

**Department of Legislative Services**  
Maryland General Assembly  
2008 Session

**FISCAL AND POLICY NOTE**

Senate Bill 538  
Budget and Taxation

(Senator Pipkin)

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**Maryland Transportation Authority - Fixing or Revising Tolls - Legislative Approval Required**

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This bill prohibits the Maryland Transportation Authority from fixing or revising a toll on any part of any transportation facilities project unless the General Assembly approves the toll through legislation. The bill authorizes MdTA to continue to charge and collect a toll of the same amount in effect before October 1, 2008.

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**Fiscal Summary**

**State Effect:** A diminished ability on MdTA's behalf to adjust tolls could result in a negative fiscal impact of an undetermined amount on revenues, as a result of bond rating agencies potentially reducing MdTA bond ratings. Potential increase in nonbudgeted expenditures if the prohibition results in an amendment to the trust agreement with MdTA's bondholders.

**Local Effect:** None.

**Small Business Effect:** None.

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**Analysis**

**Current Law:** MdTA has the power to set tolls on transportation facility projects under its supervision. Tolls must provide funds that, when combined with bond proceeds and other available revenues, are sufficient to • pay maintenance, repair, and operating costs for transportation facility projects that are not otherwise paid for; • pay the interest and

principal of any outstanding bond issues; • create reasonable reserves for these purposes; and • provide funds for the cost of replacements, renewals, and improvements.

Prior to fixing or revising tolls on any part of any transportation facilities project, MdTA must provide the Senate Budget and Taxation Committee, Senate Finance Committee, House Appropriations Committee, and House Ways and Means Committee information on the proposed toll charges, including:

- the annual revenues generated by the toll charges;
- the proposed use of the revenues; and
- the proposed commuter discount rates.

Since 2005, there has been a \$1.9 billion cap on the total bond indebtedness of MdTA. Revenue bonds issued by MdTA are backed by toll revenues and do not count against State debt limits.

**Background:** Tolling entities in most states have the authority to change toll rates without legislative approval. Only three, including Maryland, require notice to committees of the legislature or the legislature as a whole prior to toll increases. In each of these three states, only advance notice of the rate increase is required, not approval.

All three credit rating agencies cite a toll entity's independent ability to set toll rates, free of political consideration or approval from an outside source, as a key factor in achieving an optional credit rating.

Toll revenues are used by MdTA to meet its payment obligations to the bond holders. MdTA currently has an Aa3 rating from Moody's Investor Service, AA- from Standard & Poors, and AA- from Fitch Ratings. These ratings are among the highest granted for tolling authorities. If toll revenues slipped below expectations and tolls were not sufficient to meet the standards included in the trust agreement, then MdTA would normally increase tolls so as to not default on the trust agreement to the bondholders and sustain bond ratings with bond rating agencies.

**State Fiscal Effect:** A diminished ability on MdTA's behalf to adjust toll revenues could result in a negative fiscal impact of an undetermined amount, as a result of bond rating agencies potentially downgrading MdTA bond ratings. Nonbudgeted expenditures could increase if there is a need to amend the trust agreement.

## **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** Maryland Transportation Authority, Maryland Department of Transportation, Department of Legislative Services

**Fiscal Note History:** First Reader - February 19, 2008  
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