

Department of Legislative Services  
 Maryland General Assembly  
 2007 Session

FISCAL AND POLICY NOTE

House Bill 1026 (Delegate Rudolph)  
 Ways and Means

Maryland Transportation Authority - Susquehanna River Region E-Z Pass

This bill requires the Maryland Transportation Authority (MdTA) to offer a Susquehanna River Region E-Z pass (Susquehanna E-Z Pass) that is only valid on the Thomas J. Hatem Memorial Bridge and the portion of the John F. Kennedy (JFK) Memorial Highway within Cecil County and Harford County.

The bill takes effect July 1, 2007.

Fiscal Summary

**State Effect:** Assuming that the bill is intended to limit annual tolls to \$10, nonbudgeted revenues could decrease by \$21.2 million in FY 2008 from foregone toll revenue from the Hatem Bridge or the JFK. Future years reflect a 1% annual increase in toll revenue. Nonbudgeted expenditures could increase by \$6.2 million annually to provide Susquehanna E-Z Pass accounts to individuals. Additional \$2.3 million increase in nonbudgeted expenditures in FY 2008 to amend the trust agreement with MdTA's bondholders.

(in dollars)	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
NonBud Rev.	(\$21,176,100)	(\$21,387,900)	(\$21,601,700)	(\$21,817,800)	(\$22,035,900)
NonBud Exp.	8,454,400	6,154,400	6,154,400	6,154,400	6,154,400
Net Effect	(\$29,630,500)	(\$27,542,300)	(\$27,756,100)	(\$27,972,200)	(\$28,190,300)

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

**Local Effect:** Cecil and Harford counties and municipalities within those counties would have significant administrative expenditure increases to process the registering of approximately 280,800 individuals for Susquehanna E-Z Passes. The counties and municipalities could potentially require additional personnel.

**Small Business Effect:** Potentially meaningful.

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## **Analysis**

**Bill Summary:** MdTA can only offer the Susquehanna E-Z Pass to individuals who register. It may only be available for purchase at the administrative offices of Cecil and Harford counties and municipalities within their borders. The price for a Susquehanna E-Z Pass is \$10. It is only valid for two-axle vehicles with nothing in tow.

**Current Law:** MdTA has the power to set tolls on transportation facility projects under its supervision, including the JFK and the Hatem Memorial Bridge. 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 principal of any outstanding bond issues; create reasonable reserves for these purposes; and provide funds for the cost of replacements, renewals, and improvements.

**Background:** The Hatem Memorial Bridge generated \$3.9 million in total revenues in fiscal 2006. In fiscal 2007, it is again expected to generate \$3.9 million in revenues. The fiscal 2008 budget includes revenue projections of \$4.0 million.

In contrast, in fiscal 2006, the JFK generated \$91.9 million in toll revenues. In fiscal 2007, toll revenues from the JFK are set to total \$96.2 million. The fiscal 2008 budget estimates JFK toll revenues at \$97.7 million.

There are 42 miles of the JFK in Cecil and Harford counties. Tolls are only collected northbound on the JFK; the toll facility is at Perryville, Maryland, which is located in Cecil County. The current toll for noncommuters is \$5.00.

Electronic toll collection began on the Hatem Memorial Bridge in 1976, with the introduction of Automatic Vehicle Identification (AVI) decals. 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. Otherwise, the toll is \$5.00.

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. On a typical E-Z Pass, tolls are debited

from the holder's account, usually by credit card, or the passholder makes periodic deposits to the account.

**State Revenues:** The bill prohibits MdTA from charging more than a \$10 fee annually for the Susquehanna E-Z Pass. There are two potential interpretations of this prohibition.

- the bill is intended to limit the amount of tolls charged to that \$10; or
- the \$10 limit could be interpreted as an administrative fee for the transponder and to maintain the account, with tolls charged in the same manner as a typical E-Z Pass.

If the fee referred to is an administrative fee, nonbudgeted revenues would increase by \$10 for every individual who switched to the Susquehanna E-Z Pass; however, as the incentive to do so would be nonexistent, this effect would be minimal.

*Assuming that the bill is intended to mean that tolls are limited to \$10 annually*, MdTA revenues would decrease significantly. Because the JFK's only toll booth is located in Cecil County, under MdTA's current operating system, all toll revenue generated on the JFK would be generated at facilities where the Susquehanna E-Z Pass could be used. Also, while the bill requires in-person registration for the Susquehanna E-Z Pass, it does not limit it to residents of Cecil and Harford counties. MdTA advises that under federal interstate commerce law, it cannot limit who can take advantage of commuter plans; accordingly, Maryland nonresidents could acquire the Susquehanna E-Z Pass.

Nonbudgeted revenues could decrease by \$21.2 million in fiscal 2008, increasing to \$22.0 million in fiscal 2012. This estimate is based on the following assumptions:

- MdTA does not construct an additional toll facility elsewhere on the JFK to capture the revenue;
- approximately 12.5 million total annual vehicle trips on the JFK, excluding truck traffic;
- approximately 5.2 million trips annually on the Hatem Memorial Bridge;
- all individuals with commuter plans or an AVI decal switch to a Susquehanna E-Z Pass (173,366 individuals, average commuter toll is \$.80 per trip);
- commuter trips account for 996,522 trips annually;
- approximately 53% of noncommuter cash users and E-Z Pass users on the JFK and the Hatem Memorial Bridge are frequent users (*i.e.*, at least once a month, 212,756 individuals);
- frequent users account for approximately 8.9 million trips annually;

- approximately 50% of such users obtain a Susquehanna E-Z Pass (106,378 individuals);
- the toll on the JFK and the Hatem Memorial Bridge is \$5 for noncommuter E-Z Pass users and cash transactions;
- annual cost of the Susquehanna E-Z Pass is \$10; and
- a 1% annual growth rate in toll revenues.

**State Expenditures:** 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 2008. 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.

MdTA could construct an additional toll facility on the JFK someplace other than Harford or Cecil counties to attempt to recapture the revenue lost. The MdTA advises that construction of this facility could be as much as \$30 to \$40 million.

MdTA advises that it spends approximately \$22 per year to maintain each E-Z Pass account. Currently, MdTA does not charge a fee for its E-Z Pass transponders. MdTA would have to provide an additional 279,744 transponders to individuals acquiring a Susquehanna E-Z Pass, at an annual cost of \$6.2 million.

**Small Business Effect:** Small businesses that regularly use business vehicles on the JFK and the Hatem Memorial Bridge would benefit from decreased tolls. Depending on the number of trips, this effect could be significant.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** Cecil County, Harford County, Maryland Department of Transportation, Department of Legislative Services

**Fiscal Note History:** First Reader - March 11, 2007  
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