

Department of Legislative Services
 Maryland General Assembly
 2007 Session

FISCAL AND POLICY NOTE

Senate Bill 327 (Cecil County Senators)
 Budget and Taxation

Toll Collection - Hatem Bridge and JFK Memorial Highway - Rush Hour - Exemption

This bill prohibits the Maryland Transportation Authority (MdTA) from collecting a toll or other charge from 6:30 AM to 9:00 AM and from 4:00 PM to 7:00 PM on weekdays (rush hour) at the toll stations for the Thomas J. Hatem Memorial Bridge or the John F. Kennedy Memorial Highway (JFK). This does not apply on legal holidays.

Fiscal Summary

State Effect: Nonbudgeted revenues could decrease \$17.3 million in FY 2008 from foregone toll revenue and \$23.3 million on an annualized basis. Future year estimates reflect annualization and a 1% increase in toll transactions on the JFK and Hatem Memorial Bridge. Nonbudgeted expenditures could increase by \$2.3 million in FY 2008 to modify the trust agreement.

(in dollars)	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
NonBud Rev.	(\$17,307,500)	(\$23,307,400)	(\$23,540,500)	(\$23,775,900)	(\$24,013,600)
NonBud Exp.	2,300,000	0	0	0	0
Net Effect	(\$19,607,500)	(\$23,307,400)	(\$23,540,500)	(\$23,775,900)	(\$24,013,600)

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

Local Effect: None.

Small Business Effect: Potential meaningful.

Analysis

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 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 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.

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 JFK is part of Interstate 95, the major north-south corridor on the Eastern seaboard. Constructed between 1962 and 1963, it is named after President John F. Kennedy, who officiated its dedication in his last public appearance, on November 14, 1963. The fifty-mile expressway has two service stations, Maryland House and Chesapeake House, and the toll is \$5.00 for two-axle vehicles, collected northbound only.

The Hatem Memorial Bridge generated \$3.9 million in total revenues in fiscal 2006. In fiscal 2007, it is expected to generate \$3.9 million in revenues. The fiscal 2008 budget reflects 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.

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. AVI trips account for approximately 89.0% of trips across the bridge.

State Revenues: Nonbudgeted revenues could decrease \$17.3 million in fiscal 2008 and \$23.3 million in fiscal 2009. By fiscal 2012, the revenue loss would be \$24.0 million. This estimate takes into account the bill's October 1, 2007 effective date and is based on the following assumptions:

- approximately 14.8 million total vehicle trips on the JFK in calendar 2006, which includes truck traffic;
- approximately 5.6 million total vehicle trips on the Hatem Memorial Bridge in calendar 2006, which includes truck traffic;
- commuter trips (with an average toll of \$0.80) account for 6.5% of two-axle trips on the JFK and 0.83% of two-axle trips on the Hatem Memorial Bridge;
- AVI trips account for approximately 89.0% of two-axle trips on the Hatem Memorial Bridge;
- all individuals who currently have an AVI for use on the Hatem Memorial Bridge would still acquire one for use during nonrush hours;
- 71.5% of traffic on the JFK and the Hatem Memorial Bridge occurs on weekdays;
- 3.9 million trips are made on the JFK during rush hour on weekdays;
- 1.8 million trips are made on the Hatem Memorial Bridge during rush hour on weekdays;
- an average weighted toll of \$3.98 for two-axle vehicles on the JFK;
- an average weighted toll of \$0.17 for two-axle vehicles on the Hatem Memorial Bridge; and
- a 1% annual growth rate in toll revenues.

State Expenditures: MdTA advises that altering the toll schedule on the JFK and the Hatem Memorial Bridge 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.

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

Additional Information

Prior Introductions: Two bills that would have allowed individuals with AVIs to use them on the JFK during rush hour, HB 234 and SB 573, were introduced in 2006. The bills were heard by the House Ways and Means Committee and the Senate Finance Committee respectively, but no further action was taken.

Cross File: None.

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

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