

**J00A01**  
**The Secretary's Office**  
**Maryland Department of Transportation**

***Operating Budget Data***

(\$ in Thousands)

	<u>FY 09</u> <u>Actual</u>	<u>FY 10</u> <u>Working</u>	<u>FY 11</u> <u>Allowance</u>	<u>FY 10-11</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
Special Fund	\$60,378	\$64,364	\$65,416	\$1,052	1.6%
Contingent & Back of Bill Reductions	0	0	-838	-838	
<b>Adjusted Special Fund</b>	<b>\$60,378</b>	<b>\$64,364</b>	<b>\$64,578</b>	<b>\$214</b>	<b>0.3%</b>
Federal Fund	7,271	8,586	8,591	5	0.1%
<b>Adjusted Federal Fund</b>	<b>\$7,271</b>	<b>\$8,586</b>	<b>\$8,591</b>	<b>\$5</b>	<b>0.1%</b>
<b>Adjusted Grand Total</b>	<b>\$67,649</b>	<b>\$72,950</b>	<b>\$73,169</b>	<b>\$219</b>	<b>0.3%</b>

Note: For purposes of illustration, the Department of Legislative Services has estimated the distribution of selected across-the-board reductions. The actual allocations are to be developed by the Administration.

- The fiscal 2011 allowance totals \$73.2 million, an increase of \$0.2 million, or 0.3%, when adjusting for the estimated impacts of across-the-board reductions to employee compensation, health insurance, and workers' compensation.
- The largest increase in the allowance is for personnel-related expenditures, in particular the payment to the employees' retirement system which increases \$0.5 million.

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

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## ***PAYGO Capital Budget Data***

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(\$ in Thousands)

	<b>Fiscal 2009</b>	<b>Fiscal 2010</b>		<b>Fiscal 2011</b>
	<b><u>Actual</u></b>	<b><u>Legislative</u></b>	<b><u>Working</u></b>	<b><u>Allowance</u></b>
Special	\$29,356	\$36,189	\$47,615	\$27,203
Federal	\$0	\$0	\$814	\$0
Reimbursable	\$40	\$0	\$0	\$68
<b>Total</b>	<b>\$29,396</b>	<b>\$36,189</b>	<b>\$48,429</b>	<b>\$27,271</b>

- The pay-as-you-go fiscal 2010 working appropriation increases \$12.2 million over the legislative appropriation due to a number of projects being moved from fiscal 2009 to 2010.
- The fiscal 2011 allowance decreases \$21.2 million due to a number of system preservation projects being completed in fiscal 2010.

***Operating and PAYGO Personnel Data***

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	<b><u>FY 09</u></b> <b><u>Actual</u></b>	<b><u>FY 10</u></b> <b><u>Working</u></b>	<b><u>FY 11</u></b> <b><u>Allowance</u></b>	<b><u>FY 10-11</u></b> <b><u>Change</u></b>
Regular Operating Budget Positions	318.00	317.00	317.00	0.00
Regular PAYGO Budget Positions	<u>16.00</u>	<u>16.00</u>	<u>16.00</u>	<u>0.00</u>
<b>Total Regular Positions</b>	<b>334.00</b>	<b>333.00</b>	<b>333.00</b>	<b>0.00</b>
Operating Budget FTEs	4.40	5.50	4.50	-1.00
PAYGO Budget FTEs	<u>1.35</u>	<u>1.00</u>	<u>2.00</u>	<u>1.00</u>
<b>Total FTEs</b>	<b>5.75</b>	<b>6.50</b>	<b>6.50</b>	<b>0.00</b>
<b>Total Personnel</b>	<b>339.75</b>	<b>339.50</b>	<b>339.50</b>	<b>0.00</b>

**Vacancy Data: Regular Positions**

Turnover and Necessary Vacancies, Excluding New Positions	13.19	3.96%
Positions and Percentage Vacant as of 12/31/09	19.00	5.71%

- The number of authorized positions does not change from fiscal 2010 to 2011. Compared to fiscal 2009, the department has had 11.0 positions abolished with 9.0 positions being abolished by the Board of Public Works and 2.0 positions reduced based upon language in the fiscal 2010 budget. This is offset by the transfer of 10.0 vacant positions from the Maryland Aviation Administration.
- The fiscal 2011 allowance provides for a turnover rate of 4.0% while the current number of vacancies, as of January 1, 2010, equals a rate of 5.7%.

## *Analysis in Brief*

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### **Major Trends**

***Departmentwide Vacancy Rate Decreases:*** The department has a goal that the departmentwide vacancy rate should be 5% or less. Due to the recent rounds of position abolitions, the department has been able to maintain its vacancy rate below the 5% level. The department has also continued to fill positions despite a statewide hiring freeze. **The Department of Legislative Services (DLS) recommends that the department discuss with the committees what impact the position abolitions have had on the department's operations.**

***System Preservation Funding Falls Short of Goal:*** The department has a goal of adequately funding system preservation at \$850 million which was established after the most recent revenue increase. The department's *Consolidated Transportation Program* shows that the department will not meet the goal in any year of the six-year program. **DLS recommends that the department discuss what a more realistic goal for system preservation funding is and what the reduced level of funding means for the transportation network.**

### **Issues**

***Update on Transit-oriented Development Activities:*** Each year, the department submits a report to the General Assembly that provides an update on the State's transit-oriented development (TOD) projects. **DLS recommends that the agency discuss with the committees any future projects that may be planned and any additional information regarding the projects that may be relevant to the committees.**

***Transportation Trust Fund Revenues to Pay for Transit-oriented Parking Garage:*** The proposed State Center project includes a parking garage for State employees. It is anticipated that Maryland Economic Development Corporation bonds or Certifications of Participation will be used to finance the cost of the parking garage. The Transportation Trust Fund (TTF) would then collect the parking revenues and pay the debt service for the parking garage. This is the first time that TTF revenues have been used to subsidize the debt service on a parking garage as part of a TOD project. **DLS recommends that the department discuss if it anticipates future TOD projects requiring TTF revenues and the process for determining when TTF revenues will be used in a TOD project.**

**Operating Budget Recommended Actions**

	<b><u>Funds</u></b>
1. Add budget bill language deleting 10 vacant positions.	
2. Reduce out-of-state travel.	\$ 23,121
3. Reduce funding for student interns.	61,450
4. Reduce cell phone expenditures.	4,092
5. Add annual language to cap special fund grants pending budget committee review.	
6. Reduce payment in lieu of taxes to Baltimore City.	110,465
7. Reduce funding for payments in lieu of taxes for potential land acquisition.	80,000
8. Reduce funding for subscriptions.	25,170
<b>Total Reductions</b>	<b>\$ 304,298</b>

**PAYGO Budget Recommended Actions**

	<b><u>Funds</u></b>
1. Delete funding for Broening Highway project.	\$ 5,000,000
<b>Total Reductions</b>	<b>\$ 5,000,000</b>

*J00A01 – MDOT – The Secretary’s Office*

**J00A01**  
**The Secretary's Office**  
**Maryland Department of Transportation**

## ***Budget Analysis***

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### **Program Description**

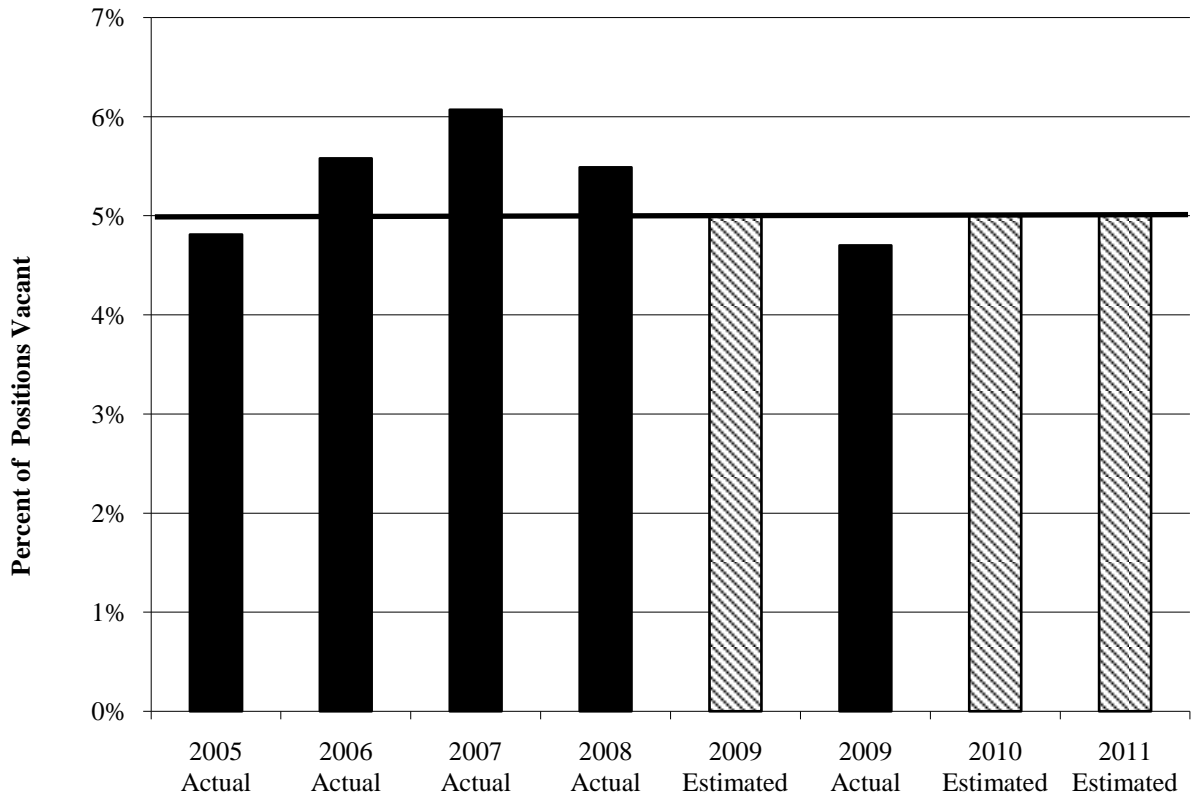
The Secretary's Office (TSO) provides overall policy direction and management to the Maryland Department of Transportation (MDOT). Units within the office provide support in the areas of finance, procurement, engineering, audits, administrative services, planning and capital programming, human resources,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

### **Performance Analysis: Managing for Results**

One of MDOT's departmentwide goals is an average vacancy rate of 5.0%, or less, by the end of fiscal 2011. As shown in **Exhibit 1**, MDOT met the 5.0% goal in fiscal 2009 largely due to 66.0 position being abolished by the Board of Public Works (BPW) and the level of filled positions increasing by 256.0 positions during the course of the fiscal year even with a hiring freeze. As a result, the number of vacant positions was reduced to 339.5 by June 30, 2009, for a vacancy rate of 3.72%. It is not clear if only specific types of positions were exempted from the hiring freeze or if all positions were exempted. **The Department of Legislative Services (DLS) recommends that MDOT discuss how the number of filled positions increased during fiscal 2009 with a hiring freeze in place. In addition, MDOT should discuss what types of positions it requested for hiring freeze exemptions.**

For fiscal 2010 and 2011, MDOT projects a vacancy rate of 5.0%. As of January 2010, MDOT's vacancy rate is 3.55%, well below the goal. As of January 2010, the department had 320.0 vacant positions with 21.0 positions vacant more than 12 months. It should be noted that the General Assembly directed the department to abolish 55.0 vacant positions as part of the fiscal 2010 budget bill. In addition, as part of the August 2009 BPW reductions, MDOT eliminated 66.5 positions; 44.0 vacant and 22.5 filled. In September 2009, before the BPW actions went into effect, the departmentwide vacancy rate was 3.85% and after the action the vacancy rate was 3.25%. The agencies with the largest vacancy rates are TSO (5.71%) and the Maryland Aviation Administration (6.84%). Since the beginning of fiscal 2009, the department has lost 188.0 positions. **DLS recommends that MDOT discuss with the committees what effect the elimination of vacant and filled positions has had on services.**

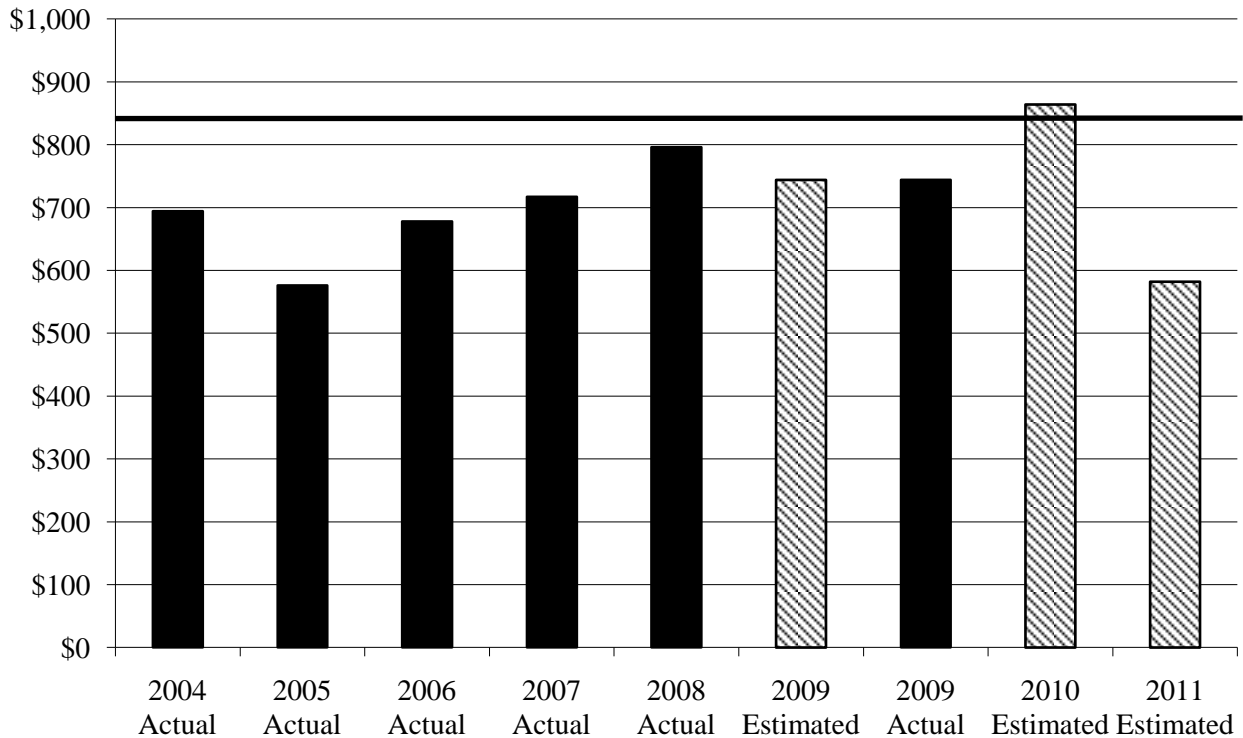
**Exhibit 1  
Departmentwide Vacancy Rate  
Fiscal 2005-2011**



Source: Maryland Department of Transportation

Another TSO goal is to ensure the operational integrity of the transportation network. Goal 2 provides that system preservation should be adequately funded at \$850 million in fiscal 2010. The goal for the level of system preservation funding was increased beginning in fiscal 2009 due to the revenue increase passed at the 2007 special session. As shown in **Exhibit 2**, according to Managing for Results, the level of system preservation funding in fiscal 2010 will exceed the goal, largely due to the federal stimulus funding. In fiscal 2011 the level of system preservation funding will fall below the goal as stimulus funding deteriorates and revenues slowly begin to recover. The *Consolidated Transportation Program*, which provides more up-to-date figures for spending, shows that the department will not meet the goal in any of the six-years included in the program. **Given that the current goal was developed under a different revenue scenario, DLS recommends that the department adopt a more realistic expectation of system preservation spending in the future. In addition, the department should discuss the effect of a long-term reduced level of system preservation investment for the transportation network.**

**Exhibit 2**  
**System Preservation Funding Levels**  
**Fiscal 2004-2011**  
**(\$ in Millions)**



Source: Maryland Department of Transportation

## Fiscal 2010 Actions

### Impact of Cost Containment

BPW reduced TSO’s fiscal 2010 appropriation by approximately \$3.6 million for numerous administrative expenses, the abolition of nine vacant positions, and various information technology (IT) reductions.

### Proposed Budget

As shown in **Exhibit 3**, the fiscal 2011 allowance increases \$0.2 million, or 0.3%, compared to the fiscal 2010 working appropriation when estimating the impact of the across-the-board budget actions proposed.

**Exhibit 3**  
**Proposed Budget**  
**MDOT – The Secretary's Office**  
**(\$ in Thousands)**

<b>How Much It Grows:</b>	<b>Special Fund</b>	<b>Federal Fund</b>	<b>Total</b>
2010 Working Appropriation	\$64,364	\$8,586	\$72,950
2011 Allowance	<u>65,416</u>	<u>8,591</u>	<u>74,007</u>
Amount Change	\$1,052	\$5	\$1,057
Percent Change	1.6%	0.1%	1.4%
 Contingent Reductions	 -\$838	 \$0	 -\$838
Adjusted Change	\$214	\$5	\$219
Adjusted Percent Change	0.3%	0.1%	0.3%

**Where It Goes:**

**Personnel Expenses**

Increments and other compensation.....	\$255
Employee and retiree health insurance .....	63
Employees’ Retirement System .....	491
Unemployment compensation premium assessment .....	37
Turnover adjustments.....	121
Workers’ compensation .....	-28
Additional assistance.....	-17
Other fringe benefit adjustments.....	-3

**Executive Direction**

Decrease in legal services support based upon planned needs.....	-190
Decrease in the share paid for staff to the Washington Suburban Transit Commission ...	-73
Decrease in fuel and electricity .....	-64
Decrease in the ground rent payment for the headquarters office building .....	-103
Decrease in electricity and fuel per DBM instructions .....	-64
Decrease in out-of-state travel .....	-25

**Operating Grants-in-Aid**

Decrease in operating grant that was moved to State Highway Administration budget ...	-53
Decrease in Baltimore Metropolitan Planning Organizations.....	-27

**Where It Goes:**

**Office of Transportation Technology Services**

Increase in numerous computer maintenance contracts for the mainframe, network operations and maintenance, and other application systems.....	703
Increase in computer maintenance contracts for annual license fee that had been budgeted under a different subobject .....	126
Decrease in software rentals and purchases based upon the reduced impact of REAL-ID on MDOT's mainframe and cost containment .....	-844
Decrease in DBM paid telecommunications.....	-99
Other .....	13
<b>Total</b>	<b>\$219</b>

DBM: Department of Budget and Management

MDOT: Maryland Department of Transportation

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

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**Impact of Cost Containment**

The fiscal 2011 budget reflects several across-the-board actions to be allocated by the Administration totaling \$0.8 million. This includes a combination of employee furloughs and government shut-down days similar to the plan adopted in fiscal 2010; a reduction in overtime based on accident leave management; streamlining of State operations; hiring freeze and attrition savings; a change in the injured workers’ settlement policy and administrative costs; and a savings in health insurance to reflect a balance in that account. For purposes of illustration, DLS has estimated the distribution of selected actions relating to employee furloughs, health insurance, and the Injured Workers’ Insurance Fund cost savings.

**Personnel Expenditures**

After adjusting for the estimated impact of the across-the-board budget reductions, the major increases in the allowance are personnel related. The largest increase is the \$0.5 million increase for the employees’ retirement system. Other increases are provided for in turnover to reflect fewer vacant positions in the budget. TSO did have 10 positions transferred to it from the Maryland Aviation Administration, but there is no funding for these positions in the allowance.

**Office of Transportation Technology Services**

In fiscal 2009 and 2010, OTTS had a large number of reductions. Fiscal 2009 IT-related cancellations and cost containment totaled approximately \$5.0 million with an additional \$2.2 million reduced by BPW in fiscal 2010. Most of the reductions were to delay expenditures for improvements, enhancements, or support to the departmentwide IT system. The fiscal 2011 allowance level funds OTTS, except for personnel expenditures. The major changes in the OTTS

allowance include a decrease of \$0.8 million for software rentals and purchases based upon the reduced impact on REAL-ID on MDOT’s mainframe, as well as a contract cost being moved to a different subobject which largely explains the \$0.7 million increase in computer maintenance contracts. **DLS recommends that the department discuss how fiscal 2009 cancellations and fiscal 2010 reductions have impacted the department’s IT systems and if future budgets will have significant increases as a result of cost containment and deferrals in fiscal 2009 and 2010.**

**Other Changes**

Other major departmental changes include a \$0.2 million decrease in legal services based upon projected need and a \$0.1 million decrease in ground rent payments for the MDOT headquarters building. Operating grants-in-aid remain funded at fiscal 2010 levels, except for one grant that was moved to the State Highway Administration budget and a decline in the Baltimore Metropolitan Planning Organization grant based upon past expenditures. **Exhibit 4** provides detail on the operating grants-in-aid.

**Exhibit 4  
Recipients of Operating Grants-in-aid  
Fiscal 2010**

<u>Grant Recipient</u>	<u>Special Funds</u>	<u>Federal Funds</u>	<u>Total Funds</u>
Cumberland MPO	\$10,790	\$86,317	\$97,107
Salisbury MPO	12,005	96,040	108,045
Hagerstown MPO	21,408	171,259	192,667
Baltimore MPO	541,573	4,572,584	5,114,157
Wilmington MPO	5,552	44,414	49,966
Washington MPO	452,499	3,619,987	4,072,486
Tri-County Planning Organization	50,000	0	50,000
DBED (to support the Appalachian Regional Commission)	58,905	0	58,905
Maryland Department of Planning	258,230	0	258,230
Payments in Lieu of Taxes	1,005,857	0	1,005,857
Pride of Baltimore	164,000	0	164,000
Baltimore City – Marine Fire Suppression Services	1,399,940	0	1,399,940
<b>Total</b>	<b>\$3,980,759</b>	<b>\$8,590,601</b>	<b>\$12,571,360</b>

DBED: Department of Business and Economic Development  
MPO: Metropolitan Planning Organizations

Source: Maryland Department of Transportation

## **PAYGO Capital Program**

### **Program Description**

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

### **March 2009 Capital Reductions**

The department submitted a revised financial forecast in March 2009 that reflected downward revisions to revenues due to the recession. In light of reduced revenues, the department made reductions to the capital program in the short-term and moved the capital projects into later fiscal years when revenues were expected to recover. TSO had approximately \$1.6 million reduced for a number of minor projects from its capital program in fiscal 2009 with that funding then moved into fiscal 2010.

### **Fiscal 2010 to 2015 Consolidated Transportation Program**

The fiscal 2011 allowance for TSO's capital program totals \$27.3 million. System preservation minor projects account for the largest portion of capital expenditures at \$21.9 million, as shown in **Exhibit 5**. The largest expenditures are for the following:

- \$6.0 million annual transfer to the Maryland Transportation Authority (MDTA) in lieu of federal aid;
- \$5.0 million for a grant to make upgrades at MD 695 at Broening Highway; and
- \$4.4 million for network hardware and software replacement costs.

**Exhibit 5**  
**The Secretary’s Office Major Ongoing Projects**  
**Fiscal 2011**  
**(\$ in Millions)**

<u>Jurisdiction</u>	<u>Project Description</u>	<u>Fiscal 2011</u>	<u>Six-year Project Costs</u>
Baltimore and Washington, DC	Transportation Emissions Reduction Program	\$3.6	\$23.9
Statewide	System Preservation and Minor Projects	21.9	92.4
Statewide	Capital Salaries, Wages, and Other Costs	1.8	12.3
<b>Total</b>		<b>\$27.3</b>	<b>\$128.6</b>

Source: Maryland Department of Transportation, 2010-2015 *Consolidated Transportation Program*

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**Fiscal 2010 and 2011 Cash Flow Analysis**

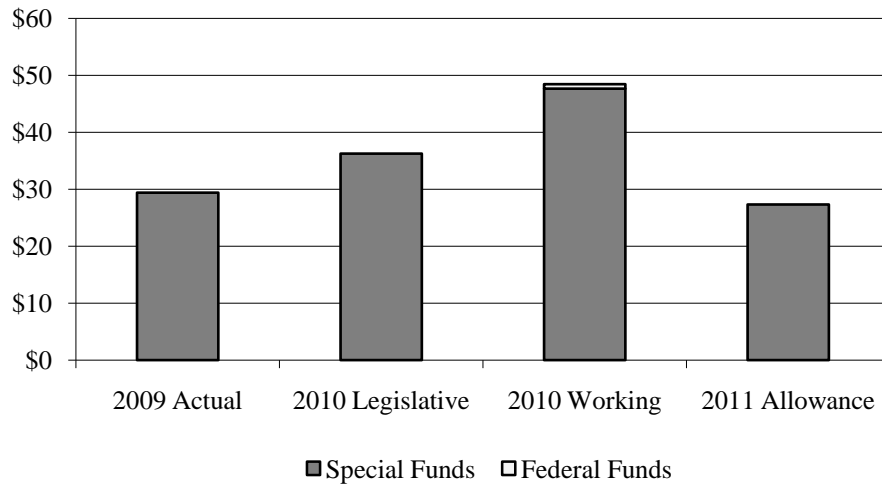
The fiscal 2010 working appropriation increases \$12.2 million compared to the legislative appropriation, as shown in **Exhibit 6**. The increase is due to a number of smaller projects being pushed from fiscal 2009 to 2010, including cash flow associated with the March 2009 capital reductions. These projects include:

- \$2.1 million for implementation of transit-oriented development (TOD) projects;
- \$2.0 million for a Towson Circle Grant;
- \$1.9 million for roadway improvements into the MDOT headquarters; and
- \$1.3 million for improvements at the Fort McHenry tunnel.

The fiscal 2011 allowance decreases \$20.2 million due to a number of system preservation and minor projects ending in fiscal 2010. These include:

- \$6.0 million for upgrades to the department’s mainframe;
- \$5.6 million for consultant contract service for various planning and study efforts; and
- \$5.5 million for business and capital support at the Baltimore Washington International Thurgood Marshall Airport.

**Exhibit 6**  
**Cash Flow Changes**  
**Fiscal 2009-2011**  
**(\$ in Millions)**



Source: Maryland Department of Transportation, 2010-2015 *Consolidated Transportation Program*

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## ***Issues***

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### **1. Update on Transit-oriented Development Activities**

#### **Background**

The Office of Real Estate in the Secretary’s Office is responsible for disposing of excess land owned by MDOT as well as promoting development around transit stations and port-related development. The goal of TOD is to create high-density, livable, and walkable neighborhoods around transit stations. Chapter 122 of the 2008 codified the department’s TOD activities and allowed for the Secretary to designate a TOD with other State agencies and the local government or multi-county agency with land use and planning responsibility.

#### **Project Overview**

During the 2008 interim, DLS and MDOT agreed upon an administrative process under which MDOT submits annual updates of TOD projects to the budget committees. Following is a summary of the update provided.

- **Savage MARC Station:** The Savage Maryland Area Regional Commuter (MARC) station TOD project will be located on a 12.7-acre lot that is owned by MDOT. MDOT transferred 10.2 acres (valued at \$3.3 million) to the developer in return for the construction of a new Maryland Transit Administration-owned commuter garage. The remaining cost of the garage, \$14.0 million, will be supported by a local tax increment financing (TIF) issuance to be supported by the local real estate tax increment generated on the privately owned portion of the site. Chapter 182 of 2009 allows for the local issuance of a TIF for a non-county-owned asset. In 2010, MDOT indicates that it may seek BPW approval of amendments to the original agreement to allow Howard County to be a partner to the agreement and, if the TIF is successfully issued, construction on the commuter garage may begin during calendar 2011.
- **Owings Mills Baltimore Metro Station:** In July 2005, BPW approved a development agreement that provided for the construction of mixed-use development in several phases where surface parking lots had once been. The developer pays ground rent payments to MDOT, and the developer is also required to construct two parking garages. MDOT committed to contribute \$15.1 million, and Baltimore County committed \$13.1 million. MDOT does not anticipate any additional State funding. MDOT indicates that it might seek BPW approval to amend the agreement to authorize the use of a TIF to finance a second commuter garage and to transfer the ownership of the commuter garages to MDOT or the Maryland Economic Development Corporation (MEDCO). The project has been delayed due to the credit crisis impacting private financing as well as the issuance of a TIF.
- **State Center Complex:** The Department of General Services (DGS) owns the 28-acre land that comprises the State Center complex. In 2005, a request for qualifications was issued and a development team was selected. DGS and MDOT are currently negotiating the terms of a

mixed-use development agreement with the developers. The development team changed in May 2009 with Struever Brothers assigning its equity interest to PS Partners. On June 3, 2009, the Master Development Agreement was approved by BPW, and at the request of the General Assembly, the State Center Executive Committee was expanded to include legislators and representatives from the Maryland Stadium Authority. The development team and State expect to seek BPW approval of Phase 1 in calendar 2010 with ground breaking scheduled to occur during calendar 2010. The cost to the State would be predevelopment costs, State office leases, and the cost of a 1,000-space garage.

- **Odenton MARC Station:** A development team for the project was selected in September 2007 by MDOT and Anne Arundel County. The project has been in the planning phase since then. Discussions of concept plans and business plans are expected to begin in the near future. MDOT hopes to seek BPW approval for an Interim Development Agreement during calendar 2010. The terms of a contract have not been finalized; however, the contract will likely include a commuter parking garage, the sale or lease of land by the county and State, and a local TIF to support the construction of the public infrastructure and garage.
- **Laurel MARC Station:** MDOT had entered into a negotiating agreement with a developer in June 2004; however, that agreement expired in June 2008 without the parties reaching an agreement. MDOT issued a request for proposals in June 2009 with the slated intention of selecting a bidder in calendar 2009.
- **Reisterstown Plaza Metro:** The United States General Services Administration has announced that the location is the preferred site for the relocation of the Social Security Administration. BPW approved the disposition of the land at its August 26, 2009, meeting. MDOT is considering a TOD solicitation in 2010/2011 for the remaining 23 acres at the site.

## **Legislative Update**

At the department’s request, Senate Bill 63 – Transit-oriented Development – Pledge and Use of Tax Increment Revenues – Operations and Maintenance Funding has been introduced. This bill would expand the use of revenues from a local tax increment to be used not only to support a bond but also to fund the operations and maintenance of a facility. Chapter 182 of 2009 allowed certain counties and municipalities to finance State-owned facilities with a locally backed tax-increment financing bond. The 2010 legislation would expand the use of eligible local revenues to support the operating and maintenance costs of an eligible facility.

**DLS recommends that the agency discuss with the committees the status of these TOD projects, the status of the market for TIF bonds, the impact of the proposed legislation, and any future TOD projects that are being considered.**

## **2. Transportation Trust Fund Revenues to Pay for Transit-oriented Parking Garage**

The proposed State Center project includes a parking garage for the public and State employees. The total construction cost of the parking garage is estimated to be \$35.0 million plus an additional \$9.0 million in financing costs. It is anticipated that MEDCO bonds will be used to finance the cost of the parking garage. The debt service on the bonds is expected to be around \$3.3 million annually, with net revenues from State employees and others for parking totaling \$0.5 to \$0.6 million. Current plans show that the Transportation Trust Fund (TTF) would collect the parking revenues and pay the debt service for the parking garage. The parking garage bonds are planned to be issued in fiscal 2011, and the debt service cost will be paid out of TSO beginning in fiscal 2012.

A precedent is being established with the proposed use of TTF revenues for a TOD parking garage. This is the first time that TTF revenues have been used to subsidize the cost of a parking garage as part of a TOD. MDOT indicates that TOD is a transportation purpose and that periodically TOD expenses may be reflected in the transportation budget. Another issue is the cost of MEDCO bonds that are issued for 30 years and, as a result, are more expensive. For example, using the information provided, MDOT can expect to pay approximately \$84.0 million (\$2.8 million, net of parking revenue, times 30 years) in debt service costs for the parking garage, compared to approximately \$45.0 million if GO bonds with a 15-year maturity were used or \$30.0 million if cash was used. **DLS recommends that the department discuss if it anticipates future TOD projects requiring TTF revenues to be completed and the process for determining when TTF revenues will be used in a TOD project.**

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

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1. Add the following language:

Provided that the following 10 positions 075249, 082051, 013128, 013137, 075152, 011088, 013194, 006615, 077739, and 006615 are deleted from the budget.

**Explanation:** The Maryland Aviation Administration transferred 10 vacant positions to the Secretary’s Office in fiscal 2010 in anticipation of abolishing them as a cost containment action. The fiscal 2011 allowance includes positions without funding. This action would abolish these positions from the fiscal 2011 allowance.

- |   | <b><u>Amount<br/>Reduction</u></b> |
|---|------------------------------------|
| 2. Reduce out-of-state travel. This action reduces out-of-state travel to the fiscal 2009 level. Given the current fiscal environment, out-of-state travel should be limited.   | \$ 23,121 SF                       |
| 3. Reduce funding for student interns. Funding is provided for the Secretary’s Fellows program which is a program for University of Maryland Baltimore County interns to work with the department. Given the current fiscal environment and other workforce reductions, this program should be deferred until the fiscal climate improves.  | 61,450 SF                          |
| 4. Reduce cell phone expenditures. This action would provide funding equal to the fiscal 2010 working appropriation for cell phone expenditures.  | 4,092 SF                           |
| 5. Add the following language to the special fund appropriation:<br><br><u>, provided that no more than \$3,980,759 of this appropriation may be expended for operating grants-in-aid, except for:</u><br><br>(1) <u>any additional special funds necessary to match unanticipated federal fund attainments;</u><br><u>or</u><br><br>(2) <u>any proposed increase either to provide funds for a new grantee or to expand funds for an existing grantee; and</u> |                                    |

Further provided that no expenditures in excess of \$3,980,759 may occur unless the department provides notification to the budget committees to justify the need for additional expenditures due to either provision (1) or (2) above, and the committees provide review and comment or 45 days elapse from the date such notification is provided to the committees.

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

<b>Information Request</b>	<b>Author</b>	<b>Due Date</b>
Explanation of need for additional special funds for grants-in-aid	Maryland Department of Transportation	As needed

**Amount Reduction**

- |  |         |    |
|--|---------|----|
| 6. Reduce payment in lieu of taxes to Baltimore City. Baltimore City receives several payments in lieu of taxes (PILOT) for properties around the Port of Baltimore; however, not all of the funding provided for in the allowance is necessary. Specifically, the City receives funding for properties formerly known as McComas, Seagirt, and Toyota Maryland Shipping. The PILOT is reduced by \$110,465 to reflect the fiscal 2009 payment. Unless Baltimore City raises its property tax rate, the reduction allows for sufficient funding. In addition, Ports of America will begin to make the Seagirt PILOT payment as part of the long-term lease agreement. The department may process a budget amendment to fund the proper payment if necessary. | 110,465 | SF |
| 7. Reduce funding for payments in lieu of taxes for potential land acquisition. Funding is provided for payments in lieu of taxes for land acquisitions at Point Breeze and North Locust Point. Funding was provided in fiscal 2009, and the funds were not used. If a payment is required in fiscal 2011, the department may process a special fund budget amendment for the payment.   | 80,000  | SF |

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- |    |  |        |    |
|----|--|--------|----|
| 8. | Reduce funding for subscriptions. The fiscal 2011 allowance increases \$25,170, or 158%, compared to the fiscal 2010 working appropriation. This action provides funding equal to the fiscal 2010 working appropriation. | 25,170 | SF |
|----|--|--------|----|

<b>Total Special Fund Reductions</b>	<b>\$ 304,298</b>
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## ***PAYGO Budget Recommended Actions***

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	<b><u>Amount Reduction</u></b>
1. Delete funding for Broening Highway project. The Consolidated Transportation Program includes a \$5 million grant to improve Broening Highway in Baltimore City. Baltimore City receives a larger share of Highway User Revenues because the State does not work on highway projects in the City. As such, Baltimore City should fund this project out of its share of Highway User Revenues instead of as an additional State grant out of the Secretary’s Office.	\$ 5,000,000 SF
<b>Total Special Fund Reductions</b>	<b>\$ 5,000,000</b>

## *Current and Prior Year Budgets*

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### Current and Prior Year Budgets The Secretary’s Office (\$ in Thousands)

	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
<b>Fiscal 2009</b>					
Legislative Appropriation	\$0	\$67,328	\$8,364	\$0	\$75,692
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	0	48	0	0	48
Cost Containment	0	-458	0	0	-458
Reversions and Cancellations	0	-6,540	-1,093	0	-7,633
<b>Actual Expenditures</b>	<b>\$0</b>	<b>\$60,378</b>	<b>\$7,271</b>	<b>\$0</b>	<b>\$67,649</b>
<b>Fiscal 2010</b>					
Legislative Appropriation	\$0	\$67,915	\$8,586	\$0	\$76,501
Cost Containment	0	-3,551	0	0	-3,551
Budget Amendments	0	0	0	0	0
<b>Working Appropriation</b>	<b>\$0</b>	<b>\$64,364</b>	<b>\$8,586</b>	<b>\$0</b>	<b>\$72,950</b>

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

## **Fiscal 2009**

Actual fiscal 2009 expenditures for TSO totaled \$67.6 million, \$8.0 million less than the legislative appropriation. Actual special fund expenditures were \$6.9 million less with special fund budget amendments increasing less than \$0.1 million through the following actions:

- \$0.1 million increase for managing the procurement of the State's Medevac helicopter replacement fleet;
- \$0.7 million increase for the statewide 2% cost-of-living adjustment;
- \$15,000 to fund an operating grant to MDTA to backfill the loss of revenue from a toll suspension; and
- \$0.8 million decrease due to cost containment in OTTS through reduced equipment purchases.

Special fund cost containment totaled \$0.5 million with \$0.4 million for the statewide furlough and \$0.1 million for overbudgeted health insurance funds.

Special fund cancellations totaled \$6.5 million with \$4.2 million coming out of OTTS for network management services support, asset management support, software rental, and payments to the Department of Budget and Management for telecommunications. Additional cancellations included, \$0.7 million from unspent health insurance funds, \$0.6 million in unspent operating grants-in-aid, and \$0.5 million in smaller cost containment efforts across the department.

Federal fund cancellations totaled approximately \$1.1 million for unspent funds from Metropolitan Planning Organizations.

## **Fiscal 2010**

The fiscal 2010 legislative appropriation has been reduced approximately \$3.6 million due to reductions taken at the August and November 2009 BPW meetings, as well as a \$37,742 increase associated with the cost of managing the procurement of replacement helicopters for the State.

## ***Audit Findings***

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Audit Period for Last Audit:	January 1, 2006 – January 8, 2009;
Issue Date:	April 2009, September 2009
Number of Findings:	9
Number of Repeat Findings:	2
% of Repeat Findings:	22%
Rating: (if applicable)	

- Finding 1:*** MDOT did not timely review the State Operating subsidies paid to the Washington Metropolitan Area Transit Authority.
- Finding 2:*** Real estate sales were not always supported with adequate appraisals.
- Finding 3:*** Supporting documentation was not always obtained for contractual payments.
- Finding 4:*** MDOT did not obtain documentation during MBE recertification to support the number of employees.
- Finding 5:*** Critical network devices were not securely configured to protect against attack.
- Finding 6:*** Administration and monitoring of critical network devices were not adequately secured from external exposures.
- Finding 7:*** The MDOT internal computer network was not adequately secured from external exposures.
- Finding 8:*** **The Maryland Port Administration’s network and firewall were not adequately secured.**
- Finding 9:*** **Data security controls over a critical OTTS database were not adequate.**

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

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

<u>Object/Fund</u>	<u>FY09 Actual</u>	<u>FY10 Working Appropriation</u>	<u>FY11 Allowance</u>	<u>FY10 - FY11 Amount Change</u>	<u>Percent Change</u>
<b>Positions</b>					
01 Regular	318.00	317.00	317.00	0	0%
02 Contractual	4.40	5.50	4.50	-1.00	-18.2%
<b>Total Positions</b>	<b>322.40</b>	<b>322.50</b>	<b>321.50</b>	<b>-1.00</b>	<b>-0.3%</b>
<b>Objects</b>					
01 Salaries and Wages	\$ 26,040,045	\$ 26,094,235	\$ 27,782,040	\$ 1,687,805	6.5%
02 Technical and Spec. Fees	243,101	599,345	422,258	-177,087	-29.5%
03 Communication	1,111,380	1,407,218	1,299,389	-107,829	-7.7%
04 Travel	199,630	238,546	192,483	-46,063	-19.3%
06 Fuel and Utilities	327,262	359,357	297,394	-61,963	-17.2%
07 Motor Vehicles	77,677	72,754	69,308	-3,446	-4.7%
08 Contractual Services	25,203,874	27,849,536	27,778,842	-70,694	-0.3%
09 Supplies and Materials	303,168	313,327	289,814	-23,513	-7.5%
10 Equipment – Replacement	2,175	3,000	2,000	-1,000	-33.3%
11 Equipment – Additional	5,718	7,000	5,500	-1,500	-21.4%
12 Grants, Subsidies, and Contributions	10,864,012	12,738,365	12,665,510	-72,855	-0.6%
13 Fixed Charges	3,270,856	3,266,950	3,202,166	-64,784	-2.0%
<b>Total Objects</b>	<b>\$ 67,648,898</b>	<b>\$ 72,949,633</b>	<b>\$ 74,006,704</b>	<b>\$ 1,057,071</b>	<b>1.4%</b>
<b>Funds</b>					
03 Special Fund	\$ 60,378,282	\$ 64,363,706	\$ 65,416,103	\$ 1,052,397	1.6%
05 Federal Fund	7,270,616	8,585,927	8,590,601	4,674	0.1%
<b>Total Funds</b>	<b>\$ 67,648,898</b>	<b>\$ 72,949,633</b>	<b>\$ 74,006,704</b>	<b>\$ 1,057,071</b>	<b>1.4%</b>

Note: The fiscal 2010 appropriation does not include deficiencies.

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

<u>Program/Unit</u>	<u>FY09 Actual</u>	<u>FY10 Wrk Approp</u>	<u>FY11 Allowance</u>	<u>Change</u>	<u>FY10 - FY11 % Change</u>
01 Executive Direction	\$ 24,044,563	\$ 25,173,041	\$ 25,726,972	\$ 553,931	2.2%
02 Operating Grants-in-aid	10,684,201	12,649,415	12,571,360	-78,055	-0.6%
03 Facilities and Capital Equipment	29,396,388	48,428,580	27,271,052	-21,157,528	-43.7%
07 Office of Transportation Technology Services	32,920,134	35,127,177	35,708,372	581,195	1.7%
<b>Total Expenditures</b>	<b>\$ 97,045,286</b>	<b>\$ 121,378,213</b>	<b>\$ 101,277,756</b>	<b>-\$ 20,100,457</b>	<b>-16.6%</b>
Special Fund	\$ 89,734,262	\$ 111,978,286	\$ 92,619,485	-\$ 19,358,801	-17.3%
Federal Fund	7,270,616	9,399,927	8,590,601	-809,326	-8.6%
<b>Total Appropriations</b>	<b>\$ 97,004,878</b>	<b>\$ 121,378,213</b>	<b>\$ 101,210,086</b>	<b>-\$ 20,168,127</b>	<b>-16.6%</b>
Reimbursable Fund	\$ 40,408	\$ 0	\$ 67,670	\$ 67,670	N/A
<b>Total Funds</b>	<b>\$ 97,045,286</b>	<b>\$ 121,378,213</b>	<b>\$ 101,277,756</b>	<b>-\$ 20,100,457</b>	<b>-16.6%</b>

Note: The fiscal 2010 appropriation does not include deficiencies.

**Budget Amendments for Fiscal 2010  
Maryland Department of Transportation  
Secretary's Office – Operating**

<b><u>Status</u></b>	<b><u>Amendment</u></b>	<b><u>Fund</u></b>	<b><u>Justification</u></b>
Approved	-\$1,255,531	Special	August 2009 BPW reductions
Pending	-2,333,500	Special	November 2009 BPW reductions
Pending	-37,742	Special	Cost associated with managing the procurement of Medevac helicopter replacement
<b>Total</b>	<b>-3,626,773</b>		

BPW: Board of Public Works

Source: Maryland Department of Transportation

**Budget Amendments for Fiscal 2010  
Maryland Department of Transportation  
Secretary’s Office – Capital**

<u>Status</u>	<u>Amendment</u>	<u>Fund</u>	<u>Justification</u>
Approved	-\$39,870	Special	August 2009 BPW reductions
Pending	11,465,000	Special	Adjusts the amended appropriation to agree with the anticipated expenditures for the current year as reflected in the CTP
	<u>814,000</u>	Federal	
	12,279,000	Total	
Pending	74,860	Reimbursable	Funding for BRAC contractual position
<b>Total</b>	<b>\$12,313,990</b>		

BPW: Board of Public Works  
BRAC: Base Realignment and Closure  
CTP: *Consolidated Transportation Program*

Source: Maryland Department of Transportation