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Maryland Transportation Authority

Operating Budget Data

($ in Thousands)

	FY 11 Actual	FY 12 Amended	FY 13 Budget	FY 12-13 Change	% Change Prior Year
Nonbudgeted Fund	$223,678	$331,337	$359,215	$27,878	8.4%
Adjusted Nonbudgeted Fund	**$223,678**	**$331,337**	**$359,215**	**$27,878**	**8.4%**
Adjusted Grand Total	**$223,678**	**$331,337**	**$359,215**	**$27,878**	**8.4%**

- The fiscal 2013 operating budget totals $359.2 million, which is an increase of $27.9 million from the fiscal 2012 budget. This increase is primarily due to a $24.5 million increase in debt service.

PAYGO Capital Budget Data

($ in Thousands)

	Fiscal 2011	Fiscal 2012		Fiscal 2013
	Actual	Approved	Amended	Budget
Nonbudgeted	$771,896	$601,652	$607,050	$528,406
Total	**$771,896**	**$601,652**	**$607,050**	**$528,406**

- The fiscal 2013 capital budget totals $528.4 million, which is a $78.6 million decrease from the fiscal 2012 capital budget. This change is largely due to a $155.9 million decrease in construction of the InterCounty Connector (ICC) that is offset by a $42.8 million increase in construction of express toll lanes (ETL) on a portion of Interstate 95.

Note: Numbers may not sum to total due to rounding.

For further information contact: Jaclyn D. Hartman Phone: (410) 946-5530

Operating and PAYGO Personnel Data

	FY 11 Actual	FY 12 Amended	FY 13 Budget	FY 12-13 Change
Regular Positions	1,789.50	1,789.50	1,789.50	0.00
Contractual FTEs	0.00	0.00	0.00	0.00
Total Personnel	**1,789.50**	**1,789.50**	**1,789.50**	**0.00**

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	69.79	3.90%
Positions and Percentage Vacant as of 12/31/11	160.00	8.94%

- The fiscal 2013 budget includes 1,789.5 positions, the same as in fiscal 2012.
- There are 160.0 positions vacant, for a vacancy rate of 8.9%. Many of these positions are being held open for cost containment reasons or are new positions for the ICC that have not yet been filled.

Analysis in Brief

Major Trends

Traffic Increases but May Take Years to Return to Fiscal 2007 Peak: Following declines in traffic utilizing Maryland toll facilities from fiscal 2007 through 2009, traffic stabilized in fiscal 2010 and increased in fiscal 2011. Slight declines in traffic are expected to occur in fiscal 2012 through 2014 as a result of approved toll increases that will take place in fiscal 2012 and 2014. In fiscal 2015 and beyond, traffic on existing facilities is expected to grow at about 1% per year, which is less than annual growth rates of 3% seen in fiscal 1995 through 2002. The total number of toll transactions on existing facilities is not expected to reach its pre-recession fiscal 2007 peak until outside of the current forecast period.

Debt Service Costs Increase: Debt service on the Maryland Transportation Authority's (MDTA) revenue bonds increases $24.5 million in fiscal 2013, up from $88.8 million in fiscal 2012 to $113.3 million in fiscal 2013. Further increases in debt service are expected over the next several years as a result of recent and planned bond issuances.

Issues

MDTA Violates Current Law and Regulations Requirements for Toll Violations Process: State law and regulations on toll violations establish a very different process from what MDTA currently utilizes. Although MDTA established its current policy to be more customer friendly, it prevents alleged violators from having their case reviewed by an independent third party and has recently resulted in the Motor Vehicle Administration refusing to issue vehicle registration nonrenewals or suspensions because current law is not followed. **The Department of Legislative Services (DLS) recommends that MDTA explain its current process and the reason for the differences between current practice and what is allowed in law and regulation. Furthermore, MDTA should comment on what changes are necessary in law or in current practice to comply with the citation process.**

Use of All-electronic Tolling on the Rise throughout the Toll Industry: All-electronic tolling (AET) is increasingly being used at toll facilities nationwide. In Maryland, the ICC is the State's first AET facility and the I-95 ETLs will also utilize AET. Significant benefits may result from AET. **DLS recommends that MDTA provide an update on the use of AET at existing facilities and on the feasibility for converting I-95 to AET and utilizing strategically placed overhead gantries to collect tolls at multiple points along the highway.**

Operating Budget Recommended Actions

1. Nonbudgeted.

PAYGO Budget Recommended Actions

1. Adopt committee narrative requiring reports on major capital budget changes.

Updates

Comprehensive Changes in Toll Rates and Structure Approved: In September 2011, the MDTA Board approved a comprehensive set of changes to toll rates at all facilities and modifications to the tolling structure. The changes will take place in phases and when fully implemented will generate approximately $225 million in additional revenues.

InterCounty Connector Open for Business: The majority of the ICC, running from I-270/I-370 to I-95 is now open for business. The last remaining portion of the road, from I-95 to US 1, is currently underway, and completion is scheduled for 2014. Traffic and revenue attainment has largely met projections, and five commuter bus routes are now available.

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Maryland Transportation Authority

Budget Analysis

Program Description

The Maryland Transportation Authority (MDTA) has exclusive authority relating to the financing, construction, operation, maintenance, and repair of Maryland's toll facilities and any other revenue-generating projects authorized under that title. MDTA divides its facilities into three regions and has jurisdiction over the following facilities:

- **Northern Region** – includes the John F. Kennedy Memorial Highway (I-95) and the Thomas J. Hatem Memorial Bridge (Hatem Bridge) (US 40);

- **Central Region** – includes the Baltimore Harbor (I-895) and Fort McHenry (I-95) tunnels and thruways, the Francis Scott Key Bridge (I-695), and I-395 leading to Baltimore City; and

- **Southern Region** – includes the Harry W. Nice Memorial Bridge (Nice Bridge) (US 301), the William Preston Lane, Jr. Memorial Bridge (Bay Bridge) (US 50/301), and the InterCounty Connector (ICC) (MD 200).

In addition to these toll facilities, MDTA also owns the Intermodal Container Transfer Facility at the Port of Baltimore, which is leased to the Maryland Port Administration (MPA), who subleases it to CSX Railroad. Prior to January 2010, MDTA also owned Seagirt Marine Terminal, which was leased to MPA. As part of a public-private partnership for Seagirt, MDTA conveyed the property to MPA after receiving $140 million from Ports America Chesapeake, the private partner, to repay MDTA's investment in the construction of Seagirt.

Membership of MDTA's board is comprised of eight members appointed by the Governor with the advice and consent of the State Senate. The Secretary of the Maryland Department of Transportation (MDOT) serves as the chairman of MDTA. MDTA's revenues are held separately from the Transportation Trust Fund (TTF), and the agency operates off-budget.

MDTA's police force is responsible for security and law enforcement services at all of MDTA's toll facilities, except the northern region of I-95, which is patrolled by the Department of State Police. MDTA is also under contract with the Maryland Aviation Administration (MAA) to provide law enforcement services at the Baltimore/Washington International Thurgood Marshall (BWI Marshall) Airport, with MPA to provide law enforcement services at MPA-owned facilities at the Port of Baltimore, with the Motor Vehicle Administration (MVA) to provide law enforcement agency warrant services at the headquarters complex in Glen Burnie, and with the Maryland Transit Administration (MTA) to supplement existing MTA police forces at Maryland Area Regional Commuter (MARC) facilities.

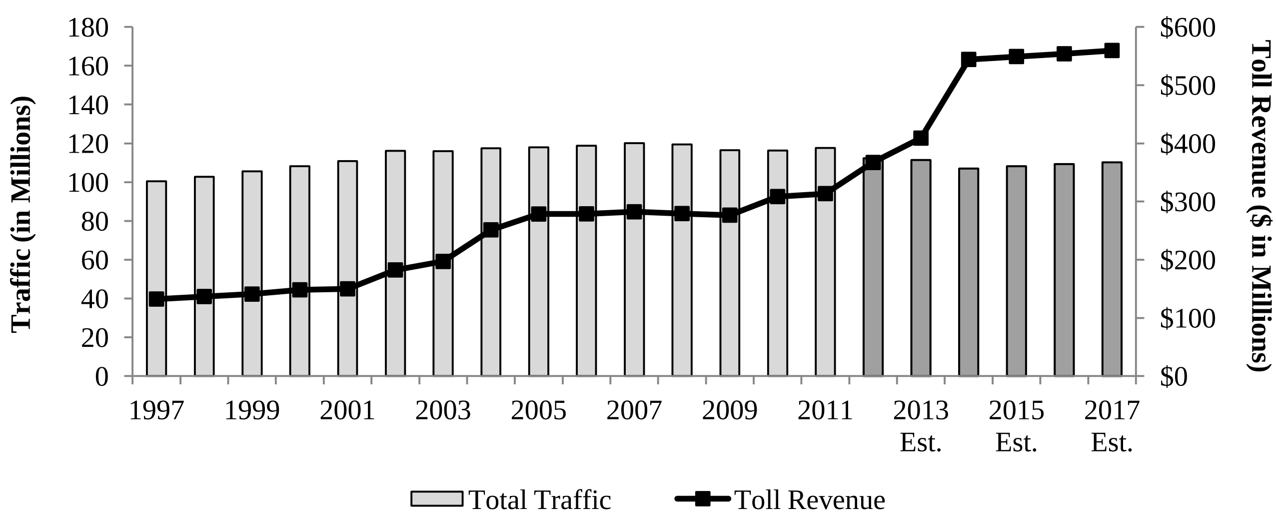
To achieve its vision of "creating E-Z passage throughout Maryland," MDTA has identified the following key goals:

- move people and goods efficiently and effectively;
- safety and security;
- strategic financing and financial stewardship; and
- improve external and internal customer service and performance.

Performance Analysis: Managing for Results

In order to achieve its vision of "creating E-Z passage throughout Maryland," MDTA's first goal is to efficiently and effectively move people and goods across the State. **Exhibit 1** shows the annual tolled traffic and toll revenue at MDTA's legacy facilities from fiscal 1997 through 2017. This chart excludes new traffic and revenue from the ICC beginning in fiscal 2011 and the I-95 express toll lanes (ETL) beginning in fiscal 2015. Inclusion of this data would skew historical comparisons. Total tolled traffic in fiscal 2011 was 117.7 million vehicles, an increase of 1.2% from fiscal 2010. Total toll revenue at all of MDTA's facilities in fiscal 2011 was $329.1 million, an increase of $5.2 million, or 1.6%, from fiscal 2010.

Exhibit 1
Annual Tolled Traffic and Toll Revenue
Fiscal 1997-2017



Note: Traffic and revenue data are for "legacy" facilities and do not include the InterCounty Connector or express toll lanes on Interstate 95.

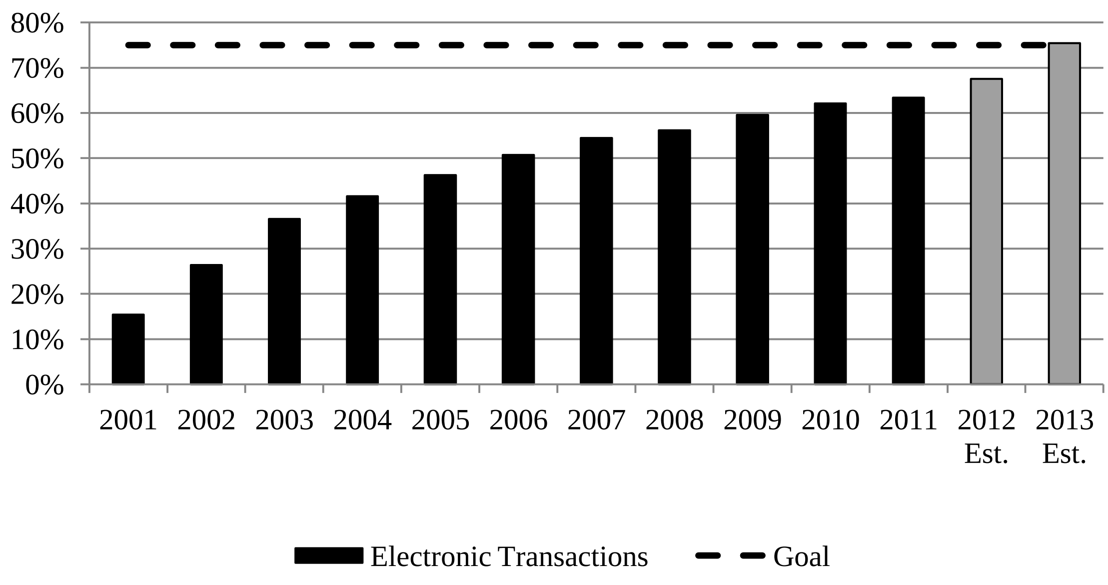
Source: Maryland Transportation Authority

Following declines in traffic from fiscal 2007 through 2009, traffic stabilized in fiscal 2010 and increased in 2011. Slight declines in traffic are expected to occur in fiscal 2012 through 2014 as a result of approved toll increases that will take place in fiscal 2012 and 2014. In fiscal 2015 and beyond, traffic on existing facilities is expected to grow at about 1% per year, which is less than annual growth rates of 3% seen in fiscal 1995 though 2002. The total number of toll transactions on existing facilities is not expected to reach its pre-recession fiscal 2007 peak until outside of the current forecast period.

Electronic Tolling

Electronic toll transactions expedite the toll collection process; reduce delays at toll plazas; reduce vehicle idling time, thereby reducing emissions; and allow for the efficient movement of goods and people. E-ZPass electronic toll collection is available at all toll facilities, as well as throughout the northeastern part of the United States. The use of electronic tolling continues to increase. **Exhibit 2** shows the percentage of tolls collected electronically at all of MDTA's toll facilities. This exhibit includes the use of E-ZPass, automatic vehicle identification (AVI) decals at the Hatem Bridge, and video tolling. In fiscal 2011, 63.4% of tolls were collected electronically. MDTA's goal is to reach 75% electronic toll collection by fiscal 2013. The use of electronic tolling is expected to rise substantially over the next several years following the opening of the ICC and I-95 ETLs.

Exhibit 2
Percentage of Tolls Collected Electronically
Fiscal 2001-2013



Source: Maryland Transportation Authority's *Managing for Results*, January 2012 Submission

Fiscal 2011 Closeout

MDTA's fiscal 2011 actual spending for its operating budget was $224.2 million, $38.6 million less than its amended fiscal 2011 budget as presented at the 2011 legislative session. Significant areas of underspending include:

- $15.9 million for salaries and benefits as a result of holding positions associated with the ICC vacant due to a later opening date and holding other positions vacant for cost containment reasons;

- $7.3 million for deferred information technology (IT) projects and from increasing the life cycle for replacement IT equipment;

- $5.2 million for E-ZPass service center costs due to the delayed impact of increased accounts associated with the ICC;

- $2.4 million for publicity and advertising associated with an educational campaign for the ICC due to the delayed opening; and

- $3.7 million for deferred vehicle replacements as a result of increasing mileage replacement guidelines and the implementation of an inspection program prior to vehicle replacement, deferred purchases of equipment due to the delayed ICC opening, and deferred police replacement equipment purchases due to cost containment and utilization of grants.

Proposed Budget

As a nonbudgeted agency, MDTA submits its budget to the General Assembly for informational purposes only. The General Assembly does not approve or amend MDTA's budget.

MDTA's fiscal 2013 budget is $359.2 million, a $27.9 million increase from the fiscal 2012 budget. The majority of this increase is due to a $24.5 million increase in debt service. Outside of debt service, the operating budget increases by $3.4 million. **Exhibit 3** provides a summary of the changes taking place from fiscal 2012 to 2013.

Personnel costs increase by $3.8 million. The majority of this increase is for mandatory increases for retirement ($1.5 million) and employee and retiree health insurance ($1.3 million). Other changes include a $1.0 million increase in salaries and a $0.2 million decrease in overtime. The increase in salaries is necessary due to changes in the contract with MAA for law enforcement at BWI Marshall Airport. These additional costs will be reimbursed by MAA.

Exhibit 3
Proposed Budget
Maryland Transportation Authority
($ in Thousands)

How Much It Grows:	Nonbudgeted Fund	Total
2012 Amended Budget	$331,337	$331,337
2013 Budget	359,215	359,215
Amount Change	$27,878	$27,878
Percent Change	8.4%	8.4%
Contingent Reductions	$0	$0
Adjusted Change	$27,878	$27,878
Adjusted Percent Change	8.4%	8.4%

Where It Goes:	
Personnel Expenses	
Retirement contributions	$1,514
Employee and retiree health insurance	1,304
Salary adjustments	1,104
Overtime	-198
Other fringe benefit adjustments	68
Other Changes	
Debt service	24,490
Trust agreement expenses	2,845
E-ZPass service center costs	2,732
E-ZPass credit card fees	2,113
Snow removal	781
Maintenance supplies and materials	140
Maintenance and contingency	-343
Contract with Maryland State Police for I-95	-402
Bay Bridge Walk	-450
Professional services contracts	-502
Insurance	-513
New and replacement information technology equipment	-707
New and replacement vehicles	-757
New and replacement equipment	-1,121
Publicity and advertising	-2,000

Where It Goes:	
Transponders	-2,123
Other	-97
Total	**$27,878**

Note: Numbers may not sum to total due to rounding.

Outside of personnel and debt service, costs decrease by $0.4 million. This occurs as the result of a number of offsetting changes, including:

- $2.8 million increase for trust agreement expenses, including annual inspections of facilities;
- $2.7 million increase in E-ZPass service center costs due to expected increased utilization of E-ZPass on the ICC;
- $2.1 million increase in E-ZPass credit card fees due to increased E-ZPass utilization;
- $2.0 million decrease for publicity and advertising;
- $2.1 million decrease for transponders due to a decrease in cost per transponder; and
- $3.1 million decrease for new and replacement equipment and vehicles.

Collective Bargaining

Chapter 704 of 2010 provided collective bargaining rights to the MDTA Police. Although the bill as originally introduced included binding arbitration, this provision was later amended out of the bill. The provision of collective bargaining often increases personnel costs. A 1995 study by the Department of Legislative Services (DLS) found that collective bargaining increases costs associated with salaries and fringe benefits by 1 to 5%.

With the MDTA Police, there were particular concerns about the costs associated with take-home vehicles. In 2007, the Fraternal Order of Police (FOP) filed a suit against MDTA for breach of contract, stating that a 2006 agreement between MDTA and MDTA Police to provide take-home vehicles to all officers in exchange for agreement not to seek collective bargaining had not been upheld. After numerous appeals, in 2011, the Maryland Court of Appeals found that a contract for take-home vehicles was considered collective bargaining, and the contract could not be enforced because MDTA Police were not authorized to collectively bargain at the time the contract was made. The provision of take-home vehicles for all officers would have cost MDTA approximately $17 million.

In January 2012, MDTA and the FOP reached agreement on its first collective bargaining contract. This contract was later ratified by a majority of the members of the bargaining unit and lasts through June 30, 2014. The primary outcome of the agreement is that MDTA Police will achieve pay parity with the Maryland State Police, effective March 1, 2012; however, additional pay for specialized skills and other incentive programs were discontinued. In addition, many of the salary adjustments already agreed to for all State employees were included in the agreement. Overall, the fiscal impact of this collective bargaining agreement was nominal; however, future collective bargaining agreements should also be reviewed for fiscal impact.

Financial Forecast

Section 4-313 of the Transportation Article establishes the Transportation Authority Fund, a nonlapsing fund into which all MDTA revenues flow. MDTA revenues come primarily from tolls, but also from concession income from travel plazas it owns along I-95, investment income, and payments from MDOT. MDOT payments include a capital lease of Masonville Auto Terminal and reimbursement for services provided at BWI Marshall Airport, the Port of Baltimore, the MVA headquarters in Glen Burnie, and MARC facilities.

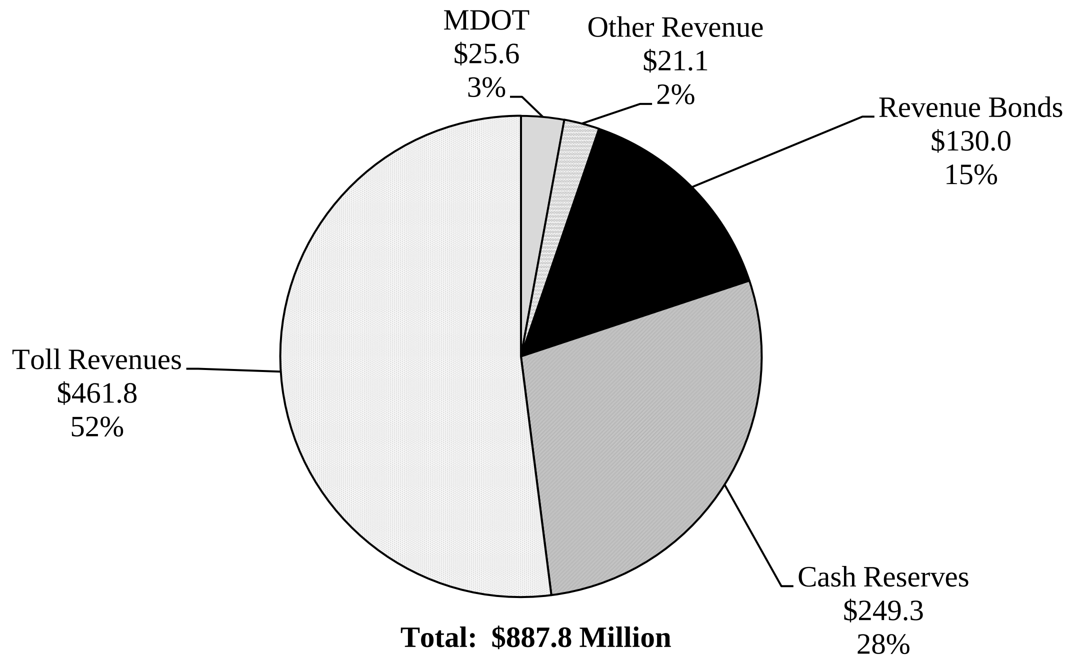
To support its capital program, MDTA may issue toll revenue bonds with a maturity up to 40 years. Typically, MDTA issues its toll revenue bonds with a 30- to 33-year maturity. Chapters 471 and 472 of 2005 established a finance plan for the ICC that included MDTA revenue bonds and a number of alternative funding sources specific to the ICC. These funding sources include Grant Anticipation Revenue Vehicle (GARVEE) bonds, federal funds, transfers from the TTF, and funds from the State's general fund or proceeds from general obligation bonds.

The terms of MDTA's trust agreement with its bondholders are the driving force in MDTA finances. Maintaining its bond coverage ratios is the primary concern, and all revenue adjustments and operating and capital expenditures are managed to maintain these ratios. To this end, MDTA develops and maintains a six-year financial forecast. Section 4-210 of the Transportation Article requires MDTA to provide the legislature a copy of its financial forecast by July 1 each year and in conjunction with submission of the Governor's budget in January.

Sources and Uses of Funding

Exhibit 4 provides information on all of the funding supporting MDTA's fiscal 2013 operating and capital budgets. The primary sources of fiscal 2012 funding are from toll revenues ($461.8 million) and the use of cash reserves ($249.3 million).

Exhibit 4
Fiscal 2013 Sources of Funding
($ in Millions)

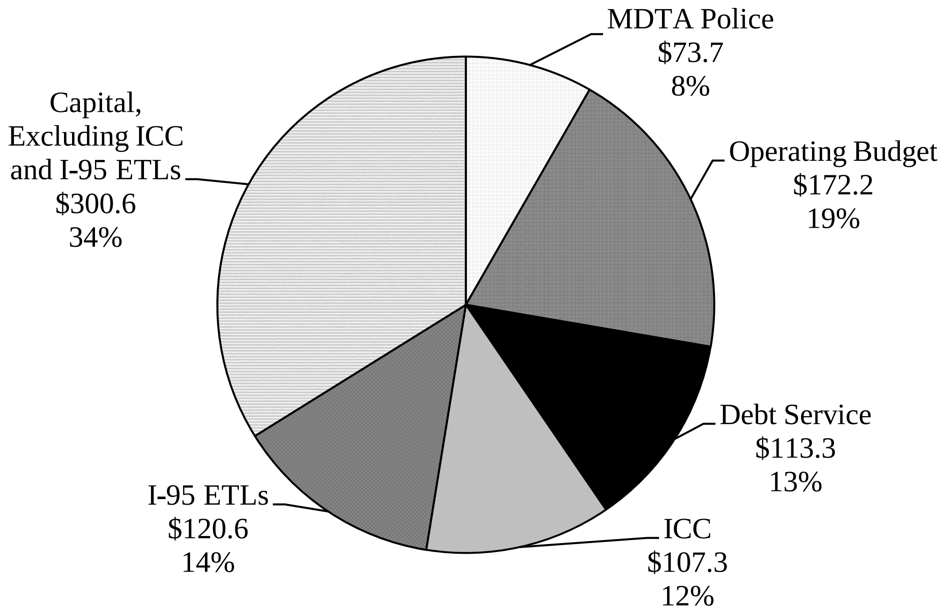


MDOT: Maryland Department of Transportation

Source: Maryland Transportation Authority's January 2012 Financial Forecast, Version 2011-18

Exhibit 5 provides a breakdown of fiscal 2013 spending by category. The capital program, including the ICC, the I-95 ETLs, and all other capital projects, accounts for about two-thirds of all spending in fiscal 2012. The operating budget, including the operating budget for the MDTA Police, accounts for about one-quarter of all spending. Debt service as a percentage of overall spending continues to increase, from 10% in fiscal 2012 to 13% in fiscal 2013.

Exhibit 5
Fiscal 2013 Uses of Funding
($ in Millions)



Total: $887.8 Million

ETL: express toll lanes
ICC: InterCounty Connector
MDTA: Maryland Transportation Authority

Source: Maryland Transportation Authority's January 2012 Financial Forecast, Version 2011-18

Toll Revenues

Toll revenues are the primary revenue source for MDTA. Historically, MDTA has been a cash-rich agency, allowing it to keep toll rates low and primarily fund capital projects with pay-as-you-go (PAYGO) revenues. Construction of the ICC and I-95 ETLs ushered in a new era for MDTA as significant amounts of debt were required to finance the two projects, which have a total project cost of $3.4 billion. In addition, the age of MDTA's existing facilities requires an increasing amount of maintenance and rehabilitation.

Increased reliance on debt to fund construction of a new toll facility and the major expansion of an existing toll facility will result in significantly higher debt service payments over the next 30 years. Debt service will increase from a low of $25 million in fiscal 2007 to annual debt service of about $150 million in fiscal 2017 based on debt issued through fiscal 2017. Previous debt service estimates projected that debt service may peak at $200 million for bonds issued through fiscal 2017; however, favorable interest rates, cost containment efforts, and reductions in the amount of debt issued over what had been expected reduced debt service costs.

Increased operating costs, rising debt service, and the need to maintain aging infrastructure will require periodic toll increases over the next several years. As discussed further in Update 1, in September 2011, the MDTA Board approved a comprehensive set of toll increases that will increase toll revenues by approximately $225 million per year when fully implemented. Except for the already approved toll increase on July 1, 2013, there are no additional toll increases included in the forecast period.

Other Revenues

Payments in Lieu of Federal Funds

Since fiscal 2005, MDTA has received annual payments of $6 million from MDOT in lieu of federal funds in recognition of MDTA's ownership and maintenance of sections of I-95 and I-395. Although these facilities are federal-aid eligible, they must meet federal requirements in order to be authorized for federal funding. MDTA does not receive federal funds for two reasons. One reason is that the State Highway Administration (SHA) is the official agency that receives Federal Highway Administration funds. Therefore, MDTA would not receive a formula amount, but rather, would be subject to other funding priorities for the TTF. Any federal funds provided to MDTA would only take away from the amount that MDOT would receive. The second reason is that there are specific federal highway rules and regulations that must be followed that require very stringent auditing, reporting, and recordkeeping, as well as very strict federal eligibility requirements regarding highway construction and authorization of federal funds, that MDTA would have to adhere to.

The classification of MDTA roads in the Interstate Maintenance Program affects MDOT's federal highway aid in two ways. First, the formula that allocates federal aid to the states through the Interstate Maintenance Program is largely dependent on the amount of interstate lane miles open to traffic and the vehicle miles traveled on those roads. Thus, the entire 110 miles of Interstate 95 in Maryland is used in the formula, and not just the 61 miles that MDOT maintains. Although inclusion of MDTA's road miles increases the amount of funding for the Interstate Maintenance Program, it does not increase the total amount of federal aid due to other restrictions on federal funding. Second, MDOT periodically takes advantage of the federal toll credit program. This program allows states to take credit for documented State funded expenditures by a toll authority on interstate routes. The program does not provide additional federal aid, but it allows federal funds to be used for the State's required matching funds, thus freeing up State funds for other uses.

The Secretary of Transportation has made the decision that beginning in fiscal 2013, this annual transfer will no longer take place. This results in a $6 million decrease in MDTA's revenues in fiscal 2013 and beyond. **DLS recommends that MDTA comment on the reason for this decision.**

State Support of the ICC

Chapters 471 and 472 of 2005 established a finance plan for the ICC. The original finance plan included general fund repayment of $264.9 million that had been borrowed from the TTF in fiscal 2003 and 2004. Provisions in the Budget Reconciliation and Financing Acts (BRFA) of 2008 through 2011 altered the repayment schedule for this funding and allowed the use of general obligation bonds to repay this money. Through fiscal 2012, all but $21.5 million of the required payments have been made. As noted in **Exhibit 6**, current statute provides final repayment of this amount in fiscal 2013, but the State's fiscal 2013 *Capital Improvement Plan* defers this final payment to fiscal 2014. To effectuate this deferred payment, current statute needs to be modified; however, no provision was included in the BRFA of 2012 as introduced. **Therefore, if the Administration fails to propose an amendment to correct this, the General Assembly must amend the BRFA of 2012 or other legislation accordingly if it wishes to defer this final payment.**

Exhibit 6
State Support of the InterCounty Connector
Fiscal 2007-2014

Fiscal Year	Original Finance Plan	2011 Session Changes	Proposed Change
2007	At least $50.0 million GF	$53.0 million GF	$53.0 million GF
2008	At least $50.0 million GF		
2009	At least $50.0 million GF		
2010	Balance to be repaid [1]	$55.0 million GO bonds	$55.0 million GO bonds
2011		$89.3 million GO bonds	$89.3 million GO bonds
2012		$46.2 million GO bonds	$46.2 million GO bonds
2013		$21.4 million GO bonds	
2014			$21.4 million GO bonds

GF: general fund
GO: general obligation

[1] Chapter 203 of 2003 transferred $314.9 million from the Transportation Trust Fund to the general fund to address a budget shortfall. After a repayment of $50.0 million in fiscal 2006, Chapters 471 and 472 of 2005 directed that the remaining balance of $264.9 million be paid to the Maryland Transportation Authority for construction of the InterCounty Connector. If payments of $50.0 million had been made in fiscal 2007 through 2009, the balance to be repaid in fiscal 2010 would have been $114.9 million.

Source: Department of Legislative Services

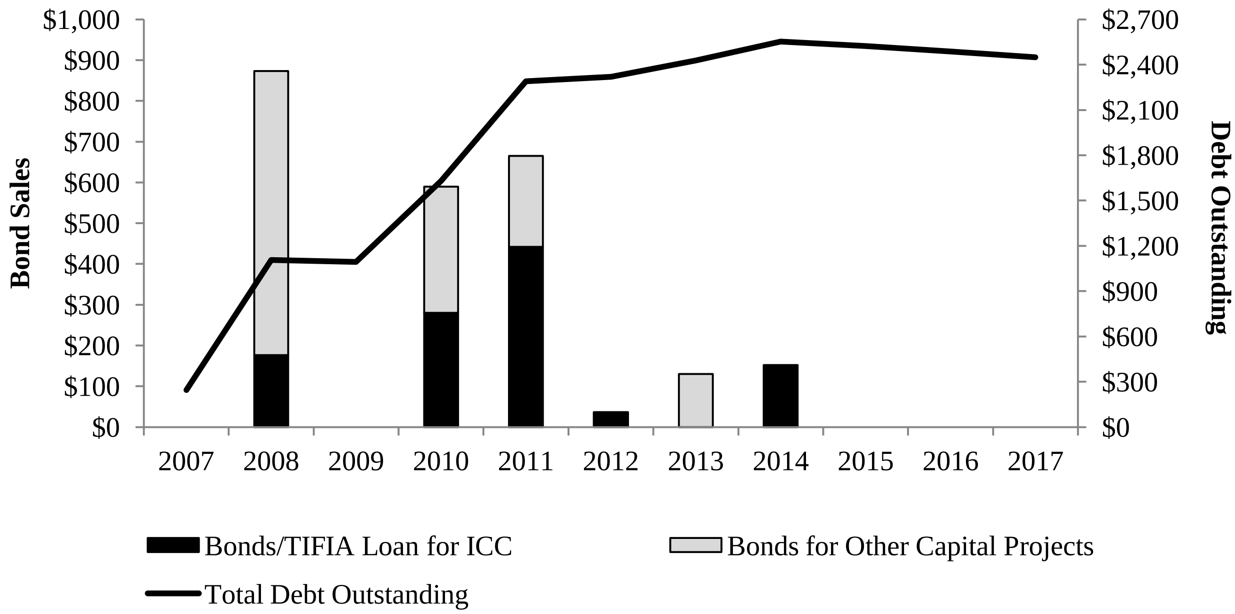
Revenue Bonds

From fiscal 2008 through 2014, MDTA will issue $2.4 billion in bonds to support its capital program. Approximately $1.1 billion in debt, including $571.2 million in revenue bonds and a $516.0 million Transportation Infrastructure Finance and Innovation Act (TIFIA) loan, will fund construction of the ICC. MDTA has secured a guaranteed TIFIA loan from the Federal Highway Administration with a fixed interest rate of 2.56% for the life of the loan. MDTA began drawing on this loan in October 2010. Through January 1, 2012, draws on the TIFIA loan have totaled $384.0 million. The TIFIA loan has a maturity of 36 years and will be repaid with toll revenues.

MDTA's last revenue bond issuance was in July 2010 and included $296.6 million in Build America Bonds and $29.8 million in revenue bonds. The final maturity of the bonds is in 2041, and the true interest cost was 3.66%. The next bond issuance is expected in fiscal 2013. Within the last six months, MDTA's current bond ratings of AA- by Standard & Poor's and Fitch Ratings and Aa3 by Moody's Investors Service, all with a stable outlook, have all been reaffirmed.

Exhibit 7 shows the amount of bonds projected to be issued for the ICC and other capital projects as well as total bonds outstanding in each year from fiscal 2007 through 2017. After not issuing any revenue bonds since fiscal 2004, MDTA issued revenue bonds totaling $873.3 million in fiscal 2008 and $549.4 million in fiscal 2010. In fiscal 2011, MDTA issued $326.4 million in revenue bonds and Build America Bonds and drew down $347.2 million from the TIFIA loan. In fiscal 2012, MDTA expects to draw down an additional $36.7 million on the TIFIA for construction of the ICC. A revenue bond issuance of $130.0 million is expected for fiscal 2013. Total debt outstanding is expected to peak in fiscal 2014 at $2.6 billion. This level of debt outstanding remains below the statutory debt outstanding limit of $3.0 billion.

Exhibit 7
Bond Sales and Debt Outstanding
Fiscal 2007-2017
($ in Millions)



ICC: InterCounty Connector
TIFIA: Transportation Infrastructure Finance and Innovation Act

Source: Maryland Transportation Authority's January 2012 Financial Forecast, Version 2011-18

Debt Affordability

Statute provides that MDTA may issue bonds without obtaining the consent of any unit or agency in the State, as long as total bonds outstanding do not exceed $3 billion at the end of any fiscal year. MDTA debt backed by toll revenues is not considered State debt and, therefore, is not limited by the State's debt affordability measures. MDTA does, however, have its own measures to ensure that debt outstanding remains affordable. Coverage ratios include:

- The rate covenant compliance ratio, as stipulated in the trust agreement, requires that the ratio of net revenues (total revenues minus operating expenses) to the amount deposited into the Maintenance and Operations Reserve Account plus 120% of debt service must be at least 1.00. The additional bonds test requires the rate covenant to be met on a five-year prospective basis. The fiscal 2013 rate covenant compliance ratio is projected to be 1.49, and adequate coverage is provided throughout the forecast period.

- A second ratio is the debt service coverage ratio, which is a ratio of net revenues to debt service. Although the trust agreement stipulates that the ratio must be at least 1.20, MDTA maintains an administrative policy that requires it to be above 2.00. In fiscal 2013, the debt coverage ratio is 2.30. This is the lowest level that the ratio gets to over the forecast period.

- The ratio of the cash balance to toll revenues must be at least 1.00 or a minimum balance of $350.0 million in unencumbered cash. This is an administrative policy only and is not contained in the trust agreement. In fiscal 2013, the ratio of total cash to toll revenues is 0.99, and the unencumbered cash balance is $358.5 million. Minimum cash balance requirements are met throughout the forecast period.

Conduit Financing

Besides MDTA revenue bonds, MDTA also issues debt on behalf of other entities, called conduit financing. The following projects were financed by MDTA using conduit financing:

- a total of $451.1 million of projects associated with the $1.4 billion expansion project at BWI Marshall Airport, including the Elm Road parking facility, pedestrian bridges, roadway improvements, a central utility plant, and a new consolidated rental car facility, which are backed by fees at BWI Marshall Airport;

- $40.0 million for three parking facilities at Largo, New Carrollton, and College Park, which are backed by lease payments from the Washington Metropolitan Area Transit Authority;

- $23.8 million for the Calvert Street parking garage in Annapolis for State employees, which is backed by general fund lease payments from the Department of General Services; and

- $750.0 million in GARVEE bonds to fund construction of the ICC, which is backed by future federal highway aid with a secondary pledge from the TTF.

In 2012, MDTA will issue additional conduit debt for MAA. In April, MDTA will issue $55.0 million in passenger facility charge (PFC) revenue bonds to fund construction of expansion work at BWI Marshall Airport. Sometime later in 2012, depending on when the project receives all of its necessary federal approvals, a second issuance of $250.0 million of PFC revenue bonds will take place for projects at BWI Marshall Airport involving federally mandated improvements to runway safety areas and airfield pavement. Finally, in 2012, MAA also plans to refund the parking revenue bonds currently outstanding that MDTA originally issued in 2002. All three of these issuances will be backed solely by airport revenues and do not count against MDTA's debt or State debt.

Exhibit 8 shows debt outstanding for MDTA's conduit financed bonds. The debt service for these projects is paid by the revenues from the projects and does not affect MDTA's debt outstanding or its budget.

Exhibit 8
Debt Service Payments and Debt Outstanding on Conduit Projects
Fiscal 2011-2013
($ in Thousands)

	2011	2012	2013[1]
Debt Service Payments			
2002 A&B Series – BWI Marshall Airport Elm Road garage	$20,756	$20,765	$20,768
2002 Series – BWI Marshall Airport rental car facility	9,008	9,006	8,999
2003 A&B Series – various BWI Marshall Airport projects[2]	9,981	10,879	11,311
2004 Series – WMATA parking garages	2,897	2,891	2,886
2005 Series – Calvert Street Parking Garage	1,550	1,548	1,543
2007 and 2008 Series – GARVEE Bonds	87,455	87,457	87,451
Total Debt Service Payments	**$131,647**	**$132,546**	**$132,958**
Debt Outstanding			
2002 A&B Series – BWI Marshall Airport Elm Road garage	$211,110	$201,175	$190,745
2002 Series – BWI Marshall Airport rental car facility	103,710	101,440	99,040
2003 A&B Series – various BWI Marshall Airport projects	32,400	22,000	11,200
2004 Series – WMATA parking garages	34,430	33,175	31,860
2005 Series – Calvert Street Parking Garage	21,325	20,670	19,995
2007 and 2008 Series – GARVEE Bonds	596,915	539,355	479,035
Total Debt Outstanding	**$999,890**	**$917,815**	**$831,875**

BWI Marshall Airport: Baltimore/Washington International Thurgood Marshall Airport
GARVEE: Grant Anticipation Revenue Vehicle
WMATA: Washington Metropolitan Area Transit Authority

[1] Fiscal 2013 debt service and debt outstanding does not include two new issuances of debt for projects at BWI Marshall Airport and a refunding of the 2002 A&B Series bonds for the Elm Road parking garage at the airport.

[2] The fiscal 2012 and 2013 debt service payments are estimates only, as they are variable rate passenger facility charge revenue bonds.

Source: Maryland Transportation Authority

Financial Outlook: Stable

In recent years, DLS has expressed serious concerns with MDTA's financial forecast and its ability to meet its debt coverage ratios. These concerns have been largely tempered by MDTA's ability to constrain budget growth; the tremendous benefit that MDTA received from a low interest rate environment; MDTA's ability to implement necessary, but highly unpopular, toll increases; and the near completion of major expansion projects. In essence, MDTA has largely weathered the financial storm of the national recession and significant increases in its capital budget due to expansion projects, and has emerged on solid financial ground.

Constrained Spending: As a cash-rich agency with few financial constraints during the 1990s and early 2000s, there was typically double-digit percentage growth in the operating budget each year. Even the rating agencies cited concerns about MDTA's inability to constrain spending. In fiscal 2011, cost containment actions in the operating budget decreased spending by $38.6 million from what was expected at this time last year. Similarly, in the capital budget, fiscal 2011 actual spending was $215.7 million less than had been anticipated last year. This unspent money then rolls into the following year and can be reprogrammed to higher priority projects if necessary.

Lower Borrowing Costs: While the recession negatively impacted revenues, it allowed MDTA to borrow at record low interest rates. MDTA achieved hundreds of millions of dollars in debt service savings as a result of interest rates below 4.0% on revenue bonds and at only 2.6% for the TIFIA loan.

Toll Increases: In September 2011, the MDTA Board implemented phased-in toll increases that will increase toll revenues by $225 million per year when fully implemented. Although some modifications were made to the proposed toll increases based on public comments, sufficient revenue was raised to meet obligations over the next several years.

Near Completion of Expansion Phase of Capital Program: By fiscal 2015, both the ICC and I-95 ETLs will be substantially complete and generating revenues. MDTA's six-year capital program has historically been around $600 million. This six-year total quickly grew to $4.5 billion in 2007 as a result of the simultaneous construction of the ICC and I-95 ETLs. As construction for both projects wind down, the size of the capital program is steadily decreasing. In fiscal 2012, the estimated size of the six-year capital program is $2.2 billion. This decrease in the capital budget reduces the pressure on current year revenues and allows additional money to be used for system preservation.

Risks to the Financial Forecast

Moving forward, the largest risks to MDTA's financial forecast is its ability to continue to constrain operating budget growth as two new toll facilities begin operation, maintaining an aging infrastructure with limited cash and debt capacity, large unfunded capital needs, and the risk of declines in traffic and revenue greater than what has been forecasted.

Constraining Budget Growth: In an agency unaccustomed to financial constraint, the recent budget belt-tightening has been a real culture change for employees. The ability of MDTA to continue to constrain operating budget growth, despite opening two new toll facilities over the next several years, will continue to be a challenge for MDTA. A return to double-digit budget growth is unacceptable and would pose a risk to the long-term forecast for MDTA.

Maintaining an Aging System: Nearly all of MDTA's facilities are at least 35 years old, with the Hatem and Nice Bridges being the oldest facilities at 72 years old. As facilities age, operations and maintenance costs increase and significant rehabilitations instead of just repairs are required. This, coupled with the fact that so much of MDTA's facilities are either elevated or underwater, significantly increases maintenance costs. Recent redeckings of the bridge decks of the Hatem, Nice, and Bay Bridges will extend the life of these facilities; however, severe congestion on the Nice and Bay Bridges have resulted in several studies calling for the construction of additional or replacement spans of these bridges. Additional money has been directed toward system preservation projects in the capital program over the last several years; however, this will need to continue in order to maintain the aging facilities.

Unfunded Needs: In the future, undertaking large capital projects may be required. Forecasted toll increases over the next several years will only sustain existing operations; it will not provide additional capacity for other large capital projects that loom on the horizon. These include additional improvements on I-95 beyond the current eight miles of ETLs under construction, possible replacement of the Nice Bridge, and additional capacity for the Bay Bridge. Funding large, but necessary, capital projects over the next several decades will be a challenge for MDTA given limited debt capacity and limited ability to raise revenues beyond already forecasted increases.

Revenues Fail to Meet Projections: Several conservative estimates of traffic at toll facilities are built into MDTA's financial forecast. These include declines in traffic in fiscal 2012 through 2014 as a result of toll increases, moderate growth of 1% in fiscal 2015 and beyond (which is below historical growth rates), and a multi-year ramp up in traffic and revenues for both the ICC and I-95 ETLs. Should toll revenues fail to meet these conservative forecasts, that would be a risk to MDTA's financial forecast.

PAYGO Capital Program

Program Description

MDTA's capital program involves the construction and maintenance of revenue-generating transportation facilities throughout the State. Currently, MDTA is undertaking two large capital projects. The projects are the ICC and construction of ETLs on an eight-mile stretch of I-95 from the I-895 split to north of MD 43.

Fiscal 2011 Actual Spending

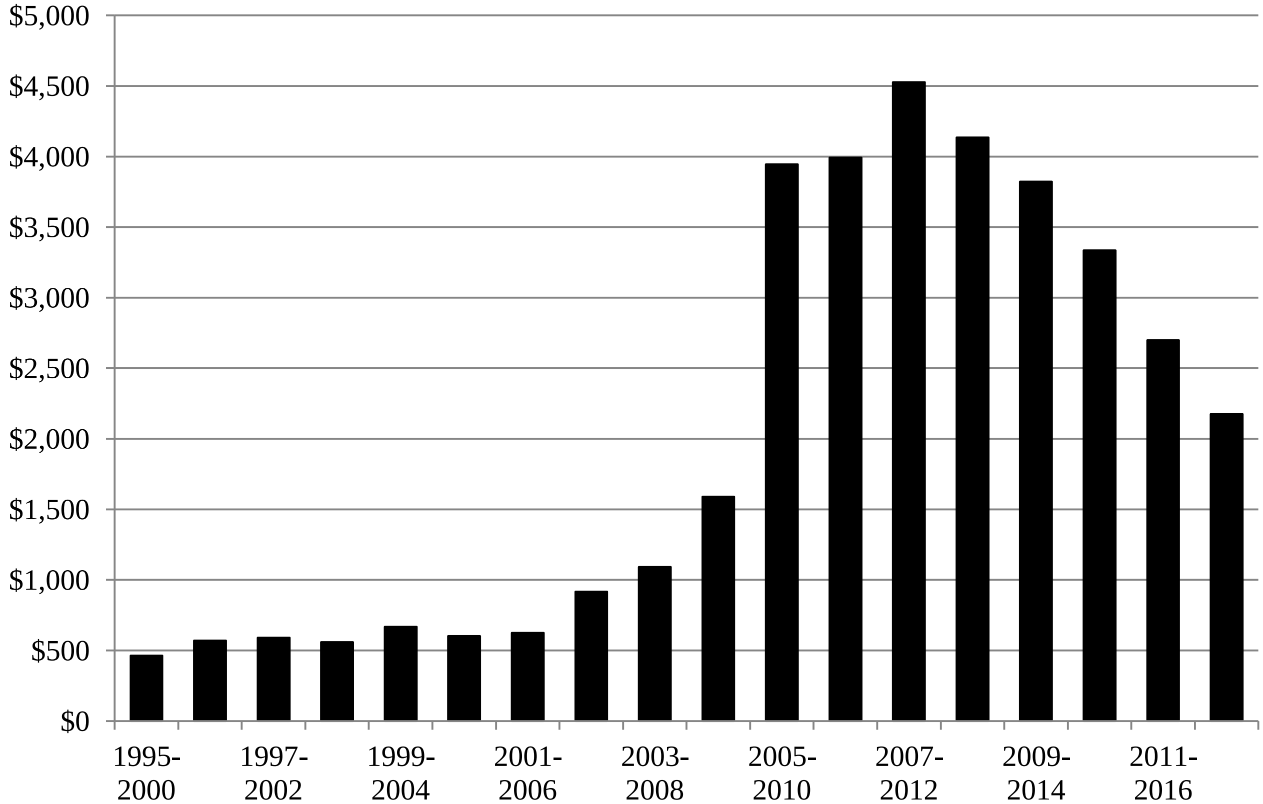
In fiscal 2011, capital spending was $215.7 million less than what had been anticipated during the 2011 legislative session. Much of this underspending resulted from savings from contingency budgets and bids being lower than expected. Significant contingency savings were generated from both the ICC ($80.1 million) and I-95 ETLs ($42.8 million). Money unspent as a result of contingency budgets that were not needed can be reprogrammed to other uses. Another source of underspending in fiscal 2011 was due to changes in project schedules that required money from fiscal 2011 to be rolled over into fiscal 2012. These fiscal year rollovers account for approximately $46.7 million in unspent fiscal 2011 funds.

Fiscal 2012 to 2017 *Consolidated Transportation Program*

The total six-year capital program decreases from $2.7 billion in the fiscal 2011-2016 *Consolidated Transportation Program* (CTP) to $2.2 billion in the fiscal 2012-2017 CTP. This decrease is largely due to the anticipated completion of the ICC in fiscal 2014 and the I-95 ETLs in fiscal 2015. Over the next several years, the size of the six-year capital program will continue to decrease as the two mega-projects come to completion.

Exhibit 9 shows the size of MDTA's six-year capital program from 1995 through the present. MDTA's six-year capital program has historically been around $500.0 million. The six-year capital program began growing in the fiscal 2004-2009 CTP, where the ICC made its first appearance in MDTA's development and evaluation program. In the fiscal 2005-2010 CTP, six-year spending increased dramatically when both the ICC and I-95 ETLs were moved into the construction program. As work began on the two projects, six-year spending in the fiscal 2007-2012 CTP again increased as cost estimates for the I-95 ETLs increased by $353.9 million. The capital program reached its peak of $4.5 billion in that same year, increasing nearly $4.0 billion more than historical spending. Since then, the capital program has decreased gradually as a result of changes to the scope of the I-95 ETLs project, capital projects deferred as a result of the economic downturn, and decreases in future spending on the ICC and I-95 ETLs as the projects near completion.

Exhibit 9
Size of Six-year Capital Program
($ in Millions)

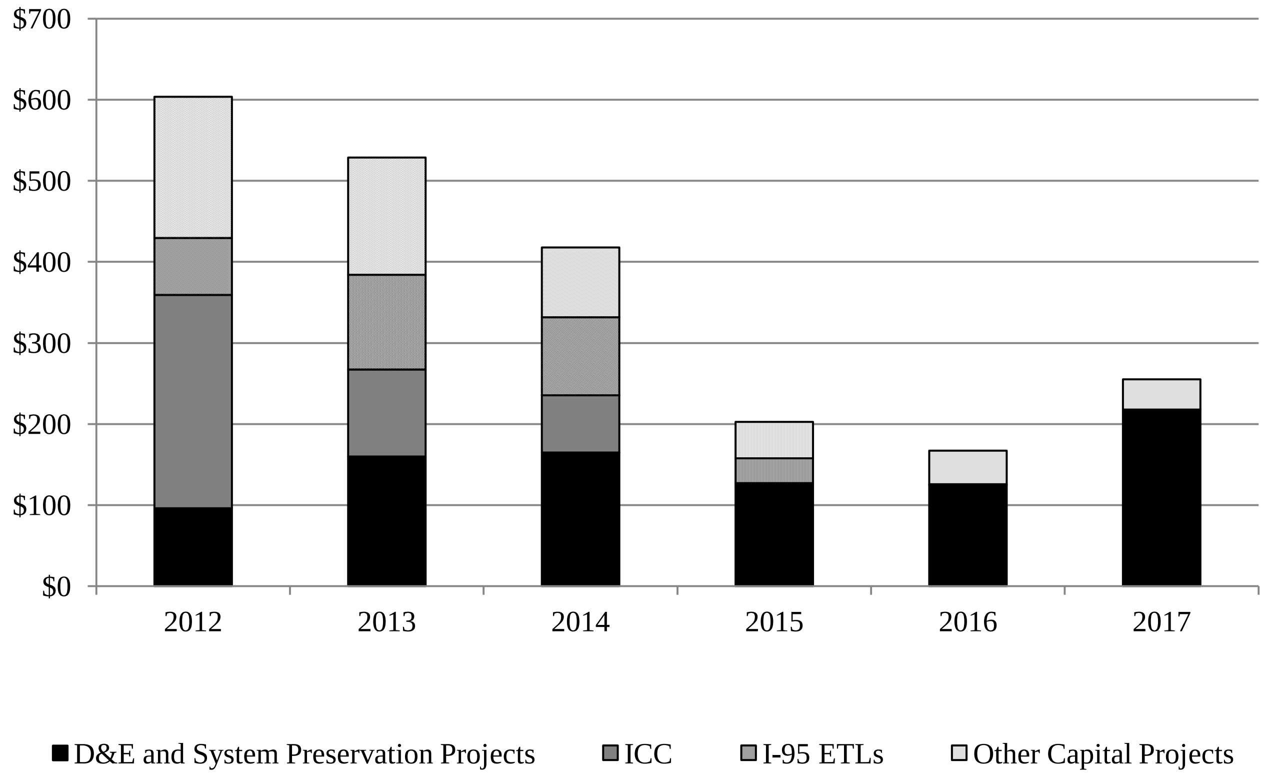


Source: Department of Legislative Services

Cash Flow Analysis

MDTA's capital program in fiscal 2013 totals $528.5 million. This is a $74.8 million decrease from the fiscal 2012 capital budget. The capital program is largely driven by construction of the ICC and I-95 ETLs, with nearly half of fiscal 2013 capital expenditures going to these projects. **Exhibit 10** shows capital expenditures by year.

Exhibit 10
Capital Expenditures by Year
Fiscal 2012-2017
($ in Millions)

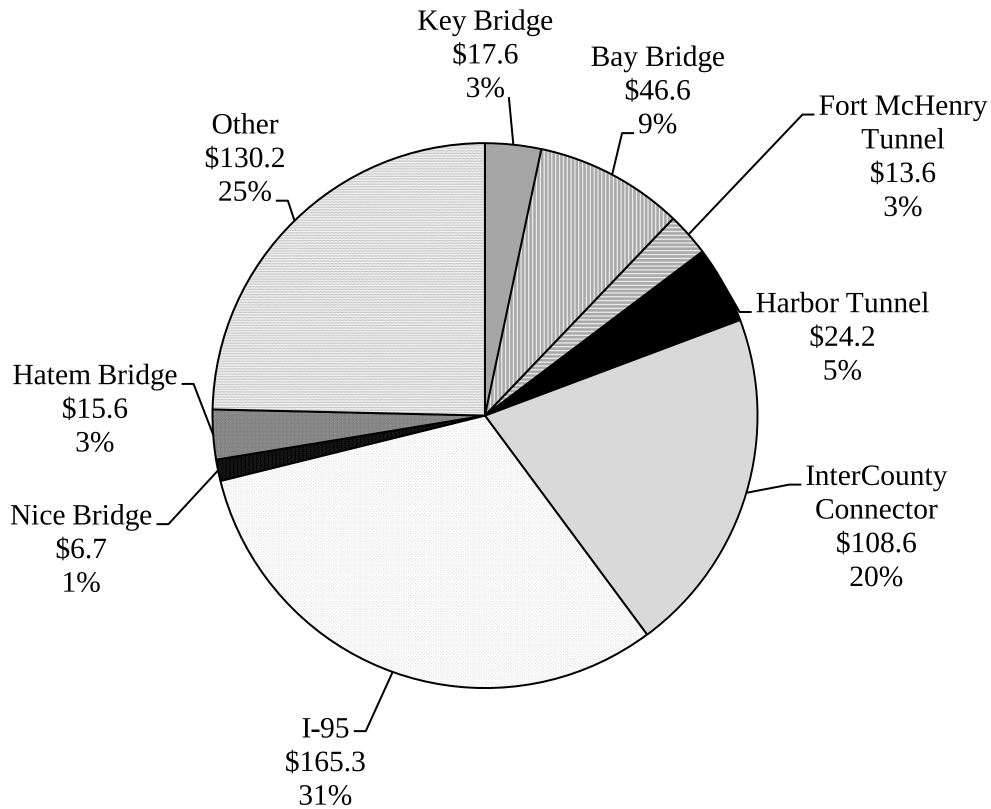


D&E: development and evaluation
ETL: Express Toll Lane
ICC: InterCounty Connector

Source: Maryland Department of Transportation, 2012-2017 *Consolidated Transportation Program*

Exhibit 11 shows capital spending by facility in fiscal 2013.

Exhibit 11
Capital Expenditures by Facility
Fiscal 2013
($ in Millions)



Source: Governor's Fiscal 2013 Budget Book

Exhibit 12 provides a partial list of major construction projects funded in fiscal 2013. The projects listed account for 93% of all funding for major projects in the construction program in fiscal 2013.

Exhibit 12
Major Construction Projects
Funded in Fiscal 2013
($ in Thousands)

Project	2013	Total $	Completion of Fiscal Cash Flow
Upgrade to 700 MHz radio communications systems – MDTA will be the first agency to upgrade as part of the statewide project for improved interoperability	$12,300	$23,680	2013
Nice Bridge – clean and paint structural steel as necessary and repair miscellaneous structural elements	6,691	13,707	2014
Bay Bridge – rewrap, dehumidify, and shield the main cables and anchorages on both spans	21,455	45,296	2014
Underwater repairs at Tydings Bridge (I-95 over the Susquehanna River) – rehabilitate pier foundations and provide pier scour protection	26,406	42,726	2014
Underwater Repairs at the Hatem Bridge – rehabilitate pier foundations with advanced wear and address pier scour protection	13,011	48,017	2015
Bay Bridge – partial painting of all structural steel surfaces on the westbound bridge	19,737	41,651	2015
I-95 Express Toll Lanes – involves the construction of two managed lanes in each direction from I-895 north to north of MD 43	120,574	1,031,219	2015
Various Bridges on I-95 and I-395 near Fort McHenry Tunnel – repair superstructure and paint seven bridges on I-95 near Russell Street and MD 295 and replace joints south of the tunnel	9,376	34,362	2016
InterCounty Connector – construction of a new east-west, multimodal highway in Montgomery and Prince George's counties between I-270 and I-95/US 1	107,267	2,425,108	2016
Harbor Tunnel – Replace Canton Viaduct (the elevated portion of the roadway from the north tunnel entrance to Holabird Avenue)	6,275	178,768	Ongoing
Total	**$343,092**	**$3,884,534**	

MHz: megahertz
MDTA: Maryland Transportation Authority

Source: Maryland Department of Transportation, 2012-2017 *Consolidated Transportation Program*

Significant Scope Changes

The 2012-2017 CTP includes several significant scope changes to projects. These scope changes are outlined below.

I-95 ETLs: The ETL project involves the addition of two lanes in each direction in the center of I-95. The non-tolled, or general purpose lanes, will be shifted to the outside, and barriers will separate the ETLs from the general purpose lanes. This configuration requires significant additional cost because additional interchanges must be constructed to accommodate those entering and exiting the barrier-separated ETLs, rather than using existing interchanges.

In the 2009-2014 CTP, MDTA deferred completion of the ETLs from fiscal 2012 to 2016, increasing the cost of the project from $1.2 billion to $1.5 billion. In the 2010-2015 CTP, the project cost declined by $500.3 million as the result of eliminating two of the ETL interchanges at I-695 and MD 43, advancing the completion date to fiscal 2014, and reducing the project length from 10 miles to 8 miles. In the 2012-2017 CTP, construction of the MD 43 interchange was reinstated but modified to provide southbound-only access to MD 43. This modification had a total cost of $142.6 million, but when combined with savings on other contracts, resulted in a total project increase of $37.0 million.

ICC: In the 2012-2017 CTP, the cost decreased by $37.6 million as a result of right-of-way cost reimbursement and contingency savings from Contracts A, B, and C. In addition, as discussed below, Contracts D and E (involving improvements along I-95 and extending the ICC from I-95 to US 1), which had originally been deferred, are now underway. The total project costs now stands at $2.4 billion, which is on par with the original cost estimates developed as part of the 2005 ICC finance plan.

Two notable events occurred with the ICC in the past year. First, in April 2011, the State, Prince George's County, and the owners of the Konterra property in Prince George's County reached agreement on a dispute over part of the Konterra property needed for construction of the ICC. The agreement includes:

- Owners of the Konterra property agreed to donate 240 acres of land needed for construction of the ICC and an additional 83 acres needed for other highway improvements in the area.

- MDTA will move forward with construction of Contracts D and E on the ICC (improvements along I-95 and extending the road from I-95 to US 1) that had previously been deferred.

- SHA will construct a planned interchange connecting I-95 with Contee Road Extended.

- Prince George's County will construct a new roadway, Virginia Manor Extended, which will connect the ICC/Virginia Manor Road interchange with the new I-95/Contee Road interchange.

- SHA will provide $30 million in funding to the county for construction of Virginia Manor Extended, of which $10 million must be repaid by the county. In addition, upon the county's completion of the roadway, it will become a State highway.

- MDTA will pay $44.5 million of the debt service associated with the GARVEE bonds issued for the ICC, thus freeing up additional federal funds to flow to SHA in fiscal 2011 and 2012 to help fund construction of the I-95/Contee Road interchange.

Second, in October 2011, SHA announced that hairline cracks had been discovered in three newly built overpasses on the ICC. The cracks were discovered in bridges carrying the ICC over Georgia Avenue, Emory Lane, and Needwood Road. As a result, short-term repairs were implemented to reinforce the pier structures of the bridges. A long-term solution is still being investigated. Since the ICC primarily relies on fixed price design build contracts, the contractor will be responsible for all rework and costs. **MDTA should comment on the long-term solution to the hairline cracks in the ICC overpasses and discuss the additional inspections that were conducted on other ICC overpasses.**

Annual budget bill language requires MDOT to provide reports to the budget committees advising of significant changes in the capital program. To date, MDTA has not had similar requirements. As noted above, over the last several years, significant changes have been made to the I-95 ETLs and the ICC. These changes throughout the year that are made without notification to the legislature may sometimes substantially alter a project's scope or price and reduce legislative oversight of these projects. **DLS recommends the adoption of committee narrative requiring periodic reports from MDTA when there are significant changes in capital projects.**

Issues

1. MDTA Violates Current Law and Regulations Requirements for Toll Violations Process

Video tolling allows a toll agency to take a picture of the license plate of toll violators so that a bill can be sent for payment. Video tolling has evolved significantly over the last several years. Previously, video tolling was primarily used as an enforcement method for toll violators. However, with the advent of facilities using all-electronic tolling (AET), video tolling has become simply an alternative toll collection method allowing drivers without an E-ZPass to use the facilities. This change, as well as MDTA's past decision to utilize a less punitive and more customer-friendly toll violation process, have created significant differences in current laws and regulations regarding toll violations versus current practice. In 2008, DLS noted that the then-current appeals process for toll violations did not allow drivers to appeal toll violations decisions. In essence, the appeals process both started and ended at MDTA. Over the last four years, the practice has continued, sparking concerns among the public and, most recently, resulting in MVA refusing to flag vehicle registrations for nonrenewal or suspension due to unpaid tolls, thus prohibiting one of MDTA's most effective enforcement tools.

In Maryland, both the ICC and I-95 ETLs will be AET facilities, and toll collection will occur only by E-ZPass or video tolling. With the significant amount of video tolling on the ICC (approximately 15% of trips), and with potential increased use of video tolling at other facilities, the ability to recover these and other toll revenues becomes an increasingly important issue. In fiscal 2011, unrealized toll revenues from toll violations cost MDTA $1.8 million. **MDTA should describe what factors affect the ability to recover these tolls.**

What the Law and Regulations Say

The current process for addressing toll violations is outlined in Section 21-1413, 21-1414, and 27-110 of the Transportation Article and supplemented by 11.07.07 of the *Code of Maryland Regulations* (COMAR). Current law states that a "video-monitoring system" may be used to capture an image of the license plate of a vehicle when it fails to pay a toll at a toll facility. Upon failing to pay a toll, the operator of the vehicle becomes liable to MDTA for the payment of the toll and a civil penalty. No later than 60 days after the violation occurs, MDTA is required to send a citation to the vehicle's registered owner that provides information on the violation, the amount of toll and civil penalty due, and a due date for the balances. Once this notice is received, a vehicle owner may pay the amount due or elect to stand trial for the alleged violation. If the vehicle owner fails to take one of these actions within 60 days of the mailing of the citation, MDTA may pursue the vehicle owner in District Court or request that MVA either suspend or refuse to renew the vehicle's registration.

In 2009, MDTA updated its regulations on toll collections to include video tolling as an acceptable payment method in anticipation of the opening of the ICC. MDTA regulations provide for a very different toll enforcement policy than what statute provides. Regulations require that after failure to pay a toll, a notice of toll due (NOTD) will be sent to the vehicle owner requiring payment of the toll within 30 days. If payment is not made, a failure to pay notice is issued for the cost of the toll and an administrative fee requiring payment. If payment is not received within 30 days, MDTA may refer the registration to MVA for nonrenewal or suspension, refer the account to the State's Central Collection Unit, or issue a civil citation. Only if the vehicle's owner receives a civil citation may they appeal the alleged violation through the District Court. Otherwise, all appeals of a contested violation begin and end at MDTA.

MDTA's Current Practice

MDTA's current practice for toll enforcement varies from the citation process required in law and allowed in regulation. As summarized in Update 1, in September 2011, the MDTA board approved a comprehensive set of changes to the toll structure and toll rates at all facilities. One of these changes involved creating a tiered system of toll rates that is built off of a standard base cash rate. From that base cash rate, discounts of 10% are provided to drivers using a Maryland-issued E-ZPass transponder and a premium of 50% is charged for video tolling.

Currently, customers who travel on MDTA facilities and do not pay their tolls electronically or by cash are mailed a NOTD indicating the vehicle owner must pay a toll rate of 150% of the base toll rate, without any additional fees or penalties if paid within 30 days of the mailing. If a payment is not made, a failure to pay notice that includes a $25 administrative fee is sent to the vehicle owner allowing 30 days for payment. Since 2010, MDTA has ceased referring nonrenewals and suspensions to MVA

By attempting to create a more customer friendly process than is allowed in statute and COMAR, MDTA has not issued the required citation at the time of the violation and has denied citizens an appeal in the District Court. Not following statute has also jeopardized MDTA's ability to refer accounts to MVA for suspension or nonrenewal of a vehicle's registration for failure to pay tolls, thus denying MDTA an important tool in toll enforcement. **DLS recommends that MDTA explain its current video tolling and violation process and the reason for the differences between current practice and what is allowed in law and regulation. Furthermore, MDTA should comment on what changes are necessary in law or in current practice to comply with the citation process, thus allowing alleged violators an opportunity to have a third party review of their case and allowing MDTA to resume referring cases to MVA for vehicle registration nonrenewal or suspension.**

2. Use of All-electronic Tolling on the Rise throughout the Toll Industry

AET or open road tolling, allows vehicles to travel at highway speeds through overhead gantries that collect tolls. As roads become cashless, toll agencies increase efficiency, and customers and the environment reap benefits. AET allows toll agencies to process four times as many cars per hour over manned toll booths, thereby decreasing congestion at toll booths. It also reduces vehicle idling time at toll booths, which is good for the environment. In January 2011, the New York Metropolitan Transportation Authority announced plans to move toward AET on all of its toll facilities, starting with the Henry Hudson Bridge in 2012. Also in January 2011, the board of directors of San Francisco's iconic Golden Gate Bridge announced that it will go cashless in 2012.

In response to a requirement in the 2011 *Joint Chairmen's Report*, in August 2011, MDTA submitted a report evaluating alternative tolling structures. One of the options evaluated the use of AET at all toll facilities. MDTA indicated that it is currently conducting a study, the AET Conversion and Prioritization Study, to evaluate physical and operational issues associated with converting MDTA facilities to AET and prioritizing the conversion of each facility. **DLS recommends that MDTA provide an update on the use of AET at existing facilities.**

AET could also potentially solve two of the significant challenges that MDTA faces. First, 58% of people who use MDTA facilities do not pay a toll to do so. MDTA's jurisdiction includes several non-tolled portions of highways that MDTA must pay to operate and maintain with toll revenues. The most significant piece of MDTA's non-tolled highways is along I-95. MDTA owns and operates 49 miles of I-95 from just north of Baltimore to the Delaware line; however, the only tolling point along this 49 mile stretch is located in northeastern Maryland between Cecil and Harford counties. This section of I-95 is the least congested section of MDTA's jurisdiction on I-95. Since the toll plaza is located within the least congested section of the roadway, many travelers within Maryland use I-95 without ever paying to use the facility.

Converting I-95 to an AET facility would allow the use of overhead gantries to collect tolls along all of I-95. Strategically placed gantries could collect tolls along different points of the highway to reduce the number of travelers who use the facility without paying a toll. In essence, rather than having one $6.00 toll in northeast Maryland, six overheard gantries located approximately eight miles apart could collect $1.00 tolls. Thus, for travelers who drive the entire stretch of I-95, the total toll would not increase; however, MDTA's toll revenues would increase significantly by allowing it to collect tolls on previously untolled portions of the highway. MDTA could also benefit from operational cost savings and efficiencies by eliminating the need for toll collectors.

The second significant challenge that MDTA could address through the use of AET on I-95 is the tolling of the Hatem Bridge. Per statute, the tolls charged on I-95 at the Millard Tydings Bridge may not be less than what is charged at the Hatem Bridge. Both bridges offer roadway access over the Susquehanna River and are located nearly adjacent to one another on a stretch of I-95 and US 40 that run parallel to one another. The toll on the Hatem Bridge is necessary to prevent significant amounts of diversionary traffic from I-95 to US 40 from people seeking to avoid the toll on I-95 if there was not one on the Hatem Bridge.

Discount programs aimed at locals provide significant savings on tolls on the Hatem Bridge and are the primary source of payment on the bridge. With these significant discounts in place, MDTA actually pays more to operate and maintain the Hatem Bridge than it collects in revenues. By collecting smaller tolls at various points along I-95 using AET rather than having one more sizeable toll, the risk of diversionary traffic will be significantly reduced, and the toll on the Hatem Bridge could be removed. Since the Hatem Bridge would no longer be a toll facility, its ownership and responsibility for operation and maintenance could possibly be transferred to SHA, thus saving MDTA money since the facility operates at a net loss.

Thus, eliminating the current tollbooth at the Millard Tydings Bridge on I-95 and replacing it with AET technology throughout MDTA's jurisdiction on I-95 could have significant financial implications for MDTA. However, this conversion to AET and moving the tolling locations would not be a short-term project. It would require certain State statutory changes, approvals from the federal government, and capital investment. Given the impact this could have on revenues, MDTA should begin to explore this option. **DLS recommends that MDTA comment on the feasibility for converting I-95 to AET and utilizing strategically placed overhead gantries to collect tolls at multiple points along the highway. Furthermore, MDTA should comment on the increase in revenues that may result.**

Operating Budget Recommended Actions

1. Nonbudgeted.

PAYGO Budget Recommended Actions

1. Adopt the following narrative:

Capital Budget Changes: It is the intent of the committees that projects and funding levels for capital projects, as well as total estimated project costs within the Consolidated Transportation Program (CTP), shall be expended in accordance with the plan reviewed during the legislative session. The Maryland Transportation Authority (MDTA), in consultation with the Maryland Department of Transportation (MDOT), should prepare a report to notify the committees of the proposed changes in the event that MDTA modifies the plan to:

(1) add a new project to the construction program or development and evaluation program meeting the definition of a “major project” under Section 2-103.1 of the Transportation Article that was not previously contained within a plan reviewed in a prior year by the General Assembly and will result in the need to expend funds in the current budget year; or

(2) change the scope of a project in the construction program or development and evaluation program meeting the definition of a “major project” under Section 2-103.1 of the Transportation Article that will result in an increase of more than 10% or $1,000,000, whichever is greater, in the total project costs as reviewed by the General Assembly during a prior session.

For each change, the report shall identify the project title, justification for adding the new project or modifying the scope of the existing project, current year funding levels, and the total project cost as reviewed by the General Assembly during the prior session compared with the proposed current year funding and total project cost estimate resulting from the project addition or change in scope.

Further provided that notification of project additions, as outlined in paragraph (1) above; changes in the scope of a project, as outlined in paragraph (2) above; or moving projects from the development and evaluation program to the construction program, shall be made to the committees 45 days prior to the expenditure of funds or the submission of any contract for approval to the Board of Public Works.

Information Request	**Authors**	**Due Date**
Capital budget changes from one CTP version to the next	MDTA MDOT	With draft CTP With final CTP
Capital budget changes throughout the year	MDTA MDOT	45 days prior to the expenditure of funds or seeking Board of Public Works approval

Updates

1. Comprehensive Changes in Toll Rates and Structure Approved

In September 2011, the MDTA Board approved a comprehensive set of changes to toll rates at all facilities and modifications to the tolling structure. The changes will take place in phases and when fully implemented will generate approximately $225 million in additional revenues. These tolling changes are noted below:

- increase toll rates at all facilities in phases. **Exhibit 13** provides detail of the toll rates by facility and by implementation date for the standard cash rate. The first increase for two-axle vehicles took place on November 1, 2011, followed by increases for vehicles with three or more axles on January 1, 2012. On July 1, 2013, another increase will take place for all vehicle classes;

- create a tiered system of tolling with the cash rate as the standard base rate. Off of this base cash rate, a discount of 10% will be given to drivers utilizing a valid Maryland-issued E-ZPass and a premium of 50% of the base cash rate will apply for video tolling (thus eliminating the notice of toll due fee);

- standardize the commuter discount at all facilities to a percentage discount off of the base cash rate. The discount will be 75%, effective November 1, 2011, and 65%, effective July 1, 2013;

- waive the $1.50 monthly fee for E-ZPass accounts that pay three or more tolls in the previous month at MDTA facilities;

- transition all AVI decals at the Hatem Bridge to E-ZPass accounts by September 30, 2012;

- eliminate the use of toll tickets at the Hatem Bridge; and

- modify the discount programs available to vehicles with three or more axles.

Exhibit 13

Standard Cash Rates by Facility, Vehicle Class, and Rate Increase Implementation Date

	Previous	November 1, 2011	January 1, 2012	July 1, 2013
Bay Bridge				
2 axle	$2.50	$4.00		$6.00
3 axle	9.00		$8.00	12.00
4 axle	12.00		12.00	18.00
5 axle	15.00		24.00	36.00
6+ axle	18.00		30.00	45.00
Baltimore Crossings				
2 axle	2.00	3.00		4.00
3 axle	6.00		6.00	8.00
4 axle	9.00		9.00	12.00
5 axle	12.00		18.00	24.00
6+ axle	15.00		23.00	30.00
I-95 and Hatem Bridge				
2 axle	5.00	6.00		8.00
3 axle	15.00		12.00	16.00
4 axle	23.00		18.00	24.00
5 axle	30.00		36.00	48.00
6+ axle	38.00		45.00	60.00
Nice Bridge				
2 axle	3.00	4.00		6.00
3 axle	9.00		8.00	12.00
4 axle	12.00		12.00	18.00
5 axle	15.00		24.00	36.00
6+ axle	18.00		30.00	45.00

Source: Maryland Transportation Authority

Significant Change in Process Used to Implement Toll Increases

Chapter 164 of 2004 requires MDTA to provide notice to certain legislative committees prior to revising toll rates. On June 2, 2011, MDTA submitted notification under this requirement. In response to criticism from the legislature and public following toll increases in 2009, MDTA also issued regulations regarding additional processes for toll increases. These regulations require MDTA to provide at least 60 days notice to the Governor, legislature, and public of proposed toll changes; require public meetings within 30 miles of each toll facility affected by a proposed change; require the final vote on proposed changes to take place at an open meeting advertised at least 10 days in advance; and make all notices available on the MDTA website and in its offices.

To satisfy the requirements of these regulations, MDTA held a public comment period from June 2 to August 1; held 10 public meetings, including 9 meetings adjacent to toll facilities and 1 meeting on the lower Eastern Shore (in Berlin); issued several press releases; made numerous financial documents available on the MDTA website; and provided board members with weekly reports and a printed copy of all public comments received. In total, nearly 4,000 public comments were received. Several modifications were made to the original package of proposed changes based on these public comments.

2. InterCounty Connector Open for Business

After more than 50 years of planning and 5 years of construction, the majority of the ICC is now open for business. The first segment of the ICC, running from I-270/I-370 to MD 97/ Georgia Avenue, opened to traffic on February 23, 2011. On November 22, 2011, the ICC from MD 97 to I-95 was opened to traffic. The last remaining portion of the road, from I-95 to US 1, is underway and completion is scheduled for 2014.

Average daily traffic on the facility has been in line with traffic forecasts, despite news reports to the contrary. Forecasts of traffic and revenue on the ICC included a three-year ramp-up period to allow time for users to become aware the facility was open, adjust their commuting patterns, and understand the new tolling technology. Average daily traffic on the sections from I-370 to MD 650 are exceeding projections, sometimes by more than 30%, while traffic from MD 650 to I-95 is running slightly below projections.

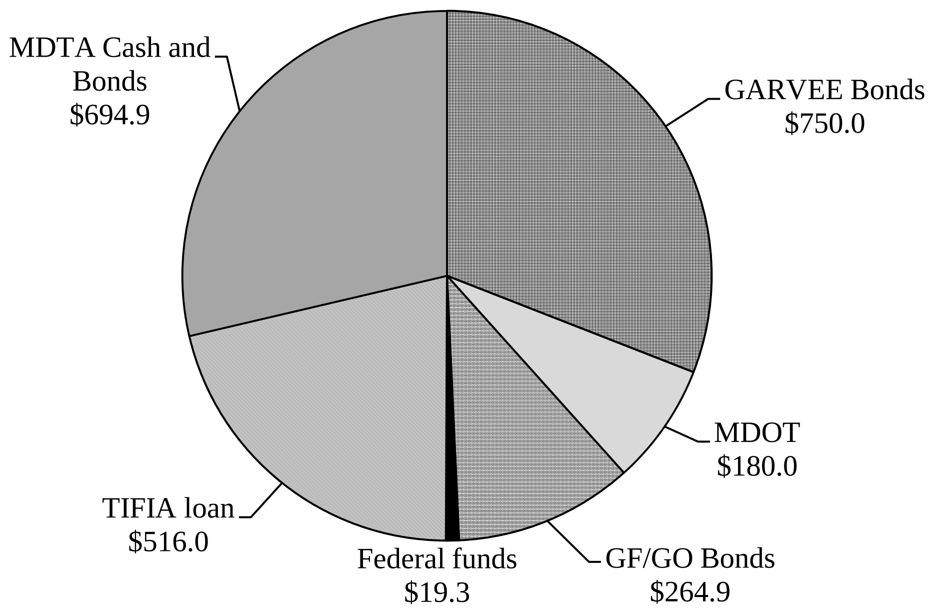
Toll rates for the ICC vary based on time of day. Peak period pricing is in effect from 6:00 to 9:00 a.m. and 4:00 to 7:00 p.m., Monday through Friday, excluding federal holidays. Overnight pricing is in place from 11:00 p.m. to 5:00 a.m. daily, and off-peak rates are in effect at all other times. Toll rates for two-axle vehicles are $0.25 per mile during peak periods, $0.20 per mile during off-peak periods, and $0.10 per mile overnight.

A total of five ICC commuter bus routes are available from MTA. Two routes began operations in March 2011 in conjunction with the opening of the first segment of the ICC. These routes included a Gaithersburg to BWI Marshall Airport route and a Gaithersburg to the National Security Agency and Fort Meade route. The final three bus routes began service in January 2012.

These include routes from Columbia to Bethesda, Frederick to College Park, and College Park to the Germantown Transit Center. As part of the federal record of decision on the ICC, MDTA made a one-time payment of $20 million to MTA for operating and capital costs for these bus routes.

The total cost of the project is $2.4 billion. **Exhibit 14** provides the funding sources for the ICC.

Exhibit 14
Funding Sources for the ICC
($ in Millions)



GARVEE: Grant Anticipation Revenue Vehicle
GF: general fund
GO: general obligation
ICC: InterCounty Connector
MDOT: Maryland Department of Transportation
MDTA: Maryland Transportation Authority
TIFIA: Transportation Infrastructure Finance and Innovation Act

Source: Maryland Transportation Authority's January 2012 Financial Forecast, Version 2011-18

Appendix 1

Maryland Transportation Authority Financial Forecast
Fiscal 2011-2017
($ in Millions)

	2011	2012	2013	2014	2015	2016	2017
Revenues							
Toll Revenues	$329.1	$397.7	$461.8	$608.0	$630.3	$641.1	$650.3
Concessions	7.9	8.2	3.6	1.2	1.3	2.1	2.4
Investment Income and Other	13.5	23.8	17.5	15.2	15.8	17.2	17.9
Maryland Department of Transportation	37.0	31.3	25.6	26.8	28.0	29.3	30.7
Total Revenues	**$387.6**	**$461.0**	**$508.5**	**$651.1**	**$675.4**	**$689.7**	**$701.3**
Expenses							
Operations	$188.6	$242.6	$245.9	$275.7	$291.1	$305.9	$321.0
Debt Service	35.7	88.8	113.3	131.8	138.6	138.6	150.1
Capital Program	769.3	603.2	528.5	417.5	202.5	166.9	255.0
Less: GARVEE Bonds	0.0	16.9	0.0	0.0	0.0	0.0	0.0
Less: Revenue Bond Proceeds	-665.2	-36.7	-130.0	-152.0	0.0	0.0	0.0
Less: General Fund/GO Bonds	-89.3	-46.2	0.0	-21.5	0.0	0.0	0.0
Total Expenses	**$239.1**	**$868.6**	**$757.8**	**$651.6**	**$632.2**	**$611.4**	**$726.1**
Annual Surplus/Deficit	**$148.5**	**-$407.7**	**-$249.3**	**-$0.4**	**$43.2**	**$78.3**	**-$24.7**
Total Cash Balance	**$1,116.3**	**$708.6**	**$459.3**	**$458.9**	**$502.1**	**$580.4**	**$555.6**
Debt							
Debt Outstanding	$2,289.9	$2,319.5	$2,428.4	$2,553.7	$2,523.8	$2,487.6	$2,449.8
Ratio of Total Cash to Toll Revenues	3.31	1.75	0.99	0.75	0.80	0.90	0.85
Unencumbered Cash (Policy $350.0 million minimum)	$494.7	$600.0	$358.5	$367.0	$410.5	$489.0	$464.3
Debt Service Coverage (Policy 2.0)	5.34	2.44	2.30	2.84	2.76	2.76	2.52
Rate Covenant Compliance (Legal 1.0)	2.95	1.34	1.49	2.01	1.99	1.97	2.00

GARVEE: Grant Anticipation Revenue Vehicle bonds
GO: general obligation

Note: Includes approved toll increases in fiscal 2012 and 2014.

Object/Fund Difference Report
Maryland Transportation Authority – Operating Budget

Object/Fund	FY 11 Actual	FY 12 Amended Budget	FY 13 Budget	FY 12 - FY 13 Amount Change	Percent Change
Positions					
01 Regular	1,789.50	1,789.50	1,789.50	0.00	0%
Total Positions	**1,789.50**	**1,789.50**	**1,789.50**	**0.00**	**0%**
Objects					
01 Salaries and Wages	$ 119,624,644	$ 136,094,294	$ 139,886,236	$ 3,791,942	2.8%
02 Technical and Spec. Fees	719,909	1,214,400	1,297,900	83,500	6.9%
03 Communication	865,673	1,158,451	1,072,480	-85,971	-7.4%
04 Travel	34,667	122,818	132,087	9,269	7.5%
06 Fuel and Utilities	4,303,882	5,274,041	5,311,637	37,596	0.7%
07 Motor Vehicles	4,616,701	5,659,198	5,734,297	75,099	1.3%
08 Contractual Services	35,541,530	59,567,748	61,459,443	1,891,695	3.2%
09 Supplies and Materials	6,665,417	7,117,706	7,840,525	722,819	10.2%
10 Equipment – Replacement	3,296,586	8,200,303	8,469,853	269,550	3.3%
11 Equipment – Additional	4,743,243	9,138,031	6,283,749	-2,854,282	-31.2%
13 Fixed Charges	43,265,374	97,790,301	121,726,628	23,936,327	24.5%
Total Objects	**$ 223,677,626**	**$ 331,337,291**	**$ 359,214,835**	**$ 27,877,544**	**8.4%**
Funds					
07 Nonbudgeted Fund	$ 223,677,626	$ 331,337,291	$ 359,214,835	$ 27,877,544	8.4%
Total Funds	**$ 223,677,626**	**$ 331,337,291**	**$ 359,214,835**	**$ 27,877,544**	**8.4%**

Appendix 2

Fiscal Summary
Maryland Transportation Authority

Program/Unit	FY 11 Actual	FY 12 Amended Budget	FY 13 Budget	Change	FY 12 - FY 13 % Change
Operating Budget	$ 223,677,626	$ 331,337,291	$ 359,214,835	$ 27,877,544	8.4%
Capital Budget	771,895,852	607,050,000	528,406,000	-78,644,000	-13.0%
Total Expenditures	**$ 995,573,478**	**$ 938,387,291**	**$ 887,620,835**	**-$ 50,766,456**	**-5.4%**
Nonbudgeted Fund	$ 995,573,478	$ 938,387,291	$ 887,620,835	-$ 50,766,456	-5.4%
Total Appropriations	**$ 995,573,478**	**$ 938,387,291**	**$ 887,620,835**	**-$ 50,766,456**	**-5.4%**