
JH00H01- MDOT – Maryland transit Administration

Fiscal Year 2021 Operating Budget
Response to Department of Legislative Services Budget Analysis

Senate Budget and Taxation Committee
Public Safety, Transportation and Environment Subcommittee
Senator Guy Guzzone, Chair
February 21, 2020

House Appropriations Committee
Transportation and Environment Subcommittee
Delegate Marc Korman
February 24, 2020

DLS Budget Analysis

1. MTA Pension Contribution Less Than Actuarially Determined Level (Page 14)

DLS recommends that language be added to MDOT’s capital appropriation restricting \$5M to be used only to increase funding for MTA pension contributions.

MDOT Response:

The MDOT MTA believes strongly that it has a duty to provide a financially sound funding strategy for the pension plan that ensures that the benefits that its employees worked hard to earn will be available to them when they retire. The MDOT MTA also believes that it has an obligation to taxpayers to maintain a pension plan that is financially prudent and provides employees a reasonable level of benefits that are comparable throughout the State. Further, MDOT MTA recognizes that funding the plan is a shared responsibility between employer and employee. It is important to note that prior to 2016, MDOT MTA employees never had to contribute to their own pensions, despite the employee pension contributions for all other State employees that had been in place for many years and was set at 7 percent in 2011. In 2016, MDOT MTA collectively bargained for employee contributions at 2 percent and have now increased those contribution rates for certain unions to 4 percent. To achieve this balance, the MDOT MTA created a long-term funding plan for its pension plan that relies on increased contributions from both employees and the MDOT MTA. This approach allows the pension plan to reach full funding in fiscal 2036.

DLS Budget Analysis (continued)

The MDOT MTA's funding plan combines all outstanding amortization bases, assumes employee contributions increase incrementally from the current 2 percent to 7 percent by fiscal 2024, and assumes that employer contributions increase dollar for dollar with employee contributions through 2024 and increase by 1.5 percent thereafter. This funding plan assumes increased employee contributions; no additional pension benefit enhancements, including retiree COLAs; and moderate salary increases. Changes to these assumptions will result in a delay in reaching full funding of the plan.

In the 2018 Joint Chairmen's Report, the budget committees requested that the MDOT MTA develop a funding plan for its pension and brief the Joint Committee on Pensions on the funding plan. Accordingly, the MDOT MTA developed a funding plan and presented it to the Joint Committee on Pensions on November 14, 2018. The Joint Committee expressed no concerns about the funding plan developed by the MDOT MTA. In the 2019 Joint Chairmen's Report, the General Assembly expressed its intent that the MDOT MTA increase its funding contribution by \$5 million. The MDOT MTA respectfully disagreed with this approach as it has a long-term funding plan in place and is dutifully following that plan. On November 20, 2019, the MDOT MTA provided an updated to the Joint Committee on Pensions regarding the funding status of the MDOT MTA's pension plan, and the Joint Committee again did not express any concerns. The MDOT MTA continues to follow the established funding plan and respectfully requests the budget committees defer action on this item until after sufficient time has passed for improvements in the funded ratio of MDOT MTA's pension plan to be realized.

1. Central Maryland Regional Transit Plan Underway (Page 24)

MTA should brief the committees on how the RTP will be incorporated in its capital planning and when specific transit improvements identified through this process can be expected to be included in the CTP.

MDOT Response:

The Central Maryland Regional Transit Plan will make many recommendations to improve transit service throughout the Central Maryland region. Some of these transit improvements are already incorporated in MDOT MTA's capital budget. This includes improvements to fare collection, real time for all modes, additional transit signal priority corridors, and Howard Street safety improvements. The Plan also identifies thirty corridors that would benefit from additional infrastructure investment. These have been grouped into early-, mid-, and long-term opportunity. The MDOT MTA anticipates including funding for feasibility studies for two to three of the early-opportunity corridors in the Draft FY 2021-2026 CTP. The Plan will be finalized in October 2020 and an Implementation Team, consisting of the local jurisdictions and MDOT MTA will be formed. This team will identify which corridors should be studied and the Final CTP will include these details. The feasibility studies would begin after the Plan is published.

DLS Operating Budget Recommended Actions

1. Add the following language (Page 26):

, provided that \$5,000,000 of this appropriation made for the purpose of Safety, Congestion Relief and Community Enhancement projects may not be expended for that purpose but instead may be transferred by budget amendment to the Maryland Transit Administration program J00H01.02 Bus operations to be used only for contributions to the Maryland Transit Administration pension plan. Funds not expended for this restricted purpose may not be transferred by budget amendment or otherwise to any other purpose and shall be canceled.

MDOT Response:

The MDOT MTA respectfully disagrees with the DLS recommendation. In response to committee narrative in the 2018 Joint Chairmen's Report, the MDOT MTA established a long-term funding plan for its pension plan and has twice presented that plan to the Joint Committee on Pensions and the Joint Committee has not expressed any concerns with the plan. The MDOT MTA has followed that funding plan established in 2018 but it will take some time to start to improve the funded status of the pension plan. The MDOT MTA respectfully requests that the committee defer action on this item until the improvements in funded status from the MDOT MTA's funding plan starts to be realized.

PAYGO Capital Budget Recommended Actions

1. Concur with Governor's allowance

MDOT Response

MDOT MTA concurs with the DLS recommendation.