
January 31, 2023

The Honorable Ben Barnes
Chair, House Appropriations Committee
121 House Office Building
Annapolis, MD 21401

***RE: Letter of Information – House Bill 74 – Transportation – Maryland Rail Authority –
Establishment (Maryland Rail Investment Act of 2023)***

Dear Chair Barnes and Members of the Committee:

The Maryland Department of Transportation (MDOT) and the Maryland Transportation Authority (MDTA) take no position on House Bill 74 but offer the following information for the Committee's consideration.

House Bill 74 requires the MDTA to set toll rates so that it obtains 95% or more of the maximum revenue possible on its facilities and additional revenue generated by the required increase in toll rates would be diverted to the newly created Maryland Rail Authority to fund existing and expanded MARC service, the Baltimore and Potomac Tunnel, and the Southern Maryland Rapid Transit System. This will violate MDTA's Trust Agreement and existing tolling agreements with the federal government, prohibit MDTA from offering commuter and E-ZPass discounts, erode the statutory independence of the MDTA Board, and result in an increase to MDTA's existing toll rates.

Many of MDTA's facilities provide critical transportation links in high-volume areas with limited competing facilities. The increase in toll rates may result in motorists and commercial vehicles diverting to local roads and communities, which may be negatively impacted from the additional traffic.

The MDTA is governed by a Trust Agreement with its bondholders, as allowed by statute. Revenues from Transportation Facilities Projects are pledged as bondholder security to repay the MDTA's debt. If House Bill 74 were to be enacted, the MDTA would be in violation of its Trust Agreement in multiple fashions: it would reduce the independence of the MDTA Board to set toll rates, operate and maintain the facilities, and issue debt; the \$2.8 billion restriction on the operating budget and capital improvement plan could cause the MDTA to fail to meet its financial covenants and its ability to properly operate and maintain its facilities; to the extent that future debt issuances are not approved; the MDTA may be unable to meet the obligations to

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maintain its facilities and projects in good repair and in sound operating condition Violations of the Trust Agreement may result in a downgrading of the MDTA credit rating by the rating agencies or actions from bondholders. Other toll agencies such as the Miami-Dade County Expressway Authority have experienced bond rating downgrades due to similar interventions. A downgrade of MDTA's credit would lead to lower credit worthiness as well as higher financing rates for capital projects.

The MDTA is statutorily required to hold public hearings and seek public comment on the reasonableness of any proposed toll rate adjustments, prior to adjusting toll rates. The bill's requirement to hold public hearings by December 1, 2023 prior to implementing optimal toll rates is impracticable with a June 1, 2023 effective date. Additionally, the MDTA Board has the independent authority to set or adjust toll rates based on public policy considerations, but House Bill 74 would be in direct conflict with current law.

The Maryland Department of Transportation and the Maryland Transportation Authority respectfully request the Committee consider this information when deliberating House Bill 74.

Respectfully submitted,

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