

Department of Legislative Services
 Maryland General Assembly
 2018 Session

FISCAL AND POLICY NOTE
 First Reader

House Bill 1332 (Delegate Metzgar, *et al.*)
 Environment and Transportation

Transportation - Francis Scott Key Bridge - Commuter Plan

This bill requires the Maryland Transportation Authority (MDTA) to offer the users of the Francis Scott Key Bridge a commuter plan that allows unlimited crossings of the bridge and costs no more than \$100 annually.

Fiscal Summary

State Effect: *Under one set of assumptions, nonbudgeted revenues to MDTA decrease by at least \$6.4 million in FY 2019 and by at least \$8.6 million annually thereafter. MDTA nonbudgeted expenditures increase by \$450,000 in FY 2019 only for one-time programming costs.*

(\$ in millions)	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
NonBud Rev.	(\$6.4)	(\$8.6)	(\$8.6)	(\$8.6)	(\$8.6)
NonBud Exp.	\$0.5	\$0	\$0	\$0	\$0
Net Effect	(\$6.9)	(\$8.6)	(\$8.6)	(\$8.6)	(\$8.6)

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease

Local Effect: The bill is not anticipated to materially affect local government operations or finances.

Small Business Effect: Potential meaningful.

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 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.

Background: Toll revenues are used by MDTA to meet its payment obligations to bondholders. 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 slip below expectations and tolls are not sufficient to meet the standards included in the trust agreement, MDTA increases tolls to avoid defaulting on the trust agreement to the bondholders and to sustain its bond ratings. 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 optimal credit rating.

MDTA has four different levels of toll rates charged at its various toll plazas for two-axle vehicles. There is a cash rate, a video rate, an E-ZPass rate, and a commuter plan rate; a commuter plan allows users to prepurchase a limited number of tolls at a discounted commuter rate. For example, users of the Baltimore Harbor Tunnel, Fort McHenry Tunnel, and Francis Scott Key Bridge each pay a per trip rate of:

- \$4.00 for cash;
- \$6.00 for video;
- \$3.00 for E-ZPass; and
- \$1.40 for the commuter plan.

In addition to these four standard rates, MDTA offers E-ZPass users unlimited trips across the Thomas J. Hatem Memorial Bridge for \$20 per year.

State Revenues: The bill decreases toll revenues for MDTA in two ways: (1) existing Francis Scott Key Bridge commuters and other Key Bridge users purchase the annual unlimited use plan; and (2) some users of the Baltimore Harbor and Fort McHenry tunnels begin to use the Francis Scott Key Bridge with the annual unlimited use plan instead of the tunnels. The actual loss in toll revenues depends on the total number of drivers who choose to purchase the annual unlimited use plan, which cannot be reliably estimated. Due to the significant potential cost savings to drivers, however, it is expected that many existing bridge and tunnel commuters will choose to purchase the \$100 unlimited annual use plan.

MDTA advises that any E-ZPass user that crosses the harbor at least 34 times a year is likely to save money by acquiring the \$100 annual unlimited use plan established by the bill. MDTA estimates that there are about 45,850 such Francis Scott Key Bridge users, with about 6.9 million total toll transactions each year. Approximately 63.5% of those users pay E-ZPass rates while the remaining 36.5% have commuter plans.

Under one set of assumptions, if all 45,850 of those users purchase an annual unlimited use plan, which is likely, revenues decrease by \$6.4 million in fiscal 2019 (due to the bill's October 1, 2018 effective date) and by \$8.6 million annually thereafter. MDTA advises that the annual revenue loss could be as high as \$26.9 million annually depending on how many tunnel users also purchase an annual unlimited use plan and begin to use the bridge.

State Expenditures: MDTA advises that, when it implemented the annual unlimited use plan for the Thomas J. Hatem Memorial Bridge, it incurred one-time programming costs of \$450,000 to update the E-ZPass systems on that bridge. The programming costs necessary to implement the same unlimited use plan at the Francis Scott Key Bridge are expected to be similar, resulting in a one-time expenditure of \$450,000 in fiscal 2019.

Small Business Effect: Small businesses benefit to the extent that they regularly use the Francis Scott Key Bridge and choose to purchase the annual unlimited use plan established by the bill.

Additional Information

Prior Introductions: None.

Cross File: None.

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

Fiscal Note History: First Reader - March 7, 2018
mag/lgc

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