

Department of Legislative Services
Maryland General Assembly
2017 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

Senate Bill 536

(Senator Salling, *et al.*)

Finance

Rules and Executive Nominations

**Maryland Transportation Authority - Third Generation-Electronic Toll
Collection System**

This bill requires the Maryland Transportation Authority (MDTA), by December 31 each year, to report to the Governor and specified committees of the General Assembly on the procurement and implementation of its third generation-electronic toll collection system. The report must include a summary of key issues being addressed in the procurement and implementation of the system, including (1) efforts to review and analyze the location of a toll plaza adjacent to a bridge that is a transportation facilities project to ensure that MDTA is appropriately charging a toll for vehicles that traverse the transportation facilities project and (2) a projected timeframe for Board of Public Works (BPW) approval of contracts for the system and implementation of the system. If a contract has been approved by BPW, the report must also include specified information regarding the contract. If a component of the system has been implemented, the report must also include the impact on tolling operations and customer service as well as the possibility of implementing all-electronic tolling (AET) or changes to toll rates.

The bill takes effect July 1, 2017, and terminates June 30, 2020.

Fiscal Summary

State Effect: MDTA can handle the bill's requirements using existing budgeted resources.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: 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.

Prior to fixing or revising tolls on any part of any transportation facilities project, MDTA must provide the Senate Budget and Taxation, Senate Finance, House Appropriations, and House Ways and Means committees 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.

Chapter 397 of 2014 prohibited MDTA from implementing plans for AET at the Thomas J. Hatem Bridge before January 1, 2016. The Act also required MDTA to conduct a study of AET that includes an analysis of (1) AET in other states; (2) electronic toll collection interoperability; (3) alternative payment methods and specified toll rates; (4) issues and factors that must be addressed before AET becomes effective at specified facilities; (5) revisions to MDTA's initial AET proposal; and (6) proposed legislation, if required, relating to the implementation of AET. MDTA was required to submit the report to designated legislative committees and local elected officials by January 1, 2016. The results of MDTA's study are discussed below.

Background: With the exception of the InterCounty Connector (ICC) and the express toll lanes on Interstate 95 north of Baltimore City, all toll plazas operated by MDTA have electronic tolling administered by E-ZPass with at least one cash toll lane. MDTA has

expressed a long-term preference for converting all toll plazas to AET, and the *Consolidated Transportation Program* (CTP) for fiscal 2014 contained plans to transition the Hatem Bridge over the Susquehanna River and the Key Bridge over the Patapsco River to AET by fiscal 2016. However, in the CTP for fiscal 2015, construction funding was removed for the Hatem Bridge project, and no additional funding was added for the Key Bridge project. The draft CTP for fiscal 2017 does not contain funding to convert any facility to AET; however, it does contain funding for an authority-wide upgrade and replacement of existing electronic toll collection systems to increase the capacity for handling video tolling and citations, which are usually components of AET.

Chapter 397 of 2014 Study Findings and Conclusion

Pursuant to Chapter 397 of 2014, MDTA conducted a study regarding AET and submitted the required report in January 2016. According to the study, 12 states are already using AET for some or all transportation facilities and toll roads. In Maryland, AET is already in use along the ICC and the I-95 express toll lanes. Regionally, New York, North Carolina, Virginia, and Pennsylvania use AET for some facilities. In its study of other states, MDTA gleaned the following:

- most toll collection agencies charge a higher rate for video tolling than transponder tolling, with a differential that ranged from 16% to 100%, whereas two agencies in Florida set the video rate equal to the pre-AET cash rate;
- transponders (or mini-transponders) are generally free, provided the account holder preloads the account with funds (most agencies use sticker tags, which are considerably less expensive than E-ZPass transponders);
- some agencies ran transponder raffles at the beginning of their programs to increase participation;
- almost every agency with a transponder program uses video tolling, even if it does not have an AET program; and
- every AET system is based on transponders and/or video.

In addition to its research on AET implementation in other states, the study also identified various issues relating to toll rates as well as several policy, public outreach, and business rule issues that must be addressed before AET can be implemented in Maryland. Among other things, the study noted the following:

- customers who currently use cash must be provided with options. Additional customer service staff and additional automated payment options must be provided, particularly during the early days of AET implementation;
- steps need to be taken to improve customer service and the user friendliness of the E-ZPass Maryland website;

- the notice of toll due invoice needs to be improved; it is largely viewed by the public as punitive; and
- with respect to obtaining transponders, all of the current methods should be continued, but MDTA should consider having toll collectors sell transponders in toll lanes for a period leading up to the conversion to AET.

Given the various issues identified, 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. MDTA plans to continue observing AET implementation in other states to become better informed and to improve its existing customer service.

Location of Toll Plaza Adjacent to Francis Scott Key Bridge

Under the bill, MDTA's report must include a summary of its efforts to review and analyze the location of a toll plaza adjacent to a bridge that is a transportation facilities project; MDTA advises that this relates to a situation that occurs at the Francis Scott Key Bridge. Currently, trucks on the Inner Loop of I-695 that need to access Broening Highway must first pay the Key Bridge toll and collect a toll voucher for the northbound trip. Drivers then take the service road beneath the bridge to the Outer Loop, present the voucher at the toll plaza, and exit onto Broening Highway. These trucks must pay the toll but never actually cross the bridge. To avoid the toll, some trucks travel the local roads through Dundalk, which increases traffic on those local roads. MDTA has attempted to address this issue by decreasing the toll rate to \$2.00 per axle for 3+ axle vehicles; this change took effect January 1, 2016. The former toll rates were \$8 for 3 axles (now \$6), \$12 for 4 axles (now \$8), \$24 for 5 axles (now \$10), and \$30 for 6 axles (now \$12).

Prior to the recent change, an MDTA study of the issue revealed that vehicles made the turnaround described above, on average, 139 times each day. This equates to about 50,596 annual trips, resulting in about \$350,000 in toll revenues annually from these vehicles.

Additional Information

Prior Introductions: None.

Cross File: HB 290 (Delegate Grammer, *et al.*) - Environment and Transportation.

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

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Analysis by: Richard L. Duncan

Direct Inquiries to:
(410) 946-5510
(301) 970-5510