

**Department of Legislative Services**  
Maryland General Assembly  
2017 Session

**FISCAL AND POLICY NOTE**  
**First Reader**

Senate Bill 1090  
Finance

(Senators Hershey and Norman)

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**Maryland Transportation Authority - John F. Kennedy Memorial Highway -  
Toll Plazas**

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This bill prohibits the Maryland Transportation Authority (MDTA) from making any “capital investment” in the John F. Kennedy Memorial Highway Toll Plaza, located one mile north of the Millard Tydings Memorial Bridge. “Capital investment” is defined as any project involving construction, reconstruction, improvement, extension, alteration, modernization, or major repairs; it includes a project to convert a toll plaza to entirely electronic toll collection. When the toll plaza becomes functionally obsolete, MDTA must remove the toll plaza and establish a new one between Maryland Route 279 and the Delaware state line.

The bill takes effect July 1, 2017.

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**Fiscal Summary**

**State Effect:** Eventual placement of a new toll plaza in the designated location likely results in about \$84.0 million annually in lost toll revenue for MDTA at that location due to traffic diversions. Federal fund revenues may decrease substantially due to the loss of federal highway funds resulting from the placement of the new toll booth in a prohibited location. MDTA nonbudgeted expenditures decrease by approximately \$9.5 million from FY 2018 through 2022 as MDTA cancels its current project to update the electronic tolling system for the John F. Kennedy Memorial Highway; nonbudgeted expenditures increase significantly more when MDTA is required to remove the existing toll plaza and rebuild a new toll plaza at the location specified by the bill. Although the new construction results in a net increase in nonbudgeted expenditures and a significant decrease in revenues for MDTA, the timing and full magnitude of the effect cannot be estimated, as discussed below; much of the effect likely occurs beyond the five-year period covered by this fiscal and policy note.

**Local Effect:** None.

**Small Business Effect:** Minimal.

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## Analysis

### Current Law/Background:

#### *Maryland Transportation Authority*

Since 1971, MDTA has been responsible for constructing, managing, operating, and improving the State's toll facilities and for financing new revenue-producing transportation projects. MDTA is governed by nine individuals appointed by the Governor, with the advice and consent of the Senate. The Secretary of Transportation serves as MDTA's chairman. MDTA transportation facilities projects include:

- bridges, tunnels, and toll highways;
- vehicle parking facilities located in priority funding areas;
- other projects that MDTA authorizes to be acquired or constructed; and
- any authorized additions or improvements to MDTA projects.

MDTA has the authority to set tolls on transportation facilities 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 facilities 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. Toll revenues are deposited into the Transportation Authority Fund, which is wholly separate from the Transportation Trust Fund.

#### *Consolidated Transportation Program*

The *Consolidated Transportation Program* (CTP) is MDOT's six-year budget for the construction, development, and evaluation of transportation capital projects; the CTP must be revised annually to reflect updated information and changing priorities. It contains a list of current and anticipated major and minor capital projects for the fiscal year it is issued and for the next five fiscal years, including (1) an expanded description of major capital projects; (2) a detailed breakdown of the costs of a project with project expenditures to date, expected expenditures for the current fiscal year, projected annual expenditures for

the next five years, and total project costs; and (3) MDOT's estimates of the source (*i.e.*, federal funds, special funds, etc.) and amount of revenues required to fund the project.

### *Authority-wide Toll Plaza Replacement Project*

The CTP for fiscal 2017 through 2022 contains an authority-wide project to replace the electronic toll collection and operating systems at all MDTA toll plazas, including the John F. Kennedy Memorial Highway toll plaza. The purpose of the project is to increase the capacity for electronic and video tolling and citations. Additionally, MDTA's long-range plan includes converting all existing toll plazas to all electronic tolling (AET). However, due to numerous issues identified in a recent study concerning AET, MDTA has decided to delay any implementation of AET until 2019 at the earliest, after the contract for the next generation of its toll systems is executed and the replacement project is near completion. MDTA plans to continue observing AET implementation in other states to become better informed about AET and to improve its existing customer service.

**State Expenditures:** In the CTP for fiscal 2018 through 2022, \$63.6 million is budgeted for MDTA to upgrade all of its toll collection hardware and software for improved electronic tolling. About 15% (\$9.5 million) of this total is expected to pay for the upgrades to the John F. Kennedy Memorial Highway toll plaza. Therefore, MDTA nonbudgeted expenditures decrease by approximately \$9.5 million from fiscal 2018 through 2022 due to the bill's prohibition on capital expenditures to improve the plaza.

After the existing toll plaza becomes functionally obsolete, MDTA must remove the toll plaza and build a new one in the location specified by the bill. Although a precise estimate cannot be calculated at this time, removing and rebuilding the toll plaza in a new location is likely to be significantly more expensive than the currently planned upgrades. Therefore, the bill is expected to result in a net increase in expenditures for MDTA, although the timing and magnitude of the effect cannot be reliably estimated.

**State Revenues:** The placement of a new toll plaza in accordance with the bill likely results in substantial lost revenue for MDTA. Placement of the toll plaza between Maryland Route 279 and the Delaware state line makes it easier for travelers to divert to U.S. Route 40 and avoid tolls in both Maryland and Delaware. A 2009 study conducted for MDTA concluded that approximately half of all traffic on Interstate 95 would divert, resulting in lost toll revenues of about \$84.0 million annually.

Moreover, MDTA advises that a 1989 agreement with the Federal Highway Administration concerning State eligibility for federal highway funds allows tolls on the John F. Kennedy Memorial Highway only between Maryland Routes 43 and 279; thus, erecting a new toll booth between Maryland Route 279 and the Delaware state line could result in the loss of

federal highway funds. As this likely would occur beyond the five-year period covered by this fiscal and policy note, it is not reflected in this analysis.

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### **Additional Information**

**Prior Introductions:** SB 928 of 2014 received an unfavorable report from the Senate Finance Committee.

**Cross File:** None.

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

**Fiscal Note History:** First Reader - March 20, 2017  
mm/mcr

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