

J00B01
State Highway Administration
Maryland Department of Transportation

Operating Budget Data

(\$ in Thousands)

	<u>FY 08</u> <u>Actual</u>	<u>FY 09</u> <u>Working</u>	<u>FY 10</u> <u>Allowance</u>	<u>FY 09-10</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
Special Fund	\$752,309	\$685,404	\$688,270	\$2,866	0.4%
Contingent & Back of Bill Reductions	0	0	-562	-562	
Adjusted Special Fund	\$752,309	\$685,404	\$687,708	\$2,304	0.3%
Federal Fund	15,928	14,853	15,092	240	1.6%
Contingent & Back of Bill Reductions	0	0	-43	-43	
Adjusted Federal Fund	\$15,928	\$14,853	\$15,049	\$197	1.3%
Adjusted Grand Total	\$768,236	\$700,257	\$702,758	\$2,500	0.4%

- The fiscal 2010 operating allowance for the State Highway Administration (SHA), including contingent reductions and net of Highway User Revenues (HUR), totals \$222.7 million, an increase of \$0.8 million, or 0.3%, compared to the fiscal 2009 working appropriation.
- In fiscal 2009, SHA has identified \$5.1 million in cost containment in the areas of contractual maintenance, overtime, and information technology expenditures; however, these reductions are not reflected in the working appropriation. When accounting for cost containment, the fiscal 2010 operating allowance increases \$5.9 million, or 2.7%.
- The local share of HUR totals \$480.0 million in fiscal 2010, an increase of \$1.7 million, or 0.4%, compared to the fiscal 2009 working appropriation. The growth in fiscal 2010 is due to the fiscal 2009 working appropriation being reduced \$70.4 million from the legislative appropriation due to the downturn in revenues.

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

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PAYGO Capital Budget Data

(\$ in Thousands)

	Fiscal 2008	Fiscal 2009		Fiscal 2010
	<u>Actual</u>	<u>Legislative</u>	<u>Working</u>	<u>Allowance</u>
Special	\$441,873	\$664,307	\$435,693	\$355,914
Federal	\$530,640	\$435,945	\$501,049	\$427,003
Reimbursable	\$94	\$0	\$1,321	\$0
Total	\$972,607	\$1,100,252	\$938,063	\$782,917

- The fiscal 2009 working appropriation is \$162.2 million less than the legislative appropriation due to reductions to the capital program totaling \$120.0 million and cash flow changes in several projects. To offset the special fund reductions, a higher level of federal aid was assumed and federal funds were pushed forward into fiscal 2009.
- The fiscal 2010 allowance decreases \$155.0 million due to reductions in the capital program from the revenue downturn totaling \$232.0 million. This reduction is offset with cash flow from fiscal 2008 and 2009 being moved into fiscal 2010.

Operating and PAYGO Personnel Data

	<u>FY 08</u> <u>Actual</u>	<u>FY 09</u> <u>Working</u>	<u>FY 10</u> <u>Allowance</u>	<u>FY 09-10</u> <u>Change</u>
Regular Operating Budget Positions	1,547.00	1,578.00	1,578.00	0.00
Regular PAYGO Budget Positions	<u>1,649.50</u>	<u>1,650.50</u>	<u>1,650.50</u>	<u>0.00</u>
Total Regular Positions	3,196.50	3,228.50	3,228.50	0.00
Operating Budget FTEs	2.90	3.40	4.40	1.00
PAYGO Budget FTEs	<u>8.90</u>	<u>18.60</u>	<u>17.60</u>	<u>-1.00</u>
Total FTEs	11.80	22.00	22.00	0.00
Total Personnel	3,208.30	3,250.50	3,250.50	0.00

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	160.78	4.98%
Positions and Percentage Vacant as of 12/31/08	149.50	4.63%

- The fiscal 2010 allowance does not increase the overall complement of regular positions or contractual full-time equivalents (FTEs). There is a transfer of a contractual FTE from the PAYGO budget to the operating budget to better handle facility maintenance at the Hanover complex.
- The turnover rate in fiscal 2010 is set at 4.98%, requiring 160.8 vacant positions. As of January 1, 2008, SHA had 149.5 vacant positions. To meet the fiscal 2010 turnover rate, SHA will not be able to fill at least 11.0 more positions than are currently vacant, or will need to identify reductions elsewhere in the budget to pay for the salaries and fringes for employees.

Analysis in Brief

Major Trends

Traffic Fatalities: Traffic fatalities declined in calendar 2007 to 615 and are estimated to decline to 575 in calendar 2009. Of note is the fact that vehicle miles traveled have been declining since November 2007. **The Department of Legislative Services (DLS) recommends that SHA brief the budget committees on efforts to reduce traffic fatalities and the declining trend for vehicle miles traveled.**

Congestion: Congestion on freeway lane miles continues to increase while arterial roadways are becoming less congested. This phenomenon is particularly noteworthy given the recent decline in vehicle miles traveled. **DLS recommends that SHA discuss with the budget committees why congestion is worsening on freeway lane miles even with vehicle miles traveled declining. In addition, SHA should discuss what impact the capital reductions will have on the congestion in the State.**

System Preservation: Another goal of SHA, is to maintain its transportation network for safe travel. This is measured through the number of structurally deficient bridges, which declined in fiscal 2008 and 2010, and unacceptable ride quality, which is expected to increase in fiscal 2008 and 2009. **DLS recommends that SHA discuss the impact of inflation and the capital funding reductions on system preservation.**

Issues

Federal Stimulus Funds: Under the American Recovery and Reinvestment Act of 2009, SHA is expected to receive approximately \$430.0 million in formula aid for highways. On February 18, 2009, the Maryland Department of Transportation (MDOT) announced its plan, called Phase I, to spend \$223.4 million for resurfacing and safety projects. **DLS recommends that SHA and MDOT discuss how the stimulus funds will be spent. In addition, DLS recommends that committee narrative be adopted requesting a report on the projects the agency intends to submit for funding under the Supplemental Grant Program.**

Winter Maintenance Is Consistently Underbudgeted: SHA has not updated the level appropriated for snow removal since fiscal 1996. When accounting for inflation, the appropriation should be at least \$7 million higher. The underbudgeting of snow removal has an impact on the financial forecast and the department's ability to issue debt. **DLS recommends that the agency discuss why it does not budget snow removal based upon a historical average. DLS also recommends budget bill language be added expressing the intent that snow removal be budgeted using a historical average.**

Changing Highway User Revenue and Sales Tax Distributions: To relieve pressure on the general fund, the sales tax distribution to the Transportation Trust Fund (TTF) could be reduced to 3.25%, which would increase the level of general funds by approximately \$83 million in fiscal 2010. In

addition, to maintain the current level of funding for the TTF, the local share of HUR could be reduced from 30.0 to 25.0%, which would provide the TTF \$80 million in fiscal 2010. **DLS recommends that provisions be added to the Budget Reconciliation and Financing Act to alter the distribution of sales tax revenues to the TTF and the local HUR distribution.**

Operating Budget Recommended Actions

	<u>Funds</u>
1. Add budget language expressing the intent that the State Highway Administration budget snow removal based upon a five-year actual historical average.	
2. Reduce funds for vehicle maintenance and repair.	\$ 160,000
3. Reduce funds for equipment purchases.	300,000
4. Reduce funds for engineering equipment.	55,000
5. Add budget bill language reducing the local Highway User Revenue appropriation by \$80 million contingent upon the enactment of budget reconciliation legislation and provisions that change the distribution.	
Total Reductions	\$ 515,000

PAYGO Budget Recommended Actions

1. Adopt committee narrative request report on projects submitted for federal Supplemental Grant Program.

Updates

SHA and StateStat: SHA began attending StateStat meetings during the summer of 2008. To date, SHA StateStat meetings have focused on personnel issues, safety, and environmental compliance. Due to SHA's recent involvement in the process, the impact of StateStat on the agency's performance or budget cannot be fully evaluated at this time.

Woodrow Wilson Bridge Update: The Maryland portion of the Woodrow Wilson Bridge contract is on budget and SHA advises that 97% of the Maryland construction is complete with 100% of the construction under contract. All I-95/I-495 traffic is on both express and local lanes of both inner and outer loop bridges.

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HUR Uses by Baltimore City, Counties, and Municipalities: The 2008 *Joint Chairmen’s Report* required SHA to obtain information as to how the counties spent their share of HUR in fiscal 2008. Based upon the report, counties and municipalities have largely spent the funding according to statutory requirements.

Land Dispositions Legislation Update: The fiscal 2009 budget bill expressed the intent of the General Assembly that SHA introduce legislation to remedy the conflicts within the Transportation Article regarding the land disposition process. SHA has indicated that it intends to introduce legislation in the 2009 session to resolve the conflicting issues within the Transportation Article.

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Budget Analysis

Program Description

The State Highway Administration (SHA) is responsible for over 5,200 miles of interstate, primary, and secondary roads, and over 2,500 bridges. SHA employees plan, design, build, and maintain these roads and bridges to safety and performance standards while paying attention to social, ecological, and economic concerns.

SHA employs personnel in seven engineering districts throughout the State and at the Baltimore City headquarters. Each district encompasses a number of adjacent counties, with a district office serving as its headquarters. There is at least one maintenance facility in each county. The districts are responsible for the management of highway and bridge construction contracts, and maintenance functions such as pavement repairs, bridge repairs, snow removal, roadside management, equipment maintenance, and traffic engineering operations.

SHA attempts to manage traffic and congestion through the Coordinated Highways Action Response Team (CHART) program. CHART provides information about traffic conditions and clears incidents on major roadways.

The highway safety program funds the Motor Carrier Division and the State Highway Safety Office. The Motor Carrier Division manages the State's enforcement of truck weight and age limits by inspecting drivers, trucks, and cargo, as well as auditing carriers. The State Highway Safety Office administers highway safety programs and grants to State and local agencies.

The administration has identified the following key goals:

- **Safety:** Improve highway safety in Maryland.
- **Mobility/Congestion Relief:** Improve mobility for customers.
- **System Preservation and Maintenance:** Maintain a quality highway system.
- **Efficiency in Government:** Improve efficiencies in business processes in a fiscally responsible manner.
- **Environmental Stewardship:** Develop and maintain Maryland State highways in an environmentally responsible manner.
- **Customer Satisfaction:** Provide services and products to customers that meet or exceed their expectations.

Performance Analysis: Managing for Results

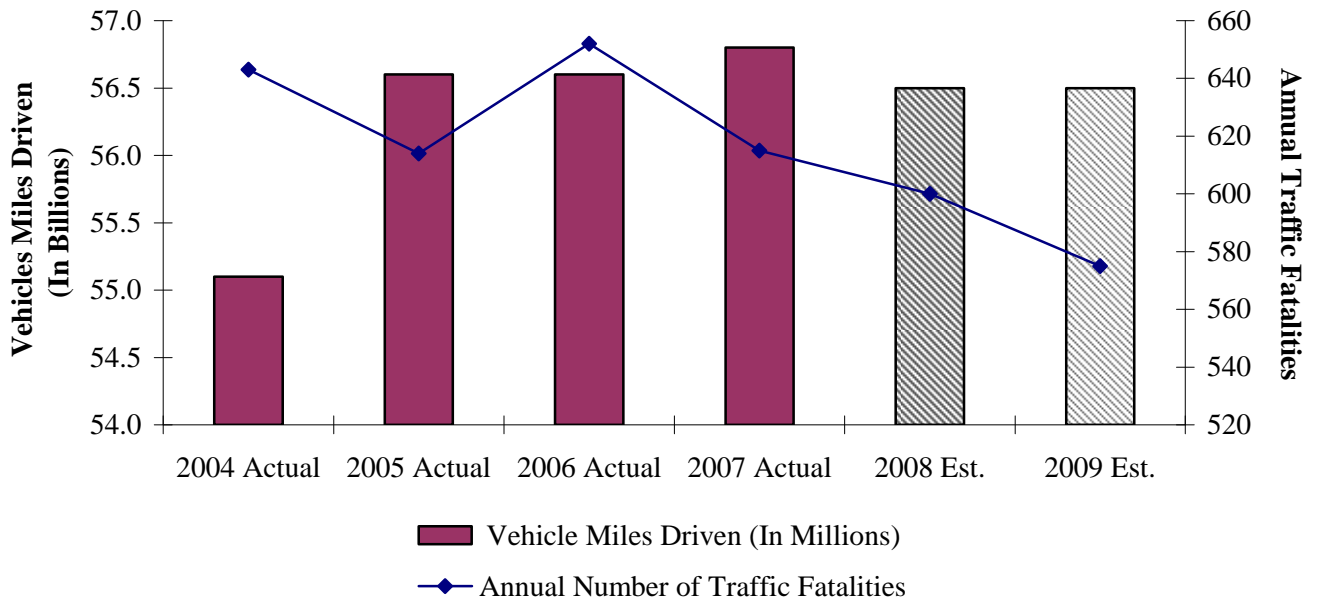
SHA attempts to provide Managing for Results (MFR) performance measures that relate to its mission and goals. SHA's mission is to "efficiently provide mobility for our customers through a safe, well-maintained, and attractive highway system that enhances Maryland's communities, economy, and environment."

Safety

Goal 1 of the SHA MFR submission is to improve highway safety in Maryland with the objective of reducing the annual number of traffic and pedestrian fatalities. There are many behavioral factors beyond SHA's control that impact this measure. For example, **Exhibit 1** shows that in calendar 2005 the number of vehicle miles traveled (VMT) increased while the number of traffic fatalities decreased; however, in calendar 2006 VMT did not increase while traffic fatalities did increase. In calendar 2007, traffic fatalities declined to 615 and are expected to continue declining to 575 in calendar 2009. To reduce the overall number of traffic fatalities, the administration has introduced five pieces of legislation in the 2009 session dealing with drunk driving, speed cameras, and young drivers. In addition, SHA has undertaken a number of engineering program changes and projects to enhance safety.

An important note for safety, as well as revenue, is that VMT is expected to decrease in calendar 2008 and then remain flat in calendar 2009 reflecting national trends. Nationwide, VMT has been declining each month when compared to the prior year since November 2007. SHA has updated the estimate for VMT since the MFR submission, and now estimates VMT to be 800 million less than the MFR estimate for calendar 2009. **The Department of Legislative Services (DLS) recommends that SHA brief the budget committees on the efforts to reduce the number of traffic fatalities either through legislation or engineering efforts and the recent declining trend in vehicle miles traveled.**

Exhibit 1
Highway Miles Driven Compared to Fatalities
Calendar 2004-2009

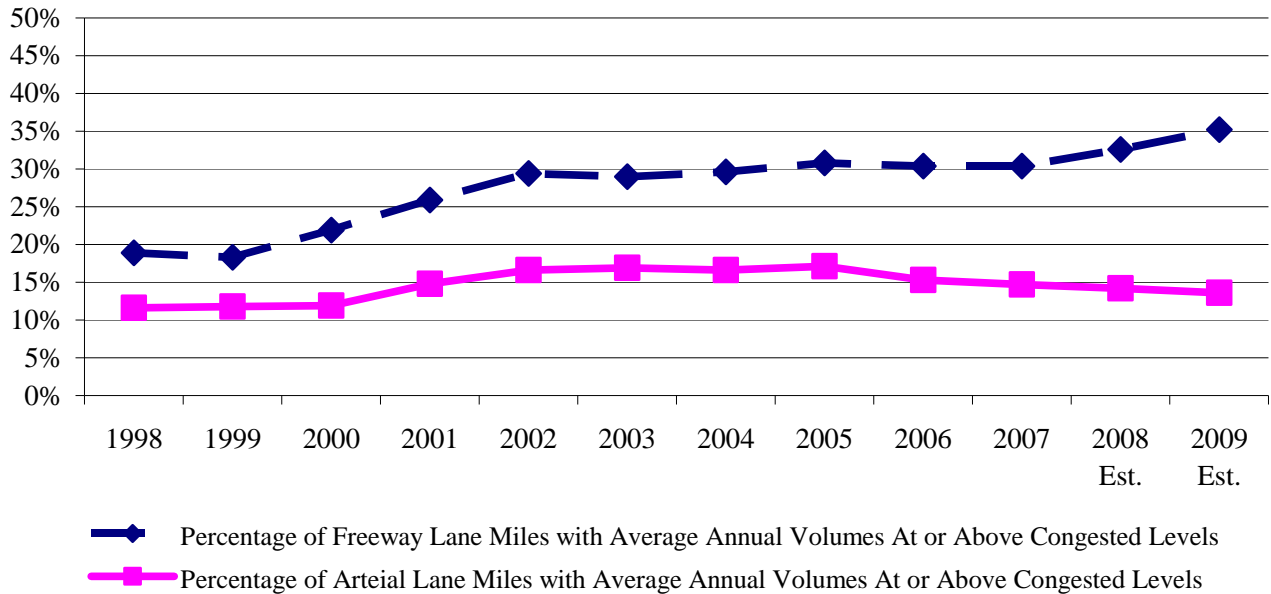


Source: State Highway Administration

Congestion

Several national measures (*e.g.*, Census Bureau, Reason Foundation, and Texas Transportation Institute) indicate that Maryland and the Washington and Baltimore metropolitan regions have some of the highest levels of roadway congestion in the country. **Exhibit 2** shows that the percentage of freeway lane miles that are congested has increased from 19% in calendar 1998 to an estimated 35% in calendar 2009. The level of congestion on freeways is expected to become worse in calendar 2008 despite several years when congestion did not increase substantially. The projected increase in the level of congestion is noteworthy given SHA’s estimate for VMT to decline from calendar 2007 to 2008 and would seem to indicate that individuals are continuing to commute during peak periods. Even though VMT is declining, it is not declining during peak periods on freeways. The level of congestion on secondary roads is projected to improve in calendar 2008 and 2009 largely due to reduced VMT.

Exhibit 2
Level of Congested Freeway and Arterial Lane Miles
Calendar 1998-2009



Source: Maryland Department of Transportation 2009 Attainment Report

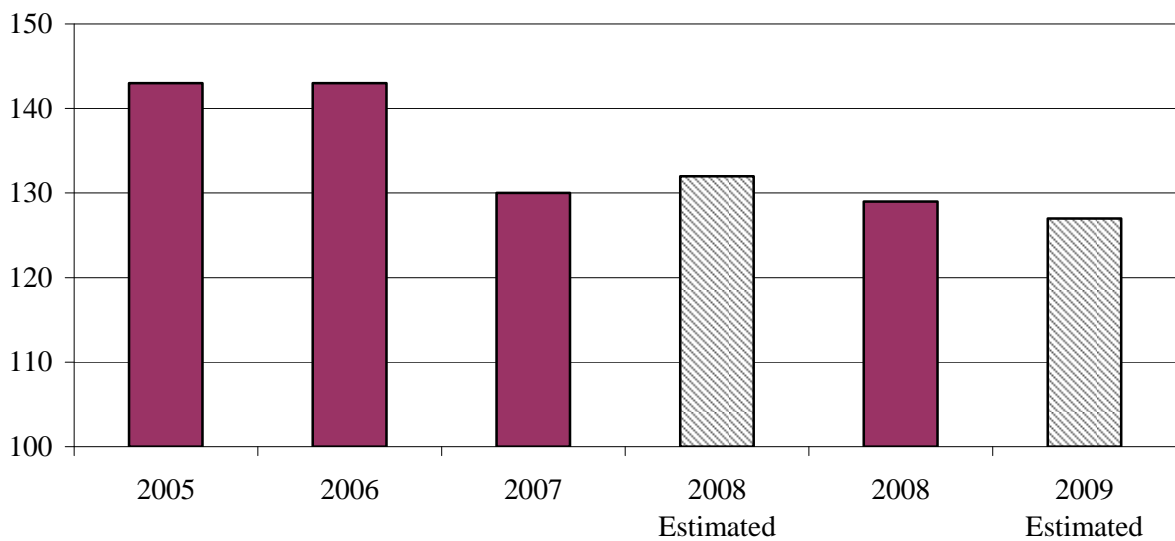
In response to narrative in the 2008 *Joint Chairmen’s Report* (JCR), SHA submitted a report regarding the outlook for congestion and what was being done to reduce the levels of congestion in the State. In the report at that time, SHA indicated that in 2030, VMT were forecasted to increase 50.0% over the 2007 level. Average annual growth for VMT is expected to be 1.7% compared to forecast population growth of 0.8%. **DLS recommends that SHA should discuss why congestion is worsening on freeway lanes while arterial lane miles are improving. SHA should also discuss what impact the reductions to the capital program will have on congestion levels in the State and what low-cost strategies can be undertaken to reduce congestion that are not currently fully utilized.**

System Preservation

Goal 3 from the SHA MFR submission is “System Preservation and Maintenance: Maintain a quality highway system.” The bridge collapse in Minnesota highlighted that bridges may be considered structurally deficient or functionally obsolete and still be considered safe for travel. Objective 3.2 deals with bridges and has the goal of maintaining a rate of 100% of bridges that will allow for legally loaded vehicles to safely travel. SHA has consistently achieved this goal and maintained a 100% rating for bridges; however, this does not account for the number of bridges that are in need of repair. A better measure is to look at the number of structurally deficient bridges each

calendar year as reported to the Federal Highway Administration (FHWA). A structurally deficient bridge means that a bridge is in need of repair or replacement and a functionally obsolete bridge means that a bridge’s design no longer meets the needs for the transportation system. **Exhibit 3** shows that the number of structurally deficient bridges decreased from fiscal 2007 to 2008 and are estimated to decline in fiscal 2009. As bridges come off of the list, other bridges will likely be added; however, it is anticipated that the overall number will decrease.

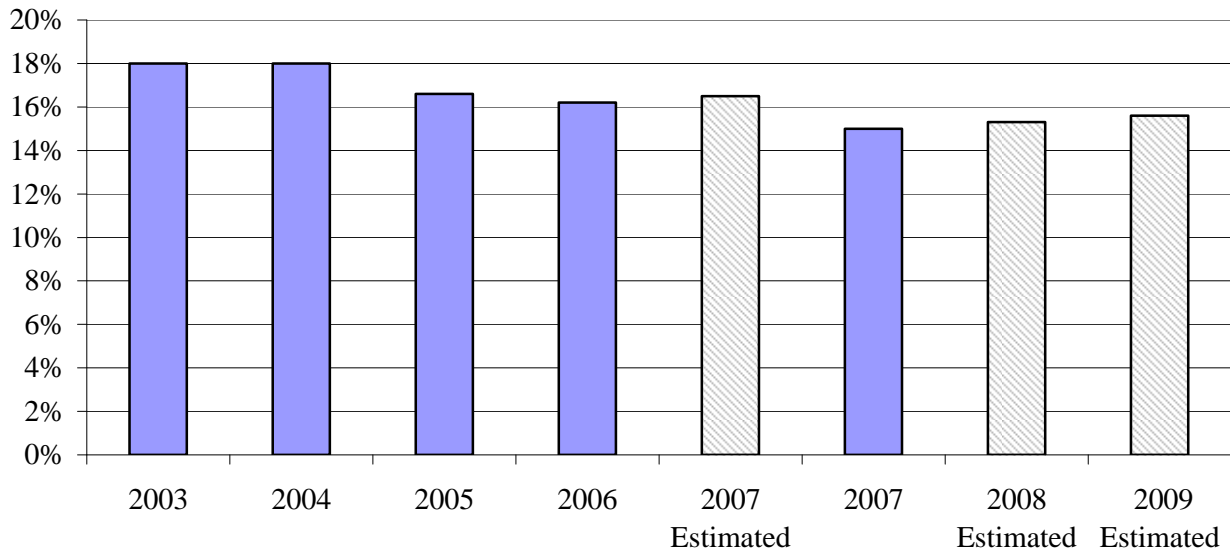
Exhibit 3
Structurally Deficient Bridges in State Highway Network
Calendar 2005-2009



Source: State Highway Administration

Another measure of system preservation is the percentage of roadway mileage that does not have an acceptable ride quality as measured and presented to FHWA. As shown in **Exhibit 4**, since calendar 2004, the level of unacceptable ride quality has been improving and reached a low point of 15% in calendar 2007. Beginning in calendar 2008 and then moving forward, it is estimated that the level of unacceptable ride quality will become worse partially due to the reductions in the capital program. **DLS recommends that SHA discuss with the budget committees the impact of inflation and capital reductions on these two system preservation performance measures. In addition, SHA should discuss with the budget committees what the long-term impact of reduced system preservation investments will be on the transportation network and what steps can be taken to mitigate this impact in the short-term.**

Exhibit 4
Roads with Unacceptable Ride Quality
Calendar 2003-2009



Source: State Highway Administration

Fiscal 2009 Actions

Impact of Cost Containment

Chapter 10 of 2008 required the Governor to reduce the fiscal 2009 general fund budget by \$50.0 million. As part of that reduction, overbudgeted health insurance funds were withdrawn by the Board of Public Works (BPW), with SHA's share totaling \$1.3 million for operating and capital.

In addition, SHA identified several internal cost containment actions totaling \$5.1 million. These actions include reductions to contractual maintenance services totaling \$3.2 million, \$1.0 million for LED signal retrofitting, and \$0.9 million in reduced overtime expenditures and contractual and temporary employees.

Proposed Budget

The fiscal 2010 allowance for the operating budget, system maintenance and CHART, totals \$222.7 million, an increase of \$0.8 million, or 0.3%, compared to the fiscal 2009 working

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appropriation. This includes a contingent reduction of \$0.6 million for the matching deferred compensation payment. When adjusting for the \$5.1 million in fiscal 2009 cost containment actions, the fiscal 2010 allowance increases \$5.9 million, or 2.7%.

The major changes in the allowance, reflected in **Exhibit 5**, are for the following:

- \$2.8 million increase for utilities based upon the Department of Budget and Management instructions for fiscal 2010;
- \$1.7 million increase for fuel related expenditures due to rising gas prices;
- \$0.6 million increase in safety-related equipment to replace existing equipment;
- \$3.9 million decrease in contract maintenance for a number of contract maintenance activities such as mowing and litter pick-up reflecting cost containment actions taken in fiscal 2009;
- \$1.0 million decrease in inmate labor expenditures due to cost containment as part of contract maintenance; and
- \$0.6 million decrease in consultant services for information technology services.

Exhibit 5
Proposed Budget
MDOT – State Highway Administration
(\$ in Thousands)

How Much It Grows:	<u>Special</u> <u>Fund</u>	<u>Federal</u> <u>Fund</u>	<u>Total</u>
2009 Working Appropriation	\$685,404	\$14,853	\$700,257
2010 Allowance	<u>688,270</u>	<u>15,092</u>	<u>703,363</u>
Amount Change	\$2,866	\$240	\$3,106
Percent Change	0.4%	1.6%	0.4%
Contingent Reductions	-\$562	-\$43	-\$605
Adjusted Change	\$2,304	\$197	\$2,500
Adjusted Percent Change	0.3%	1.3%	0.4%

Where It Goes:

Personnel Expenses

Increments and other compensation	\$1,001
Employee and retiree health insurance	3,925
Workers' compensation premium assessment	438
Employees retirement system	516
Other Post Employment Benefits	-2,159
Contingent reduction for deferred compensation	-605
Overtime	-475
Turnover adjustments	-394
Reclassification.....	-313
Additional assistance	-176
Other fringe benefit adjustments	35

Other Changes

Utilities per the Department of Budget and Management instructions.....	2,832
Highway User Revenue payment to local jurisdictions.....	1,745
Fuel expenses due to rising prices	1,700
Safety-related equipment such as arrow boards and message signs.....	602
Maintenance and repairs for vehicles based upon historical spending.....	160
Contract maintenance for a number of activities	-3,912
Inmate labor due to cost containment.....	-950
Consultant services for information technologies	-606
Supplies due to reduction in contract maintenance	-395

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Where It Goes:

Vehicle insurance payments per the Department of Budget and Management instructions	-248
Telephone expenditures due to decreased usage	-227
Other	6
Total	\$2,500

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

Highway User Revenues

There is a \$1.7 million increase in the fiscal 2010 allowance for the local share of Highway User Revenues (HUR). The increase from fiscal 2009 to 2010 is due to the fiscal 2009 working appropriation being reduced by \$70.4 million to reflect the downturn in revenues. **Exhibit 6** summarizes the counties and municipalities share of HUR in fiscal 2010.

Exhibit 6
Apportionments of Estimated Highway User Revenues
Fiscal 2010

<u>County</u>	<u>Counties</u>	<u>Municipalities and Baltimore City</u>	<u>Total</u>
Allegany	\$4,164,580	\$2,230,407	\$6,394,987
Anne Arundel	26,223,982	1,693,226	27,917,208
Baltimore	37,553,432	0	37,553,432
Calvert	5,673,989	531,452	6,205,441
Caroline	3,583,760	857,857	4,441,617
Carroll	10,196,558	2,343,952	12,540,510
Cecil	5,802,981	1,146,609	6,949,590
Charles	8,355,776	644,627	9,000,403
Dorchester	3,719,238	1,191,695	4,910,933
Frederick	12,036,207	4,505,918	16,542,125
Garrett	4,713,265	847,501	5,560,766
Harford	12,791,254	1,772,498	14,563,752
Howard	13,826,942	0	13,826,942
Kent	1,964,856	531,078	2,495,934
Montgomery	33,046,345	6,177,243	39,223,588
Prince George's	25,958,117	8,213,103	34,171,220
Queen Anne's	4,816,715	322,923	5,139,638
St. Mary's	6,790,815	118,141	6,908,956
Somerset	2,565,324	401,626	2,966,950
Talbot	2,848,660	1,241,725	4,090,385
Washington	7,905,399	2,734,800	10,640,199
Wicomico	6,473,107	1,820,308	8,293,415
Worcester	4,573,820	1,520,289	6,094,109
Total Counties	\$245,585,122	\$40,846,978	\$286,432,100
Baltimore City		\$193,582,000	\$193,582,000
Total	\$245,585,122	\$234,428,978	\$480,014,100

Source: Governor's Budget Books, Fiscal 2010

PAYGO Capital Program

Program Description

The State System Construction program provides funds for the capital program of SHA. Financing is available from current revenues, federal aid, and bond proceeds for construction and reconstruction projects on the State highway system, program-related planning and research, acquisition of major capital equipment, and all other capital expenditures. Funding is also provided for local capital programs through the State Aid in Lieu of Federal Aid program and various federal grants, including bridge replacement and rehabilitation, and the national highway system.

The *Consolidated Transportation Program* (CTP) includes a development and evaluation program (D&E) and a construction program. Generally, projects are first added to the D&E program where they are evaluated by planners/engineers, and rights-of-way may be purchased. The Maryland Department of Transportation (MDOT) also prepares final and draft Environmental Impact Statements for projects in the D&E program. These studies examine alternatives which include a no-build option and a number of different alignments. Spending on a project while in the D&E program is usually less than 15% of the total project cost. When MDOT wants to move a project forward and begin construction, it is moved into the construction program.

Fiscal 2009 to 2014 Reductions

Due to the economic recession and its impact on revenues, MDOT had to reduce its capital program. The reduction in special funds totaled approximately \$2.2 billion from fiscal 2009 to 2014. SHA's capital program was reduced by approximately \$1.2 billion, representing 53% of the total reduction.

In the first round of reductions in September 2008, MDOT and SHA focused on maintaining system preservation. Many of the projects removed were construction projects that were added to the CTP as part of the revenue increase from the 2007 special session. In the second round of reductions in January 2009, system preservation could not be spared, and an emphasis was placed on maintaining as much funding as possible for bridge and safety projects.

Exhibit 7 highlights the major construction and development and evaluation projects affected by the capital reductions. These projects total \$529 million and represent 46% of the total SHA reduction. The reductions presented are for special funds only. In some cases, projects had a special fund reduction, but federal funds were used to offset the special fund reduction. **DLS recommends that SHA and MDOT discuss with the budget committees why these projects were selected for reductions and the impact of the reductions on the transportation network.**

Exhibit 7
Major Construction and Development and Evaluation Projects
Impacted by Special Fund Revenue Write Down
(\$ in Thousands)

<u>County</u>	<u>Project Description</u>	<u>Six-year Total</u>
Anne Arundel	BRAC Intersections – Fort Meade	\$36,518
Anne Arundel	MD 648, Dorsey Road to MD 10	7,500
Baltimore	US 40, Median Landscaping (Pulaski Highway)	10,389
Baltimore	I-795 at Dolfield Road	27,121
Baltimore	MD 140, Garrison View to Railroad Tracks	6,990
Baltimore City	Broening Highway	6,036
Calvert	MD 2/4, Steeple Chase Road to Commerce Lane	2,586
Caroline/Talbot/Queen Anne's	MD 331, Dover Road (Dover Bridge)	8,953
Caroline/Tabot	MD 404 – Phase 1A	4,462
Caroline	MD 404, MD 309 to Cemetery Road – Phase 1B	2,500
Cecil	MD 26, Liberty Reservoir to MD 32	3,670
Charles/Prince George's	US 301 Protective Right-of-way	32,300
Frederick	I-70, MD 144 to MD 355 (Phase 2D)	57,217
Garrett	US 219 Oakland Bypass	8,205
Harford	BRAC Intersections – Aberdeen Proving Grounds	32,842
Howard	US 29, Seneca Drive to MD 175 (Phase 1)	41,888
Howard	MD 32 at Linden Church Road	15,449
Howard	MD 32, Wellworth Way Access Controls	4,769
Howard	MD 32 Protective Right-of-way	10,569
Montgomery	MD 97 at Randolph Road	17,649
Montgomery	BRAC Intersections – Bethesda	35,483
Montgomery	MD 97, 16th Street to Capital Beltway	3,000
Montgomery	I-270 at Watkins Mill Road	6,575
Prince George's	MD 4 at Suitland Parkway	26,558
Prince George's	US 1, College Avenue to Sunnyside Avenue	7,100
Prince George's	MD 5 Branch Ave Metro – Phase 2	60,403
Prince George's	I-95 at Greenbelt Metro	8,246
Prince George's	MD 500, East/West Highway to Hamilton Street	7,700
Prince George's	MD 295 at National Harbor	14,300
Somerset	MD 822 at MD 675 and Sidewalks	4,023
Wicomico	MD 349, US 50 to Rockawalkin Road	3,000
Statewide	Statewide Planning	15,000
Total		\$529,001

BRAC: Base Realignment and Closure

Source: Maryland Department of Transportation, 2009-2014 *Consolidated Transportation Program*

Exhibit 8 highlights the major system preservation reductions which total \$441 million and represent 38% of the total reduction. Reductions to resurfacing projects totaled \$233 million and accounted for the largest system preservation reduction. Several other categories of system preservation were also reduced, including traffic management and safety spot improvement. **DLS recommends that SHA and MDOT discuss with the committees what impact the system preservation reductions will have on the transportation network over the long-term.**

Exhibit 8
System Preservation Reduction
(\$ in Millions)

<u>Description</u>	<u>Six-year Total</u>
Resurfacing	\$233
Traffic Management	36
Safety Spot Improvement	36
Neighborhood Conservation Improvements	30
Congested Intersections	27
Drainage Improvements	22
Urban Reconstruction	20
Intersection Capacity Improvements	20
Truck Weight Stations	17
Total	\$441

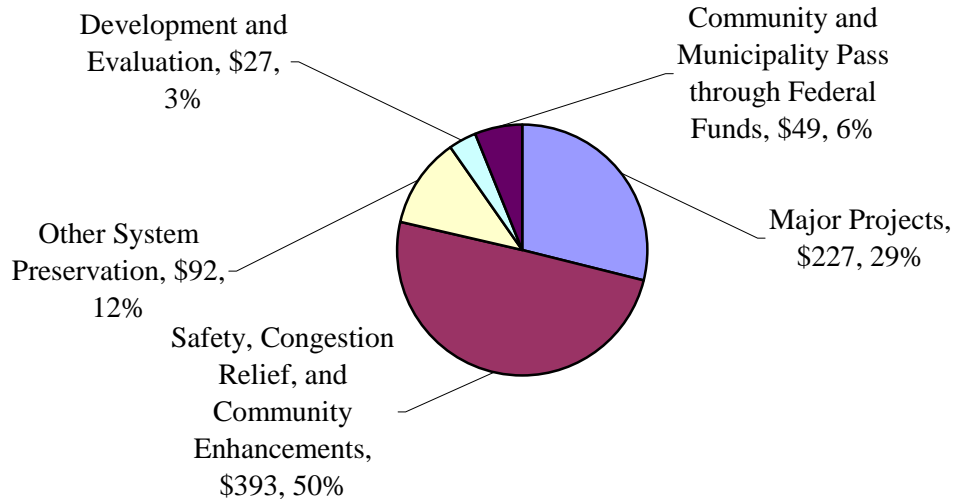
Source: Maryland Department of Transportation, 2009-2014 *Consolidated Transportation Program*

A concern moving forward for highway funding, as well as transit, is to what extent the special fund reductions will impede the department's ability to match available federal funds in the future. In testimony regarding the recommendation to reduce the bond sale, MDOT indicated that any further reductions to the bond sale could result in the department not being able to match federal funds. **SHA and MDOT should discuss with the budget committees how much special funds would need to be reduced, either through a bond sale or revenue write downs, before it could not match available federal funds. This response should include specific dollar figures for fiscal 2009 through 2011.**

Fiscal 2009 to 2014 Consolidated Transportation Program

SHA's fiscal 2010 PAYGO allowance totals \$782.9 million, a decrease of \$155.2 million from the fiscal 2009 working appropriation. **Exhibit 9** provides highlights of the funding by program area. As shown, a majority of the funds, 79%, are to be used for major construction and safety, congestion relief, and community enhancement projects.

Exhibit 9
State Highway Administration Capital Program by Area
Fiscal 2010 Allowance
(\$ in Millions)



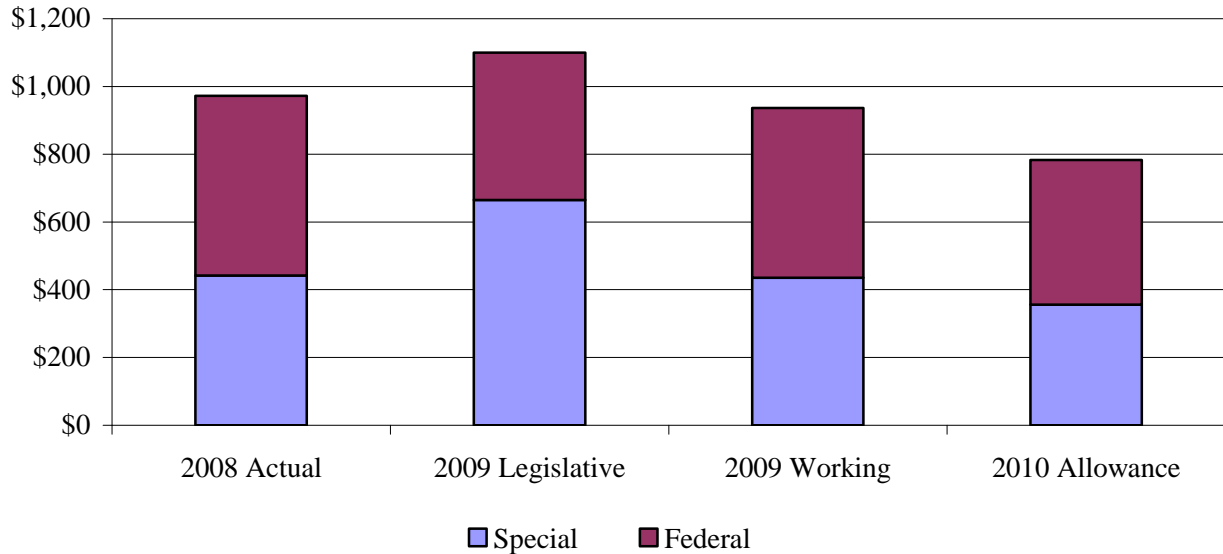
Source: Maryland Department of Transportation, 2009-2014 *Consolidated Transportation Program*

Fiscal 2009 and 2010 Cash Flow Analysis

Exhibit 10 shows that the fiscal 2009 working appropriation is \$162 million less than the legislative appropriation. Special funds decrease \$229 million in total with approximately \$120 million due to reductions in the capital program and \$109 million due to cash flow changes in a number of projects with the cash flow being moved into later fiscal years. The decrease in special funds is offset by an increase in federal funds totaling \$65 million due to a higher level of assumed federal aid.

The fiscal 2010 legislative appropriation is \$155.1 million less than the fiscal 2009 working appropriation with special funds decreasing by \$80.0 million and federal funds decreasing \$74.0 million. In the 2009-2014 CTP, MDOT has identified approximately \$232.0 million in special fund reductions to the capital program. Special funds that were not used in fiscal 2008 and 2009 are being moved into fiscal 2010 to help offset the reductions to the capital program. Federal aid is declining because funds were moved into fiscal 2009 to offset special fund reductions, and the assumed level of federal aid was lowered due to concerns regarding future federal aid disbursements.

Exhibit 10
Cash Flow Changes
Fiscal 2008-2010
(\$ in Millions)



Source: Maryland Department of Transportation, 2009-2014 *Consolidated Transportation Program*

Exhibit 11 provides a list of the major capital projects funded in the fiscal 2010 allowance. These 20 projects account for 63% of the projects in the major construction program.

**Exhibit 11
Major Construction Projects
Funded in Fiscal 2010
(\$ in Thousands)**

<u>County</u>	<u>Project</u>	<u>Fiscal 2010</u>	<u>Total \$</u>	<u>Completion of Fiscal Cash Flow</u>
Allegany	US 220, McMullen Highway – replace bridge 1060 over Potomac River	\$2,084	\$13,843	2013
Anne Arundel	BRAC intersections near Fort Meade – design and construct intersection	2,500	31,588	2012
Anne Arundel	MD 295, Baltimore/Washington Parkway – widen MD 295 from four to six lanes	4,449	12,411	2011
Baltimore	I-695 Baltimore Beltway – replacement of MD 139 bridge	15,811	50,617	2012
Calvert	MD 2/4 Solomon’s Island Road – reconstruct intersection at MD 231	3,207	26,879	2010
Frederick	I-270, Eisenhower Memorial Highway – replace bridge 10080 over Doctor Perry Road	5,832	9,172	2010
Harford	BRAC intersections near Aberdeen Proving Grounds – design and construct intersection improvements	4,000	31,882	2012
Montgomery	BRAC intersections near Bethesda Naval Center – design and construct intersection improvements	10,107	31,265	2012
Montgomery	MD 124, Woodfield Road – construct six-lane divided highway	11,625	54,764	2011
Montgomery	MD 97, Georgia Avenue – construct interchange improvement at Randolph Road	11,979	81,306	Post 2014
Montgomery	MD 355, Rockville Pike – construct interchange at Randolph Road/Montrose Parkway	11,412	47,429	2011
Prince George’s	I-95/I-495 Woodrow Wilson Bridge improvement	13,632	1,318,292	2010
Prince George’s	I-95/I-495 Capital Beltway – improve access from MD 5 and Beltway to Branch Avenue Station	1,150	50,933	2010
Prince George’s	I-95/I-495 Capital Beltway – convert interchange at Arena Drive to full-time interchange	2,952	32,258	2010
Prince George’s	MD 5, Branch Avenue – Widen existing MD 5 from four to six lanes	9,543	12,755	2011
Prince George’s	MD 450, Annapolis Road – replace old MD 450 bridge 16017 over CSX railroad	4,229	75,171	2010
St. Mary’s	MD 237, Chancellor’s Run Road	13,145	55,444	2011
Washington	I-70, Eisenhower Memorial Highway – replace bridges over Black Rock Road	1,141	8,074	2010

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<u>County</u>	<u>Project</u>	<u>Fiscal 2010</u>	<u>Total \$</u>	<u>Completion of Fiscal Cash Flow</u>
Worcester	US 113, Worcester Highway – upgrade to a four-lane divided highway from Hayes Landing Road to Goody Hill Road	6,431	21,857	2010
Worcester	US 113, Worcester Highway – upgrade to four-lane divided highway from Goody Hill Road to Massey Branch	7,616	22,269	2012
Total		\$142,845	\$1,988,209	

BRAC: Base Realignment and Closure

Source: Maryland Department of Transportation, 2009-2014 *Consolidated Transportation Program*

Issues

1. Federal Stimulus Funds

On February 17, 2009, President Obama signed into law the American Recovery and Reinvestment Act (ARRA) which includes funding for transportation infrastructure projects that can begin construction immediately. Under ARRA, Maryland is set to receive approximately \$430 million in formula aid for highway related projects as shown in **Exhibit 12**. The additional federal funds will be used to offset earlier special fund reductions to the capital program.

Exhibit 12 Federal Stimulus Funds Available for Maryland

<u>Type of Funding</u>	<u>Amount</u>	<u>Provision</u>
State Share – funding across the State	\$288.8 million	50% of the funds must be obligated within 120 days with the remaining balance available for obligation for one year.
Local Share – funding for local projects that are on the State network or through local jurisdictions	128.5 million	Funds are available for obligation for one year. At the end of one year, unobligated balances will be transferred to the “Supplemental Discretionary Grants for a National Transportation System.”
Transportation Enhancements – local bike pathways, sidewalks, etc.	12.9 million	50% must be obligated within 120 days and the remaining balance is available for one year.
Supplemental Grant Program		\$1.5 billion grant program, plus any unobligated highway funds, for eligible projects that have significant impact on the nation, a metropolitan area, or a region. Eligible projects include highways, bridges, transit, passenger or freight rail, or ports. Funding for a project is limited to \$20 million to \$300 million with no more than \$300 million in a single state. Application for funding is due within 180 days of passage of the bill and must be obligated within one year of passage.
Total MD Funding	\$430.2 million	

Source: Maryland Department of Transportation

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The State share of federal funds represents the largest share of highway funding and can be used for highway projects at MDOT's discretion. Local share funding may be for local projects on State roads or projects on local roads that the State can complete quickly, such as intersection improvements, resurfacing, or local bridge projects. The transportation enhancement funding is for bike paths, sidewalk improvements, or other similar improvements currently provided for in the transportation enhancement program.

There are several important aspects of the federal stimulus funding:

- **No State Match:** States are not required to match the federal funds provided for in ARRA.
- **Use of Lose Provision:** For the State and transportation enhancement portion of funding, there is a use or lose provision which requires 50% of the funds to be obligated within 120 days. Any funds not obligated within that time frame are transferred to the Supplemental Grant Program.
- **Supplemental Grant Program:** As part of ARRA, there is a Supplemental Grant Program totaling \$1.5 billion. States can apply for funding for any transportation projects that have a minimum cost of \$20 million. The total amount of funding that a State can receive cannot exceed \$300 million; however, this may change if states do not obligate their funds within 120 days. MDOT indicates that it will use the Supplemental Grant Program to fund many of the larger projects removed from the CTP.
- **Local Share:** Of the total share of highway funding, approximately 30% needs to be spent on "local projects." These local projects will need to be federal aid eligible, which most transportation projects on the county and municipal level are not, except for bridge projects. **DLS recommends that SHA and MDOT discuss with the budget committees in further detail what projects might be eligible for local share funding and what its interpretation of a local project would be. Furthermore, SHA and MDOT should discuss how they are working with local jurisdictions to determine how local funding is to be used.**
- **Baltimore City Share:** Currently, Baltimore City receives 5.5% of highway federal aid to support its road network because the State does not do road work in the city, except for the Maryland Transportation Authority. Under the stimulus bill, Baltimore City will receive approximately \$26 million in funding for federal aid eligible projects.
- **Maintenance of Effort Requirement:** ARRA does include maintenance of effort requirements which require states to spend as much on highway and transit funding as was planned on the date the bill was signed. At this point, it is not clear what the penalty is for states that do not meet the maintenance of effort requirement, particularly if revenues continue to underperform and further reductions to the capital program are required. **DLS recommends that MDOT discuss the latest information on the maintenance of effort requirement and what it might mean if further reductions to the capital program are required.**

- **Funding Availability:** Funding will be made available through September 30, 2010. This means that a majority of the funding will be spent in fiscal 2010.

Spending the Funds

At the February 18, 2009 BPW meeting the administration announced plans to spend \$223 million in highway funding, which will be advertised within 30 to 60 days. This proposed level of spending exceeds the ARRA provision that 50.0% of State funds be obligated within 120 days. **Exhibit 13** shows how the funds will be used by purpose. Approximately 65.0% of the funds will be used for resurfacing projects across the State. Most of the safety projects are for guardrails or safety enhancements to comply with the Americans with Disabilities Act. The funding for Baltimore City is for two projects and represents a portion of the 5.5% federal aid share.

Exhibit 13 Use of Federal Highway Stimulus Funds (\$ in Millions)

<u>Location</u>	<u>Project</u>	<u>Cost</u>	<u>Jobs Created</u>
Prince George’s County, Howard County, and Upper Shore	Environmental	\$0.7	20
Statewide	Safety	50.8	1,458
Statewide	Resurfacing	146.2	4,196
Prince George’s County	Bridge	3.4	98
Baltimore City	Revitalization	21.9	629
Cecil	Congestion Management	0.4	11
Total		\$223.4	6,412

Source: Maryland Department of Transportation

DLS recommends that SHA and MDOT discuss in further detail the following:

- **the decisionmaking process for determining which projects to fund;**
- **how soon it expects projects to actually begin construction;**
- **how it will report the use of funds for the legislature; and**
- **what the expectations are for Phase II projects, including the type of projects and timeline.**

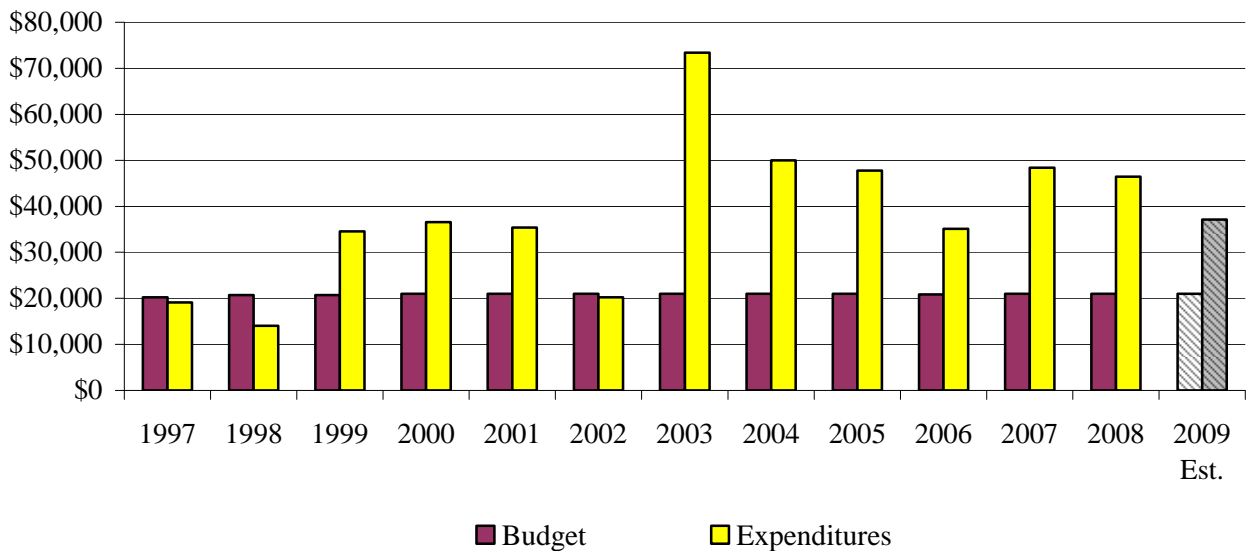
In addition, DLS recommends that committee narrative be adopted that would require SHA and MDOT to submit a report to the budget committees that outlines what projects it has

submitted for funding out of the Supplemental Grant program and that a follow-up letter be provided indicating what projects have been approved for funding.

2. Winter Maintenance Is Consistently Underbudgeted

SHA is responsible for removing snow and ice on State highways. The cost associated with this service includes the cost of clearing snow and ice as well as the cost of standby personnel when a weather event is predicted. **Exhibit 13** provides a historical summary of how much SHA has budgeted for winter maintenance and how much was actually spent from fiscal 1997 to 2008. Through February 20, 2009, SHA has spent approximately \$37.1 million on winter maintenance.

Exhibit 13
Historical Budget and Actual Levels for Winter Maintenance
Fiscal 1997-2009
(\$ in Thousands)



Source: State Highway Administration

From fiscal 1997 to 2008, SHA has typically budgeted \$21 million for winter maintenance despite cost increases and inflation. This level was originally set in fiscal 1996 at what was then the 10-year average. The average annual expenditure since fiscal 1997 is \$38 million, \$17 million more than the current budgeted level. To adjust for this higher level of spending, each year SHA submits a budget amendment at the end of the year.

By not accurately budgeting for winter maintenance costs, the appropriation for SHA is understated and the department’s financial forecast is affected. In most years, MDOT’s practice of

estimating revenues conservatively and capital project cash flow changes enable SHA to absorb the additional snow removal costs without impacting other programs and projects. This year, if revenues do not meet estimates the underbudgeting could require program reductions in other areas or potentially transfers from the PAYGO budget as proposed for the Maryland Transit Administration.

MDOT indicates that it requires the flexibility in its forecast to pay for winter maintenance costs; however, the department can do this by adjusting its assumed level of winter maintenance in the operating budget. While predicting the level of winter maintenance expenditures is difficult, building in a higher base level would be prudent given past expenditures. In addition, SHA budgets other line items in its budget based upon historical spending patterns.

DLS recommends that the agency discuss why it underbudgets snow removal rather than more accurately reflecting the actual historical cost of snow removal similar to how other line items are budgeted for in the allowance.

DLS also recommends that budget bill language be added expressing the intent that the SHA budget for winter maintenance based upon the actual costs of snow removal using a rolling five-year average beginning with the fiscal 2011 allowance.

3. Changing Highway User Revenue and Sales Tax Distributions

To relieve fiscal pressures on the general fund, the General Assembly may want to consider changing the sales tax and local HUR distributions while maintaining the overall level of funding for the Transportation Trust Fund (TTF).

To reduce funding pressures for the general fund, the distribution of sales tax revenues to MDOT could be reduced from 5.3 to 3.25% permanently, or approximately \$83 million, allowing the revenue to stay with the general fund as shown in **Exhibit 14**. To offset the loss of revenue to the TTF, the local share of HUR could be lowered from the current distribution of 30 to 25%. This would result in an additional \$80 million in revenue for the TTF, while decreasing the local share of HUR by \$80 million. In sum, the local HUR share would be reduced to allow for the TTF to remain at the current funding levels while providing relief to the general fund.

Exhibit 14
Changing Distributions to Transportation Revenues
Fiscal 2010
(\$ in Millions)

	<u>Current Law</u>	<u>Proposed</u>	<u>Difference</u>
Change Sales Tax to Transportation			
From 5.3 to 3.25% Permanently			
General Fund	\$0	\$83	\$83
Transportation Trust Fund	207	124	-83
Change Local HUR Formula to 25.0 from 30.0%			
Transportation Trust Fund	1,120	1,200	80
Local HUR distribution	\$480	\$400	-\$80

HUR: Highway User Revenues

Source: Department of Legislative Services

Exhibit 15 shows how the altered HUR distribution, evenly distributed, would affect Baltimore City and the counties.

DLS recommends that a provision be added to the Budget Reconciliation and Financing Act (BRFA) of 2009 that:

- **changes the share of the sales tax distributed to the Transportation Trust Fund from 5.3 to 3.25% permanently;**
- **changes the local share of the Highway User Revenue to 25%; and**
- **changes the formula for calculating the Baltimore City share of HUR so that Baltimore City will receive 40% of the local share of HUR, which is the amount it will receive in fiscal 2010.**

DLS also recommends budget bill language be added making a contingent reduction of \$80 million to the local HUR contingent upon enactment of the BRFA and that the HUR provisions are included.

Exhibit 15
Local HUR Under 25% Distribution
Fiscal 2010

<u>Counties</u>	<u>Road Mileage Jan 1, 2008</u>	<u>Vehicle Registration Dec 1, 2007</u>	<u>Proposed Action</u>	<u>2010 Allowance</u>	<u>Difference</u>	<u>Percent Difference</u>
Allegany	725.94	63,369	\$5,329,155	\$6,394,986	-\$1,065,831	-16.7%
Anne Arundel	1,831.33	527,091	23,264,340	27,917,208	-4,652,868	-16.7%
Baltimore City	0.00	0	161,318,334	193,582,000	-32,263,666	-16.7%
Baltimore	2,640.81	675,824	31,294,526	37,553,431	-6,258,905	-16.7%
Calvert	548.12	90,753	5,171,201	6,205,441	-1,034,240	-16.7%
Caroline	539.29	37,442	3,701,348	4,441,617	-740,269	-16.7%
Carroll	1,143.41	176,716	10,450,425	12,540,510	-2,090,085	-16.7%
Cecil	661.67	92,683	5,791,324	6,949,589	-1,158,265	-16.7%
Charles	763.54	137,519	7,500,336	9,000,403	-1,500,067	-16.7%
Dorchester	645.06	32,265	4,092,444	4,910,933	-818,489	-16.7%
Frederick	1,557.36	223,914	13,785,104	16,542,125	-2,757,021	-16.7%
Garrett	746.23	33,573	4,633,977	5,560,772	-926,795	-16.7%
Harford	1,170.02	234,782	12,136,460	14,563,752	-2,427,292	-16.7%
Howard	986.87	246,112	11,522,451	13,826,941	-2,304,490	-16.7%
Kent	302.89	21,071	2,079,945	2,495,934	-415,989	-16.7%
Montgomery	2,631.19	729,670	32,686,323	39,223,587	-6,537,264	-16.7%
Prince George's	2,304.65	633,364	28,476,016	34,171,219	-5,695,203	-16.7%
Queen Anne's	566.34	54,130	4,283,032	5,139,638	-856,606	-16.7%
St. Mary's	612.21	100,678	5,757,464	6,908,957	-1,151,493	-16.7%
Somerset	380.96	21,131	2,472,458	2,966,950	-494,492	-16.7%
Talbot	454.04	42,459	3,408,653	4,090,384	-681,731	-16.7%
Washington	1,036.41	137,531	8,866,833	10,640,199	-1,773,366	-16.7%
Wicomico	887.56	92,269	6,911,179	8,293,415	-1,382,236	-16.7%
Worcester	701.47	58,574	5,078,423	6,094,108	-1,015,685	-16.7%
Total	23,837.35	4,462,920	\$400,011,752	\$480,014,099	-\$80,002,348	-16.7%

HUR: Highway User Revenues

Source: Department of Legislative Services

Operating Budget Recommended Actions

1. Add the following language:

It is the intent of the General Assembly that the State Highway Administration budget funds for snow removal in fiscal 2011 and beyond using a rolling five-year actual average.

Explanation: This language expresses the intent that the State Highway Administration accurately portrays the cost of snow removal in its annual budget submission. The current budgeted level for snow removal has not been updated since fiscal 1997, despite inflationary increases during this time.

- | | <u>Amount
Reduction</u> | |
|---|------------------------------------|----|
| 2. Reduce funds for vehicle maintenance and repair. The fiscal 2010 allowance increases \$160,000, or 2.9%. This reduction would reduce funding to the fiscal 2009 working appropriation. | \$ 160,000 | SF |
| 3. Reduce funds for equipment purchases. The fiscal 2010 allowance for non-vehicle related purchases increases \$602,145, or 217%, from the fiscal 2009 working appropriation. This reduction reduces the increase in the allowance by approximately 50%. | 300,000 | SF |
| 4. Reduce funds for engineering equipment. The fiscal 2010 allowance increases \$108,598, or 27.5%, from the fiscal 2009 working appropriation. This reduction reduces the increase in the allowance by approximately 50.0%. | 55,000 | SF |
| 5. Add the following language to the special fund appropriation: | | |

Further provided that this appropriation shall be reduced by \$80,002,348, contingent upon the enactment of House Bill 101 or Senate Bill 166 to reduce the local share of Highway User Revenues from 30 percent to 25 percent.

Explanation: This action would reduce the local share of Highway User Revenues by \$80 million if provisions are adopted in the Budget Reconciliation and Financing Act of 2009 to reduce the local share of Highway User Revenues to 25% beginning in fiscal 2010.

Total Special Fund Reductions **\$ 515,000**

PAYGO Budget Recommended Actions

1. Adopt the following narrative:

Report on Supplemental Grant Program: As part of the American Recovery and Reinvestment Act of 2009, a Supplemental Grant Program for highways was created. States may submit projects for funding that are at least \$20 million and no greater than \$300 million. The Maryland Department of Transportation (MDOT) may submit projects, not just highways, which have a national or regional impact. It is likely that projects submitted will be larger construction projects that were taken out of the 2009-2014 Consolidated Transportation Program as part of the revenue reduction. Given the significance of the funding and the projects likely to be funded, MDOT should submit a report indicating what projects it has applied for 15 days after the federal deadline, or sooner. In addition, MDOT should report back to the communities what projects will be funded through the program once that information is available.

Information Request	Author	Due Date
Report on Supplement Grant Program projects	MDOT	15 days after federal deadline and once information is available

Updates

1. SHA and StateStat

StateStat is an Administrative initiative designed to be a management accountability process for Executive Branch agencies. The process relies on information collected from agencies to track agency performance and to identify areas of concern and to address those areas. Through regular meetings and continuous follow-up, ongoing or individual agency performance issues are discussed to determine the problem and possible solutions. SHA started StateStat meetings during summer 2008.

SHA StateStat Measures

SHA StateStat meetings have focused on personnel issues, safety, and environmental compliance. In terms of personnel, SHA has been able to lower its overtime costs compared to last year through cost containment and greater oversight. In understanding the drivers of overtime expenditures, SHA indicated that contractors have not always fulfilled their contractual obligations resulting in SHA using overtime to ensure that grass is mowed and roads are cleaned.

Another major data measure is what SHA is doing to ensure mobility and safety in the State. Each month, StateStat reviews the number of traffic incidents in a month and highway safety is measured in terms of injuries and crashes. One benefit of StateStat is the ability to coordinate various State agencies on a singular policy objective. For example, to help increase safety StateStat suggested further collaboration between the State Police and SHA to determine where traffic fatalities are occurring and if roadway improvements need to be prioritized based upon shared information.

A final area of measurement for SHA is its environmental stewardship efforts. Specifically StateStat tracks the type of fuel used by SHA, acres of wetlands restored, and the number of projects that are found to be in non-compliance with federal environmental standards. For example, StateStat tracks on a monthly basis the amount expended on alternative fuels by SHA.

Overall, StateStat is tracking several measures that are critical to the mission and day-to-day operation of SHA. However, due to SHA's recent involvement in the process, the impact of StateStat on the agency's performance or budget cannot be fully evaluated at this time.

2. Woodrow Wilson Bridge Update

MDOT, the Virginia Department of Transportation, the Washington, DC Department of Transportation, and the Federal Highway Administration are in the process of constructing a \$2.5 billion project to replace the Woodrow Wilson Bridge (WWB). The old bridge offered 6 total lanes while the new bridge will offer 12 lanes. Eight lanes will match the capacity of I-495; 2 lanes will be for merging/exiting; and 2 lanes will be for future rail transit, bus service, or high occupancy

vehicles. The project also includes contracts to improve interchanges at I-295 (Maryland), MD 210 (Maryland), Route 1 (Virginia), and Telegraph Road (Virginia).

The Maryland portion of the Woodrow Wilson Bridge contract is on budget. SHA advises that 97% of the Maryland construction is complete, and 100% percent of the Maryland construction is under contract. All I-95/I-495 traffic is on both express and local lanes of both inner and outer loop bridges. Work in Maryland should be complete in the summer of 2009. The Potomac Heritage Trail connecting Virginia and Maryland via the Woodrow Wilson Bridge should open in June 2009.

Exhibit 16 provides a revenue forecast for Maryland’s share of the project. Final amounts and amounts for Virginia will not be available until an approved WWB Financial Plan and revised Project Cost Estimate worksheet are issued. Maryland is projected to provide \$123 million in State funds for the project.

Exhibit 16
Woodrow Wilson Bridge
Maryland Revenue Forecast Summary
(\$ in Millions)

<u>FFY Ending</u>	<u>Obligated Dedicated Federal Funds</u>	<u>Obligated Regular Federal Funds</u>	<u>State Match Cash Flow Maryland</u>
Prior Years	\$984.3	\$150.2	\$100.9
2009	.7	16.2	10.4
2010	-	0	1.0
2011	-	0	0
2012	-	0	0
2013	-	0	0
2014	-	0	0
2015	-	0	0
2016	-	40.7	10.3
Total	\$985.0	\$207.1	\$122.5

FFY: federal fiscal year

Source: State Highway Administration

3. HUR Uses by Baltimore City, Counties, and Municipalities

HUR is a mechanism that is used to pass State-sourced revenues to counties and municipalities to assist in the construction and maintenance of local roadways. Currently, local jurisdictions receive 30.0% of HUR credited to the Gasoline and Motor Vehicle Revenue Account.

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HUR funds are distributed between Baltimore City and the counties. Baltimore City's share is equal to 11.5% of the total HUR plus 11.5% of the growth in the local share over fiscal 1998. The remaining local share of HUR is allocated based upon a two-part formula:

- the percentage of road miles a county has as a percentage of total county road miles; and
- the percentage of registered motor vehicles as a percentage of total county registered vehicles.

The allocation to a county is shared among the county and municipalities within the county on this same basis.

According to Transportation Article 8-408, HUR is distributed to Baltimore City, counties, and municipalities for the construction and maintenance of county roads, the cost of transportation facilities, and debt service on county highway bonds. In addition, the funds may be used for the establishment and maintenance of footpaths, bridle paths, horse trails, and bicycle trails.

The 2008 JCR requested that SHA obtain information from HUR recipients as to how the funding was used. SHA submitted a report that included information regarding how Baltimore City, the 23 counties, and municipalities used their share of HUR and following is a summary of the major highlights.

- SHA distributed \$524.5 million in fiscal 2008 to Baltimore City, the 23 counties, and eligible municipalities. HUR recipients spent a total of \$831.0 million for transportation eligible projects.
- Almost all counties and municipalities reported spending more for transportation than was received in HUR disbursements. A small number of jurisdictions reported spending less than what was received in HUR. It is unclear for what the additional funding was used.
- For the total transportation spending by local jurisdictions, \$376.6 million was use for capital projects and roadway related expenditures, \$411.8 million was used for roadway maintenance related expenditures, and \$42.6 million placed in reserve.

In conclusion, it appears that for the most part counties and municipalities that receive HUR are using it in accordance with statutory requirements.

4. Land Dispositions Legislation Update

The fiscal 2009 budget bill expressed the intent of the General Assembly that MDOT should request legislation to remedy the conflicts within the Transportation Article regarding the land disposition process. The language was added in response to a report from SHA that indicated that the major problems for the agency regarding land disposition have to do with inconsistencies within the Transportation Article as opposed to inconsistencies with procurement law. Specifically, the current

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process is plagued by conflicting provisions that result in different procedures for land that is abandoned or from a completed project. As a result, SHA has been hesitant to dispose of land, revenues have been limited, and there has been a significant amount of litigation.

SHA indicates that it intends to introduce legislation in the 2009 session to resolve these issues.

Current and Prior Year Budgets

**Current and Prior Year Budgets
MDOT – State Highway Administration
(\$ in Thousands)**

	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
Fiscal 2008					
Legislative Appropriation	\$0	\$762,875	\$14,554	\$0	\$777,429
Deficiency Appropriation	0	0	0	0	0
Cost Containment	0	-337	0	0	-337
Budget Amendments	0	27,947	3,365	0	31,312
Reversions and Cancellations	0	-38,176	-1,991	0	-40,167
Actual Expenditures	\$0	\$752,309	\$15,928	\$0	\$768,237
Fiscal 2009					
Legislative Appropriation	\$0	\$754,758	\$14,803	\$0	\$769,561
Cost Containment	0	-504	-35	0	-539
Budget Amendments	0	-68,849	84	0	-68,765
Working Appropriation	\$0	\$685,405	\$14,852	\$0	\$700,257

Fiscal 2008

Fiscal 2008 expenditures for SHA totaled \$768.2 million, a decrease of \$9.2 million from the legislative appropriation. Special fund expenditures decreased \$10.6 million while federal fund expenditures increased \$1.4 million, and reimbursable funds increased \$0.1 million.

Special fund budget amendments totaled \$27.9 million and were for the following purposes:

- \$26.5 million to fund the additional cost of winter and other severe weather maintenance;
- \$3.6 million to repair damage to SHA property that could not be reimbursed as a result of accidents;
- \$1.4 million to fund the 2% cost-of-living-adjustment (COLA) provided for in the fiscal 2008 appropriation;
- \$0.9 million for fuel due to the rising cost of oil;
- \$0.1 million for the removal of illegal signs;
- \$4.2 million decrease due to cost containment measures in a number of contracted highway maintenance services; and
- \$0.4 million decrease in CHART expenditures due to an increase in available federal funds.

Special fund cost containment totaled \$0.3 million due to vacant positions being eliminated as directed in Chapter 2 of the 2007 special session.

Special fund cancellations totaled \$38.2 million. Almost all of the cancellation, \$37.3 million, are a result of the local distribution of HUR being less than estimated due to the softening economy. Additional cancellations include overbudgeted funds for health insurance due to actual vacancies being higher than budgeted.

Federal fund budget amendments totaled \$3.4 million with \$3.0 million due to spending on highway safety grants exceeding the level anticipated in the appropriation. In addition, there was an increase of \$0.4 million in CHART expenditures due to federal funds being available. Finally, there was a \$14,565 increase to fund the 2% COLA provided for in the fiscal 2008 appropriation.

Federal fund cancellations totaled approximately \$2 million due to highway safety grantees either not needing the funds or failing to submit claims for reimbursement in a timely fashion.

Fiscal 2009

The fiscal 2009 special fund appropriation decreases \$69.4 million due to HUR being revised downward by \$70.4 million due to the recession and a \$1.6 million increase to fund the fiscal 2009 2% COLA for all State employees as well as a small increase for an annual salary review adjustment.

The federal fund appropriation increases \$0.1 million to fund the fiscal 2009 2% COLA adjustment for all State employees.

As part of Chapter 10 of 2008, the Governor was required to reduce the fiscal 2009 general fund budget by \$50 million. A portion of that reduction included overbudgeted health insurance with SHA's share totaling \$504,000 in special funds and \$35,000 in federal funds.

**Object/Fund Difference Report
MDOT – State Highway Administration**

<u>Object/Fund</u>	<u>FY08 Actual</u>	<u>FY09 Working Appropriation</u>	<u>FY10 Allowance</u>	<u>FY09 - FY10 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	1,547.00	1,578.00	1,578.00	0	0%
02 Contractual	2.90	3.40	4.40	1.00	29.4%
Total Positions	1,549.90	1,581.40	1,582.40	1.00	0.1%
Objects					
01 Salaries and Wages	\$ 91,806,266	\$ 95,702,602	\$ 98,099,276	\$ 2,396,674	2.5%
02 Technical and Spec. Fees	11,491,469	9,079,000	9,089,895	10,895	0.1%
03 Communication	1,389,764	1,625,800	1,401,000	-224,800	-13.8%
04 Travel	786,703	433,549	433,738	189	0%
06 Fuel and Utilities	15,871,682	15,999,160	18,877,009	2,877,849	18.0%
07 Motor Vehicles	14,633,733	12,602,823	14,722,868	2,120,045	16.8%
08 Contractual Services	70,782,390	61,562,995	56,122,542	-5,440,453	-8.8%
09 Supplies and Materials	21,337,232	15,474,800	14,955,430	-519,370	-3.4%
10 Equipment – Replacement	594,658	395,549	504,147	108,598	27.5%
11 Equipment – Additional	213,360	278,979	259,777	-19,202	-6.9%
12 Grants, Subsidies, and Contributions	538,915,683	486,708,089	488,597,580	1,889,491	0.4%
13 Fixed Charges	413,517	393,981	299,661	-94,320	-23.9%
Total Objects	\$ 768,236,457	\$ 700,257,327	\$ 703,362,923	\$ 3,105,596	0.4%
Funds					
03 Special Fund	\$ 752,308,898	\$ 685,404,494	\$ 688,270,456	\$ 2,865,962	0.4%
05 Federal Fund	15,927,559	14,852,833	15,092,467	239,634	1.6%
Total Funds	\$ 768,236,457	\$ 700,257,327	\$ 703,362,923	\$ 3,105,596	0.4%

Note: The fiscal 2009 appropriation does not include deficiencies. The fiscal 2010 allowance does not include contingent reductions.

Fiscal Summary
MDOT – State Highway Administration

<u>Program/Unit</u>	<u>FY08 Actual</u>	<u>FY09 Wrk Approp</u>	<u>FY10 Allowance</u>	<u>Change</u>	<u>FY09 - FY10 % Change</u>
01 State System Construction and Equipment	\$ 919,580,486	\$ 880,353,215	\$ 723,576,794	-\$ 156,776,421	-17.8%
02 State System Maintenance	223,272,160	207,365,521	208,558,405	1,192,884	0.6%
03 County and Municipality Capital Funds	46,516,141	50,375,000	48,875,000	-1,500,000	-3.0%
04 Highway Safety Operating Program	15,520,444	14,622,506	14,790,418	167,912	1.1%
05 County and Municipality Funds	529,443,853	478,269,300	480,014,100	1,744,800	0.4%
08 Major IT Development Projects	6,510,212	7,334,785	10,465,206	3,130,421	42.7%
Total Expenditures	\$ 1,740,843,296	\$ 1,638,320,327	\$ 1,486,279,923	-\$ 152,040,404	-9.3%
Special Fund	\$ 1,194,181,783	\$ 1,121,097,494	\$ 1,044,184,456	-\$ 76,913,038	-6.9%
Federal Fund	546,567,548	515,901,798	442,095,467	-73,806,331	-14.3%
Total Appropriations	\$ 1,740,749,331	\$ 1,636,999,292	\$ 1,486,279,923	-\$ 150,719,369	-9.2%
Reimbursable Fund	\$ 93,965	\$ 1,321,035	\$ 0	-\$ 1,321,035	-100.0%
Total Funds	\$ 1,740,843,296	\$ 1,638,320,327	\$ 1,486,279,923	-\$ 152,040,404	-9.3%

Note: The fiscal 2009 appropriation does not include deficiencies. The fiscal 2010 allowance does not include contingent reductions.

**Budget Amendments for Fiscal 2009
Maryland Department of Transportation
State Highway Administration – Operating**

<u>Status</u>	<u>Amendment</u>	<u>Fund</u>	<u>Justification</u>
Approved	-\$504,343	Special	Board of Public Works – health insurance reduction
	<u>-34,823</u>	Federal	
	-539,166		
Approved	4,869	Special	Annual salary review for engineers
Pending	1,550,586	Special	Fund the cost-of-living adjustment for eligible State employees
	<u>84,254</u>	Federal	
	1,634,840		
Projected	-70,404,820	Special	Highway User Revenue adjustment based on reduced revenues
Projected	10,027	Special	Transfer operating grant from Secretary’s Office to SHA
Projected	-5,074,000	Special	Fiscal 2009 cost containment
Total	-\$74,368,250		

SHA: State Highway Administration

Source: Maryland Department of Transportation

**Budget Amendments for Fiscal 2009
Maryland Department of Transportation
State Highway Administration – Capital**

<u>Status</u>	<u>Amendment</u>	<u>Fund</u>	<u>Justification</u>
Approved	-\$432,072	Special	Board of Public Works – health insurance reduction
	<u>-305,770</u>	Federal	
	-737,842		
Approved	1,321,035	Reimbursable	Funds from the Department of Business and Economic Development for MDOT BRAC action plan
Pending	1,791,276	Special	Fund the cost-of-living adjustment for eligible State employees
	<u>602,218</u>	Federal	
	2,393,494		
Projected	-229,973,564	Special	Adjust the amended appropriation to agree with the final CTP
	<u>64,807,533</u>	Federal	
	-165,166,031		
Projected	-1,190,000	Special	Fiscal 2009 cost containment
Total	\$163,379,344		

BRAC: Base Realignment and Closure
CTP: Consolidated Transportation Program
MDOT: Maryland Department of Transportation

Source: Maryland Department of Transportation