

Department of Legislative Services  
Maryland General Assembly  
2021 Session

FISCAL AND POLICY NOTE  
First Reader

Senate Bill 541  
Finance

(Senators Hershey and Gallion)

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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 (JFK) Memorial Highway toll plaza. When the toll plaza becomes functionally obsolete, MDTA must remove the toll plaza and establish a new one at a location between Maryland Route 279 and Maryland Route 272. **The bill takes effect July 1, 2021.**

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**Fiscal Summary**

**State Effect:** MDTA nonbudgeted expenditures decrease by approximately \$5.0 million from FY 2022 through 2026 as MDTA cancels existing projects for the JFK Memorial Highway toll plaza. Once the existing plaza is functionally obsolete, nonbudgeted expenditures increase by approximately \$7.2 million for MDTA to remove the existing toll plaza and install a new one, and nonbudgeted revenues decrease significantly (likely by tens of millions of dollars per year) due to lost toll revenues, as discussed below.

**Local Effect:** The bill does not directly affect local government operations or finances.

**Small Business Effect:** Minimal.

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**Analysis**

**Bill Summary:** “Capital investment” means any project involving construction, reconstruction, demolition, improvement, extension, alteration, modernization, or major repairs; it includes a project to convert a toll plaza to entirely electronic toll collection.

**Current Law:** Since 1971, MDTA has been responsible for constructing, managing, operating, and improving the State's toll facilities (for example, the Chesapeake Bay Bridge, the Francis Scott Key Bridge, and the JFK Memorial Highway) 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.

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.

**State Expenditures:** MDTA advises that it has planned approximately \$5.0 million in capital spending for the JFK Memorial Highway toll plaza (including projects to replace damaged safety hardware, repair damaged pavement, and rehabilitate stormwater drainage features) from fiscal 2022 through 2026. Therefore, MDTA nonbudgeted expenditures decrease by \$5.0 million over that time-period due to the bill's prohibition on making any capital investments in the toll plaza.

Additionally, 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; MDTA estimates the total cost of those projects to be \$7.2 million (\$5.0 million to fully deconstruct and remove the existing toll plaza and \$2.2 million to construct the new toll plaza). However, the timing of these costs cannot be reliably predicted since it is unclear exactly when the existing toll plaza will become functionally obsolete.

**State Revenues:** The placement of a new toll plaza in accordance with the bill likely results in substantial lost toll revenue for MDTA. MDTA advises that placement of the toll plaza between Maryland Route 279 and Maryland Route 272, as required by the bill, makes it easier for travelers to divert to U.S. Route 40 and avoid tolls in both Maryland and Delaware. A preliminary analysis conducted by MDTA estimates that if the existing toll plaza is demolished and a new toll plaza is constructed in accordance with the bill's requirements, approximately 7.4 million vehicles annually will divert to U.S. Route 40 to avoid the new toll plaza, resulting in a decrease in MDTA's nonbudgeted revenues of approximately \$84.6 million annually.

In addition, MDTA advises that a 1989 agreement with the Federal Highway Administration concerning State eligibility for federal highway funds allows tolls on the JFK Memorial Highway only between Route 155 in Harford County and U.S. Route 222

in Cecil County; thus, constructing a new toll booth between Maryland Route 279 and Maryland Route 272 could violate this agreement and result in a loss of federal highway funds.

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### **Additional Information**

**Prior Introductions:** SB 1090 of 2017, a similar bill, received a hearing in the Senate Finance Committee, but no further action was taken. SB 928 of 2014, a similar bill, received an unfavorable report from the Senate Finance Committee.

**Designated Cross File:** HB 1329 (Cecil County Delegation) - Environment and Transportation.

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

**Fiscal Note History:** First Reader - February 16, 2021  
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