

Department of Legislative Services  
Maryland General Assembly  
2009 Session

FISCAL AND POLICY NOTE

Senate Bill 477

(Senator Pipkin)

Budget and Taxation

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Maryland Transportation Authority - Fixing or Revising Tolls - Legislative  
Approval Required

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This bill prohibits the Maryland Transportation Authority (MDTA) from fixing or revising a toll on any part of any transportation facilities project unless the General Assembly approves the toll through legislation. The bill authorizes MDTA to continue to charge and collect a toll of the same amount in effect before October 1, 2009.

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Fiscal Summary

**State Effect:** Nonbudgeted revenues decrease if the bill's changes prompt a reduction in MDTA's bond ratings. Nonbudgeted expenditures increase to the extent the prohibition necessitates an amendment to the trust agreement with MDTA's bondholders.

**Local Effect:** None.

**Small Business Effect:** None.

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Analysis

**Current Law:** 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. However, the effect of requiring legislative approval of toll rate changes may be mitigated if the approval authority has demonstrated a willingness to increase tolls when necessary.

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.

**State Fiscal Effect:** Nonbudgeted revenues decrease if the bill's changes prompt a reduction in MDTA's bond ratings and its borrowing costs increase. The bill may prompt MDTA to seek earlier and more frequent approvals of potentially larger toll increases, to control for uncertainty about legislative approval. Uncertainty about approval may also affect project implementation deadlines and costs. Nonbudgeted expenditures increase to the extent the prohibition results in an amendment to the trust agreement with MDTA's bondholders.

## Additional Information

**Prior Introductions:** SB 538 of 2008 received an unfavorable report from the Budget and Taxation Committee.

**Cross File:** HB 780 (Delegate George, *et al.*) - Ways and Means.

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

**Fiscal Note History:** First Reader - February 24, 2009  
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