

Department of Legislative Services
 Maryland General Assembly
 2007 Session

FISCAL AND POLICY NOTE

Senate Bill 40 (Senator Pipkin)
 Budget and Taxation

Maryland Transportation Authority - Chesapeake Bay Bridge - Tolls

This bill requires the Maryland Transportation Authority (MdTA) to stop collecting tolls for the William Preston Lane, Jr. Memorial Bridge (better known as the Chesapeake Bay Bridge) if MdTA determines that traffic approaching the bridge is so congested that eastbound vehicles are waiting 30 minutes or longer to cross the bridge. MdTA must resume collecting tolls when traffic congestion eases. MdTA must take whatever action is necessary to modify the trust agreement it has with the corporate trustee that secures revenue bonds for the bridge.

Fiscal Summary

State Effect: Nonbudgeted revenues would decrease by \$626,400 in FY 2008 from foregone toll revenue during the summer peak hours of bridge traffic. Future year estimates include annualization and inflation. Potential additional decrease in nonbudgeted revenues due to loss of toll revenue due to construction or other congestion. Nonbudgeted expenditures would increase by \$2.3 million in FY 2008 to execute a supplemental trust agreement. Potential additional increase in nonbudgeted expenditures to pay monetary premiums to bondholders to gain consent to the supplemental trust agreement.

(in dollars)	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
NonBud Rev.	(\$626,400)	(\$2,003,400)	(\$2,023,500)	(\$2,043,700)	(\$2,064,100)
NonBud Exp.	2,300,000	0	0	0	0
Net Effect	(\$2,926,400)	(\$2,003,400)	(\$2,023,500)	(\$2,043,700)	(\$2,064,100)

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

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: The trust agreement between MdTA and its shareholders states that no free vehicular passage will be permitted, with the following exceptions:

- vehicles of officials and employees of all branches of State government in the discharge of their official duties;
- vehicles of any fire or police department of the State or political subdivision;
- ambulances owned or operated by agents and independent contractors; and
- lessees of MdTA and their agents and independent contractors in connection with the maintenance or operation of transportation facilities.

However, MdTA can execute a memorandum of understanding with the Maryland Department of Transportation (MDOT) that provides prepayment of tolls from the Transportation Trust Fund to allow a “toll free” day, upon approval from authority members and notification to the trustees. MdTA and MDOT executed such an agreement that required a \$1.4 million prepayment to allow for toll free days over the Columbus Day weekend in 2001. In addition, Ocean City agreed to give MdTA \$28,000 to prepay tolls for three hours on September 1, 2006 the Friday before Labor Day.

Background: Established in 1971 as an independent, nonbudgeted State agency, MdTA manages, operates, and maintains the State’s seven toll facilities (four bridges, two tunnels, and one highway) and provides law enforcement for these facilities, as well as Baltimore/Washington International Thurgood Marshall Airport and the Port of Baltimore. Toll revenues and bonds are used to finance these projects.

The Chesapeake Bay Bridge, built in 1952, connects Maryland’s Eastern Shore recreational regions with the metropolitan areas of Baltimore, Annapolis, and the District of Columbia. Although not the only crossing available, it is the most direct. The toll is only collected on vehicles heading eastbound, and the current toll for a two-axle vehicle is \$2.50. Based on one-way toll collection, it is estimated that over 26.5 million vehicles crossed the bridge in fiscal 2006.

Traffic congestion on the bridge can be particularly severe. Several factors can cause congestion on the bridge. For example, the lack of shoulders on the bridge requires

MdTA to close at least one lane to perform maintenance. Also, due to reduced lane capacity on the Chesapeake Bay Bridge relative to the approach lanes, vehicles have to merge into fewer lanes, causing congestion when there is high volume of traffic.

State Revenues: MdTA advises that congestion on the bridge occurs when toll plazas process: • more than 2,900 to 3,000 vehicles per hour when there are two lanes traveling eastbound; and • more than 4,200 to 4,300 when there are three lanes traveling eastbound. Backups that meet or exceed 30 minutes on the eastbound span are estimated to occur for 19 weeks during the summer as follows: • every Saturday from 8:00 a.m. to 5:00 p.m.; • 40% of the time on Fridays from 5:00 p.m. to 8:00 p.m.; and • 70% of the time on Fridays from 11:00 a.m. to 1:00 p.m. MdTA estimates that tolls over the bridge average \$9,000 an hour.

Based solely on the summer traffic, and assuming that there would be six weeks of summer traffic before June 30, 2008, nonbudgeted revenues would decrease by \$626,400 in fiscal 2008, by \$2.0 million in fiscal 2009, 2010, and 2011, and \$2.1 million in fiscal 2012. This estimate assumes a 1% annual increase in toll revenue beginning in fiscal 2009. This estimate does not take into account off-season or nonpeak congestion due to construction, accidents, or other events.

State Expenditures: MdTA estimates that amending the trust agreement would cost approximately \$2.3 million in fiscal 2008. The estimate is based on hiring a consultant to identify all bondholders, issue a request for consent, and handle follow-up responses.

Such an amendment would be necessary unless the tolls were prepaid by MDOT or another entity. If MdTA were to prepay the tolls it would be paying them out of other toll revenues, as that is MdTA's source of revenue. Essentially, MdTA would be forgoing some kind of toll revenue and, therefore, would be violating the trust agreement. MDOT advises that it would not prepay the tolls. The bill makes no other provision to require any other State agency to prepay the tolls, nor does it dedicate any other revenue for this purpose.

Additional costs would include a monetary premium given to the bondholders and the insurers of the bonds such as the one for the Columbus Day weekend in 2001; however, these additional costs cannot be reliably estimated at this time. Based on the permanency of the exception and the possible sizable decrease in revenue funding, this premium would have to be of a significant size.

Additional Information

Prior Introductions: Identical bills, SB 511 of 2006 and SB 626 of 2005, have been introduced in the past two sessions. SB 511 was heard by the Senate Finance Committee, but no action was taken; SB 626 received an unfavorable report from that committee in 2005.

Cross File: None.

Information Source(s): Maryland State Treasurer's Office, Maryland Department of Transportation, Department of Legislative Services

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mam/ljm

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