MARYLAND DEPARTMENT OF TRANSPORTATION

Wes Moore
Governor
Aruna Miller
Lieutenant Governor
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Secretary

March 4, 2025

The Honorable Marc Korman
Chair, House Environment and Transportation Committee
251 Taylor House Office Building
Annapolis, MD 21401

RE: Letter of Opposition – House Bill 1068 – Maryland Transportation Authority – Tolls – Collection and Use (Maryland Toll Rate Reform Act of 2025)

Dear Chair Korman and Committee Members:

The Maryland Department of Transportation (MDOT) respectfully opposes House Bill 1068 and offers the following information for the Committee's consideration.

HB 1068 requires the Maryland Transportation Authority (MDTA) to fix, revise, charge, and collect fees, tolls, and other charges at the "near optimal toll rate", defined as a toll rate that provides at least 95% of the maximum revenue possible based on a transportation facilities projects optimal toll rate.[1] Further, the bill establishes a new account within the Transportation Trust Fund – the Transportation Facilities Overage Account (TFOA) – and requires that MDTA transfer money in excess of certain statutorily required amounts into the TFOA for certain projects related to an MDTA transportation facility.

Near optimal tolling would result in significant toll increases ranging from an increase of 119% at the Baltimore Harbor Crossings to 660% at the Bay Bridge. Using the MDTA's independent traffic and revenue consultant's calculations, if HB 1068 was enacted, a Maryland *E-ZPass* toll for the Baltimore Harbor Crossings is anticipated to be $6.56 for a two-axle vehicle. It is important to note that this increase would be in addition to toll increases which are already needed by the MDTA and expected in Fiscal Year 2028.

HB 1068 focuses tolling practices on revenue maximization, rather than other goals, such as providing optimal traffic flow, providing route choices, or balancing revenue goals with facility usage. Many MDTA facilities do not have an immediate neighboring free general purpose lane choice. Therefore, we anticipate that optimal tolling practices will result in significant diversions to local roads and neighboring jurisdictions.

[1] "Optimal toll rate" is further defined in the bill to mean a toll rate for a transportation facilities project that maximizes revenue, as determined by the Authority. To determine the optimal toll rate, MDTA must consider certain factors identified in the bill, including market forces and variances based on time of day, time of year, and any anticipated weekend or holiday travel.

HB 1068 introduces actual and potential violations to provisions of the MDTA's Trust Agreement. These provisions include:

- pledge of all revenues under the Trust Agreement as a lien for the benefit of bondholders;
- requirement to deposit all pledged revenues into an Operating Account;
- process for transferring pledged revenues outside of the Trust as provided for under the Trust Agreement and Transportation Article §4-313(c); and
- prohibition of free passage under §6.15(b) of the Trust Agreement.

Costs associated with Trust Agreement violations can cause events of default and legal enforcement actions by the trustee that result in acceleration of all outstanding bond maturities. Additionally, it is unclear whether the requirement to transfer excess revenues to the TFOA would violate any of the terms of the MDTA's $200 million Transportation Infrastructure Finance and Innovation Act (TIFIA) Loan Agreement with the U.S. Department of Transportation. If a violation is determined to exist and MDTA must refund or replace the TIFIA loan with tax-exempt debt, debt service would increase by approximately $41 million over the remaining term of the loan.

HB 1068 will have a significant negative effect on MDTA's credit worthiness and result in higher financing rates for capital projects. Financing needs over the next ten years exceed $4 billion. The likely credit rating downgrades would cost rate payers an extra $32 million over a typical 30-year amortization for every $1 billion financed. Given the current uncertainty regarding federal funding nationally, MDTA is concerned that any impacts on MDTA's traditional revenue sources will create unnecessary risks for the agency. Those risks include both a potential downgrade and federal support for the rebuild of the Francis Scott Key Bridge.

The Federal Highway Administration (FHWA) provides oversight of the limitations on the use of toll revenues under 23 U.S.C. Section 129(a)(3). Through discussions with FHWA, MDTA understands that the only other purpose for which toll revenues can be used outside the MDTA system is for capital costs. The bill's requirement to allocate funds to the TFOA for maintenance costs likely violates the FHWA requirements and could result in in federal suspension of tolling or other actions.

The Maryland Department of Transportation respectfully requests the Committee consider this information and issue House Bill 1068 an unfavorable report.

Respectfully submitted,

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