

Department of Legislative Services
 Maryland General Assembly
 2015 Session

FISCAL AND POLICY NOTE
Revised

House Bill 747 (Cecil County Delegation)
 Environment and Transportation

Thomas J. Hatem Memorial Bridge - Multiple Axle Vehicles - Toll Rates

This bill requires the Maryland Transportation Authority (MDTA) to establish specified toll rates on the Thomas J. Hatem Memorial Bridge for vehicles with three or more axles, decreasing them from current toll rates established by MDTA. The bill also authorizes MDTA to adopt regulations to carry out the bill’s requirements.

Fiscal Summary

State Effect: Nonbudgeted revenues to MDTA decrease by *at least* \$1.4 million annually beginning in FY 2016 due to a reduction in toll revenues at the Thomas J. Hatem Memorial Bridge. Revenues decrease significantly further to the extent that users of the John F. Kennedy Memorial Highway toll facility use the Thomas S. Hatem Memorial Bridge instead; however, any such impact cannot be reliably estimated at this time. Future years reflect anticipated growth rates in toll revenues that would otherwise occur. MDTA nonbudgeted expenditures increase by \$80,000 in FY 2016 for one-time costs association with programming and publication of the new toll rates; expenditures increase further to the extent the reduction in toll revenues results in an amendment to the trust agreement with MDTA’s bondholders.

(\$ in millions)	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
NonBud Rev.	(\$1.4)	(\$1.4)	(\$1.4)	(\$1.4)	(\$1.4)
NonBud Exp.	\$.1	-	-	-	-
Net Effect	(\$1.4)	(\$1.4)	(\$1.4)	(\$1.4)	(\$1.4)

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

Local Effect: The bill is not expected to materially affect local government finances or operations.

Small Business Effect: Potential meaningful.

Analysis

Bill Summary/Current Law: The current toll rates for the Thomas J. Hatem Memorial Bridge and the toll rates established by the bill are summarized in **Exhibit 1**.

Exhibit 1 Thomas J. Hatem Bridge Toll Rates Current Law and Under the Bill

<u>Number of Axles</u>	<u>Current Toll Rates</u>		<u>The Bill's Toll Rates</u>	
	<u>Cash/Base</u>	<u>Video</u>	<u>Cash/Base</u>	<u>Video</u>
Three-axle Vehicle	\$16	\$24	\$8	\$12
Four-axle Vehicle	24	36	12	18
Five-axle Vehicle	48	63	24	31.50
Six-axle Vehicle or More	60	75	30	37.50

Source: Maryland Department of Transportation' Department of Legislative Services

Since 1971, MDTA has been responsible for constructing, managing, operating, and improving the State's toll facilities and for financing new revenue-producing transportation projects. MDTA is governed by nine individuals appointed by the Governor, with the advice and consent of the Senate. The Secretary of Transportation serves as MDTA's chairman. MDTA transportation facilities projects include:

- bridges, tunnels, and toll highways (*e.g.*, Susquehanna River Bridge; Harry W. Nice Memorial Potomac River Bridge; William Preston Lane, Jr. Memorial Chesapeake Bay Bridge and parallel Chesapeake Bay Bridge; Baltimore Harbor Tunnel; Fort McHenry Tunnel; Francis Scott Key Bridge; and John F. Kennedy Memorial Highway);
- vehicle parking facilities located in priority funding areas;
- other projects that MDTA authorizes to be acquired or constructed; and
- any authorized additions or improvements to MDTA projects.

MDTA has the authority to set tolls on transportation facilities 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 facilities 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. Toll revenues are deposited into the Transportation Authority Fund, which is wholly separate from the Transportation Trust Fund.

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.

Prior to increasing a toll, current regulations require that MDTA provide 60-days public notice, take public comments for a period of at least 60 days, and accept oral comments during at least one public meeting held during the public comment period.

Background: The Thomas J. Hatem Memorial Bridge is the oldest of the MDTA's facilities. This 1.3-mile, four-lane bridge opened in August 1940 and spans the Susquehanna River on US 40 between Havre de Grace and Perryville in northeast Maryland. Tolls are collected in the eastbound direction only. In fiscal 2014, MDTA estimates that the bridge's traffic volume totaled about 9.9 million vehicles.

Toll revenues are used by MDTA to meet its payment obligations to bondholders. 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. 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.

State Revenues: The bill decreases toll revenues for MDTA in two ways: (1) existing Thomas J. Hatem Memorial Bridge users pay less in tolls; and (2) users of the John F. Kennedy Memorial Highway toll facility likely begin to use the Thomas J. Hatem Memorial Bridge instead. Of the two effects, only the first can be reliably estimated at this time.

MDTA anticipates \$2.7 million in toll revenues in fiscal 2016 from vehicles with three or more axles that use the Thomas J. Hatem Memorial Bridge. This revenue is halved by the bill's changes, resulting in a revenue loss of approximately \$1.4 million in that year. The revenue loss is higher in future years due to the anticipated growth in toll revenues.

This estimate does not reflect any additional loss in toll revenues collected from drivers of vehicles with three or more axles who currently use the John F. Kennedy Memorial Highway toll facility who would instead use the Thomas J. Hatem Memorial Bridge. This impact cannot be reliably estimated at this time; however, MDTA advises that when combined with the effect of existing users paying less in tolls, the bill could result in a total revenue loss of up to \$12.9 million annually. Thus, the total loss in toll revenues is likely significantly higher than the estimate provided above. However, the Department of Legislative Services does not have sufficient information to verify the potential loss estimated by MDTA.

State Expenditures: MDTA advises that bond rating agencies look favorably upon its ability to independently fix or revise tolls, and limits to this authority may result in an increased cost to borrow. Nonbudgeted expenditures increase to the extent the reduction in toll revenues from the Thomas J. Hatem Memorial Bridge results in an amendment to MDTA's trust agreement with bondholders.

Furthermore, the bill requires a software modification of the toll system at the Thomas J. Hatem Memorial Bridge and publication of the new toll rates. These costs result in a one-time nonbudgeted expenditure of \$80,000 in fiscal 2016.

Small Business Effect: Small businesses benefit to the extent they regularly use the Thomas J. Hatem Memorial Bridge with multi-axle vehicles, and therefore, pay less in tolls.

Additional Information

Prior Introductions: None.

Cross File: None.

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

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