the following: "In accordance with Section 5-201.1 of the Transportation Article, the Commission played a major role in interviewing and evaluating candidates and in selecting the new Executive Director." What the report failed to mention was that the current incumbent of the position received a roughly \$65,000 increase in pay over the previous incumbent. MAA reports that this increase was necessary for the recruitment of a highly qualified candidate. They further cite the findings of a 2005 compensation survey conducted by the American Association of Airport Executives that reported the salaries of comparable positions at other Large Hub airports as ranging from \$240,000 at Atlanta to \$328,000 at Columbus. (BWI is a hub airport according to FAA guidelines based on annual enplanement figures.) The salary reported for a comparable position at Washington, DC was \$269,000.

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After an inquiry to MAA, **Exhibit 13** was provided with a listing of the current positions and salaries included in the management personnel positions. Although MAC has the ability to include up to 12 positions, 2 positions have not yet been approved by MAC.

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**Exhibit 13**  
**Current MAA Management Personnel Positions**

<u>Position</u>	<u>Annual Salary</u>
Executive Director	\$250,000
Senior Deputy Executive Director	120,785
Deputy Executive Director, Operations, Public Safety and Security	127,890
Deputy Executive Director, Facilities Development and Engineering	127,890
Deputy Executive Director, Maintenance, Utilities, and Terminal Services	116,725
Deputy Executive Director, Business Management and Administration	116,725
Director, Engineering and Construction Management	126,875
Director, Commercial Management	115,710
Director, Planning and Environmental Services	105,560
Director, Regional Aviation Assistance	79,000

Source: Maryland Aviation Administration

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The Maryland Port Administration (MPA) is also allowed up to 12 exempt positions under current law. Like MAC, the Maryland Port Commission (MPC) has the authority to determine the qualifications, appointment, compensation, and leave for these 12 positions. As with MAC, MPC must report salary changes to the Secretary of DBM at least 10 days prior to the effective date of change. The Secretary then has the same options as for the MAC positions. Furthermore, current law requires MPC to submit a stand alone report by December 1 of each year on actions taken by MPC in the previous fiscal year in regard to these positions. The law also requires the Governor to include personnel detail for these employees in the form and manner provided for an agency in the State Personnel Management System.

In practice, the MPC annual report includes information on positions added to and deleted from the 12 management personnel positions; changes in salary, including prior salary, new salary, and amount of change; the appointment of a new person in one of these positions, as well as previous salary and new salary; and a complete listing of the positions and salaries of each of the positions currently included in the management personnel positions.

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Furthermore, MDOT is currently undertaking a review of all positions at MPA and MAA to determine additional positions that they would like included in the management personnel positions. Studies completed during the 2005 interim, by both the BWI Governance Working Group and the Joint Commission on the Maryland Port Administration, reported that additional management personnel positions would be beneficial to MAA and MPA, respectively.

Concerns about large salary increases, the differences in reporting between MAC and MPC, lack of legislative oversight, and the prospect of additional positions being included in the management personnel positions make additional reporting requirements for MAC important.

**DLS recommends that MAC reporting requirements should be comparable to those for MPC for similar positions. It is further recommended that budget bill language or legislation should change the reporting requirements to include an annual report to the Governor and the Legislative Policy Committee of the General Assembly on actions taken by MAC in the previous fiscal year in regard to:**

- **positions added or removed from the 12 exempt positions;**
- **the appointment of a new person in one of these positions, including previous incumbent's salary as well as the current incumbent's salary;**
- **salary changes by position, including previous salary, new salary, and change in salary; and**
- **an annual listing of all of the positions and salaries included in this exemption.**

**Furthermore, these positions and salaries should be listed in the annual back-of-the-bill language in the Governor's proposed budget.**

## ***Operating Budget Recommended Actions***

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	<b><u>Amount Reduction</u></b>	
1. Reduce funds for audit services. This action would reduce funds for audit services to a more appropriate level based on past year actuals. The fiscal 2003 actual was \$6,300, \$6,400 in fiscal 2004, and \$6,500 in fiscal 2005. This action would reduce the allowance to \$24,243, which still leaves room for increased auditing of revenue contracts beginning in fiscal 2006 that the Maryland Aviation Administration says is necessary.	\$ 50,000	SF
2. Reduce funds for customer service surveys. With this reduction, funding will remain for three customer service surveys per year, the same number as in fiscal 2006.	124,000	SF
3. Reduce funds for telecommunications. The remaining amount is 8% above the fiscal 2005 actual (\$167,961) to allow for increases in costs. Telecommunications includes basic telephone and long distance service, repair and maintenance, and wireless services.	172,839	SF
4. Reduce funding for miscellaneous communications charges to the average of the past three years' actual. This action would reduce funding to a more appropriate level based on actual usage.	36,338	SF
5. Reduce funding for vehicle maintenance and repair based on the average of the past three years' actual usage at the Baltimore/Washington International Thurgood Marshall Airport.	36,771	SF
6. Reduce funding for vehicle insurance. This action will decrease funding for vehicle insurance to \$40,000. This amount is 8% above the fiscal 2005 actual (\$36,771) to allow for inflation or premium increases.	20,273	SF

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7.	Reduce funds for bookbinding and photography. This action would reduce the fiscal 2007 allowance to the fiscal 2005 actual to reflect actual usage patterns.	15,072	SF
8.	Reduce funds for extermination to reflect actual usage. Over the past three fiscal years, actual usage has consistently been \$40,000 to \$50,000 less than appropriated. The proposed appropriation is 8% above the fiscal 2005 actual.	50,597	SF
9.	Reduce funding for laundry services to the fiscal 2006 appropriation. This action would delete the increase for laundry service included in the allowance. The fiscal 2005 actual was \$7,165 less than the appropriation, making an increase unnecessary.	16,350	SF
10.	Reduce funds for maintenance and repair of other vehicles, which includes heavy trucks and fire rescue specialized vehicles. This action would eliminate the increase included in the Governor's allowance. The Maryland Aviation Administration specifies that the increase is necessary for increased repairs on fire rescue specialized vehicles. However, the fiscal 2005 actual was roughly \$100,000 less than the working appropriation, allowing adequate funds for increased repairs.	35,408	SF
11.	Reduce funding for equipment rental to reflect actual usage. The three-year average of usage is \$179,772. This action would reduce the allowance to \$200,000, which seems more appropriate given actual usage.	117,453	SF
12.	Reduce funding for equipment repair and maintenance. This action would moderate the nearly \$1 million increase included in the Governor's allowance. The fiscal 2005 actual was \$10.5 million. The fiscal 2006 working appropriation increased by \$5.4 million as a result of increased funding for the opening of Concourse A.	200,000	SF
<b>Total Special Fund Reductions</b>		<b>\$ 875,101</b>	

***PAYGO Budget Recommended Actions***

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	<b><u>Amount Reduction</u></b>	
1. Reduce funds for additional temporary assistance. This action would reduce funding to the fiscal 2003 actual, the highest actual level in the past three fiscal years.	\$ 17,894	SF
2. Delete funding for other technical and special fees. This action would delete funding for transcription services for Neighbor’s Committee meetings. This same amount of money has been appropriated the past three fiscal years and none of this money has been used in any of the previous three fiscal years.	4,450	SF
3. Reduce funding for out-of-state travel. This action would reduce funding for out-of-state travel to more appropriate levels based on prior years’ actual usage.	40,000	SF
4. Reduce funds for advertising and legal publications to more appropriate levels based on prior years’ actual usage. These capital funds provide for the publication of notices of public meetings and hearings in newspapers and the Maryland Register. The actual was \$715 in fiscal 2005, \$387 in fiscal 2004, and \$4,990 in fiscal 2003. This reduction would leave \$10,000 remaining for these costs, which should be more than adequate given past usage.	36,960	SF
5. Delete funding for the aircraft hangar at Martin State Airport (MTN). This action would delete funding for the Black & Decker aircraft hangar at MTN. Due to considerable delays in the State funding of the project, Black & Decker is considering building the project itself and reimbursing the State for money it has already expended.	5,081,000	SF
	423,000	FF
6. Reduce funding for the Homeowner Assistance Program. This action would reduce funding to the fiscal 2006 appropriated level. The Homeowner Assistance Program is an ongoing project that provides for the mitigation of aircraft noise and the improvement of land-use compatibility around	953,000	SF

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Baltimore/Washington International Thurgood Marshall Airport. Demand changes from year to year. This reduction is necessary to identify \$29.3 million in restricted fiscal 2006 funds for one-time grants that were reprogrammed by the department. This reduction reduces funding for fiscal 2007; however if the department identifies available cash during the fiscal year the department may process a budget amendment to fund these projects.

<b>Total Reductions</b>	<b>\$ 6,556,304</b>
<b>Total Special Fund Reductions</b>	<b>\$ 6,133,304</b>
<b>Total Federal Fund Reductions</b>	<b>\$ 423,000</b>

## Updates

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### 1. Consolidated MAA Facility

Narrative in the 2004 *Joint Chairmen's Report* directed MAA to provide an update on proposals for a new consolidated MAA facility. MAA currently occupies space at six locations in and around BWI. This includes two leased locations and a number of State-owned facilities including the BWI terminal building. MAA submitted a report in December 2004 that outlined a plan to build a new Airport Administration Office Building (AAOB). AAOB would be an extension of the existing terminal that would serve as a centralized administration facility for MAA. The proposed facility will consolidate 11 airport offices and approximately 220 MAA employees into one new structure.

During MAA's early years, the entire staff was housed at the BWI terminal building. As the number of passengers grew at BWI, so did the MAA personnel. MAA's staffing requirements have now far exceeded the capacity of the BWI terminal building. Some of the most significant problems of the current situation include:

- MAA staff is dispersed at six locations in and around BWI;
- decentralized staff locations often make effective coordination and communication difficult;
- there is lack of easy access to the main terminal and airfield;
- the current situation results in operational and financial inefficiencies; and
- there is insufficient space in the main terminal to meet MAA's staffing needs.

After developing four alternatives in response to the need for a new consolidated MAA facility, MAA chose to consolidate its offices by constructing a 124,500 square foot office building including 41,500 square feet of aviation-related lease. With the exception of airport emergency, maintenance, safety and security, and operations personnel, all other MAA staff housed at BWI will be housed in the new AAOB. To be more precise, in addition to the Executive Office, 10 of the 14 MAA offices will relocate to the new AAOB. Those offices are listed below:

- Airport Technology and Community Affairs;
- Attorney General;
- Commercial Management;
- Communications and Business Relations;
- Engineering and Construction Management;

- Fair Practices;
- Finance and Administration;
- Marketing and Air Service Development;
- Planning and Environmental Services; and
- Regional Aviation Assistance.

Although MAA originally advised that site preparation could begin in late 2005, with building completion scheduled for late 2007, this timeline has since been delayed. MAA now expects to open the new facility by the end of 2010. The design procurement and construction process is expected to require three years (2007 through 2010). The project is listed in the D&E Program in the 2006 through 2011 CTP.

The delay in this project has been caused by the need to include the project in the BWI Airport Layout Plan (ALP) approved by the FAA. The FAA reviews and approves all planned development included in the ALP with respect to safety, efficiency, utility, and environmental impact. The upcoming Environmental Assessment (EA) must include all projects submitted in the ALP. With the anticipated approval of the ALP in summer 2007, the necessary EA should commence shortly thereafter, and will take roughly two years. The development of the new AAOB cannot occur until after both the FAA ALP and EA approvals are obtained.

## **2. Baggage Screening Projects at BWI**

TSA requires that 100% of all checked baggage be screened for explosives. With growing passenger volumes using BWI, air carriers are experiencing increased instances of checked baggage missing flights or flights being delayed waiting for baggage. Although Concourse A opened as one of the first major airport passenger terminal facilities with a “post-9/11” design, which includes a state-of-the-art, in-line baggage screening system, existing baggage handling systems in other concourses are inadequate. To upgrade its existing facilities, MAA worked with an airline technical committee to conduct design studies and a cost-benefit analysis regarding potential solutions to improve baggage-screening throughput. The range of alternatives reviewed included:

- upgrades to existing stand-alone screening systems for each airline;
- replacement of current manual baggage screening with “quasi-inline” systems that automate a significant part of baggage handling;
- replacement with “fully-inline” systems with automated handling and screening systems serving multiple airlines; and

- expansion of the building envelope to permit additional screening devices and allow expansion of the congested inbound baggage areas.

Based on this analysis, fully-inline systems in an expanded building were recommended for Terminal Areas B/C and D/E and included in the new PFC application. At a meeting with the air carriers regarding the application, the affected airlines expressed concerns regarding capital and ongoing operating costs for the recommended improvements, and asked for further review of alternatives. As a result, near-term improvements to Terminal Area B/C have been deferred and MAA, AirTran, and the other consulting carriers are currently evaluating improved alternatives for Terminal Area D/E.

The 2006 through 2011 CTP includes only the Concourse D/E Baggage Screening System and Baggage Claim Expansion in the Construction Program. The baggage screening and handling system for Concourse B/C is included in the D&E program. **Exhibit 14** shows the fiscal 2007 cost and total cost for each of these projects.

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**Exhibit 14**  
**Baggage Screening Projects at BWI**  
**(\$ in Thousands)**

	<u>FY 2007</u>	<u>Total Cost</u>	<u>Completion of Fiscal Cashflow</u>
<b>D&amp;E Program</b>			
Concourse B/C	\$559	\$2,053	2008
<b>Construction Program</b>			
Concourse D/E	10,649	36,665	2010

Source: Maryland Department of Transportation, January 2006, *Consolidated Transportation Program*

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### **3. BRAC Effect on Martin State Airport**

The base realignment and closure process, also known as BRAC, has overall been very favorable for Maryland. Aberdeen Proving Grounds and Fort Meade alone are expected to receive more than 7,000 direct jobs as a result of the process. Unfortunately, the results have not been as favorable for the Maryland Air National Guard station at MTN.

The Maryland Air National Guard station at MTN will be “realigned,” resulting in the removal of eight C-130J aircraft, the transfer of the Aerial Port function to Andrews Air Force Base, and the loss of 17 military personnel and 106 civilian personnel. The Maryland Air National Guard currently has two squadrons at MTN, one of C-130J aircraft, used for transport, and one of A-10s, used for troop support on the ground. BRAC would remove the eight C-130J aircraft and transfer four to California and four to Rhode Island. The A-10s would remain, and three from Pennsylvania would be transferred into MTN.

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Although no firm timeline is in place, it is estimated that these changes would take place in 2008 or 2009. At this time, MAA does not expect that the realignment will have any adverse fiscal impact on revenues from MTN. The Air National Guard currently pays rent of roughly \$50,000 for the land that they occupy, and there has been no mention of reducing the amount of land leased.

Although the recommendations are final at this point, a number of states, including Connecticut and Tennessee have filed lawsuits against the Department of Defense under the premise that it is against the law for an Air National Guard unit to be relocated or withdrawn from a state without consent or approval from the governor, who acts as commander in chief of the state's Guard forces. The lawsuits could go as far as the Supreme Court on questions regarding the Second Amendment, which grants the states rights to maintain militias.

## *Current and Prior Year Budgets*

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

	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
<b>Fiscal 2005</b>					
Legislative Appropriation	\$0	\$121,711	\$241	\$0	\$121,952
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	0	3,810	90	0	3,901
Reversions and Cancellations	0	-406	0	0	-406
<b>Actual Expenditures</b>	<b>\$0</b>	<b>\$125,116</b>	<b>\$331</b>	<b>\$0</b>	<b>\$125,447</b>
<b>Fiscal 2006</b>					
Legislative Appropriation	\$0	\$159,568	\$241	\$0	\$159,809
Budget Amendments	0	1,129	0	0	1,129
<b>Working Appropriation</b>	<b>\$0</b>	<b>\$160,697</b>	<b>\$241</b>	<b>\$0</b>	<b>\$160,938</b>

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

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## **Fiscal 2005**

Fiscal 2005 expenditures at MAA totaled \$125.4 million, which is nearly \$3.5 million more than the legislative appropriation. The \$3.5 million increase occurred with a \$3.4 million net increase in special funds and a nearly \$100,000 increase in federal funds.

Special funds increased by a net of \$3.4 million with a \$3.8 million increase in budget amendments and \$406,903 in cancellations. The amendments were (1) \$2,883,039 to fund electricity and fuel due to increased costs; (2) \$577,297 to fund the cost-of-living adjustment (COLA) granted to all eligible State employees; and (3) \$350,000 to fund a debt service payment for new shuttles buses at BWI. The \$406,903 in cancellations occurred with (1) \$270,963 for the medical insurance subsidy; (2) \$130,428 for the retirees health insurance subsidy; and (3) \$4,512 in miscellaneous cancellations.

Federal funds increased by \$90,394 due to one amendment. The amendment provides MAA with federal funds from TSA to expand the canine bomb detection force at BWI and to increase funds for a State Local Emergency Preparedness Program under a Federal Department of Justice grant.

## **Fiscal 2006**

The fiscal 2006 operating working appropriation increases by \$1,128,604 over the fiscal 2006 legislative appropriation. The change is due to (1) a special fund amendment increase of \$636,859 to fund the 1.5% COLA increase for all eligible State employees; (2) a special fund amendment increase for health insurance for active and retired employees; and (3) a special fund amendment decrease to consolidate all funds for telecommunications under the Secretary's Office, Office of Transportation Technology Services. A summary of the fiscal 2006 operating amendments is included in **Appendix 5** and the capital budget amendments are in **Appendix 6**.

## ***Audit Findings***

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Audit Period for Last Audit:	March 1, 2000 – August 31, 2002
Issue Date:	June, 2003
Number of Findings:	11
Number of Repeat Findings:	1
% of Repeat Findings:	9%
Rating: (if applicable)	n/a

- Finding 1:** MAA did not obtain sufficient guidance from the FAA regarding whether air carriers can retain compensation fees on refunded tickets. Certain air carriers retained these fees and others did not.
- Finding 2:** Revenues from certain air carriers and concessionaires were not verified to ensure that the amounts received were proper.
- Finding 3:** MAA did not obtain the proper fees from certain air carriers and concessionaires, resulting in a loss of revenue of approximately \$133,000.
- Finding 4:** **Proper internal controls were not established over the processing of purchasing and disbursement transactions.**
- Finding 5:** Internal controls for the processing of non-cash credit adjustments were inadequate.
- Finding 6:** Physical access to the main computer room was not properly restricted.
- Finding 7:** MAA did not have a formal disaster recovery plan.
- Finding 8:** Computer security was not sufficient.
- Finding 9:** Proper internal controls were not established over warehouse materials and supplies inventories.
- Finding 10:** Internal controls were inadequate over disbursements from the working fund accounts.
- Finding 11:** Physical inventories were not conducted in accordance with the Department of General Services' *Inventory Control Manual*.

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

**Object/Fund Difference Report  
MDOT – Maryland Aviation Administration Operating**

<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>
<b>Positions</b>					
01 Regular	490.00	485.00	485.00	0	0%
02 Contractual	2.00	2.00	2.00	0	0%
<b>Total Positions</b>	<b>492.00</b>	<b>487.00</b>	<b>487.00</b>	<b>0</b>	<b>0%</b>
<b>Objects</b>					
01 Salaries and Wages	\$ 31,898,977	\$ 33,019,055	\$ 35,061,214	\$ 2,042,159	6.2%
02 Technical & Spec Fees	1,206,279	1,477,290	2,441,404	964,114	65.3%
03 Communication	1,307,880	1,549,367	1,549,367	0	0%
04 Travel	408,327	204,601	204,601	0	0%
06 Fuel & Utilities	8,492,835	10,853,130	11,495,958	642,828	5.9%
07 Motor Vehicles	806,203	869,003	1,141,130	272,127	31.3%
08 Contractual Services	60,286,581	80,482,821	84,127,076	3,644,255	4.5%
09 Supplies & Materials	5,762,939	5,394,739	5,402,903	8,164	0.2%
10 Equip - Replacement	200,535	0	79,075	79,075	n/a
11 Equip - Additional	309,603	0	75,000	75,000	n/a
12 Grants, Subsidies, and Contributions	481,639	468,857	468,857	0	0%
13 Fixed Charges	5,550,456	20,608,532	21,305,711	697,179	3.4%
14 Land & Structures	8,734,520	6,009,767	7,690,189	1,680,422	28.0%
<b>Total Objects</b>	<b>\$ 125,446,774</b>	<b>\$ 160,937,162</b>	<b>\$ 171,042,485</b>	<b>\$ 10,105,323</b>	<b>6.3%</b>
<b>Funds</b>					
03 Special Fund	\$ 125,115,880	\$ 160,696,662	\$ 170,762,540	\$ 10,065,878	6.3%
05 Federal Fund	330,894	240,500	279,945	39,445	16.4%
<b>Total Funds</b>	<b>\$ 125,446,774</b>	<b>\$ 160,937,162</b>	<b>\$ 171,042,485</b>	<b>\$ 10,105,323</b>	<b>6.3%</b>

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

**Fiscal Summary**  
**MDOT – Maryland Aviation Administration**

<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>
2021 BWI Operations	\$ 117,529,115	\$ 153,540,960	\$ 162,988,667	\$ 9,447,707	6.2%
2022 Martin State Airport	7,498,024	6,993,611	7,606,812	613,201	8.8%
2023 Regional Air Development	419,635	402,591	447,006	44,415	11.0%
2030 Facilities and Capital Equipment	59,222,687	91,252,000	86,134,000	-5,118,000	-5.6%
1334 800 MHz Emergency Digital Trunked Radio	248,368	5,960,000	214,000	-5,746,000	-96.4%
1335 Flight Information Display System/ Baggage Information Display System Upgrade	0	859,000	0	-859,000	-100.0%
<b>Total Expenditures</b>	<b>\$ 184,917,829</b>	<b>\$ 259,008,162</b>	<b>\$ 257,390,485</b>	<b>-\$ 1,617,677</b>	<b>-0.6%</b>
Special Fund	\$ 166,879,256	\$ 214,267,662	\$ 229,066,540	\$ 14,798,878	6.9%
Federal Fund	18,038,573	44,740,500	28,323,945	-16,416,555	-36.7%
<b>Total Appropriations</b>	<b>\$ 184,917,829</b>	<b>\$ 259,008,162</b>	<b>\$ 257,390,485</b>	<b>-\$ 1,617,677</b>	<b>-0.6%</b>

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  
Maryland Aviation Administration – Operating**

<b><u>Status</u></b>	<b><u>Amendment</u></b>	<b><u>Fund</u></b>	<b><u>Justification</u></b>
Approved	\$636,859	Special	Funds the 1.5% COLA granted to all eligible State employees.
Approved	498,794	Special	Funds the increased cost of health insurance for active and retired employees.
Approved	-7,049	Special	Consolidates all funds for State telecommunications under the Secretary's Office – Office of Transportation Technology Services.
Projected	150,000	Special	MTN – FAA mandated 24/7 air traffic control.
Projected	2,143,000	Special	Increased cost of janitorial contract for expanded concourse.
Projected	2,045,000	Special	Fixed Base Operator Fuel (this cost is fully recovered).

Source: Maryland Department of Transportation

**Budget Amendments for Fiscal 2006**  
**Maryland Department of Transportation**  
**Maryland Aviation Administration – Capital**

<u>Status</u>	<u>Amendment</u>	<u>Fund</u>	<u>Justification</u>
Approved	\$58,609	Special	Funds the 1.5% COLA granted to all eligible State employees.
Approved	39,090	Special	Funds the increased cost of health insurance for active and retired employees.
Approved	-185,829	Special	Reallocates funds between MDOT modes for position transfers completed after the submission of the budget.
Projected	-12,780,387	Special	Adjusts the amended appropriation to agree with the anticipated expenditures for the current year as reflected in the fiscal 2006 through 2011 final CTP.
	<u>27,612,000</u>	Federal	
	<b>\$14,831,613</b>	<b>Total</b>	

Source: Maryland Department of Transportation