

MDOT RESPONSE TO DLS ANALYSIS

*DLS Budget Analysis Issues*

---

1. Federal Aid Issues (Pages 25-27)

*The Department of Legislative Services (DLS) recommends that the Maryland Department of Transportation (MDOT) discuss with the budget committees what it foresees as the potential impact of the sequestration process. MDOT should also discuss what impact any reductions to the New Start Program may have on the State's ability to construct the major transit lines. The agency should also address long-term prospects for federal transportation aid.*

**MDOT Response:**

MDOT, like nearly all state transportation agencies, expects that federal transportation funding will remain at or slightly less than historical levels through at least FY 2014. While few experts are predicting drastic reductions, it is clear that the federal deficit and a lack of consensus on a funding source may hamper near term efforts to:

- Restore buying power and offset the impact of inflation;
- Improve the states' ability to preserve aging infrastructure; and,
- Undertake projects that improve system capacity and support economic growth.

The sequestration process mandated by the Budget Control Act (BCA) requires Congress to reduce spending by \$1.2 trillion over the next ten years. Reductions will begin in January 2013 and continue through Federal Fiscal Year (FFY) 2021. Of the \$1.2 trillion, half of the savings will be derived from defense programs and half from non-defense programs.

Sequestration will impact transportation programs using General Fund monies. Some programs, such as New Starts, receive all of their funding from the General Fund and will see a reduction on their entire program; others including Highway, Transit and Aviation formula programs are funded with Trust Fund monies, which are exempt from sequestration. As noted in a December 2011 Federal Funds Information for States (FFIS) report, reductions for FFY 13 would be automatically applied across the board, which could result in approximately an 8.7 percent reduction from estimated FFY 2012 levels for non-exempt programs (the actual reduction will depend on the FFY 2013 baseline). For FFY 2014 through 2021, the Congressional Appropriations Committees will have the authority to apply the annual reductions at their discretion.

Based on information we have seen to date, we expect the impact of sequestration on Maryland's federal funding in FFY 13 to be minimal. Most of our programs are in the exempt categories. As a non-exempt program, transit New Starts funding will be reduced in FFY 13 and subject to reductions through 2021. However, since Maryland is not projected to receive any New Starts funding in FFY 13, there will not be an impact to the State for that fiscal year.

## **J00 – MDOT – Fiscal 2013 Budget Overview**

### **MDOT RESPONSE TO DLS ANALYSIS**

#### ***DLS Budget Analysis Issues (Continued)***

---

In the long term, MDOT believes there is a good chance the New Starts program will be restored to previous levels. Given the rigor of the federal evaluation process and the national interest in the program, New Starts projects remain one of the only federal transportation discretionary programs where Congress is involved in directly funding projects on a competitive basis as compared to the earmark process which is not likely to return in the near future. Maryland is fortunate to have competitive projects that will be ready for New Starts federal construction funding in the near future.

Long-term prospects for federal transportation aid are largely dependent upon the Authorization process referenced in the Budget Overview. Significant activity on the authorization legislation is taking place in Congress during the month of February. MDOT will continue to work with the Department of Legislative Services to summarize the impact of the various legislative proposals.

MDOT RESPONSE TO DLS ANALYSIS

*Operating Budget Recommended Actions*

---

1. **Add annual budget language pertaining to capital budget changes (Pages 34-35).**

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

- (1) add a new project to the construction program or development and evaluation program meeting the definition of a “major project” under Section 2-103.1 of the Transportation Article that was not previously contained within a plan reviewed in a prior year by the General Assembly and will result in the need to expend funds in the current budget year: or
- (2) change the scope of a project in the construction program or development and evaluation program meeting the definition of a “major project” under Section 2-103.1 of the Transportation Article that will result in an increase of more than 10 % or \$1,000,000, whichever is greater, in the total project costs as reviewed by the General Assembly during a prior session.

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

Further provided that notification of project additions, as outlined in paragraph (1) above; changes in the scope of a project, as outlined in paragraph (2) above; or moving projects from the development and evaluation program to the construction program, shall be made to the General Assembly 45 days prior to the expenditure of funds or the submission of any contract for approval to the Board of Public Works.

**MDOT Response:** MDOT concurs with the recommended language.

MDOT RESPONSE TO DLS ANALYSIS

*Recommended Actions (Continued)*

---

**2. Add budget bill language to establish an annual position ceiling (Page 35).**

The Maryland Department of Transportation (MDOT) shall not expend funds on any job or position of employment approved in this budget in excess of xxx positions and xxx contractual full-time equivalents paid through special payments payroll (defined as the quotient of the sum of the hours worked by all such employees in the fiscal year divided by 2,080 hours) of the total authorized amount established in the budget for MDOT at any one time during fiscal 2013. The level of contractual full-time equivalents may be exceeded only if MDOT notifies the budget committees of the need and justification for additional contractual personnel due to:

- (1) business growth at the Helen Delich Bentley Port of Baltimore or Baltimore/Washington International Thurgood Marshall Airport which demands additional personnel; or
- (2) emergency needs that must be met (such as transit security or highway maintenance).

The Secretary shall use the authority under Sections 2-101 and 2-102 of the Transportation Article to implement this provision. However, any authorized job or position to be filled above the regular position ceiling approved by the Board of Public Works shall count against the Rule of xx imposed by the General Assembly. The establishment of new jobs or positions of employment not authorized in the fiscal 2013 budget shall be subject to Section 7-236 of the State Finance and Procurement Article and the Rule of xx.

**MDOT Response:** MDOT concurs with the recommended language.

MDOT RESPONSE TO DLS ANALYSIS

*Recommended Actions (Continued)*

---

**3. Add annual budget language on non-transportation expenditures (Page 36).**

It is the intent of the General Assembly that funds dedicated to the Transportation Trust Fund shall be applied to purposes bearing direct relation to the State transportation program, unless directed otherwise by legislation. To implement this intent for the Maryland Department of Transportation (MDOT) in fiscal 2013, no commitment of funds in excess of \$250,000 may be made nor such an amount may be transferred, by budget amendment or otherwise, for any project or purpose not normally arising in connection with the ordinary ongoing operation of MDOT and not contemplated in the approved budget or the last published Consolidated Transportation Program without 45 days of review and comment by the budget committees.

**MDOT Response:** MDOT concurs with the recommended language.