

Department of Legislative Services
 Maryland General Assembly
 2009 Session

FISCAL AND POLICY NOTE

Senate Bill 478 (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 Chesapeake Bay Bridge if it 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. To ensure compliance, MDTA must modify the trust agreement it has with the corporate trustee that secures revenue bonds for the bridge.

Fiscal Summary

State Effect: Nonbudgeted revenues decrease by \$626,400 in FY 2010 due to foregone toll revenue during heavy traffic periods in the summer. Future year estimates reflect annualization and potential growth in toll revenue. Potential additional decrease in nonbudgeted revenues due to loss of toll revenue due to construction or other congestion. Nonbudgeted expenditures increase by \$2.0 million in FY 2010 to execute a supplemental trust agreement. Potential additional increase in nonbudgeted expenditures to pay monetary premiums to bondholders to gain consent for the supplemental trust agreement.

(in dollars)	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
NonBud Rev.	(\$626,400)	(\$2,003,400)	(\$2,023,500)	(\$2,043,700)	(\$2,064,100)
NonBud Exp.	\$2,000,000	\$0	\$0	\$0	\$0
Net Effect	(\$2,626,400)	(\$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 executive, legislative, and judicial departments of State government in the discharge of their official duties;
- vehicles of any fire or police department of the State or political subdivision while operated in the discharge of their duties;
- ambulances owned or operated by a nonprofit organization while operated in the discharge of their duties;
- vehicles of MDTA members, officers, and employees while operated in the discharge of their duties; 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. Ocean City agreed to give MDTA \$28,000 to prepay tolls for three hours on September 1, 2006, the Friday before Labor Day. Most recently, MDOT agreed to reimburse MDTA \$14,640 to allow for a toll-free period on August 29, 2008, 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 connects Maryland’s Eastern Shore recreational regions with the metropolitan areas of Baltimore, Annapolis, and the District of Columbia. The original two-lane bridge was constructed in 1952, and the second three-lane bridge was constructed in 1973. The existing bridge is the only roadway crossing of the Chesapeake Bay in Maryland; over 13.3 million vehicles crossed the bridge in the eastbound direction in fiscal 2008. The toll is only collected on vehicles heading eastbound, and the current toll for a two-axle vehicle is \$2.50.

Traffic congestion on the bridge can be severe, and is the result of a variety of factors. For example, the lack of shoulders on the bridge requires MDTA to close at least one lane to perform maintenance. Also, vehicles must merge into fewer lanes when approaching the bridge, causing congestion when there is a high volume of traffic.

State Revenues: MDTA advises that congestion on the bridge occurs when toll plazas process more than approximately 3,000 vehicles per hour when there are two lanes traveling eastbound, and more than approximately 4,300 vehicles per hour when there are three lanes traveling eastbound. Backups that meet or exceed 30 minutes on the eastbound span are estimated to occur for 11.6 hours per weekend (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.) during a 19-week summer period from mid-May through mid-September. Bridge toll revenues average \$9,000 per hour.

Based solely on the summer traffic, and assuming six weeks of summer traffic before June 30, 2010, nonbudgeted revenues decrease by \$626,400 in fiscal 2010, by \$2.0 million in fiscal 2011, 2012, and 2013, and by \$2.1 million in fiscal 2014. This estimate reflects annualization and a 1% annual increase in toll revenue beginning in fiscal 2011. This estimate does not take into account off-season or nonpeak congestion due to construction, accidents, or other events.

State Expenditures: State nonbudgeted expenditures increase by at least \$2.0 million in fiscal 2010 to amend the trust agreement to permit the periodic 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.

An amendment to the trust agreement is necessary unless the tolls are prepaid by MDOT or another entity. MDOT advises that it will 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.

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 permanency of the exception and the potentially sizable decrease in revenue funding, a significant premium may be required.

Additional Information

Prior Introductions: SB 511 of 2006 was heard by the Senate Finance Committee, but no action was taken; and SB 626 of 2005 received an unfavorable report from that committee. SB 40 of 2007 received an unfavorable report by the Senate Budget and Taxation Committee.

Cross File: HB 786 (Delegate George, *et al.*) - Ways and Means.

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

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Analysis by: Amanda Mock

Direct Inquiries to:
(410) 946-5510
(301) 970-5510