



Larry Hogan
Governor
Boyd K. Rutherford
Lt. Governor
Gregory Slater
Secretary

March 4, 2021

The Honorable Kumar Barve
Chair, House Environment and Transportation Committee
251 House Office Building
Annapolis MD 21401

Re: Letter of Information – House Bill 1329 – Maryland Transportation Authority – John F. Kennedy Memorial Highway – Toll Plazas

Dear Chair Barve and Committee Members:

The Maryland Department of Transportation (MDOT) and the Maryland Transportation Authority (MDTA) take no position on House Bill 1329 but offer the following information for the Committee's consideration.

House Bill 1329 would prohibit MDTA from making any capital investment to the toll plaza on the John F. Kennedy (JFK) Memorial Highway. When the toll plaza becomes obsolete, MDTA would then be required to remove it and build a new one between Maryland Route 279 and Maryland Route 272.

On August 6, 2020, permanent full-time all-electronic (cashless) tolling (AET) was announced across Maryland, including at the JFK Memorial Highway. With the existing toll plaza already converted entirely to AET collection, the prohibition in House Bill 1329 conflicts with the Governor's direction to implement AET statewide. Additionally, MDTA is moving toward highway speed electronic toll collection at all facilities, as is already in place at the Bay Bridge, Key Bridge, Intercounty Connector (ICC)/MD 200, and I-95 Express Toll Lanes. House Bill 1329 would also require MDTA to construct a new toll plaza, which would prevent the operational, traffic, safety, and environmental benefits of highway speed AET at a gantry.

Further, the proposed legislation would prohibit MDTA from making any future capital investments in the JFK Memorial Highway toll plaza until it becomes functionally obsolete; this violates MDTA's Trust Agreement with its bondholders. The proposed legislation would prohibit MDTA from making \$5 million in capital investments that are currently programmed in the Consolidated Transportation Program (CTP) for projects at the JFK Memorial Highway toll plaza. MDTA will have already started constructing interim AET improvements at the toll plaza when this legislation takes effect in July 2021. It would also prevent MDTA from performing "major repairs", which could include the replacement of damaged safety hardware, repairing damaged pavement, rehabilitation of stormwater drainage features, and canopy repairs, which would significantly reduce safety and efficiency for the users of the facility and is a direct violation of Federal Highway Administration's safety standards.

It is also anticipated that moving the JFK Memorial Highway tolling point at the Tydings Bridge north or south of the neighboring existing interchanges would adversely impact traffic on US Route 1, US Route 40, and other parallel routes to JFK Memorial Highway and interchanges because of the significant diversion around the tolling point, similar to diversions attributed to the Delaware toll on Route 301 on the Eastern Shore. It is estimated that approximately 7.4 million vehicles will divert from the JFK Memorial Highway toll plaza annually to avoid the toll, including commercial vehicles from the Principio Business Park which would utilize State and local roads to avoid the relocated toll instead of using the soon-to-be-constructed I-95 at Belvidere Road Interchange. Of this amount, approximately 60 to 70 percent is comprised of out-of-state customers. This would result in an annual revenue loss of approximately \$84.6 million at the tolling point alone. For perspective, tolls would have to be increased by at least 16% across all MDTA facilities to recoup the annual revenue loss and maintain MDTA's current and projected legal rate covenant and debt service coverage ratios.

On a related note, for many years residents of Cecil County have voiced concerns about traffic diversions from I-95 to US Route 40. Should House Bill 1329 become law, increased traffic diversion would result in significant impacts to roads maintained by Cecil County and by MDOT State Highway Administration (SHA), particularly US Route 40, thus requiring increased maintenance costs to keep the road in good repair. Increasing the likelihood of traffic diversion from I-95 will likely impact vehicle and commercial truck traffic at the 81-year-old Hatem Bridge and on local roads. We believe it is important to note that current tolling conditions play a role in MDTA's ability to offer the existing toll discount plans for the parallel route on US Route 40 over the Hatem Bridge, currently priced at \$20 per year for unlimited two-axle trips across that Bridge. The Hatem Bridge already offers a very low-cost commuter option for Cecil County residents to cross the Susquehanna River. Furthermore, the existing parallel route on US Route 1 over the Conowingo Dam is no cost for motorists.

This legislation limits MDTA's ability to maintain its facilities in a state of good repair and sound operating condition, which may have a negative effect on the credit worthiness of MDTA and lead to higher bond/loan rates. Fitch Ratings (April 30, 2020) highlighted MDTA's independence in its rationale for the assigned double-A rating. According to Moody's Toll Sector methodology, an agency's ability to act independently from the general government and a degree of insulation from unintentional political impacts effect the rating scorecard by 15%. Other toll agencies such as the Miami-Dade County Expressway Authority (MDX) experienced bond rating downgrades due to legislative interventions. A downgrade of MDTA's credit would lead to lower credit worthiness as well as higher financing rates for capital projects.

Assuming the intent of the bill is to construct a new toll plaza with toll booths, it would likely involve constructing up to 12 or more toll booths and widening JFK Memorial Highway to accommodate the new toll plaza. From a cost perspective, an additional \$1.6 million would be incurred to install electronic toll collection system equipment at a new toll plaza location.

However, if the intent is to construct gantries (i.e., all-electronic tolling), additional costs in the amount of \$573,000 would be incurred if tolls are only collected in one direction. Approval for these additional costs would require a modification to the electronic toll collections contract and would require Board of Public Works (BPW) approval. If BPW does not approve the modification, this legislation would prevent MDTA from meeting the intent of the bill, bringing highway speed AET to bear, and properly maintaining the existing toll plaza.

Lastly, on August 14, 1989, MDTA entered into an agreement with the Federal Highway Administration (FHWA) regarding eligibility for federal-aid highway funds. Subtitle 1 of the agreement states that “MDOT and the Authority agree that Interstate highway I-95 in the state of Maryland, known as the John F Kennedy Memorial Highway from Maryland Route 43 in Baltimore County to Maryland Route 279, except for the segment between Route 155 in Harford County and U.S. Route 222 in Cecil County, shall always be free of tolls.” This bill would violate the agreement.

Approval from FHWA would be required to remove the existing JFK Memorial Highway toll plaza and build a new toll plaza between Maryland Route 279 and Maryland Route 272. Based on data from previous MDTA studies including the 2006 Cecil/Harford Bridges Work Group and the subsequent 2009 I-95/JFK Toll Plaza Planning Study, significant diversion from I-95 onto State and local routes would occur if the JFK Memorial Highway toll plaza were relocated between Maryland Route 279 and Maryland Route 272. Therefore, it is extremely unlikely that FHWA would agree to act as the federal lead agency for a National Environmental Policy Act (NEPA) study to investigate removing the existing JFK Memorial Highway toll plaza and build a new toll plaza between Maryland Route 279 and Maryland Route 272. It is even less likely that FHWA would approve this modification. In contrast, when the Bay Bridge tolling gantry was moved from Anne Arundel County to Queen Anne’s County because of the conversion to AET, this modification did not result in a change to existing traffic patterns and did not cause a negative impact to the adjacent State or local roadways because there are no interchanges to change traffic patterns between one end of the bridge and the other end; therefore, a NEPA study was not required.

MDTA is currently investing significantly in the economic development and infrastructure of Cecil County by constructing a new interchange at I-95 and Belvidere Road. At MDTA’s request, and through much MDTA support, Cecil County was awarded a \$20 million Better Utilizing Investments to Leverage Development (BUILD) Transportation Discretionary Grant for the I-95 at Belvidere Road Interchange Project in Cecil County. The project is a partnership between MDTA, Cecil County and Stewart Property Management, Inc., in coordination with FHWA. MDTA has already spent over \$4 million on the design of the interchange and will be investing more than \$30.5 million for construction. The construction contract is anticipated to be awarded later this year, with construction taking place between 2022 and 2025. Cecil County will be contributing \$1 million toward the interchange planning, design and construction. The

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project will improve truck access to I-95 and support significant economic development within the Principio Business Park. The Principio Business Park is projected to generate more than \$560 million in revenue for Cecil County during the next 20 years. In its April 1, 2020 letter to Secretary Slater articulating its transportation priorities, Cecil County listed implementing the new Belvidere Road 1-95 interchange as its top transportation priority in the category the County described as 1-95 Corridor Access and Mobility Enhancement Improvements.

Since 1971, MDTA has been responsible for constructing, managing, operating and improving the State's toll facilities. MDTA is entirely funded by toll revenue and uses this revenue to finance existing and new projects.

The Maryland Department of Transportation and the Maryland Transportation Authority respectfully request the Committee consider this information when deliberating House Bill 1329.

Respectfully submitted,

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