

Department of Legislative Services
 Maryland General Assembly
 2006 Session

FISCAL AND POLICY NOTE

House Bill 234 (Delegate Rudolph, *et al.*)
 Ways and Means

John F. Kennedy Memorial Highway - Toll Collection - Automatic Vehicle Identification Decals

This bill requires the Maryland Transportation Authority (MdTA) to accept the Thomas J. Hatem Memorial Bridge Automatic Vehicle Identification (AVI) electronic toll collection device for toll payment at the John F. Kennedy Memorial Highway (JFK) on weekdays from 6:00 AM to 8:00 AM, and from 3:30 PM to 6:30 PM.

Fiscal Summary

State Effect: Nonbudgeted revenues could decrease by \$5.3 million in FY 2007 from foregone toll revenue and by \$7.2 million on an annualized basis. Future year estimates reflect annualization and a 1% increase in toll transactions on the JFK. Nonbudgeted expenditures could increase by \$2.8 million in FY 2007 to modify the trust agreement and to equip the toll booths on the JFK with AVI reading equipment. Possible additional expenditures to staff toll booths along the JFK or for additional equipment costs.

(in dollars)	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
NonBud Rev.	(\$5,312,700)	(\$7,154,500)	(\$7,226,000)	(\$7,298,200)	(\$7,371,300)
NonBud Exp.	2,800,000	-	-	-	-
Net Effect	(\$8,112,700)	(\$7,154,500)	(\$7,226,000)	(\$7,298,200)	(\$7,371,300)

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

Local Effect: None.

Small Business Effect: Small businesses would benefit from reduced toll fees from switching to AVIs; depending on the number of trips made during peak commuter hours, this could be significant.

Analysis

Current Law: MdTA has the power to set tolls on transportation facility projects under its supervision, including the JFK. 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 facility projects that are not otherwise paid for; pay the interest and principle of any outstanding bond issues; create reasonable reserves for these purposes; and provide funds for the cost of replacements, renewals, and improvements.

Background: The Thomas J. Hatem Memorial Bridge carries traffic across the Susquehanna River on U.S. 40 between Havre de Grace and Perryville in northeast Maryland. Constructed between 1939 and 1940, it is the oldest of the seven toll facilities operated and maintained by MdTA and is named for Thomas J. Hatem, a distinguished citizen of Harford County, who devoted his life to public and civic service. The toll is \$5.00, collected on eastbound traffic only.

The Hatem bridge generated \$3.7 million in total revenues in fiscal 2005, while its operating expenditures were \$3.4 million, and its capital program totaled \$1.4 million. In fiscal 2006, the Hatem bridge is expected to generate \$3.7 million in revenues, while its operating expenditures are estimated at \$3.8 million, and its capital program is estimated at \$1.8 million. The fiscal 2007 budget includes \$3.8 million for the Hatem bridge operating expenditures and \$3 million for its capital program; revenues are projected to be \$3.8 million.

In contrast, in fiscal 2005, the JFK generated \$93.3 million in toll revenues, and its operating expenditures totaled \$19.8 million; its capital program expenditures were \$36.3 million. In fiscal 2006, toll revenues from the JFK are set to total \$94.8 million, while its operating expenditures are estimated at \$22.0 million, and its capital program is estimated at \$44.8 million. The fiscal 2007 budget estimates JFK toll revenues at \$96.5 million, and operating expenditures at \$22.1 million; however the capital program is set to increase to \$76.9 million.

Electronic toll collection began on the Hatem bridge in 1976, with the introduction of AVI decals. AVI works on the same principle as automated checkouts at retail stores, and the decal itself looks like a large universal-product code symbol commonly found on many items. The decal costs \$5.00 annually and allows unlimited trips across the bridge in a year. Decals can be used only on two-axle vehicles and cannot be used by vehicles being towed or towing other vehicles. Decal users are not registered.

E-Z Pass is the electronic tolling system used on the JFK. Drivers open accounts with MdTA and receive an electronic transponder to attach to their vehicles' windshields.

Tolls are directly debited from the account. E-Z Pass technology is used throughout the Northeast, especially along the I-95 corridor.

State Revenues: Nonbudgeted revenues could decrease by \$5.3 million in fiscal 2007 and by \$7.2 million in fiscal 2008. This estimate is based on the following assumptions:

- approximately 12.7 million total vehicle trips on the JFK, excluding truck traffic;
- commuters account for 7% of vehicle traffic and noncommuters account for 93%;
- 25.9% of all trips on the JFK are made during peak hours (3.3 million trips);
- all individuals with commuter plans switch to an AVI (average commuter toll is \$.80 per trip);
- approximately 53% of frequent cash users traveling the JFK during peak hours switch to an AVI;
- approximately 53% of frequent E-Z Pass users traveling the JFK during peak hours switch to an AVI;
- approximately 21% of all E-Z Pass transactions during peak hours are individuals from Maryland, Delaware, and Pennsylvania;
- current toll on the JFK is \$5 for E-Z Pass users and cash transactions;
- annual cost of the AVI is \$5; and
- a 1% annual growth rate in toll revenues.

The MdTA collects approximately \$12.8 million in tolls from passenger vehicles during peak hours. The estimate in the fiscal note is based primarily on the assumption that only frequent users of the JFK would switch to an AVI. If nonfrequent users also switch to an AVI, the decrease in toll revenues could reach almost \$13 million a year.

State Expenditures: Nonbudgeted expenditures could increase by \$2.8 million in fiscal 2007. MdTA advises that it will be necessary to integrate bar code reading technology into the toll booths on the JFK in order to read the AVI decals; accordingly, nonbudgeted expenditures would increase by an estimated \$500,000 in fiscal 2007.

MdTA advises that altering the toll schedule on the JFK would be in violation of its trust agreement between MdTA and its shareholders, as the revenues from the JFK are pledged to revenue bond repayment. MdTA estimates that altering the trust agreement would cost approximately \$2.3 million in fiscal 2007. The estimate is based on hiring a consultant to identify all bondholders, issue a request for consent, and perform follow-up responses. MdTA could be forced to offer a significant premium to its shareholders.

In addition, the scanning equipment on the Hatem bridge is less than 85% effective; MdTA staffs the toll booths on the Hatem bridge at all times and does not use a dedicated electronic tolling lane such as the ones for E-Z Pass on the JFK. MdTA advises that if it cannot improve the capture rate from AVI decals, it could become necessary to eliminate the dedicated E-Z Pass lanes and staff all toll booths on the JFK; as such operating expenses would increase. MdTA advises the exact amount of the increase would depend on the implementation details, which cannot be reliably estimated at this time. Legislative Services advises that it is possible that there are additional technological equipment such as cameras that photograph license plates that could be employed to improve the effective rate of AVIs without needing additional personnel.

Small Business Effect: Small businesses that regularly use business vehicles on the JFK during peak commuter hours would benefit from decreased tolls. Depending on the number of trips, this effect could be significant.

Additional Information

Prior Introductions: None.

Cross File: None.

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

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