

Department of Legislative Services
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2024 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 1093

(Senator Guzzone)

Budget and Taxation

Maryland Transportation Authority - Tolls - Collection and Use (Maryland Toll Rate Reform Act of 2024)

This bill establishes the Transportation Facilities Overage Account (TFOA) within the Transportation Trust Fund (TTF) and requires the account to be used for specified transportation projects. The bill requires the Maryland Transportation Authority (MDTA) to (1) fix, revise, charge, and collect fees, tolls, and other charges at the “near optimal toll rate” and (2) distribute to TFOA any revenues collected above the amounts required by MDTA to pay for specified costs outlined in existing statute (including operating costs and the payment of the principal of and the interest on any outstanding bonds). The bill requires MDTA to consider specified items in determining the optimal toll rate.

Fiscal Summary

State Effect: Nonbudgeted revenues for MDTA increase significantly – likely by hundreds of millions of dollars annually – beginning in FY 2025 as tolls are increased as a result of the bill; nonbudgeted expenditures increase correspondingly as MDTA uses some portion of the revenues to pay its costs and remits the remainder to TFOA within TTF. TTF expenditures increase correspondingly as the additional revenues are used for required purposes. State expenditures (all funds) increase to pay higher toll rates.

Local Effect: Local government expenditures increase to pay higher toll rates, as discussed below. Revenues are not affected.

Small Business Effect: Potential meaningful.

Analysis

Bill Summary: The bill establishes TFOA as a subaccount within TTF. The Maryland Department of Transportation (MDOT) must allocate the funds in TFOA, in the manner it determines appropriate, for:

- the construction and maintenance of State highways that feed vehicular traffic to an MDTA transportation facility; and
- State highway or transit construction maintenance projects that (1) relieve traffic congestion at an MDTA transportation facility by providing alternative transportation options for commuters and cargo and (2) are located in the general vicinity of an MDTA transportation facility.

MDTA must fix, revise, charge, and collect fees, tolls, and other charges at the near optimal toll rate. “Near optimal toll rate” means a toll rate that provides at least 95% of the maximum revenue possible based on a transportation facilities project’s “optimal toll rate”. “Optimal toll rate” means a toll rate for a transportation facilities project that maximizes revenue, as determined by MDTA.

To determine the optimal toll rate, MDTA must consider (1) market forces, including the types of traffic that use a particular transportation facility, the elasticity of demand, and the availability of alternate routes and (2) assessing varying toll rates based on the time of day, the time of year, and any anticipated weekend and holiday travel. MDTA must consider offering discount rates for seniors, daily commuters, low-income State residents, Maryland E-ZPass holders, and State residents who live in the vicinity of the transportation facility. MDTA must also consider such discount rates in determining the near optimal toll rate.

MDTA must distribute to TFOA any revenue collected above the amounts required for MDTA to:

- pay maintenance, repair, and operating costs for transportation facilities projects, as specified;
- 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.

Current Law:

Maryland Transportation Authority

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 Intercounty Connector) 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. Generally, MDTA may issue revenue bonds without obtaining the consent of any instrumentality, agency, or unit of the State and without any proceedings or the happening of any condition or things other than those specifically required by State law. MDTA is a nonbudgeted State agency, meaning that its budget is not subject to the General Assembly's appropriation process.

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, as specified; 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 TTF.

However, any funds collected by MDTA from rentals, rates, fees, tolls, and other charges and revenues that are not needed to meet the obligations of the Transportation Authority Fund and trust agreement and to provide adequate and complete payment of all principal and interest on all bonds issued in connection with specified transportation facilities projects may be transferred to TTF, upon the recommendation of the Secretary of Transportation and after approval of the Board of Public Works.

Prior to fixing or revising tolls on any part of any transportation facilities project, MDTA must provide to specified committees of the General Assembly information on the proposed toll changes, including:

- the annual revenues generated by the toll changes;
- the proposed use of the revenues; and
- the proposed commuter discount rates.

Maryland Commission on Transportation Revenue and Infrastructure Needs

Chapter 455 of 2023 established the Maryland Commission on Transportation Revenue and Infrastructure Needs and required the commission to review, evaluate, and make recommendations concerning:

- the current State funding sources and structure of TTF, including (1) revenue trends that demonstrate weaknesses in the stability of TTF; (2) trends in operating and capital expenditures and how existing resources have constrained programming; (3) trends in the general fund and general obligation support for State transportation

- expenditures and an analysis of whether this approach to support should continue or transportation expenditures should solely be supported by TTF; and (4) whether revenue funds for transit and roads, bridges, and tunnels should be segregated;
- the methods that other states are employing to fund state transportation operating and capital programs, including toll revenue, vehicle-miles-traveled fees, fees on zero-emission vehicles, and non-transportation-related revenue options;
 - short- and long-term construction and maintenance funding needs for transit, highway, pedestrian, bicycle, heavy rail, shipping, air travel, and other transportation needs;
 - options for public-private partnerships, including partnerships with local governments, to meet transportation funding needs, including funding options;
 - changes in transportation technology and trends that will impact transportation infrastructure needs and costs to the State;
 - existing practices for prioritizing project funding and options to better prioritize needs, including local and legislative priorities;
 - the structure of regional transportation authorities and the ability of these authorities to meet transportation needs in various regions of the State;
 - options for sustainable long-term revenue sources for transportation; and
 - options for improving MDOT's ability and capacity to deliver major capital projects.

The commission was required to submit an interim report of its findings and recommendations to the Governor and the General Assembly by January 1, 2024. A final report is due by January 1, 2025.

State Fiscal Effect:

Toll Revenues

Generally, the requirement to establish near optimal tolling increases MDTA's toll rates – and resulting nonbudgeted revenues – significantly. While a precise estimate cannot be reliably made at this time, as it ultimately depends on how toll rates are increased and discount rates are determined by MDTA, revenues are anticipated to increase by hundreds of millions of dollars annually.

The bill specifies that MDTA must distribute to TFOA any revenue collected above the amounts required by MDTA to pay specified costs and create reasonable reserves for those costs. It is anticipated that some portion of the increase in revenues will likely be retained by MDTA to pay its costs pursuant to existing statute, while the remainder will be remitted to TFOA within TTF; however, the distribution of funding cannot be reliably estimated at this time.

Thus, nonbudgeted revenues for MDTA increase significantly beginning in fiscal 2025, and nonbudgeted expenditures increase correspondingly as MDTA uses some portion of the increased revenues to pay its costs pursuant to existing statute and remits the remainder to TTF. TTF revenues increase as this additional funding is deposited into TFOA; TTF expenditures increase correspondingly as the revenues are used for the construction or maintenance of specified State highway and transit projects as required by the bill.

State Agency Toll Costs

The toll increase required by the bill is anticipated to be substantial, resulting in increased costs for State agencies that regularly use, or reimburse their employees for using, MDTA's toll facilities.

Local Expenditures: The toll increase required by the bill is anticipated to be substantial, resulting in increased costs for local governments that regularly use, or reimburse their employees for using, MDTA's toll facilities.

Small Business Effect: Similar to the effect discussed above on State agencies and local governments, small businesses that regularly use MDTA's toll facilities may incur a significant increase in costs to pay tolls as MDTA increases its tolls as a result of the bill. Some small businesses, such as independent truck drivers and owners that deliver cargo to and from the Helen Delich Bentley Port of Baltimore, frequently use MDTA's toll facilities in their daily operations.

Additional Comments: The [interim report of the Maryland Commission on Transportation Revenue and Infrastructure Needs](#) includes a recommendation that the General Assembly consider requiring MDTA to adjust toll rates, including on out-of-state E-Z Passes, to maximize toll revenues to generate new revenue to support projects in Maryland's broader transportation system outside of MDTA. The report also includes a letter from the Office of the Attorney General addressing potential legal issues related to setting tolls at or near an optimal tolling rate and transferring some or all of the excess toll revenues to TTF.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: HB 1070 (Delegate Korman) - Environment and Transportation and Appropriations.

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