Maryland Department of Transportation
Fiscal 2007 Budget Overview

Department of Legislative Services
Office of Policy Analysis
Annapolis, Maryland

February 2006

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

For further information contact: Jonathan D. Martin, Jaclyn D. Dixon, and Patrick S. Frank Phone: (410) 946-5530

Analysis in Brief

PAYGO Capital Budget Issues

Federal Transportation Reauthorization Signed: On August 10, 2005, the President signed into law "Safe, Accountable, Flexible, and Efficient Transportation Equity Act – A Legacy for Users" the federal transportation reauthorization. It provides $286.5 billion in guaranteed funding for federal highway, transit, and safety programs through federal fiscal 2009. Maryland should receive on average $720 million in federal aid per year. Issues of particular interest to Maryland include an increase in minimum guarantee levels, an increase in the average annual highway and transit funding, and 113 highway and transit earmarks for projects totaling $602.7 million. **The Department of Legislative Services (DLS) recommends that the Maryland Department of Transportation (MDOT) comment on what impact earmarks have had on the *Consolidated Transportation Program* (CTP).**

Private Financing Emerging as Mechanism to Construct Transportation Facilities: In recent years, more and more states have turned to the private sector to assist in the construction of transportation infrastructure, known as public private partnerships. The most common form of interaction involves the private partner in some combination of designing, building, operating, and maintaining a highway, or the State leasing an asset for a pre-determined period to a private entity to operate and maintain for a lump sum payment. In 1997, regulations were adopted to provide procedures for the Maryland Transportation Authority (MdTA) to accept unsolicited proposals for transportation facilities, excluding highways, and to administer the process on behalf of MDOT. Legislation enacted in 2005 provides that the General Assembly has 45 days to review and comment on any MdTA contract to construct a revenue-producing transportation facility. **DLS recommends MDOT discuss several issues regarding public private partnerships including the role of the private sector in the development of transportation infrastructure and the role of legislative oversight. In addition, DLS recommends that the General Assembly consider legislation that would establish a statutory framework for legislative oversight of public private partnerships.**

One-time Local Grants Remain Unallocated and Funds Reallocated;: During the 2005 legislative session, the General Assembly restricted $29.3 million from the Community Safety and Enhancement Program (CSEP) for the purpose of providing $25.8 million as a one-time grant to local jurisdictions and $3.5 million as a one-time PAYGO capital grant to Baltimore and Montgomery counties. To date, MDOT has not released the one-time grants to local jurisdictions. The CTP does not reflect funds for the one-time grant to locals. **DLS recommends that MDOT address the issue of whether the $29.3 million in restricted funds from CSEP will be released in fiscal 2006. DLS also recommends the reductions of $29.3 million in fiscal 2007 to recognize the legally restricted funds which cannot be reallocated for other purposes for which recommendations will be made within the budget analyses.**

Recommended Actions

1. Add annual budget language pertaining to capital budget changes.
2. Add annual budget language on non-transportation expenditures.
3. Add budget language to establish an annual position ceiling.

Operating Budget Analysis

The Maryland Department of Transportation (MDOT) is responsible for statewide transportation planning and the development, operation, and maintenance of key elements of the transportation system. It is involved in all modes of transportation within the State, including the construction and maintenance of State roads, regulation and licensing of drivers and vehicles, and operation of bus and rail transit services. In addition, MDOT owns and operates facilities in the Port of Baltimore and the Baltimore-Washington International Thurgood Marshall (BWI) Airport.

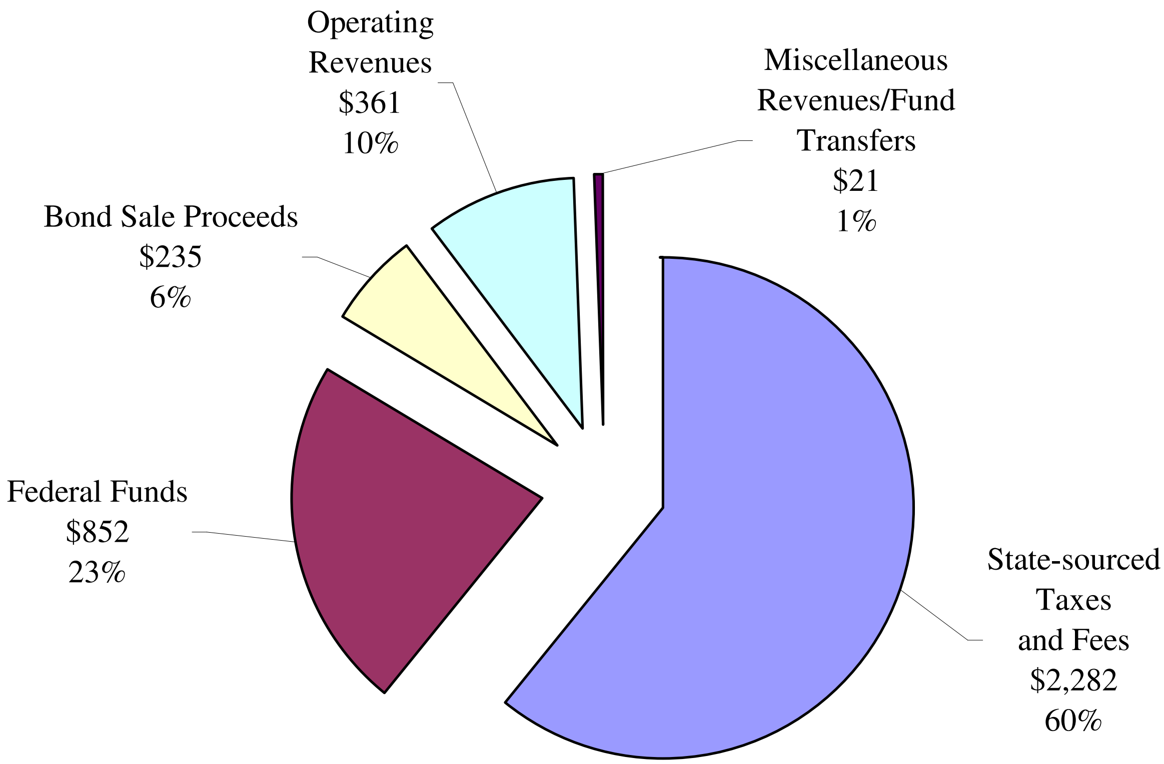
Transportation in Maryland is funded through the Transportation Trust Fund (TTF), a nonlapsing special fund revenue account whose revenue sources include motor fuel tax receipts, titling tax receipts, vehicle registration fees, a portion of the corporate income tax, revenues generated by the individual modes, proceeds from the sale of bonds, and federal highway and transit aid. As illustrated in **Exhibit 1**, State-imposed taxes and fees (including motor fuel, titling, corporate income, and rental car taxes and vehicle registration and miscellaneous fees) comprised the largest single source of revenue, followed by federal funds, operating revenues, bond sale proceeds, fund transfers, and other miscellaneous revenues.

Exhibit 2 illustrates fiscal 2007 spending for MDOT. The PAYGO capital program, at $1.7 billion, represents nearly one-half of the MDOT budget. Approximately one-third of the budget is allocated for the operations of the various modal administrations. Highway user revenues, representing a portion of tax and fee revenue that is divided amongst local jurisdictions, comprise 16% of the budget. The remainder of revenue is allocated for debt service on Consolidated Transportation Bonds (CTBs).

Governor's Proposed Budget

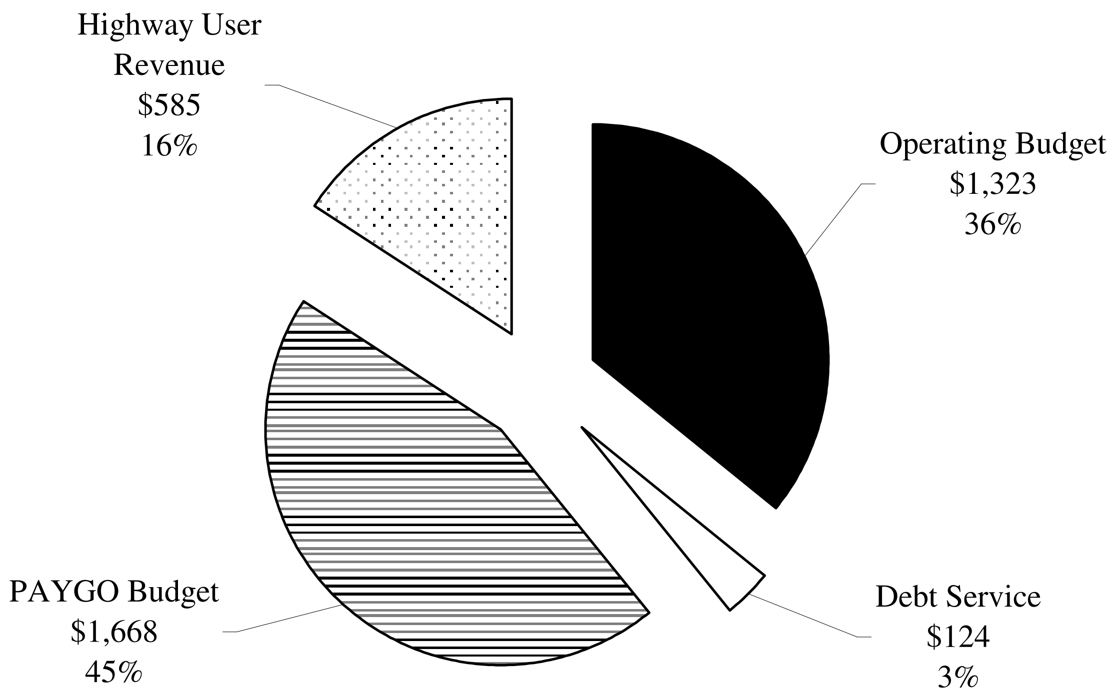
Exhibit 3 provides detail by modal administration for the fiscal 2007 operating and PAYGO capital budgets, debt service, and highway user revenues.

Exhibit 1
Fiscal 2007 Transportation Trust Fund Revenue by Source
Total Revenue: $3.8 Billion
($ in Millions)



Source: Maryland Department of Transportation

Exhibit 2
Fiscal 2007 Transportation Trust Fund Uses
Total Spending: $3.7 Billion
($ in Millions)



Source: Maryland Department of Transportation

Exhibit 3
Transportation Budget Overview
Fiscal 2005 – 2007

	FY 2005 Actual	FY 2006 Working	FY 2007 Allowance	FY 06-07 Change	FY 06-07 % Change
Operating Programs					
Secretary	$67,904,464	$67,292,310	$72,006,706	$4,714,396	7.0%
WMATA	153,250,315	167,813,500	174,503,000	6,689,500	4.0%
Highway	218,621,500	185,590,855	198,061,516	12,470,661	6.7%
Port	99,092,304	96,636,847	97,705,230	1,068,383	1.1%
Motor Vehicle	125,699,008	131,957,176	139,577,863	7,620,687	5.8%
Maryland Transit	446,350,779	440,163,096	469,660,426	29,497,330	6.7%
Aviation	125,446,774	160,937,162	171,042,485	10,105,323	6.3%
Subtotal	***$1,236,365,144***	***$1,250,390,946***	***$1,322,557,226***	***$72,166,280***	***5.8%***
Debt Service	**$153,972,858**	**$144,146,733**	**$123,639,388**	**-$20,507,345**	**-14.2%**
Local Highway User Grants	**$456,585,621**	**$505,028,327**	**$584,911,158**	**$79,882,831**	**15.8%**
Capital					
Secretary	$26,522,423	$40,432,533	$17,851,983	-$22,580,550	-55.8%
WMATA	57,191,847	96,182,000	89,985,000	-6,197,000	-6.4%
Highway	1,022,684,949	1,101,472,000	1,080,700,000	-20,772,000	-1.9%
Port	72,616,375	94,566,136	115,056,343	20,490,207	21.7%
Motor Vehicle	8,784,617	18,369,008	27,032,714	8,663,706	47.2%
Maryland Transit	286,284,811	396,251,000	250,572,000	-145,679,000	-36.8%
Aviation	59,471,055	98,071,000	86,348,000	-11,723,000	-12.0%
Subtotal	***$1,533,556,077***	***$1,845,343,677***	***$1,667,546,040***	***-$177,797,637***	***-9.6%***
Total of All Funds					
Special Fund	$2,556,081,580	$2,781,835,686	$2,846,862,184	$65,026,498	2.3%
Federal Fund	823,185,964	963,073,997	851,791,628	-111,282,369	-11.6%
Reimbursable Fund	1,212,156	0	0	0	0.0%
Grand Total	**$3,380,479,700**	**$3,744,909,683**	**$3,698,653,812**	**-$46,255,871**	**-1.2%**

Source: Maryland State Budget

Operating Programs

The fiscal 2007 operating program increases by $72.2 million, or 5.8% over the fiscal 2006 working appropriation. The largest percentage changes are observed in the Secretary's Office (TSO), which increases $4.7 million (7.0%); the State Highway Administration (SHA), up $12.5 million (6.7%); and the Maryland Transit Administration (MTA), which climbs $29.5 million (6.7%). Nearly all of the increase in operating funds comes from special funds, an increase of $69.8 million, as well as a smaller increase of $2.4 million in federal funds. No reimbursable funds are budgeted for fiscal 2007.

Spending in TSO is driven by increases in personnel costs ($1.1 million) and in operating grants-in-aid ($2.4 million). The increase for operating expenses at SHA is primarily due to increases in personnel costs ($5.5 million), an aggregate increase of $3.5 million in various contracts (as discussed more in the SHA analysis, budget code J00B001), and local highway user funds ($79.9 million), which includes the restoration of $48.5 million transferred to the general fund last session. Increases at MTA come primarily from the addition of 45 new positions (30 regular PINs and 15 contractual) and personnel increments, an $8.6 million increase in gas and oil, and a $13.9 million increase in contractual services for Mobility paratransit and Maryland Rail Commuter (MARC) services.

Personnel

Exhibit 4 shows that, for fiscal 2007, MDOT employs 9,051.5 regular positions, a net increase of 40 over fiscal 2006, and 177.4 contractual full-time equivalents (FTEs), an increase of 18.5.

The increase of 30 regular positions at MTA was indirectly due to an increase in demand for MTA's Mobility paratransit operation. As on-time performance increased for the Mobility paratransit operation during fiscal 2005, there were more requests for services by the disabled community. To meet this demand, MTA transferred 30 general (non-Mobility paratransit) bus operators to the Mobility paratransit system to enable them to add more service runs. The increase of 30 positions for MTA in the fiscal 2007 budget is to replace the need for increased overtime that was a result of the transfer of general bus operators to the Mobility paratransit operation.

The 10 new positions at SHA are to create an Office of Procurement and Contracts that will provide oversight for internal controls, contracts, and procurement. Five of these positions are part of the operating budget, and five are part of the SHA PAYGO budget.

In regard to the largest change in contractual FTEs, the 15 new FTEs for MTA will be for the Mobility Service Center. These contractuals will be used to answer phones, schedule services, and manage service vehicles in the field to improve service and meet the increasing demands for services.

Exhibit 4
MDOT Regular and Contractual Full-time Equivalents
Fiscal 2005 – 2007

	FY 2005 Actual	FY 2006 Working	FY 2007 Allowance	FY 06-07 Change	FY 06-07 % Change
Regular FTEs					
Secretary	342.0	334.0	334.0	0.0	0.0%
Highway	3,243.0	3,222.0	3,232.0	10.0	0.3%
Port	308.0	292.0	292.0	0.0	0.0%
Motor Vehicle	1,591.5	1,612.5	1,612.5	0.0	0.0%
Maryland Transit	3,015.0	3,009.0	3,039.0	30.0	1.0%
Aviation	548.0	542.0	542.0	0.0	0.0%
Grand Total	**9,047.5**	**9,011.5**	**9,051.5**	**40.0**	**0.4%**
Contract FTEs					
Secretary	5.4	4.0	5.5	1.5	37.5%
Highway	4.3	22.0	22.0	0.0	0.0%
Port	1.7	1.5	1.5	0.0	0.0%
Motor Vehicle	65.5	96.4	98.4	2.0	2.1%
Maryland Transit	33.0	33.0	48.0	15.0	45.5%
Aviation	2.0	2.0	2.0	0.0	0.0%
Grand Total	**112.0**	**158.9**	**177.4**	**18.5**	**11.6%**

Source: Maryland State Budget

Debt Service

The fiscal 2007 debt service payment of $123.6 million decreases by $20.5 million (14.2%) below the fiscal 2006 payment. The decrease is largely due to callable debt issued in the early 1990s. Specifically, the debt recalled was the Series 1992 ($40.5 million called), 1993 ($24.8 million called), Second Refunding 1993 ($154.0 million called), and 1994 ($46.5 million called). The interest rate of the debt is higher than current market rates. In fiscal 2006 the debt is called (retired) and the bondholders receive their principal and any call premiums they are due out of the refunding escrow account. Consequently, there are no payments in fiscal 2007. Although the decrease due to the 2003 Refunding Series is actually much larger, it is offset by principal payments for the 2004 Refunding Series and the 2004 Series that begin in fiscal 2007.

At the end of fiscal 2007, the CTBs outstanding are expected to total $1.25 billion, which remains well below the statutory cap of $2.0 billion that was increased by legislation enacted in 2004. Additional discussion of debt service trends and issues can be found in the MDOT Debt Service Requirements analysis, budget code J00A04.

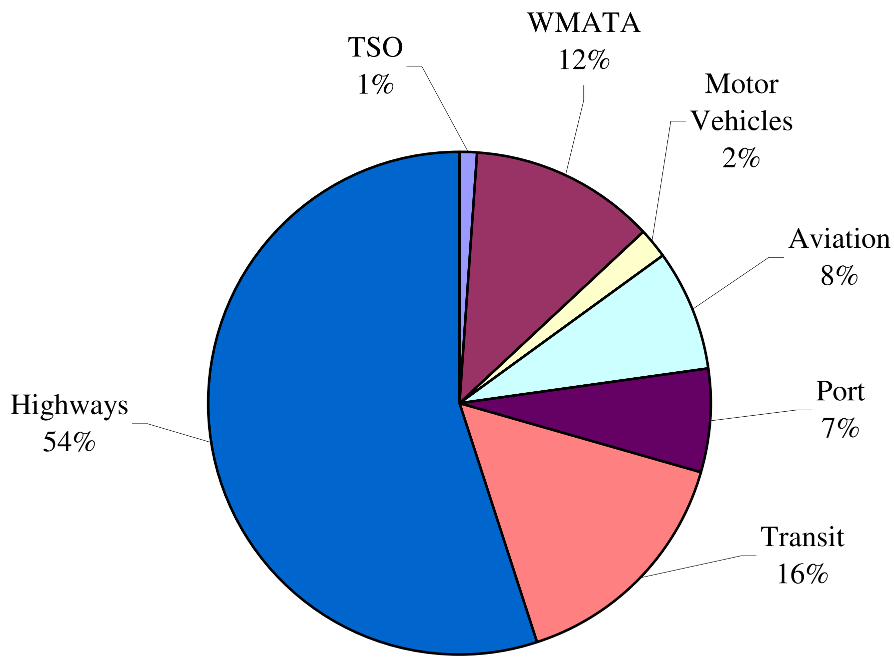
Local Highway User Revenues

Local highway user revenues are derived from a portion of tax and fee revenues that are deposited in the Gasoline and Motor Vehicle Revenue Account (GMVRA), and subsequently distributed among the TTF and Baltimore City and the local jurisdictions. Local distributions are based on vehicle registrations and road mileage. The fiscal 2007 allowance for local highway user revenues shows an increase of $79.9 million over the fiscal 2006 working appropriation. This includes the restoration of $48.5 million that was transferred to the general fund in the 2005 session as part of the Budget Finance and Reconciliation Act.

PAYGO Capital Budget Analysis

The *Consolidated Transportation Program* (CTP) is issued annually to the General Assembly, local elected officials, and interested citizens. The CTP provides a description of projects proposed by MDOT for development and evaluation (D&E) or construction over the next six-year period. For the period 2006 to 2011, the CTP totals just over $9.2 billion for projects supported by State, federal, and "other" funds (including funds from Maryland Economic Development Corporation financing, Certificates of Participation (COPs), Passenger Facility Charges and Customer Facility Charges utilized to support projects implemented by Maryland Aviation Administration (MAA) at BWI Thurgood Marshall Airport, and a limited amount of private and local funding and COPs used to support projects implemented by MTA). **Exhibit 5** shows the funding level for each mode over the six-year period.

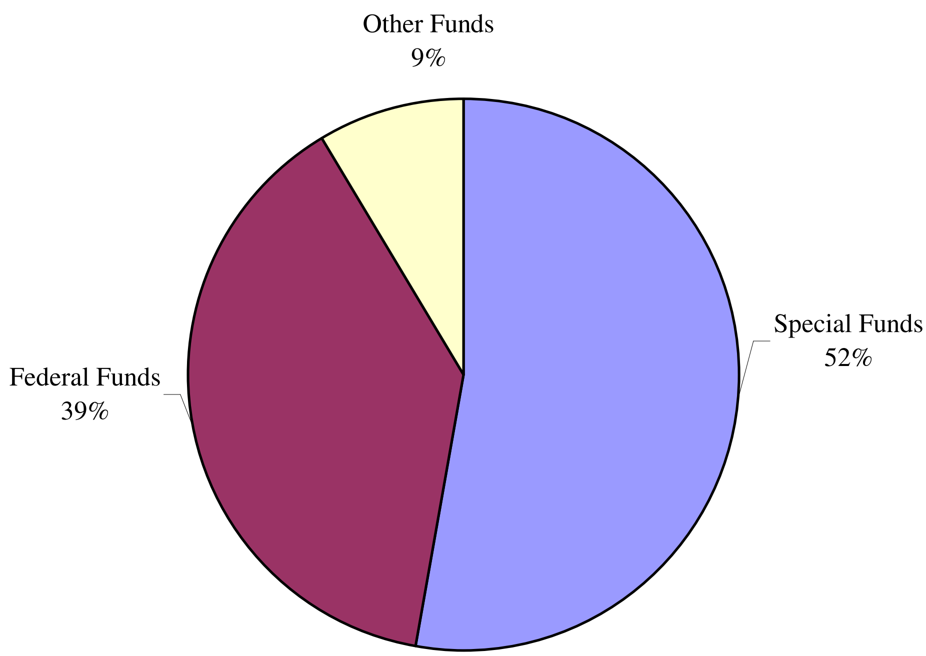
Exhibit 5
MDOT Proposed Capital Funding by Mode
2006 – 2011 *Consolidated Transportation Program*
Total Program: $9.2 Billion



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

Exhibit 6 shows that special funds support over half the capital program.

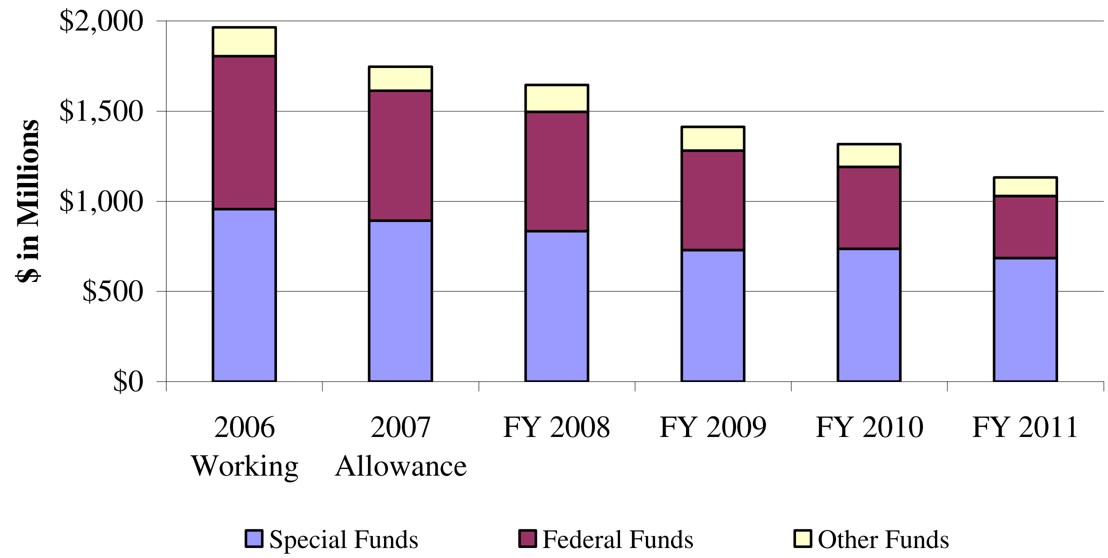
Exhibit 6
MDOT Proposed Capital Funding by Source
2006 – 2011 *Consolidated Transportation Program*
Total Program: $9.2 Billion



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

Exhibit 7 shows for each year the level of special, federal, and other funds.

Exhibit 7
MDOT Proposed Capital Funding Year by Year
2006 – 2011 *Consolidated Transportation Program*

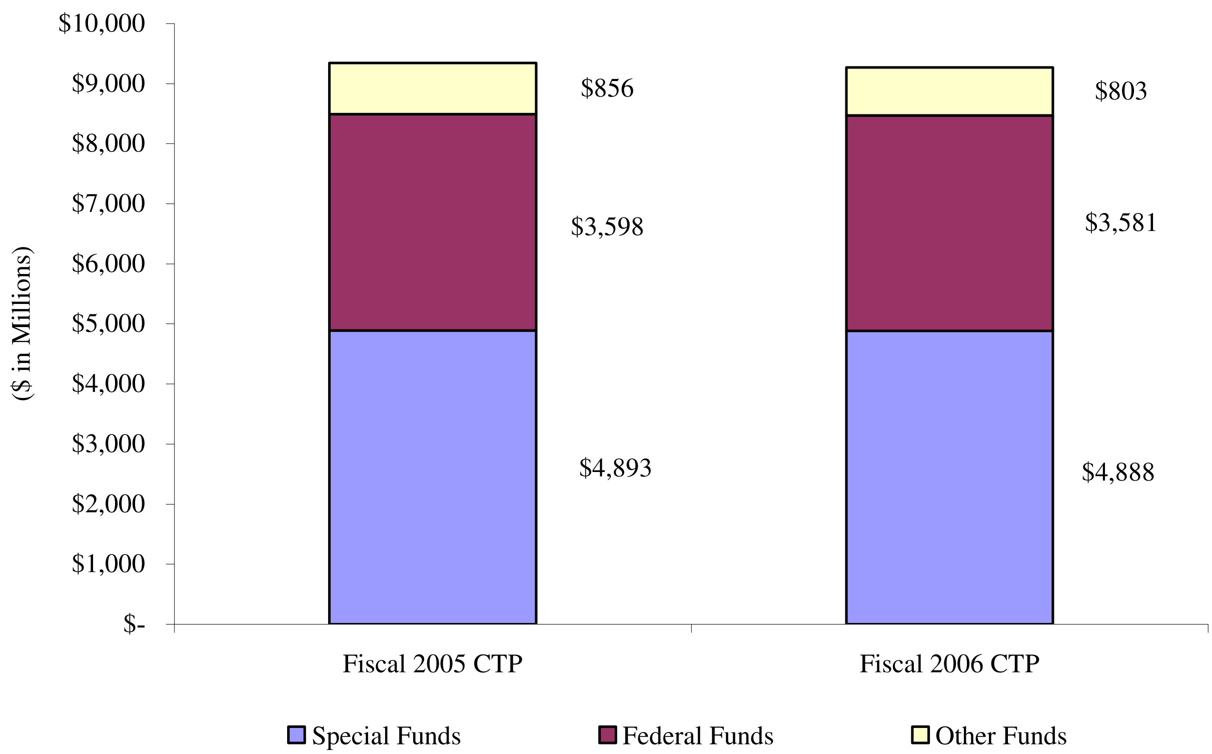


Source: Maryland Department of Transportation, January 2006 *Consolidated Transportation Program*

The 2006 – 2011 CTP decreases by $75 million, or 0.8%, compared to the 2005 – 2010 CTP. **Exhibit 8** compares the funding of the 2005 – 2010 CTP to that of the 2006 – 2011 CTP by type of funding source. With the signing of the federal transportation reauthorization SAFETEA-LU, MDOT received an increase in federal aid for operating and capital expenditures for fiscal 2006 through 2009. For example, federal aid for highways in Maryland increased to an average annual amount of $583 million, 31% more than the previous federal authorization for transportation.

When comparing the level of federal aid in the 2005 – 2010 CTP to the 2006 – 2011 CTP, federal aid decreases by $17 million from the 2005 – 2010 CTP level. The estimates for federal aid after the current federal authorization expires in 2009 appear to be quite conservative thus offsetting any increases in federal aid due to SAFETEA-LU for the six-year program. For example, the CTP estimates federal aid totaling $454.8 million in fiscal 2010 and $344.5 million in fiscal 2011. These estimates are significantly less than the $583 annual average MDOT expects to receive for highways from SAFETEA-LU.

Exhibit 8
Comparison of 2005 – 2010 and 2006 – 2011 CTP



Source: Maryland Department of Transportation, January 2005 and 2006 *Consolidated Transportation Programs*

Another reason for the decrease in funding over the six-year period results from an accounting change associated with the InterCounty Connector (ICC). Previously, the cost of the ICC was reflected in SHA's budget. Beginning in fiscal 2006, the special funds used for the ICC are reflected as a transfer from the TTF to the Maryland Transportation Authority (MdTA) rather than in the SHA capital program. As a result, $158 million that would have been in the CTP for the ICC are now reflected as a transfer to the MdTA in the revenue forecast.

In total, $254 million in projects were added to the CTP, excluding MdTA projects. The 2006 CTP includes 10 new projects that have been added to the construction program costing $215.6 million and 1 SHA project being moved from D&E to the construction program at a cost of $9.1 million. In addition, 14 projects were added to the D&E program at a cost of $28.9 million.

Fiscal 2005 and 2006 Cash Flow and Accounting Changes

In closing out the fiscal 2005 budget, MDOT underspent special funds by $174 million, compared to what was budgeted in fiscal 2005. These funds were reallocated in fiscal 2006, or later fiscal years. This occurred for the most part due to contracts being re-bid, contracts being less than expected, or delays in projects. The modes that experienced the largest changes include:

- SHA decreased $90 million, due to $53 million in unexpected federal aid which freed up State special funds dollars to be reallocated into fiscal 2006 and beyond for system preservation;

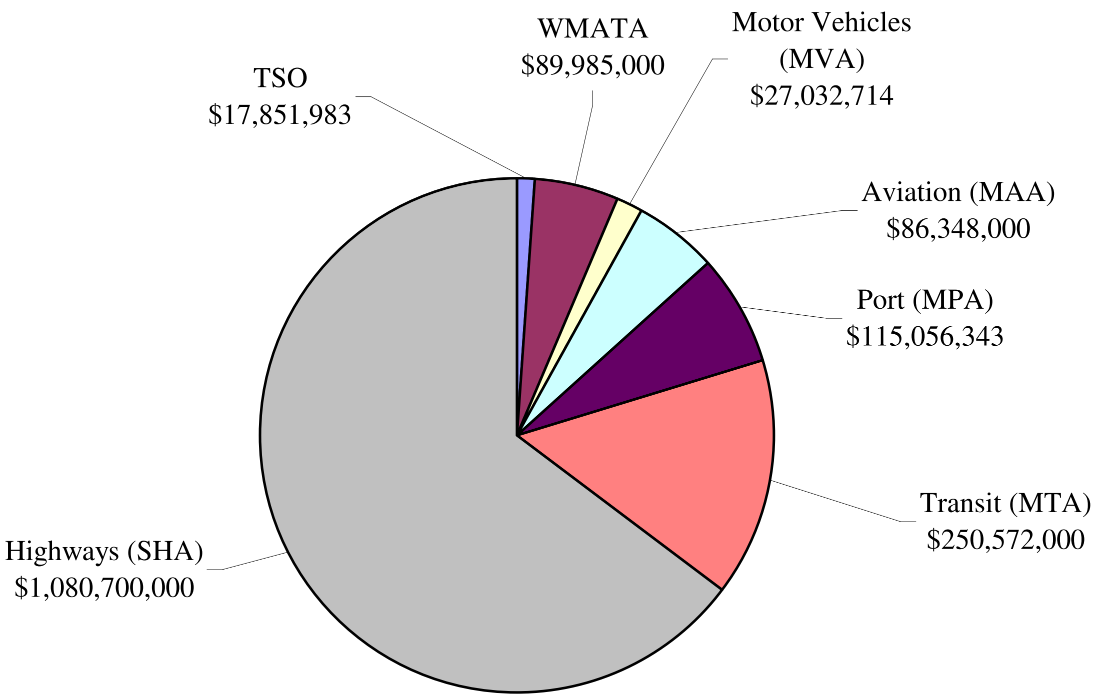
- MTA decreased $33 million due to a delay in the Owing Mills Joint Development project ($12 million) and minor system preservation being reduced $17 million and carried over into fiscal 2006; and

- The Maryland Port Administration (MPA) decreased $27 million due to cash flow changes in dredging ($12 million) and minor projects being reduced ($7 million).

Fiscal 2007 Allowance

The fiscal 2007 allowance totals close to $1.7 billion, a decrease of $178 million (9.6%) when compared to the fiscal 2006 working appropriation. This is largely due to a number of large projects ending in fiscal 2006 and adjustments in the cashflow of projects. The fiscal 2007 allowance includes $893 million in special funds and $775 million in federal funds. **Exhibit 9** displays the level of funding for each mode in the fiscal 2007 allowance.

Exhibit 9
MDOT Fiscal 2007 Allowance*
$1.7 Billion



* Excludes "other funding."

Source: State Budget Book

The largest decrease by mode is seen in MTA which decreases $143.5 million (35.8%) due to several large one-time purchases in the 2005 CTP and the completion of several projects in fiscal 2006. MAA decreases by $59.4 million (31.6%) also due to the completion of several large expansion projects, including Concourse A. MPA has the largest increase of the modes, increasing by approximately $21 million (21.7%) due to the addition of several new projects, including a paper shed at South Locust Point.

Other Funds

The fiscal 2007 allowance also includes $134 million in "other" funding as shown in **Exhibit 10**. The other funding is comprised of pass through federal money for the Washington Metropolitan Area Transit Authority (WMATA) system, COPs, debt backed by revenue from MPA, debt backed with local county participation, MEDCO debt, debt backed by passenger facility charges (PFCs), and debt issued privately by the Maryland Transportation Authority (MdTA).

Exhibit 10
MDOT Fiscal 2007 Other Funds
($ in Thousands)

Project	Other Source	FY 2007
South Locust Point Paper Shed	COPs	$11,581
Total Other MPA		**$11,581**
Elderly Handicapped Nonprofit Services	Private	390
Takoma/Langley Park Transit Center	Local	6,688
Total Other MTA		**$7,078**
Metro Matters	WMATA Federal	73,296
Total Other WMATA		**$73,296**
Concourse D/E Baggage Claim Renovation	PFC	10,649
Terminal Entrance and Roadway Projects	PFC	5,581
Hagerstown Airport	Direct Federal	8,000
Airfield Pavement Improvement Program	PFC	4,384
Airport Administrative Office Building	MEDCO	1,545
Minor Projects (15 Projects)	PFC	11,941
Total Other MAA		**$42,127**
Grand Total		**$134,082**

COPs = Certificates of Participation
WMATA = Washington Metropolitan Area Transit Authority
PFC = Passenger Facility Charges
MEDCO = Maryland Economic Development Corporation

Source: Maryland Department of Transportation

PAYGO Capital Issues

1. Federal Transportation Reauthorization Signed

On August 10, 2005, President George W. Bush signed into law the transportation authorization bill, otherwise known as SAFETEA-LU. The legislation will provide $286.5 billion in guaranteed funding for federal highway, transit, and safety programs through federal fiscal 2009. Three issues are of particular interest for Maryland:

- ***Minimum Guarantee Levels:*** The federal Highway Trust Fund receives revenue from the 18.3 cent per gallon federal gas tax and from excise taxes levied on various highway-related products such as tires and heavy trucks. Under the previous transportation authorization, Transportation Equity Act for the 21st Century (TEA-21), each state was guaranteed to receive at least 90.5% of the federal taxes paid in that state in federal aid. Under SAFETEA-LU, the minimum guarantee will rise to 91.5% in federal fiscal 2007 and to 92% in federal fiscal 2008. This guarantee is important because Maryland, along with more than a dozen other states, (often referred to as "donor" states) would, in the absence of the guarantee, receive back lesser amounts under the basic transportation aid formulas.

- ***Average Annual Highway and Transit Funding:*** The expected average annual highway funding for Maryland will increase under SAFETEA-LU. Under the previous federal transportation authorization, Maryland received an annual average of $443.2 million in federal highway funds from federal fiscal 1998 through 2003. Under SAFETEA-LU, Maryland will receive an annual average of $583.2 million, an increase of $140 million (31.6%) compared to the previous federal authorization. The average increase in funding for all states is 30.3%.

  The expected average annual transit funding Maryland can expect to receive will also increase. With TEA-21, Maryland received an annual average of $100 million in federal funds. Under SAFETEA-LU, Maryland will receive an annual average of $140 million, an increase of $40 million (40%) over TEA-21 levels.

  In total, MDOT should receive at least an average of $720 million per year in federal funds.

- ***Earmarks:*** Maryland received numerous earmarks under SAFETEA-LU for both highways and transit. SAFETEA-LU includes more than $20 billion in money earmarked for some 6,300 specific projects. Maryland received 92 highway-related earmarks and 21 transit-related earmarks for a total of 113 earmarks totaling $602.7 million. The Maryland share represents 3.0% of the total dollar amount earmarked. By way of comparison, the average annual highway funding Maryland is expected to receive accounts for 1.6% of the average annual highway funding for all states. Most of Maryland's earmarks are counted against the guaranteed funding Maryland would have received regardless. The earmarks in essence mandate how the money should be spent and require a match of TTF revenues.

Maryland received $308 million in earmarks in the SAFETEA-LU bill for highway projects. Many earmarked projects were not in the CTP. Project earmarks that are not in the CTP pipeline, take federal highway formula funds away from projects that have been through the planning process and are supported by the Metropolitan Planning Organizations (MPOs). However, there were also many earmarks consistent with projects already "in the pipeline" for funding through the CTP and the normal approval process that includes the MPOs. **Exhibit 11** provides a summary of MDOT's categorization of the earmarks. The first group includes $206 million for 48 MDOT/SHA-supported projects that are in the CTP, or will be added to the CTP in the future. The second group includes 22 projects totaling $55 million for projects located in Baltimore City. SHA does not normally plan, design, or construct city projects. Those are the responsibility of Baltimore City. The third category includes $47 million for 21 projects that are not in the CTP and are not projects the State would normally be involved in. Examples of these projects are earmarks for a visitors center at Fort McHenry, and land preservation on the Eastern Shore. The trend for earmarking outside of the planning process is continued in the federal appropriations bill. The fiscal 2006 federal appropriations bill directed $800,000 in highway formula funds for improvements at the Baltimore Aquarium. These projects were requested by sponsors outside of MDOT. MDOT/SHA is in the process of meeting with these project sponsors to explain the federal requirements and determine how they will meet the local match requirements. In addition, five projects were earmarked that represented funding beyond what Maryland would have received in formula funding.

Exhibit 11
Maryland Highway Earmarks Planned
($ in Millions)

MDOT/SHA Projects	$205.7
Baltimore City Projects	55.5
Other Projects	46.5
Total Highway Earmarks	**$307.7**

Source: Maryland Department of Transportation

The ICC received a total of $18 million. This includes $10 million as part of the National Corridor Infrastructure Improvement Program, an earmark of $3.2 million, and an earmark of $4.8 million. The ICC was also listed as one of the “High Priority Corridors on the National Highway System.” This distinction means that Maryland is eligible to compete for future federal funds for the ICC.

Transit Earmarks

Maryland received a total of $295 million for 21 transit-related earmarks. This includes six transit-related projects that received an earmark which qualifies the project for future appropriations although no specific amount was listed. Some major items are:

- $102.3 million for the Baltimore Red Line/Green Line project in Baltimore City,
- $75.4 million for the Largo metrorail extension in Prince George's County, and
- $41.0 million for the Light Rail double tracking project in Baltimore City.

Bus and bus facility earmarks include $25 million for Maryland statewide bus facilities and buses, $21.1 million for a transit center in downtown Silver Spring, and $12 million for a Southern Maryland commuter initiative.

Appendix 1 is attached providing a detailed list of all Maryland earmarks.

The Department of Legislative Services (DLS) recommends that MDOT comment on what impact earmarks have had on the CTP.

2. Private Financing Emerging as Mechanism to Construct Transportation Facilities

In recent years, more and more states have turned to the private sector to assist in the construction of transportation infrastructure or to lease state assets for upfront payments and other commitments. This type of engagement is known as a "public private partnership." Currently, regulations in Maryland provide that the State may accept unsolicited proposals to engage in such activities through MdTA for transportation facilities excluding highways. There are a number of issues for the State to consider regarding this type of partnership, including the role of the legislature, the legal framework for such an agreement between the State and a private entity, and how should the State engage with the private sector. MdTA has conducted substantial research on these issues and issued a report in 2005.

Public Private Partnerships

A public private partnership is an agreement between the State and a private entity whereby the private entity undertakes a project, or portion of a project, on the State's behalf and assumes some, not all, of the liability of a project. Based upon other partnerships occurring across the country, there appear to be two forms of public private partnership: (1) the State engages a private entity to design, build, operate, and maintain a transportation infrastructure project; and (2) the State turns over a State asset to a private entity to operate and maintain for a set period in exchange for a structured revenue stream that often includes on upfront lump sum payment. When the State enters into an agreement to construct a new highway, the associated highway may be a toll road. Collection of the assessed toll is the incentive and profit making portion of the agreement for the private entity. When the State leases a State asset to a private entity, once again this involves a toll road from which the private entity can make a profit.

For example, Virginia is using this form of partnership to widen I-495/395, whereby a private company will design, build, operate the new section of the highway, and generate revenue by assessing a toll to individuals who ride on the road. The leasing option would be similar to one that Delaware considered, where I-95 in Delaware would be leased to a private entity for a sum of money and the private entity would assess tolls to generate revenue.

Furthermore, in the recently passed SAFETEA-LU, $15 billion was authorized for tax-exempt private activity bonds to be used for the construction of eligible transportation facilities nationwide. In essence, a private entity can issue tax-exempt debt as part of its financing plan for a public private partnership project. The ability to issue tax-exempt debt provides a further incentive for private entities to engage with governments to develop large scale transportation infrastructure projects because debt issuances would be tax-exempt, the equivalent of State debt issuances.

Current Legal Status of Public Private Partnerships in Maryland

Regulations were issued in 1997 creating a framework for unsolicited proposals, excluding highways to be received and administered for MDOT by MdTA The regulations define the criteria for an entity proposing a project, how projects can be developed, and the decision making process for proposals. MdTA is responsible for evaluating proposals. The regulation stipulates that MdTA "shall select only qualified and experienced proposers who can demonstrate the capability to successfully acquire, finance, construct, or operate a new transportation facility, or complete a major rehabilitation or major expansion of an existing transportation facility" (COMAR 11.07.06.02). In addition, an Attorney General opinion in 1996 stated that "a public private partnership with the MdTA to construct a toll highway is authorized under State law."

MdTA can solicit and evaluate for any highway or transit project. As stated in the regulations, MdTA would evaluate a proposal and make recommendations to the MDOT Secretary. The MDOT Secretary would then make a final decision on the project, at which point local jurisdictions have 60 days to evaluate the proposal. If the local jurisdiction agrees with the project, the contract for the project would need to be approved by the Board of Public Works (BPW). During the 2005 legislative session, legislation was passed that provided 45 days of review and comment for the General Assembly before MdTA could "enter into any contract or agreement to acquire or construct a revenue-producing transportation facilities project."

Issues

There are several issues associated with relying on public private partnerships to build transportation infrastructure.

- ***Legal Framework Is Not Formally Outlined in Statute:*** The current basis for a public private partnership is based upon regulations, existing procurement law, and an Attorney General opinion rather than a comprehensive provision of statute clearly defining the program. Current regulations prohibit MdTA from acting on unsolicited highway proposals, however, these can be changed more easily than statute.

- ***Lack of Legislative Oversight:*** As indicated above, as currently spelled out in regulations there is little legislative oversight for public private partnerships. At the very least, the legislature is provided the opportunity for 45 days of review and comment for highway projects.

- ***Private Involvement in Public Activities:*** A larger fundamental question raised by public private partnerships, is what the relationship between the public and private sector should be. Traditionally, the public sector has been responsible for the construction of transportation facilities. With the engagement of the private sector, the government cedes some, if not all, of this responsibility to the private sector. The private sector is driven by market and economic forces, which differs from the intent of the public sector, which is to serve the public good. How the State should engage the private sector and its market motivations is a question that should be considered.

DLS recommends that MDOT discuss the role and need of the private sector in the development of transportation infrastructure. In addition, MDOT should discuss the role of legislative oversight of public private partnership agreements.

DLS also recommends that the General Assembly consider legislation that would establish a statutory framework for legislative oversight of public private partnerships relating to transportation facilities.

3. One-time Local Grants Remain Unallocated and Funds Reallocated

During the 2005 legislative session, the General Assembly transferred $48.5 million in local aid from highway user revenues (HUR) to the general fund. **Exhibit 13** provides an overview of the actions taken for fiscal 2006 HUR and the Community Safety and Enhancement Program (CSEP). Actions were taken to restrict a portion of the appropriation for the CSEP to mitigate the local aid reduction and to maintain cash flow for ongoing CSEP projects.

Exhibit 13
Fiscal 2006 CSEP and HUR Actions

2005 Session Actions	CSEP	HUR
Highway User Revenue Allowance		$554,111
Legislative Reduction to Highway User Revenues		-48,500
Budget and Finance Reconciliation Act – State Vehicles Exempt from Motor Fuel Tax		-0.538
CSEP Allowance	$31,300	
One-time Grant to Local Counties and Municipalities	-25,800	25,800
Specific Capital Projects	-3,500	
Amount Restricted from Sidewalk Program*	1,500	
Restricted from Commuter Action Improvements*	2,000	
2006 Legislative Appropriation	**$5,500**	**$531,411**
Fiscal 2006 Budget Amendment (Fiscal 2005 TTF Overattainment)	12,200	
Fiscal 2006 Total for CSEP	**$17,700**	

*These two programs are not CSEP programs; however, they are part of the SHA capital budget.

Source: Maryland Department of Transportation

Highway User Revenues

The fiscal 2006 allowance for HUR totaled $554.1 million. The General Assembly reduced $48.5 million and transferred those funds to the general fund in the Budget Reconciliation and Finance Act of 2005 (Chapter 444, Acts of 2005). To offset this reduction, the General Assembly restricted $25.8 million from the CSEP as a one-time capital grant to local jurisdictions using the same distribution formula as HUR. Local jurisdictions could receive a net total of $531.4 million in aid from MDOT in fiscal 2006.

Community Safety and Enhancement Program

The fiscal 2006 budget allowance for CSEP totaled $31.3 million. The General Assembly restricted $29.3 million for the following purposes:

- $25.8 million was allocated as a one-time grant to counties and municipalities; and

- $3.5 million as a one-time PAYGO capital grant to Baltimore County ($2.0 million for Towson Circle III) and Montgomery County ($1.5 million for Rockville Town Center).

Budget language provided that if net special fund TTF revenues for fiscal 2005 exceeded $1.987 billion, the Administration could process a budget amendment up to $12.2 million to restore the CSEP projects. This condition was met at closeout when a $20 million shortfall reserve was not used. In addition, the CSEP funding was partially restored to the $5.5 million level by restricting $3.5 million in funds from the Sidewalk and Commuter Action programs to the CSEP.

Status of One-time Local Grants and Funding Reallocated

Local Grants Not Released

To date, MDOT has not released funds for the $29.3 million in one-time grants to local jurisdictions. MDOT has indicated that the reasons for this are concern over the economy, potentially softening revenue, and the rising cost of construction materials.

The argument regarding lack of funding seems without basis. The revenue forecast is generally on-track through December, and net revenue to the TTF is $60 million higher for fiscal 2006 in the January 2006 forecast relative to the draft September forecast. MDOT also reduced the 2006 bond sale from $240 million down to $100 million.

Restricted Funds Reallocated in the Forecast

The $29.3 million in CSEP funds are legally restricted from expenditure for any other purpose; however, they are reallocated in MDOT's January 2006 forecast. Spending for CSEP in the CTP reflects only the planned expenditures for that purpose, and there is no allocation in the CTP for any of the one-time local grants. Legally, MDOT is not able to re-commit those funds to other purposes, thus the alternatives should the Governor choose to release the restricted funds are to permit the fund balance to fall to $70 million or to effect reductions to account for the restricted funds.

DLS recommends the following:

- **MDOT should address the issue of whether the $25.8 million in one-time grants to the locals and the $3.5 million for projects in Towson and Rockville will be released in fiscal 2006;**

- **Reductions which would save an additional $29.3 million over the program period should be adopted to the fiscal 2007 allowance to recognize the legally restricted funds which cannot be reallocated to other purposes. DLS will offer specific recommendations within the budget analyses of each mode.**

Transportation Trust Fund Overview

The TTF is a non-lapsing special fund that provides funding for MDOT. The fund consists of tax and fee revenues, operating revenues, and fund transfers. MDOT issues bonds backed by TTF revenues and invests the TTF fund balance to generate investment income. MPA, MAA, MTA, and the Motor Vehicle Administration generate operating revenues that cover most of their operating expenditures. Capital expenditures and remaining operating expenditures are supported by other TTF revenues.

The tax and fee revenues are motor fuel taxes, rental car sales taxes, titling taxes, vehicle registration fees, and corporate income taxes. A portion of these revenues are credited to the Gasoline and Motor Vehicle Revenue Account (GMVRA). A 30% share of the GMVRA revenues are distributed to local jurisdictions and the remainder is retained by the TTF. The funds retained by the TTF support the capital program, debt service, and operating costs not covered by operating revenues.

Fiscal 2005 Transportation Trust Fund Revenue Closeout

Exhibit 14 shows that the TTF's fiscal 2005 end-of-year fund balance totaled $245 million, which exceeded expectations by $145 million. As projected, the fund generated $2.75 billion from all fund sources. Corporate income taxes exceeded projections by $29 million, primarily attributable to one-time receipts from Delaware holding companies legislation (Chapter 556, Acts of 2004). The strong economic performance obviated the need for the $20 revenue hedge built into the forecast, increasing miscellaneous receipts by $20 million. These higher receipts were offset by canceling a bond sale and canceling $45 million transfer from the MdTA for the ICC. MdTA retains the funds and will manage the project.

Unlike revenues, fiscal 2005 expenditures were substantially less than revenues. Capital expenditures were $174 million less than budgeted due to additional federal funds, projects delays, and cash flow changes. For more detail, see the capital overview. Reduced capital spending was offset somewhat by increased operating expenditures, much of which was attributable to higher snow removal costs. As a consequence of the net reduction in total expenditures, the end-of-year fund balance that was projected to decline $188 million declined only $43 million.

Fiscal 2006 Year-to-date Revenue Receipts

The most significant tax and fee revenues are motor fuel taxes, titling taxes, and registration fees. In fiscal 2005, attainments from these sources are projected to total $1.86 billion and represent almost 90% of GMVRA revenues. **Exhibit 15** shows that collections through December 2005 are quite close to the levels projected. The estimate compares actual revenues received through December with average revenues received through December over the previous five years. Revenues generated from registration fees and motor fuel taxes are more than the current estimate, while titling tax receipts are below estimated levels.

Exhibit 14
Transportation Trust Fund
Estimated Revenues Compared to Actual Revenues Received
Fiscal 2005
($ in Millions)

	Projected FY 2005	Actual FY 2005	Variance
Fund Balance			
Starting Fund Balance	$288	$288	$0
Ending Fund Balance	100	245	145
Change in Fund Balance	**-$188**	**-$43**	**$145**
Sources of Funds			
Gross Tax and Fee Revenue Summary			
Motor Fuel Taxes	763	753	-10
Rental Car Sales Tax	23	26	3
Titling Taxes	733	718	-15
Corporate Income Tax	180	209	29
Registrations	349	351	2
Misc. Motor Vehicle Fees	159	159	0
Subtotal	***$2,207***	***$2,216***	***$9***
Fund Transfers, Receipts, and Adjustments			
ICC Reimbursement from MdTA	45	0	-45
Bond Sale Proceeds	35	0	-35
Bond Premium	0	0	0
Other Receipts and Adjustments	465	534	69
Subtotal	***$545***	***$534***	***-$11***
Total Sources of Funds	**$2,752**	**$2,750**	**-$2**
Uses of Funds			
Expenditures, Grants, and Deductions			
Highway User Revenues (HUR) to Local Jurisdictions	452	457	5
Diverted from HUR to General Fund	102	102	0
Deductions to Other State Agencies	57	54	-3
MDOT Operating Expenditures	1,211	1,236	25
MDOT Capital Expenditures	964	790	-174
MDOT Debt Service	154	154	0
Subtotal	***$2,940***	***$2,793***	***-$147***
Change in Fund Balance			
To TTF as Increased (Decreased) Fund Balance	-188	-43	145
Total Uses of Funds	**$2,752**	**$2,750**	**-$2**

Source: Maryland Department of Transportation, January 2006

Exhibit 15
Transportation Trust Fund
Estimated Revenues Compared to Actual Revenues Received
Fiscal 2006
($ in Millions)

Revenue Source	Total Projected Fiscal 2006	Projected through December 2005	Actual through December 2005	Difference
Motor Fuel Taxes	$763.3	$330.0	$332.5	$2.5
Titling Taxes	744.0	346.8	339.9	-6.9
Registration Fees	357.0	160.1	173.5	13.4

Sources: Fiscal 2006 estimate: Governor's Fiscal 2007 Budget, Volume I, Pages 575 to 579
Actual Revenues: Maryland Department of Transportation, Monthly Statement of Revenues for the Gasoline and Motor Vehicle Revenue Account and Motor Vehicle Administration Programs and Fees, July through December 2005

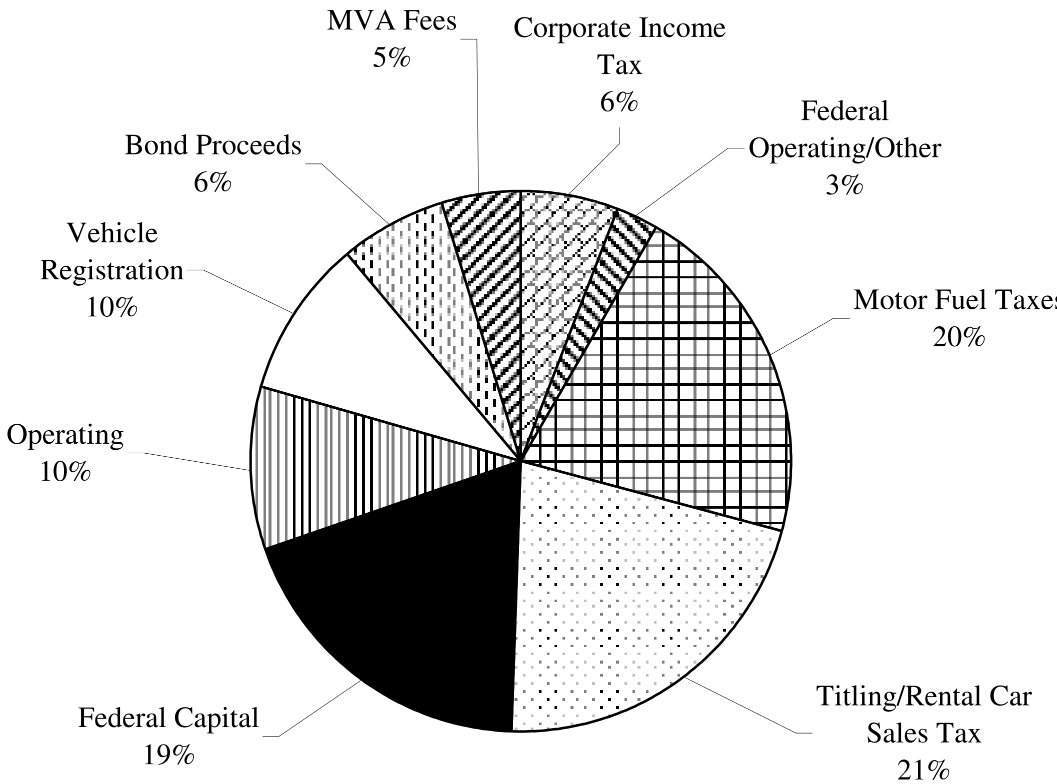
Titling tax receipts appear to have been influenced by automakers' marketing decisions. The consensus is that the high revenues generated in August ($78 million, compared to $61 million to $64 million since fiscal 2002) were largely attributable to rebates offered by the industry. September 2005 receipts were about the same as September 2004, as sales leveled. October through December 2005 receipts were below October to December 2004 levels. It is speculated that much of the August spike was the result of consumers pushing forward purchases resulting in declining revenues in the following months. Nonetheless, sales do remain strong. December 2005 revenues totaled $53 million, the third highest December revenues behind December 2003 and 2004.

Fiscal 2006 to 2011 Revenue Projections

Exhibit 16 shows that the fund's largest sources in fiscal 2007 are federal capital funds, motor fuel taxes, and titling and rental car sales taxes, which represent almost $2.3 billion, and 61% of funding sources. MDOT is projecting that $235 million in bonds will be sold to supplement the transportation capital program.

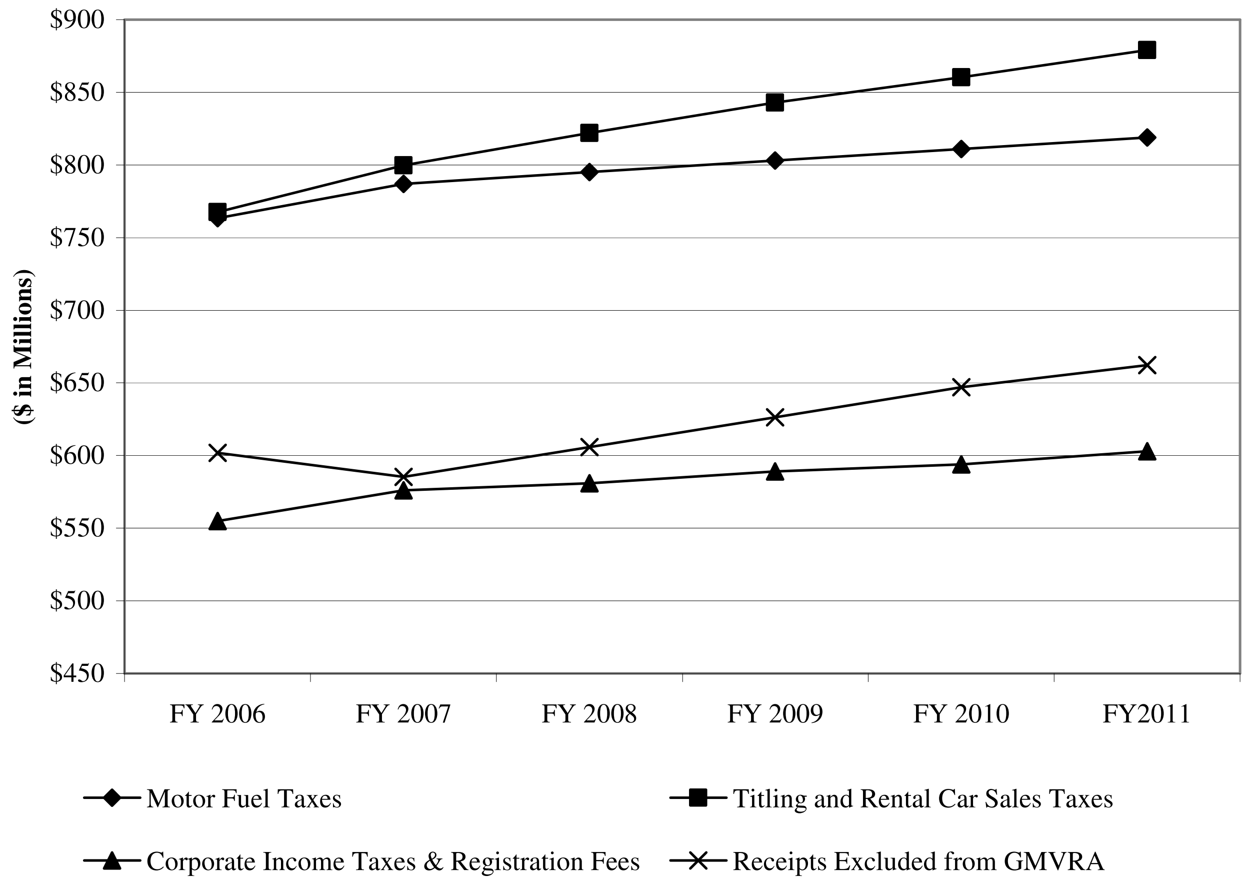
Exhibit 17 shows that MDOT's State source revenues are expected to grow through most of the forecast period. Motor fuel taxes, rental car sales taxes, titling taxes, vehicle registration fees, and corporate income taxes are credited to the GMVRA. These revenues increase from $2.09 billion in fiscal 2006 to $2.31 billion in fiscal 2011.

Exhibit 16
Transportation Trust Fund
State Source Revenues and Federal Funds
Fiscal 2007
($ in Millions)



Source: Governor's Fiscal 2007 Budget, Volume I, Pages 575-579

Exhibit 17
Transportation Trust Fund
Forecasted State Source Revenues
Fiscal 2006 – 2011



Source: Maryland Department of Transportation, Transportation Trust Fund forecast, January 2006

GMVRA revenues increase at a 1.98% annual rate from fiscal 2006 to 2011. As is common when the economy is expanding, titling tax receipts are expected to increase most significantly, growing 2.76% annually. Registration fees and motor fuel tax receipts are expected to grow at more modest annual rates of 1.36 and 1.42%, respectively.

Non-GMVRA revenues are exceptionally high in fiscal 2006 as MDOT received federal operating grants to support planning projects and additional local grants-in-aid. A summary of the total forecast can be found in **Appendix 2**.

Department Continues Policy to Forecast Revenue Conservatively

As was the case with previous administrations, this forecast reflects MDOT's policy to forecast revenues and expenditures conservatively. For example, the department builds a number of contingencies and hedges into its TTF forecast, including:

- ***Revenue Contingency:*** To reduce any adverse effects associated with underattained revenues, the TTF includes a $131 million reserve for changes in revenue sources. This hedge reduces fiscal 2006 and 2007 revenues by $21 million each year. The forecast also reduces fiscal 2008 to 2011 by $22 million annually.

- ***Understating Corporate Income Tax Receipts from Fiscal 2008 through 2011:*** The Bureau of Revenue Estimates (BRE) projects that MDOT's share of fiscal 2008 to 2011 corporate income taxes will total $903 million. The TTF forecast expects $872 million in corporate income tax receipts. MDOT advises that the department is concerned that actual revenues may be less than forecast so its TTF forecast includes a $31 million hedge.

- ***Three Operating Budget Contingencies:*** Operating budget contingencies provide for another $199 million in hedges. This includes $124 million in modal contingencies, $71 million in salary related contingencies, and $4 million in security contingencies.

- ***Steep Decline in Fiscal 2010 and 2011 Federal Capital Funding:*** As discussed in the issue, federal transportation grant reauthorizations provide for substantial growth in federal revenues through federal fiscal 2009. The TTF estimates that federal capital grants average $696 million, from fiscal 2006 to 2009. Projected federal fund grants drop to $455 million in fiscal 2010 and $344 million in fiscal 2011.

- ***Double Debt Pledge Hedge:*** In each bond sale's official statement, the department pledges that both net income (revenues less debt service and operating costs) and pledged taxes (titling, motor fuel, corporate income, and rental car sales taxes) are at least 2 times maximum debt service. To reduce the likelihood that this covenant with bondholders is violated, the department has an administrative policy that the TTF forecast's debt issuance tests provide at least 2.5 times maximum debt service. This policy has been in place for decades. Additionally, MDOT now requires that the ratios be at least 2.5 times maximum debt service beyond the forecast period. For example, net revenues are 2.6 times maximum debt service in fiscal 2011 so that this ratio is at least 2.5 in fiscal 2012. This policy reduces debt issuances by over $100 million in the forecast period.

Taken together, these hedges reduce programmed spending by over $750 million from fiscal 2006 to 2011. These hedges reduce the likelihood that there will be insufficient funds to meet out-year planned spending. With the exception of the corporate income tax hedge, these policies have been in place for over a decade. They have resulted in MDOT consistently having a closing fund balance that exceeds $100 million. The department has also reduced or cancelled a number of bond sales over the last decade when cash becomes available.

Fund Transfers Between the TTF and Other Funds

Exhibit 18 shows the fund transfers between the TTF, MdTA, and the general fund. Fiscal 2006 and 2007 include the last two MdTA fund transfers for the transit initiative. Over the forecast period, the TTF will support $158 million for the ICC. This is required by Chapter 472, Acts of 2005 which provides for the financing of the ICC. The TTF also receives $50 million payback for $314.9 million diverted out of the TTF in 2002 and 2003 budget reconciliation legislation. The remaining $264.9 million is required by Chapter 472, Acts of 2005 to be transferred from the general fund to the MdTA to support the ICC.

Exhibit 18
TTF Fund Transfers
Forecasted State Source Revenues
Fiscal 2006 – 2011
($ in Millions)

Transfer	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
From MdTA for Transit Initiative	$43	$43	$0	$0	$0
To MdTA for ICC	-38	-30	-30	-30	-30
From GF	50	0	0	0	0
Total	**$55**	**$13**	**-$30**	**-$30**	**-$30**

Source: Maryland Department of Transportation, January 2006

Recommended Actions

1. Add the following language:

It is the intent of the General Assembly that projects and funding levels appropriated for capital projects, as well as total estimated project costs within the *Consolidated Transportation Program* (CTP), shall be expended in accordance with the plan approved during the legislative session. The department shall prepare a report to notify the budget committees of the proposed changes in the event the department modifies the program to:

(1) Add a new project to the construction program or development and evaluation program meeting the definition of a "major project" under Section 2-103.1 of the Transportation Article which was not previously contained within a plan reviewed in a prior year by the General Assembly and will result in the need to expend funds in the current budget year; or

(2) Change the scope of a project in the construction program or development and evaluation program meeting the definition of "major project" under Section 2-103.1 of the Transportation Article which will result in an increase of more than 10 percent or $1,000,000, whichever is greater, in the total project costs as reviewed by the General Assembly during a prior session.

For each change, the report shall identify the project title, justification for adding the new project or modifying the scope of the existing project, current year funding levels, and the total project cost as approved by the General Assembly during the prior session compared with the proposed current year funding and total project cost estimate resulting from the project addition or change in scope.

Notification of changes in scope shall be made to the General Assembly concurrent with the submission of the draft and final CTP. Notification of new construction project additions, as outlined in paragraph (1) above, shall be made to the General Assembly prior to the expenditure of funds or the submission of any contract for approval to the Board of Public Works.

Explanation: Adoption of annual budget bill language is recommended to require the department to notify the budget committees of proposed changes to the transportation capital program that will add a new project that was not in the 2006 CTP or will increase a total project's cost by more than 10%, or $1.0 million due to a change in scope. Reports are to be submitted with the draft and final versions of the CTP, with each using the 2006 session CTP as the basis for comparison.

Information Request	Author	Due Date
Capital Budget Changes	MDOT	With draft CTP With final CTP

2. Add the following language:

It is the intent of the General Assembly that funds dedicated to the Transportation Trust Fund shall be applied to purposes bearing direct relation to the State transportation program, unless directed otherwise by legislation. To implement this intent for the Maryland Department of Transportation in fiscal 2007, no commitment of funds in excess of $250,000 may be made nor such as an amount may be transferred, by budget amendment or otherwise, for any project or purpose not normally arising in connection with the ordinary ongoing operation of the department and not contemplated in the budget approved or the last published *Consolidated Transportation Program* without the 45-day review and comment by the budget committees.

Explanation: This annual language prohibits the use of transportation funds for use other than for transportation-related purposes without review and comment by the budget committees.

Information Request	**Author**	**Due Date**
Information on non-transportation expenditures exceeding $250,000	MDOT	As needed

3. Add the following language:

The Maryland Department of Transportation (MDOT) shall not expend funds on any job or position of employment approved in this budget in excess of ______ positions and ______ contractual full-time equivalents paid through special payments payroll (defined as the quotient of the sum of the hours worked by all such employees in the fiscal year divided by 2,080 hours) of the total authorized amount established in the budget for MDOT at any one time during fiscal 2007. The level of how many contractual full-time equivalents may be exceeded only if MDOT notifies the budget committees of the need and justification for additional contractual personnel due to:

(1) business growth at the Port of Baltimore and Baltimore-Washington International Thurgood Marshall Airport which demands additional personnel; or

(2) emergency needs which must be met (such as transit security or highway maintenance).

The Secretary shall use the authority under Section 2-101 and 2-102 of the Transportation Article to implement this provision. However, any authorized job or position to be filled above the regular position ceiling approved by the Board of Public Works shall count against the Rule of 50 imposed by the General Assembly. The establishment of new jobs or positions of employment not authorized in the fiscal 2007 budget shall be subject to Section 7-236 of the State Finance and Procurement Article, and the Rule of 50.

Explanation: The General Assembly has established a position ceiling for MDOT each year to limit growth in regular positions and contractual full-time equivalents.

Information Request	**Author**	**Due Date**
Additional regular positions and contractual full-time equivalents	MDOT	As needed

Appendix 1

SAFETEA-LU Conference Report Earmarks
August 3, 2005

Highway

Section 1302 – National Corridor Infrastructure Improvement Program

Project #	Project Description	SAFETEA-LU Final Amount
3	Planning, design, and construction of the ICC in Montgomery and Prince George's counties	$10,000,000

Section 1304 – High Priority Corridors on the National Highway System

Project #	Project Description	SAFETEA-LU Final Amount
80	The ICC, a new east-west multimodal highway between Interstate Route 270 and Interstate Route 95/United States Route 1 in Montgomery and Prince George's counties	n/a

Section 1934 – Transportation Improvements

Project #	Project Description	SAFETEA-LU Final Amount
181	Upgrade MD 175 in Anne Arundel County between MD 170 and Baltimore-Washington Parkway	$5,000,000
182	Improve US 40, MD 715 interchange at Aberdeen Proving Grounds	5,000,000
183	Upgrade MD 4 at Suitland Parkway	5,000,000
184	Construct Fort McHenry Visitors Center and related parking facilities	2,000,000

Appendix 1 (Continued)

Section 1702

Project #	Project Description	SAFETEA-LU Final Amount
1009	MD 4 at Suitland Parkway	$3,200,000
1174	I-70 in Frederick	1,600,000
1208	Construction and dualization of US 113	12,000,000
1277	Construction and dualization of MD 404 in Queen Anne's, Talbot, and Caroline counties	5,600,000
1289	Expand Route 29 in Howard County	5,440,000
1292	US 220 MD 53 North/South Corridor	800,000
1334	Construct interchange at MD route 355 at Montrose and Randolph Roads in Montgomery County	1,600,000
1413	MD 124, Woodfield Road, from Midcounty Highway to Warfield Road	1,600,000
1553	Construction of MD 331 Dover Bridge	3,454,400
1755	Upgrade MD 210 from MD 228 to I-495	3,000,000
1813	US 219 Oakland Bypass	800,000
1878	Improve US 1, Washington Blvd Corridor in Howard County	800,000
2357	ICC	3,200,000
2374	Reconstruct MD 32 from MD 108 to I-70 in Howard County	3,040,000
2442	Upgrade and widen MD 237 from Pegg Road to MD 235	12,000,000
2451	Widen – I-695, Baltimore Beltway, Southwest	3,440,000
2534	MD 85 at I-270	4,000,000
2673	MD 295, BWI Access Improvements	3,792,000
2685	Construction of new Interchange at MD 5, MD 373, and Brandywine Road	12,000,000
2829	I-95, I-495, MD 5 – Branch Ave Metro Access	3,200,000
2920	MD 45, Cavan to Ridgely Road	4,416,000
2921	MD 30 Hampstead Bypass	800,000

Appendix 1 (Continued)

Project #	Project Description	SAFETEA-LU Final Amount
3048	Construct MD 5, Hughesville bypass	8,000,000
3168	ICC	4,800,000
3273	I-695, MD 147 to I-695 (should read I-83)	3,792,000
3275	Upgrade MD 175 in Anne Arundel County between MD 170 and the Baltimore-Washington Parkway	800,000
3367	US 220/MD 53 North-South Corridor	800,000
3402	Widen road and improve interchanges of I-81 from south of I-70 to north of Halfway Boulevard	800,000
3512	MD 4 at Suitland Parkway	4,000,000
4289	I-70 Improvement Project: Frederick	13,400,000
4290	Construction and dualization of MD 404 in Queen Anne's, Talbot, and Caroline counties	11,000,000
4291	Construct US 220/MD 53 North-South Corridor	9,200,000
4295	Construction of new Interchange at MD 5, MD 373, and Brandywine Road	4,000,000
4297	Construction and dualization of US 113	3,200,000
4298	Construct MD 5, Hughesville bypass	3,000,000
4300	Construct MD 4 at Suitland Parkway	2,800,000
4303	Upgrade MD 210 from MD 228 to I-495	2,000,000
4307	I-95, I-495, MD 5 – Branch Ave Metro Access	1,800,000
4312	MD-295 BWI access improvements	1,200,000
33	Rehab of West Baltimore Trail and Implementation of Pedestrian Improvements along associated roadways	720,000
251	Construct Centerville spur of Queen Anne's County Cross Island Trail, Centreville to US Route 301	305,600
298	Construct new Greenbelt Metro Station Access Interchange at I-95/I-495	1,000,000
334	Construction of Fringe and Corridor Parking facility at intersection of Clinton Street and Keith Ave in Baltimore	3,200,000

Appendix 1 (Continued)

Project #	**Project Description**	**SAFETEA-LU Final Amount**
402	Great Allegany Passage, Allegany County. Construction of five miles of trail from Cumberland to Wharf Branch	1,600,000
417	Construct a visitor center and related roads serving Ft. McHenry	3,760,000
468	Reconstruct East North Avenue (US Route. 1) in Baltimore	4,000,000
481	Peer review study of conflicts between road system and light rail operations in Linthicum, Anne Arundel County	80,000
763	Study Greater Towson Area traffic flow and future needs	160,000
928	Implement pedestrian and roadway improvements contained in the Druid Hill Park neighborhood Access Program in Baltimore	1,600,000
983	Land acquisition for highway mitigation in Cecil and Worcester counties	15,600,000
1226	Implement intelligent transportation system in Baltimore	1,120,000
1377	Construct phase 2 of the Jones Falls Trail from Baltimore Penn Station to the Maryland Science Center on the Inner Harbor	3,200,000
1404	Construct Broadneck Peninsula Trail, Anne Arundel County	1,200,000
1453	Construct pedestrian bridge and garage at Coppin State University in Baltimore	2,640,000
1454	Historic preservation and traffic improvements along Liberty Heights Ave and in Druid Hill Park in Baltimore	1,520,000
1571	Rehabilitate roadways around East Baltimore Life Science Park in Baltimore	6,800,000
1667	Construct South Shore Trail, Anne Arundel County	800,000
1690	Construct phase 1 of the South Shore Trail in Anne Arundel County from Maryland Route 3 at Millersville Road to I-97 at Waterbury Road	800,000
1698	Rehabilitate Hanover Street bridge in Baltimore	1,200,000
1866	US 40 Alternate, Middletown Bypass	4,000,000

Appendix 1 (Continued)

Project #	Project Description	SAFETEA-LU Final Amount
1936	Gaithersburg extension of Teachers Way-Olde Towne Gaithersburg revitalization	1,120,000
2091	Construct Safety and Operations improvements at MLK, Jr. Blvd. and West Baltimore Street in Baltimore	2,000,000
2118	Construction of Maryland Avenue and Market Street Intermodal Access Project in Rockville	3,200,000
2709	Rehabilitate Pennington Ave drawbridge in Baltimore	1,200,000
2747	Construct ferry terminal, Somerset County	800,000
2755	Rehabilitate road including bridges over CSX tracks in Baltimore	2,320,000
2890	Pennington Ave Drawbridge, Baltimore	800,000
2991	Constructing Chestertown Trail, Chestertown	240,000
3077	Upgrade conduit system for traffic signal systems, street lights, and traffic related video cameras, Baltimore	960,000
4293	Construct a visitor center and related roads and parking serving Ft. McHenry	5,300,000
4294	Construct Assateague Island National Seashore Visitors center and related road improvements	6,300,000
4296	Rehabilitate Pennington Ave drawbridge in Baltimore	5,500,000
4302	Construct Allegany Highlands pedestrian/bicycle trail	2,000,000
4305	Rehabilitate roadways around east Baltimore Life Science Park in Baltimore	2,200,000
4306	Construction of new Baltimore Water Taxi terminals	2,000,000
4309	Train station streetscaping and parking improvements in Edgewood	1,500,000
4311	Roadway access improvements, boardwalks, and pier construction at Hanover Street and West Cromwell, Baltimore	1,500,000
4313	Construction of Maryland Avenue and Market Street Intermodal access project, including pedestrian safety improvements and Baltimore Rd. corridor, Rockville	800,000

Appendix 1 (Continued)

Project #	Project Description	SAFETEA-LU Final Amount
4308	Construct Blackwater National Wildlife Refuge Visitor Center, trails, and road improvements	1,500,000
4310	Roadway improvements from intersection of US 29 in Montgomery County along Industrial Parkway thru to FDA access/Cherry Hill Road	2,000,000
4301	Baltimore Rail Tunnel Improvement Study	3,000,000
4292	Upgrade MD 175 in Anne Arundel County between MD 170 and the BW Parkway	6,700,000
4299	Construct US 40, MD 715 interchange at Aberdeen Proving Grounds	3,000,000
4304	Patuxent Research Refuge Road Improvements	3,000,000
4314	Construct Woodrow Wilson Bridge Anacostia River wetlands mitigation project	1,600,000
4315	Construct Potomac River Gorge stormwater mitigation project	500,000
	Total Highway High Priorities Funding	**$307,720,000**

Section 1917: Opening of Interstate Ramps

Project #	Project Description	SAFETEA-LU Final Amounts
Sec. 1917	Maryland SHA and FHA shall work cooperatively to improve I-495 through the area of the Arena Drive interchange to allow for safe exit: to expedite action on the access request so that the I-495/Arena Drive interchange can be opened safely to all vehicles 24 hours a day, 7 days per week	n/a

Appendix 1 (Continued)

Section 1961: I-95/Contee Road Interchange Study

*This project to be funded and conducted by the USDOT

Project #	Project Description	SAFETEA-LU Final Amounts
Sec. 1961	The Secretary (Federal) shall conduct a study on the I-95/Contee Road relocated interchange project located in Prince George's County	$1,000,000

Transit

Section 3036 – Research and University Centers

Project #	Project Description	SAFETEA-LU Final Amount
iii	Morgan State University	FY06 – $1 m. FY07 – $1 m. FY08 – $1 m. FY09 – $1 m.

Section 3037 – Alternatives Analysis Program

Project #	Project Description	SAFETEA-LU Final Amount
12	Baltimore Red Line/Green Line Transit Project Study	FY06 – $1.5 m. FY07 – $1.5 m.

Appendix 1 (Continued)

Section 3043 – New Fixed Guideway Capital Projects

(a) Existing FFGA

Project #	Project Description	SAFETEA-LU Final Amount
2	Baltimore-Central LRT Double Tracking	FY05 – $28,277,920 FY06 – $12,655,664
31	Washington DC/MD – Largo Metrorail Extension Note: Section (j) Rail Cars – The project authorized by subsection (a)(31) includes an additional 52 rapid rail cars and project scope changes from amounts authorized by the Transportation Equity Act for the 21st Century	FY05 – $75,432,887

Section 3043 – New Fixed Guideway Capital Projects

(b) Final Design and Construction

Project #	Project Description	SAFETEA-LU Final Amount
1	Baltimore – MARC Commuter Rail Improvements	No amount listed.

Section 3043 – New Fixed Guideway Capital Projects

(c) Preliminary Engineering for Fiscal 2005 through 2009

Project #	Project Description	SAFETEA-LU Final Amount
16	Baltimore Red Line/Green Line Transit Project	$102,300,000
110	I-270 Corridor Cities Transitway	No amount listed
111	Route 5 Corridor to Waldorf	No amount listed
112	Silver Spring Capacity Improvements	No amount listed
138	Montgomery and Prince George's counties – Bi-County Transit way (Purple Line)	No amount listed
259	Washington, DC – Woodrow Wilson Bridge Transit Projects	No amount listed

Appendix 1 (Continued)

Section 3044 – Bus and Bus Facilities

(a) For Fiscal 2006 through 2009

Project #	Project Description	SAFETEA-LU Final Amount
8	Construct Silver Spring Transit Center in downtown Silver Spring.	FY06 – $701,822 FY07 – $732,336 FY08 – $793,364 FY09 – $823,878
122	Construct Intercity Bus Intermodal Terminal, Baltimore	FY06 – $961,400 FY07 – $1,003,200 FY08 – $1,086,800 FY09 – $1,128,600
224	Wheaton CDB Intermodal Access Program, Montgomery County	FY06 – $96,140 FY07 – $100,320 FY08 – -$108,680 FY09 – $112,860
303	Construct Central Maryland Transit Operations and Maintenance Facility, Howard County	FY06 – $961,400 FY07 – $1,003,200 FY08 – $1,086,800 FY09 – $1,128,600
499	Bus and paratransit vehicle for seniors, City of Gaithersburg	FY06 – $112,000
542	Construct Central Maryland Transit Operations and Maintenance Facility, Howard County	FY06 – $250,000 FY07 – $220,000 FY08 – $200,000 FY09 – $200,000
571	MARC Intermodal Odenton and Edgewood Station Improvements	FY06 – $368,000 FY07 – $380,000 FY08 – $380,000 FY09 – $418,000
573	Maryland Statewide Bus Facilities and Buses	FY06 – $5,500,000 FY07 – $5,750,000 FY08 – -$6,500,000 FY09 – $7,250,000

Appendix 1 (Continued)

Project #	Project Description	SAFETEA-LU Final Amount
615	Transit Center, Silver Spring	FY06 – $7,000,000 FY07 – $6,000,000 FY08 – $5,000,000 FY09 – $0
629	Southern Maryland Commuter Initiative	FY06 – $2,700,000 FY07 – $2,800,000 FY08 – $3,000,000 FY09 – $3,500,000

Source: Maryland Department of Transportation

Transportation Trust Fund Forecast
Fiscal 2005 – 2011
($ in Millions)

	Actual FY 2005	Current FY 2006	Est. FY 2007	Est. FY 2008	Est. FY 2009	Est. FY 2010	Est. FY 2011	Total FY 06-11
Opening Fund Balance	**$288**	**$245**	**$100**	**$100**	**$100**	**$100**	**$100**	
Closing Fund Balance	**$245**	**$100**	**$100**	**$100**	**$100**	**$100**	**$100**	
Net Revenues								
Taxes and Fees	$1,604	$1,625	$1,697	$1,728	$1,759	$1,785	$1,814	$10,409
Operating & Misc.	491	480	445	451	467	483	493	2,819
Transfers btw. TTF and GF	0	50	0	0	0	0	0	50
MdTA Transfer	43	5	13	-30	-30	-30	0	-72
Net Revenues Subtotal	2,138	2,160	2,155	2,149	2,196	2,238	2,307	13,206
Bonds Sold[(1)]	0	105	235	260	185	225	175	1,185
Bond Premiums	0	0	0	0	0	0	0	0
Total Revenues	**$2,138**	**$2,265**	**$2,390**	**$2,409**	**$2,381**	**$2,463**	**$2,482**	**$14,391**
Expenditures								
Debt Service	$154	$141	$124	$134	$149	$160	$173	$881
Operating Budget	1,238	1,312	1,373	1,446	1,508	1,568	1,630	8,837
State Capital	789	957	893	829	724	734	680	4,817
Total Expenditures	**$2,180**	**$2,410**	**$2,390**	**$2,409**	**$2,381**	**$2,462**	**$2,483**	**$14,535**

[(1)] Actual bonds sold in fiscal 2006 total $100 million. The bond sale was reduced because the forecast originally understated corporate income tax revenues by $6.4 million, of which $4.5 million is retained by the TTF.

Appendix 2

Appendix 2 (Continued)

	Actual FY 2005	Current FY 2006	Est. FY 2007	Est. FY 2008	Est. FY 2009	Est. FY 2010	Est. FY 2011	Total FY 06-11
Debt								
Debt Outstanding	$1,070	$1,083	$1,251	$1,442	$1,551	$1,695	$1,783	
Debt Coverage - Net Income	6.0	5.8	5.5	4.2	3.4	2.9	2.6	
Local Highway User Revenues (HUR)	**$557**	**$565**	**$585**	**$594**	**$603**	**$611**	**$620**	**$3,579**
Transferred to General Fund	102	49	0	0	0	0	0	49
Net HUR to Counties	**$455**	**$516**	**$585**	**$594**	**$603**	**$611**	**$620**	**$3,530**
Capital Summary								
State Capital	$789	$957	$893	$829	$724	$734	$680	$4,817
Total Federal Capital (Cash Flow)	705	849	720	662	551	455	344	3,581
GARVEE Debt Service			43	43	80	80	86	332
Total Capital Expenditures	**$1,494**	**$1,806**	**$1,656**	**$1,534**	**$1,355**	**$1,269**	**$1,110**	**$8,730**

Source: Maryland Department of Transportation; January 2005