

Department of Legislative Services  
 Maryland General Assembly  
 2016 Session

FISCAL AND POLICY NOTE  
 First Reader

House Bill 964 (Delegate Metzgar, *et al.*)  
 Environment and Transportation

Maryland Transportation Authority - Francis Scott Key Bridge - Toll Discount Plans

This bill requires the Maryland Transportation Authority (MDTA) to offer the users of the Francis Scott Key Bridge the same toll discount plans that it offered to users of the Thomas J. Hatem Memorial Bridge on January 1, 2016.

The bill takes effect July 1, 2016.

Fiscal Summary

**State Effect:** *Under one set of assumptions, nonbudgeted revenues to MDTA decrease by at least \$7.2 million annually beginning in FY 2017 due to a reduction in toll revenues. Future years reflect anticipated growth in MDTA toll revenues that would otherwise occur. MDTA nonbudgeted expenditures increase by \$450,000 in FY 2017 for one-time programming costs to modify software. Nonbudgeted expenditures increase further, to the extent the loss in toll revenues necessitates an amendment to MDTA’s trust agreement with bondholders.*

(\$ in millions)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
NonBud Rev.	(\$7.2)	(\$7.3)	(\$7.3)	(\$7.4)	(\$7.4)
NonBud Exp.	\$0.5	\$0	\$0	\$0	\$0
Net Effect	(\$7.7)	(\$7.3)	(\$7.3)	(\$7.4)	(\$7.4)

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

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

**Small Business Effect:** Potential meaningful.

## Analysis

**Current Law:** MDTA offered E-ZPass users unlimited trips across the Thomas J. Hatem Memorial Bridge for \$20 per year on January 1, 2016, and continues to offer this discounted annual pass. The plan only applies to two-axle vehicles.

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;
- 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:** 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.

MDTA has three different levels of toll rates charged at its various toll plazas for two-axle vehicles:

- a cash rate;
- an E-ZPass rate; and
- a commuter rate.

E-ZPass is an electronic toll collection system that allows drivers to prepay their tolls, eliminating the need to stop at toll plazas. It consists of three components: (1) a transponder placed in participating vehicles that emits an electronic signal; (2) an antenna at the toll plaza to read the signal as vehicles pass through; and (3) video cameras to identify persons required to pay by video toll. Transponders cost \$34 each (which includes a \$9 nonrefundable transponder fee and a prepaid toll balance of \$25). E-ZPass is used in 17 states, primarily in the Northeast and Mid-Atlantic regions.

The E-ZPass rate represents a 25% savings over the cash rate for most facilities projects and a 37.5% savings over the cash rate on the Chesapeake Bay Bridge. The commuter rate represents a 65% savings over the cash rate. Commuters may prepurchase a limited number of tolls at the discounted commuter rate, but they must pay those tolls within a designated amount of time, typically 45 days. **Exhibit 1** summarizes toll rates for two-axle vehicles at each MDTA toll plaza, except for the InterCounty Connector (ICC). Tolls on the ICC are all electronic; there is no cash option.

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**Exhibit 1**  
**MDTA Two-axle Toll Rates**

	<u>Cash</u>	<u>E-ZPass</u>	<u>Commuter</u>
Baltimore Harbor Tunnel	\$4.00	\$3.00	\$1.40 (50 trips)
Fort McHenry Tunnel	4.00	3.00	1.40 (50 trips)
Francis Scott Key Bridge	4.00	3.00	1.40 (50 trips)
JFK Memorial Highway	8.00	6.00	2.80 (25 trips)
William Preston Lane, Jr. Memorial (Bay) Bridge	6.00	2.50	2.10 (25 trips)
Thomas J. Hatem (Rt. 40) Bridge	8.00	6.00	2.80 (25 trips)
Harry W. Nice (US 301) Bridge	6.00	4.50	2.10 (25 trips)

Source: Maryland Transportation Authority; Department of Legislative Services

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**State Revenues:** The bill decreases toll revenues for MDTA in two ways: (1) existing Francis Scott Key Bridge commuters and other Key Bridge users purchase the annual unlimited use plan; and (2) some users of the Baltimore Harbor and Fort McHenry tunnels begin to use the Francis Scott Key Bridge with the annual unlimited use plan instead of the tunnels. The actual loss in toll revenues depends on the total number of drivers who choose to purchase the annual unlimited pass, which cannot be reliably estimated. Due to the significant potential cost savings to drivers, however, it is expected that *most* or *all* existing bridge commuters, as well as many other Francis Scott Key Bridge users and tunnel users, likely purchase the \$20 unlimited annual use plan.

MDTA advises that in fiscal 2017, it anticipates \$45.3 million in total revenue from the use of the Francis Scott Key Bridge, including \$25.7 million from two-axle vehicles, as follows:

- 5.3 million tolls paid using the commuter plan, generating \$7.4 million in revenues;
- 2.1 million tolls paid using an E-ZPass at the discounted rate, generating \$6.4 million in revenues;
- 400,000 tolls paid using E-ZPass at the base rate, generating \$1.6 million in revenues;
- 2.5 million tolls paid using cash or video, generating \$10.3 million in revenues; and
- 300,000 trips made without paying the toll.

*Under one set of assumptions*, MDTA toll revenues decrease by *at least* \$7.2 million in fiscal 2017 due to the establishment of the unlimited annual use plan. This estimate, which reflects only the estimated loss in revenues attributable to *existing* Francis Scott Key Bridge commuters, is based on the following information and assumptions:

- an estimated 10,200 existing commuter plan users that travel the Francis Scott Key Bridge purchase the \$20 annual unlimited plan instead of the commuter plan;
- on average, each commuter takes 520 trips annually, generating \$7.4 million under current law; and
- under the bill, toll revenues from these users totals \$204,000 (10,200 x \$20).

The revenue loss in future years, which increases to \$7.4 million by fiscal 2021, reflects anticipated growth in toll revenues that would otherwise occur.

This estimate does not reflect any *additional* loss in revenues collected from other (noncommuter) users of the Francis Scott Key Bridge or drivers who currently use tunnels who would instead choose to purchase the annual unlimited use plan established by the

bill. Thus, the loss in toll revenues is likely higher; MDTA advises that in total, its nonbudgeted toll revenues may decrease by as much as \$24.7 million annually.

**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 loss in toll revenues from the Francis Scott Key Bridge results in an amendment to the trust agreement with MDTA's bondholders.

Furthermore, MDTA advises that, when it implemented the annual unlimited use plan for the Thomas J. Hatem Memorial Bridge, it incurred one-time programming costs of \$450,000 to update the E-ZPass systems on that bridge. The programming costs necessary to implement the same unlimited use plan at the Francis Scott Key Bridge are expected to be similar, resulting in a one-time expenditure of \$450,000 in fiscal 2017.

**Small Business Effect:** Small businesses benefit to the extent that they regularly use the Francis Scott Key Bridge and choose to purchase the annual pass established by the bill.

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### **Additional Information**

**Prior Introductions:** HB 214 of 2015 received an unfavorable report from the House Environment and Transportation Committee.

**Cross File:** None.

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

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