

Department of Legislative Services
 Maryland General Assembly
 2009 Session

FISCAL AND POLICY NOTE

House Bill 1332 (Delegates Hixson and Levy)
 Ways and Means

Maryland Transportation Authority - Toll Rate Increases

This emergency bill prohibits the Maryland Transportation Authority (MDTA) from imposing specified toll rate increases. In fiscal 2009, MDTA may not impose a toll rate increase on any user group. In fiscal 2010, MDTA may not impose a toll rate increase of more than 50% on vehicles with three or more axles and any toll rate increase must be implemented in two phases with one-half of the increase taking effect after July 1, 2009, and one-half of the increase taking effect after January 1, 2010. The bill encourages MDTA to hold public hearings, at least 60 days before imposing a toll increase, on proposed toll rate increases taking effect after fiscal 2010.

Fiscal Summary

State Effect: Nonbudgeted expenditures increase by at least \$2.0 million in FY 2009 or 2010 to amend the trust agreement. Nonbudgeted revenues decrease by up to \$7.8 million in FY 2009, due to forgone toll revenue during the May 1 to June 30 period. Nonbudgeted revenues decrease by \$11.5 million in FY 2010 due to forgone toll revenue, and further revenue decreases occur if the bill prompts a reduction in MDTA’s bond ratings.

(in dollars)	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
NonBud Rev.	(\$7,800,000)	(\$11,500,000)	-	-	-
NonBud Exp.	\$2,000,000	\$0	\$0	\$0	\$0
Net Effect	(\$9,800,000)	(\$11,500,000)	\$0	\$0	\$0

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

Local Effect: None.

Small Business Effect: Meaningful.

Analysis

Current Law: MDTA has general supervision over all transportation facilities projects (including the Chesapeake Bay Bridge) and may do anything necessary and convenient to carry out its powers.

MDTA has the authority to set tolls on transportation facility 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 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.

Prior to fixing or revising tolls on any part of any transportation facilities project, MDTA must provide the Senate Budget and Taxation Committee, Senate Finance Committee, House Appropriations Committee, and House Ways and Means Committee information on the proposed toll charges, including the annual revenues generated by the toll charges; the proposed use of the revenues; and the proposed commuter discount rates.

In accordance with Chapter 567 of 2008, the limit on the aggregate outstanding and unpaid principal balance of revenue bonds issued by MDTA increased from \$1.9 billion to a maximum of \$3.0 billion. Revenue bonds issued by MDTA are backed by toll revenues and do not count against State debt limits.

Background: MDTA owns, operates, and maintains the State's seven toll facilities (four bridges, two tunnels, and one highway). Toll revenues are deposited into the Transportation Authority Fund, which is wholly separate from the Transportation Trust Fund.

Tolling entities in most states have the authority to change toll rates without legislative approval. Only the states of Maryland, Delaware, and New York require notice to committees of the legislature or the legislature as a whole prior to toll increases. In all three states advance notice of the rate increase is required, not approval. Credit rating agencies cite a toll entity's independent ability to set toll rates, free of political consideration or approval from an outside source, as a key factor in achieving an optimal credit rating.

Toll revenues are used by MDTA to meet its payment obligations to the bond holders. MDTA currently has an Aa3 rating from Moody's Investor Service, AA- from Standard & Poors, and AA- from Fitch Ratings. These ratings are among the highest granted for tolling authorities. If toll revenues slip below expectations and tolls are not sufficient to meet the standards included in the trust agreement, MDTA increases tolls to avoid defaulting on the trust agreement to the bondholders and to sustain its bond ratings.

On January 5, 2009, MDTA's board proposed a cost-recovery initiative to generate approximately \$60 million in additional revenue. The initiative includes an increase in toll rates for large trucks and other multi-axle vehicles as well as the implementation of a number of service charges and program modifications. After a 23-day public comment period, which included pleas from truckers and legislators to delay implementation, the MDTA board approved toll and fee increases on January 29, 2009. As shown in **Exhibit 1**, minor modifications were made to the toll and rate schedules based on public comments.

State Fiscal Effect: State nonbudgeted expenditures increase by at least \$2.0 million in fiscal 2009 or 2010 to amend the trust agreement to permit the suspension of tolls. This estimate is based on hiring a consultant to identify all bondholders, issuing a request for consent, and addressing follow-up responses.

To gain approval to amend the trust agreement, MDTA may be required to include a monetary premium given to the bondholders and the insurers of the bonds; however, such costs cannot be reliably estimated. Based on the potentially sizable decrease in revenue funding, a significant premium may be required.

Assuming the bill is enacted prior to May 1, 2009, nonbudgeted revenues decrease by an estimated \$7.8 million in fiscal 2009 due to forgone toll revenue during the May 1 to June 30 period. Revenues decrease by an estimated \$11.5 million in fiscal 2010 due to a 50% cap on toll increases and the required two-phase implementation of toll increases.

Furthermore, nonbudgeted revenues decrease if the bill's changes prompt a reduction in MDTA's bond ratings and its borrowing costs increase. Lower toll revenue may also affect MDTA capital project implementation deadlines and costs.

Small Business Effect: Small businesses that provide transportation services or are required to transport goods in Maryland benefit from a reduction in toll fees.

Exhibit 1
MDTA Toll and Fee Increases and Program Modifications
January 2009

	<u>Previous Policy</u>	<u>Recommendation</u>	<u>Final Decision</u>
Toll rates for vehicles with 3 or more axles	\$4-\$25 depending on facility and number of axles	\$6-\$38 depending on facility and number of axles effective April 15, 2009	Effective date changed to May 1, 2009
Additional volume discount program for vehicles with 3 or more axles	n/a	None	Additional 10% discount if making more than 100 trips per month
Motorcycle vehicle class change	n/a	None	Motorcycles will be charged the 2 axle rate, even when using a sidecar or towing a light trailer
Hatem Bridge discount (AVI decal)	\$5 annually for unlimited trips	\$10 annually for unlimited trips effective April 15, 2009	Effective date changed to May 1, 2009
Hatem Bridge discount (1-3 axle trailers)	Discount rate for 5 trips with no expiration date	Discount rate for 5 trips within 1 year effective April 15, 2009	Effective date changed to May 1, 2009
Hatem Bridge discount (3-6 axle trucks and trailers)	\$24-\$72 for 15 trips in 30 days	\$48-\$110 for 15 trips in 30 days effective April 15, 2009	Effective date changed to May 1, 2009
End of commuter ticket sales	n/a	March 1, 2009	Same
Overweight/oversize vehicle permit charge	“Unusual” vehicle toll rates	\$25 effective April 15, 2009	Effective date changed to May 1, 2009
E-ZPass commuter plan duration	60 days	45 days effective July 1, 2009	Same
E-ZPass account charge	None	\$1.50 per month effective July 1, 2009	Same
E-ZPass transponder charge	None	\$21 for standard, \$33 for exterior, \$40 for fusion effective July 1, 2009	Same
Notice of Toll Due charge	None	\$3 effective July 1, 2009	Same
Toll Violation Charge	\$15	\$25 effective July 1, 2009	Same
Shoppers and Travelers Discounts	Ticket sales	Ticket sales end effective July 1, 2009, creation of E-Z Pass discount plan to offer same discount effective July 1, 2009	Same

AVI: automatic vehicle identification
MDTA: Maryland Transportation Authority
Source: Maryland Transportation Authority

Additional Information

Prior Introductions: None.

Cross File: None.

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

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