

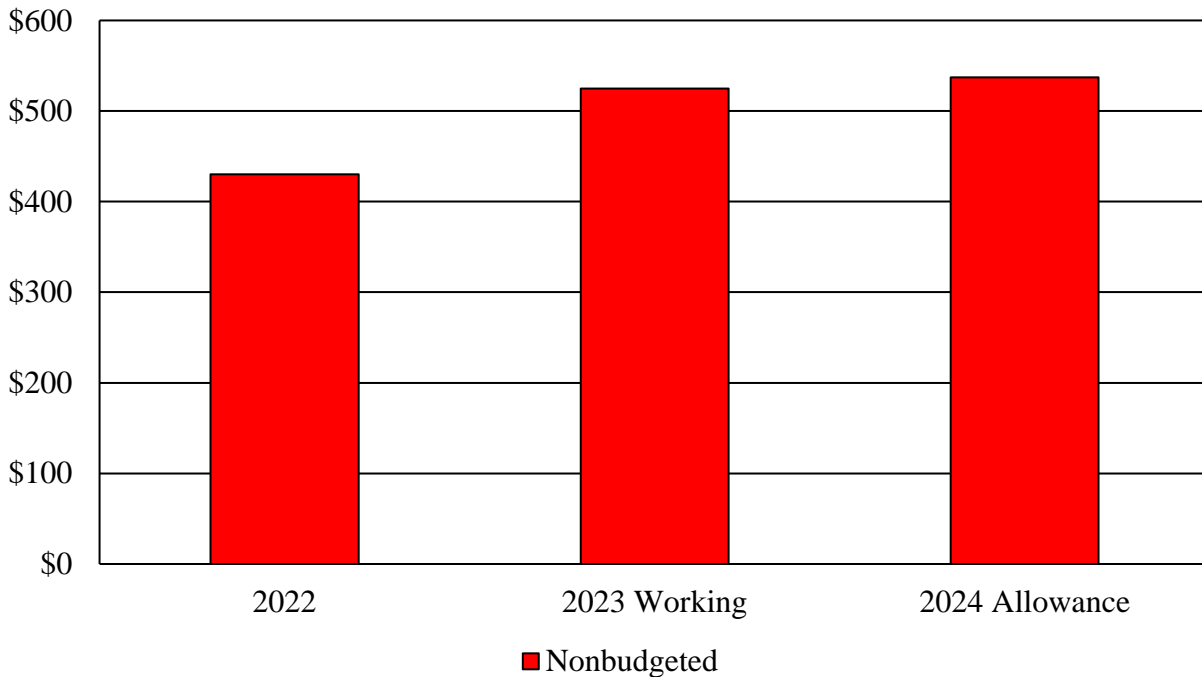
J00J00
Maryland Transportation Authority
Maryland Department of Transportation

Executive Summary

The Maryland Transportation Authority (MDTA) has exclusive authority relating to the supervision, financing, construction, operation, maintenance, and repair of Maryland’s toll facilities as well as for financing new revenue producing projects authorized under law.

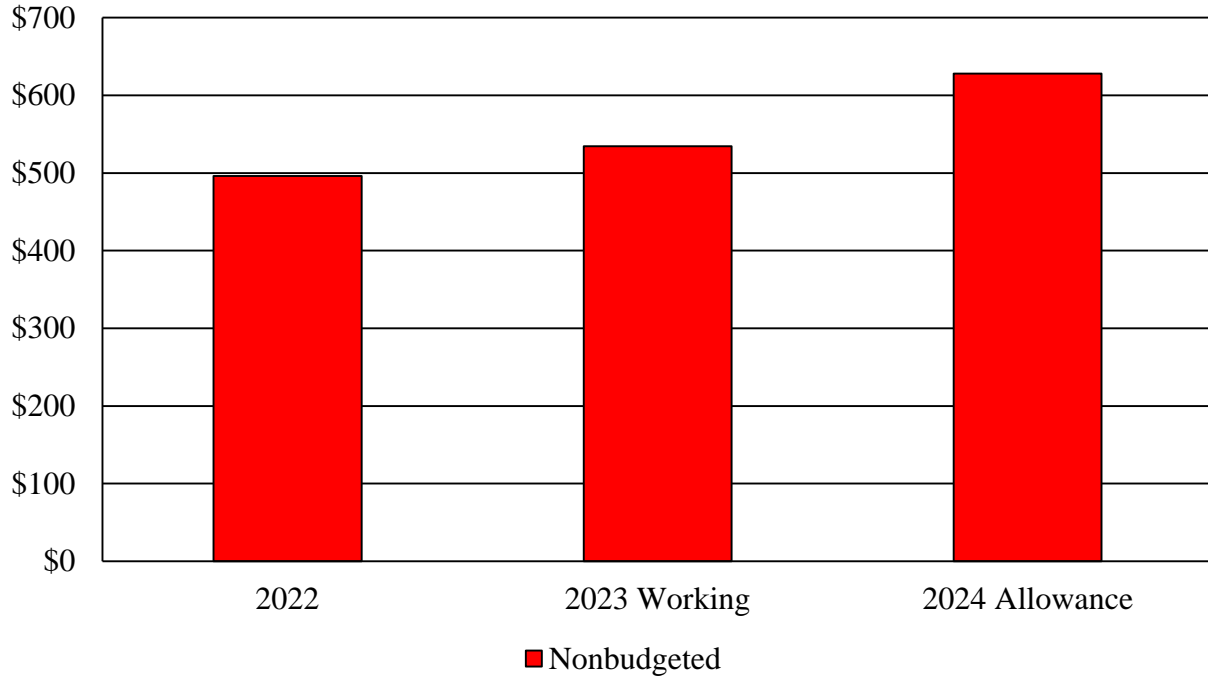
Operating Budget Summary

Fiscal 2024 Budget Increases \$12.1 Million, or 2.3%, to \$537.1 Million
(\$ in Millions)



PAYGO Capital Budget Summary

**Fiscal 2024 Budget Increases \$93.5 Million, or 17.5%, to \$627.9 Million
(\$ in Millions)**



Key Observations

- ***Financial Forecast:*** MDTA’s biannual financial forecast projects fiscal challenges on the horizon as it approaches the thresholds for its financial standards.
- ***Customer Assistance Plan:*** After significant delays in issuing tolls during the pandemic, the agency waived over \$182 million in late fees for customers who paid outstanding toll balances during a nine-month grace period.
- ***Op Lanes Maryland:*** The future is uncertain for the project to add high-occupancy toll lanes on I-270 and replace the American Legion Bridge in an effort to reduce traffic congestion.

Operating Budget Recommended Actions

1. Nonbudgeted.

PAYGO Budget Recommended Actions

1. Nonbudgeted.

Updates

- A weeklong study of tolling equipment facilities across the State yielded high accuracy rates that met or exceeded industry standards.

J00J00
Maryland Transportation Authority
Maryland Department of Transportation

Budget Analysis

Program Description

MDTA has exclusive authority relating to the supervision, financing, construction, operation, maintenance, and repair of Maryland's toll facilities as well as for financing new revenue producing transportation projects authorized under law. MDTA divides its facilities into three regions and has jurisdiction over the following facilities:

- ***Northern Region:*** includes the Thomas J. Hatem Memorial Bridge (US 40); the John F. Kennedy Memorial Highway (I-95); and the Express Toll Lanes on I-95;
- ***Central Region:*** includes the Baltimore Harbor (I-895) and Fort McHenry (I-95) tunnels and thruways; the Francis Scott Key Bridge (Key Bridge) (I-695); and I-395 leading to Baltimore City; and
- ***Southern Region:*** includes the Governor Harry W. Nice/Senator Thomas "Mac" Middleton Bridge (Nice/Middleton Bridge) (US 301); the William Preston Lane, Jr. Memorial Bridge (Bay Bridge) (US 50/301); and the Intercounty Connector (ICC) (MD 200).

Membership of the MDTA board is comprised of eight members appointed by the Governor with the advice and consent of the Senate. The Secretary of Transportation serves as the chairman of MDTA. MDTA's revenues are held separately from the Transportation Trust Fund, and the agency operates off budget.

MDTA's police force is responsible for security and law enforcement services at all of MDTA's toll facilities except the northern region of I-95, which is patrolled by the Department of State Police. MDTA is also under contract with the Maryland Aviation Administration to provide law enforcement services at the Baltimore/Washington International Thurgood Marshall Airport (BWI Marshall Airport) and with the Maryland Port Administration (MPA) to provide law enforcement services at MPA-owned facilities at the Port of Baltimore.

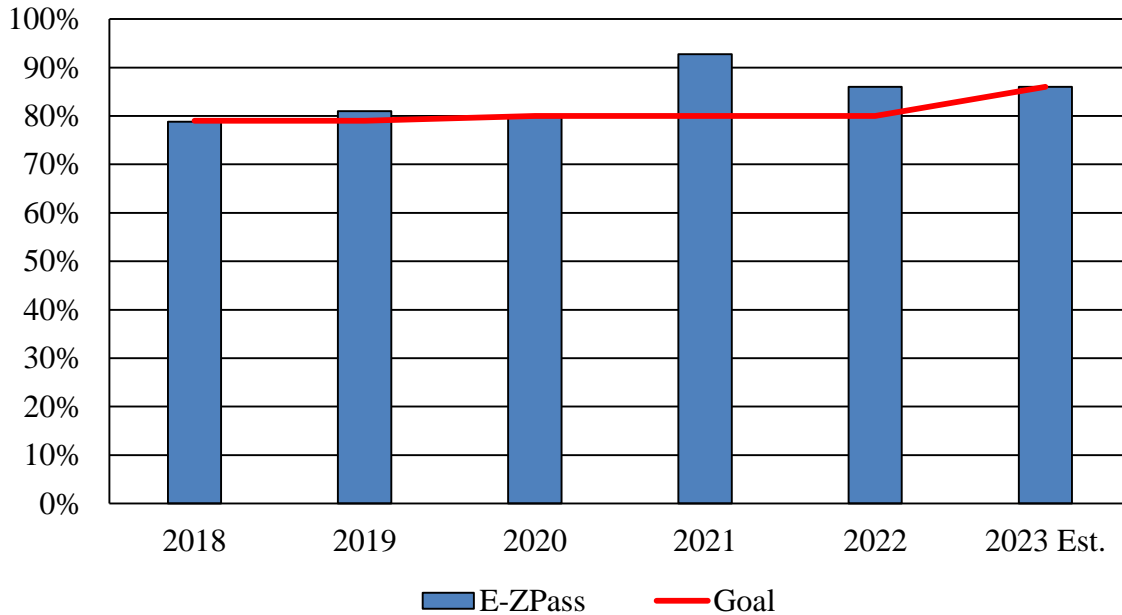
MDTA's mission is to be a customer-driven leader that delivers safe, sustainable, intelligent, and exceptional transportation solutions in order to connect customers to life's opportunities.

Performance Analysis: Managing for Results

1. E-ZPass® Use Levels Off, Goal Increases

E-ZPass toll transactions reduce costs and expedite the toll collection process; reduce delays at toll plazas; reduce vehicle idling time, thereby reducing emissions; and allow for the efficient movement of goods and people. E-ZPass toll collection is available at all Maryland toll facilities as well as in central Florida, parts of the Midwest, and most of the northeastern United States. **Exhibit 1** shows the percentage of tolls collected with E-ZPass at all MDTA facilities by fiscal year. In fiscal 2022, MDTA collected 86% of tolls with E-ZPass, a decrease from 92.7% in fiscal 2021. The agency notes that the change results from difficulties that arose during the pandemic, including delays in receiving all transactional data for the All Electronic Tolling (AET) system in addition to inflated figures in fiscal 2021 from processing the toll backlog. MDTA anticipates that the share of tolls collected using E-ZPass will remain steady at 86% in fiscal 2023. The agency has also increased their goal to align more closely with recent performance. **MDTA should discuss the AET challenges during fiscal 2022 and the agency’s efforts in prioritizing processing E-ZPass and video tolls as they worked through the backlog.**

Exhibit 1
Tolls Collected Using E-ZPass
Fiscal 2018-2023 Est.



Source: Managing for Results, Department of Budget and Management

Proposed Budget Change

As seen in **Exhibit 2**, the proposed fiscal 2024 budget increases by \$12.1 million. Personnel costs increased by a net \$14.2 million, due in large part to increased salaries. Operational expenses decreased by a net \$6.3 million. While costs increased for engineering and road maintenance activities to pre-pandemic levels, operating expenses at the *E-ZPass* service center substantially decrease because of the elimination of the toll backlog and resulting decrease in staffing needs. Debt service expenses, which fluctuate frequently based on outstanding debt and the timing of bond issuances, are expected to increase by \$8.1 million. The agency also has decreased funding for vehicle purchases, as many new vehicles for the police force were purchased in fiscal 2023.

Exhibit 2
Proposed Budget
MDOT – Maryland Transportation Authority
(\$ in Thousands)

How Much It Grows:	Nonbudgeted Fund	Total
Fiscal 2022 Actual	\$429,998	\$429,998
Fiscal 2023 Working Appropriation	524,980	524,980
Fiscal 2024 Allowance	<u>537,133</u>	<u>537,133</u>
Fiscal 2023-2024 Amount Change	\$12,153	\$12,153
Fiscal 2023-2024 Percent Change	2.3%	2.3%
Where It Goes:		<u>Change</u>
Personnel Expenses		
Increments and other compensation		\$13,607
Law Enforcement Officer Pension System.....		3,361
Social Security contributions		919
Workers’ compensation premium assessment.....		298
Other fringe benefit adjustments		-1,361
Employee and retiree health insurance		-2,660
Operational Expenses		
Engineering costs		3,000
Road repairs and maintenance		2,200
Winter operations.....		170
Communications and recruitment outreach		94
Personal protective equipment.....		-600
<i>E-ZPass</i> service center.....		-11,200

J00J00 – MDOT – Maryland Transportation Authority

Where It Goes:	<u>Change</u>
Debt Service	
Bond payments	4,761
Interest	3,118
Other fixed charges	314
Cost Allocations	
Retirement administrative costs	35
Department of Information Technology services allocation	14
Insurance paid to State Treasurer’s Office	7
Office of the Attorney General	1
Budget System allocation	-13
Statewide Personnel Management System	-22
Other Changes	
Management studies and consultants.....	700
Employee travel	77
Switching to propane usage	68
Contractual employees.....	-46
Equipment purchases	-367
Motor vehicles	-4,438
Other changes	116
Total	\$12,153

MDOT: Maryland Department of Transportation

Note: Numbers may not sum to total due to rounding.

Financial Forecast

Section 4-313 of the Transportation Article establishes the Transportation Authority Fund, a nonlapsing fund into which all MDTA revenues flow, except to the extent that it is pledged under a trust agreement. MDTA revenues come primarily from tolls as well as from concession income from travel plazas that it owns along I-95, investment income, and payments from the Maryland Department of Transportation (MDOT). MDOT payments comprise reimbursement for police services provided at BWI Marshall Airport and the Port of Baltimore.

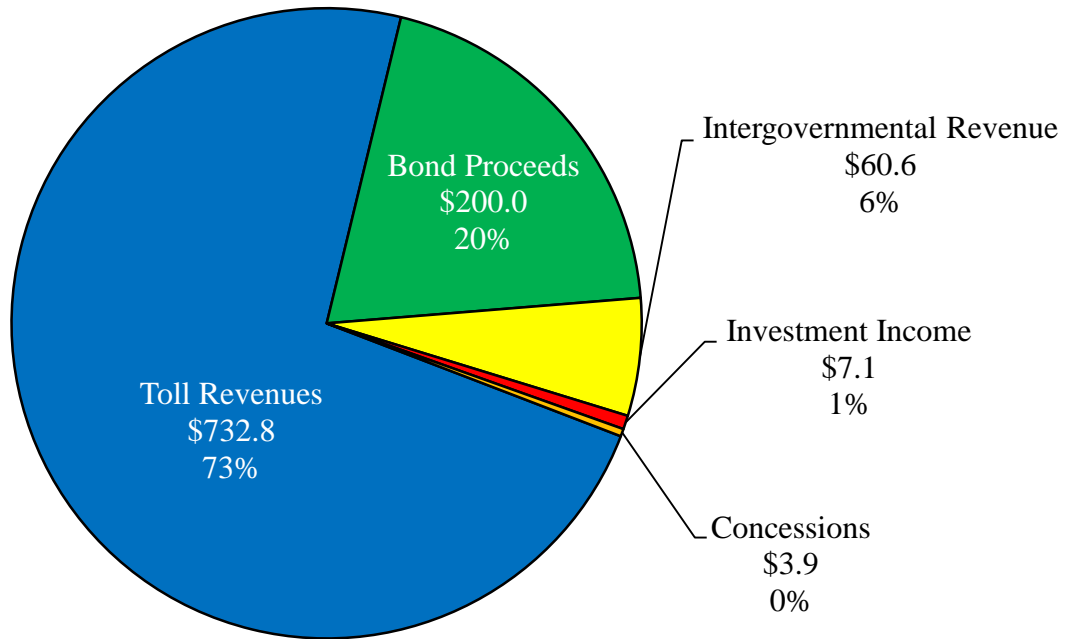
To support its capital program, MDTA may issue toll revenue bonds with a maturity of up to 40 years. Typically, MDTA issues its toll revenue bonds with a 30- to 33-year maturity. The terms of MDTA’s trust agreement with its bondholders are the driving force in MDTA finances. Maintaining its bond coverage ratios is the primary concern, and all revenue adjustments and operating and capital expenditures are managed to maintain these ratios. To this end, MDTA

develops and maintains a six-year financial forecast. Section 4-210 of the Transportation Article requires MDTA to provide the General Assembly with a copy of its financial forecast by September 1 of each year and in conjunction with submission of the Governor’s budget in January. **Appendix 2** provides the detail of MDTA’s fiscal 2022 through 2028 financial forecast.

Fiscal 2024 Sources and Uses of Funding

Exhibit 3 shows the various sources of revenue in fiscal 2024. As is typical, the primary source of funding is toll revenues, totaling \$732.8 million. Intergovernmental revenue includes funding reimbursements for MDTA police services provided at the Port of Baltimore and BWI Marshall Airport, loan repayments from loans issued to MDOT – The Secretary’s Office and MDOT – Maryland Aviation Administration, and a federal grant to support the I-95 project. While not considered a revenue source given the need for repayment, the agency also received a \$200 million Transportation Infrastructure Finance and Innovation Act (TIFIA) loan for the Nice/Middleton Bridge replacement project in February 2023.

Exhibit 3
Fiscal 2024 Revenue Sources
(\$ in Millions)

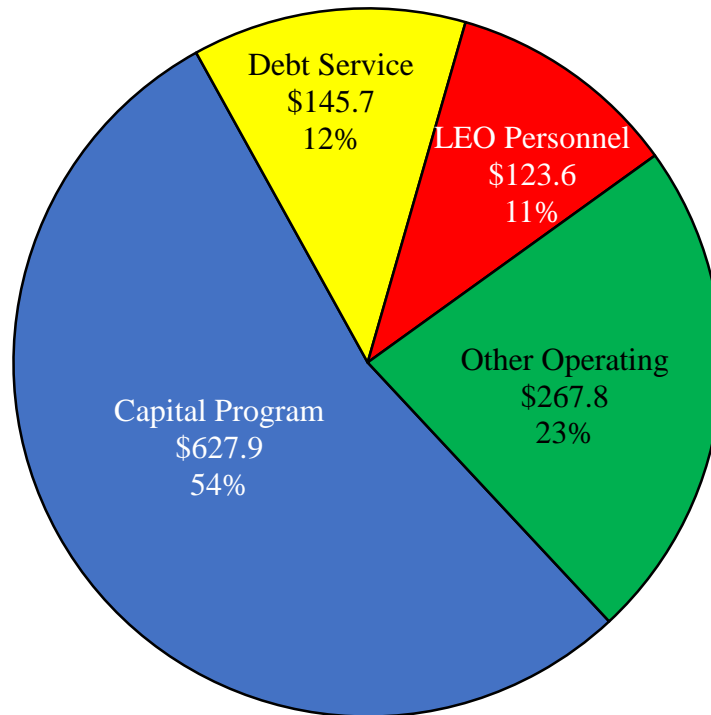


Source: Governor’s Fiscal 2024 Budget Books; *MDTA Financial Forecast 2022-2028*, Maryland Transportation Authority

Note: The \$200 million Transportation Infrastructure Finance and Innovation Act loan draw, originally planned for fiscal 2024, occurred in fiscal 2023.

As shown in **Exhibit 4**, the capital program accounts for 54% of spending in fiscal 2024. Operating costs, including administrative and personnel costs, account for 34% of spending, while debt service comprises the remaining 12% of spending.

Exhibit 4
Fiscal 2024 Use of Funding
(\$ in Millions)



LEO: law enforcement officer

Note: LEO Personnel includes law enforcement services provided by the Maryland State Police.

Source: Governor’s Fiscal 2024 Budget Books; Maryland Transportation Authority

Revenues and Debt Affordability

Toll Revenues

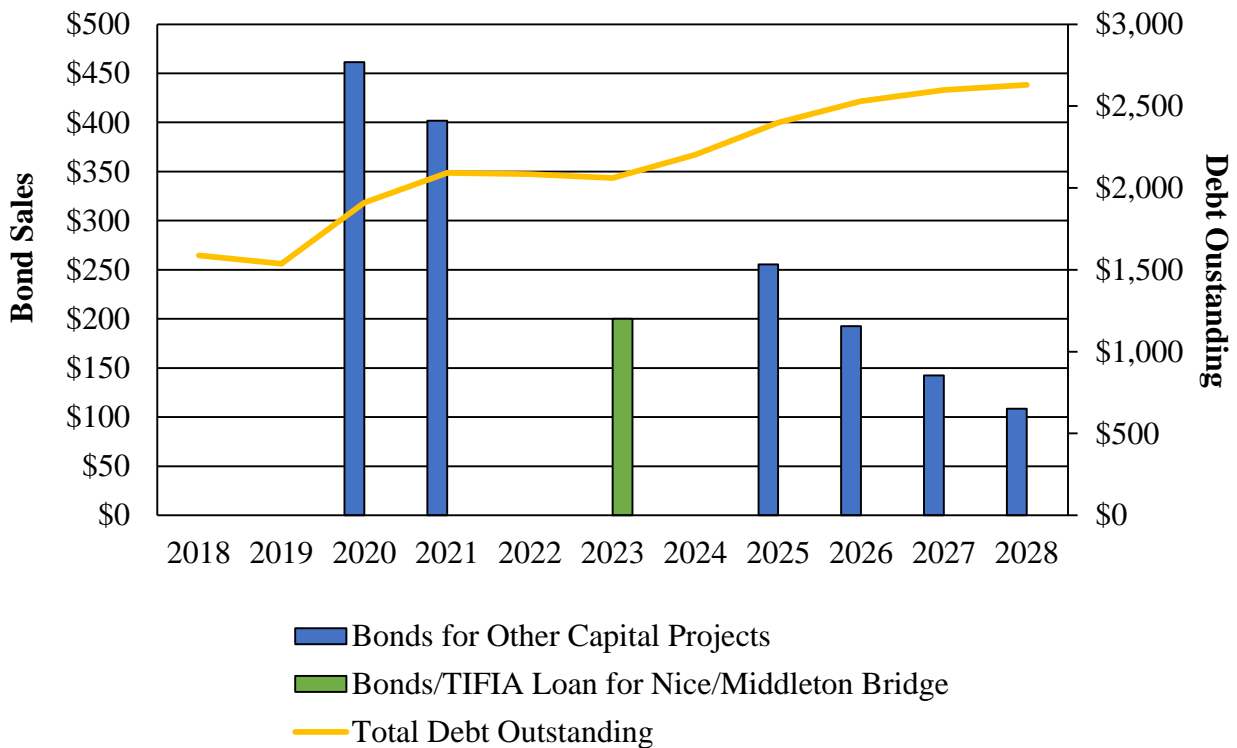
Toll revenues are the primary revenue source for MDTA. In the three years prior to the pandemic, toll revenues averaged \$727.7 million. While only \$455.9 million was collected in fiscal 2021 mostly due to reduced traffic during the COVID-19 pandemic, toll revenues are starting to approach pre-pandemic levels. The agency estimates that it will collect \$716.6 million in

fiscal 2023 and \$732.8 million in fiscal 2024. Total toll revenue is expected to continue to increase, up to \$772.3 million in fiscal 2028, the final year of the forecast.

Revenue Bonds

Exhibit 5 shows the total debt outstanding in each year from fiscal 2019 through 2028 and debt issued or TIFIA loan draws. The total outstanding debt of \$2.2 billion in fiscal 2024 is below the \$3.0 billion statutory limit, although the outstanding amount is expected to increase to \$2.6 billion by fiscal 2028. This demonstrates that MDTA is undertaking a number of large projects that are taxing its financial resources and leading to increased issuances of debt. However, it is still projected to be under the debt cap through the forecasted period.

Exhibit 5
Bond Sales and Debt Outstanding
Fiscal 2018-2028
(\$ in Millions)



TIFIA: Transportation Infrastructure Finance and Innovation Act

Note: While the Transportation Infrastructure Finance and Innovation Act loan revenue is reflected in the Financial Forecast in fiscal 2024, funding was actually drawn in fiscal 2023.

Source: Maryland Transportation Authority

Debt Affordability

Under statute, MDTA is authorized to issue bonds without obtaining the consent of any unit or agency in the State, so long as the total bonds outstanding do not exceed \$3 billion at the end of any fiscal year. MDTA bonds are backed by toll revenue and are not considered State debt and, therefore, are not limited by the State’s debt affordability measures. However, MDTA does have its own debt affordability measures. Coverage ratios include the following:

- The rate covenant compliance ratio, as stipulated in the trust agreement, requires that the ratio of net revenues (total revenues minus operating expenses) to the amount deposited into the Maintenance and Operating Reserve Account plus 120.0% of debt service be at least 1.00. The additional bonds test requires the rate covenant to be met on a five-year prospective basis. The fiscal 2024 rate covenant compliance ratio is projected to be 2.2, and adequate coverage is provided through the forecast period. However, there is a steady decline during the forecast period with the rate covenant compliance ratio falling from 3.8 in fiscal 2022 to 1.6 by fiscal 2028.
- The second ratio is the debt service coverage ratio, which is a ratio of net revenues to debt service. Although the trust agreement stipulates that the ratio must be at least 1.2, Chapter 489 of 2015 required a debt service coverage ratio of 2.5 through fiscal 2020. In fiscal 2021, MDTA returned to its administrative policy, which requires the ratio to be at or above 2.0. In fiscal 2024, the debt coverage ratio is projected to be 2.7. The projected debt service coverage ratio declines steadily throughout the forecast and is expected to reach the minimum allowable level of 2.0 in fiscal 2028. This decline in debt service coverage is discussed further in Issue 1 of this analysis.
- The agency also has an administrative policy to maintain an unencumbered cash balance of a least \$350 million. Bond rating agencies view the amount of cash on hand relative to operating expenses as a liquidity measure to ensure that operations can continue even if revenues are lower than expected, expenses are higher than expected, or if there is a temporary loss of revenues. MDTA reports that for other AA-rated toll agencies, the median cash on hand is sufficient to fund operations for 9 to 18 months. As expenditures are projected to significantly outpace revenues in fiscal 2023 and 2024, the deficit increases, resulting in a significant reduction in unencumbered cash balance from \$511.5 million in fiscal 2023 to \$350.3 million, just \$300,000 above the minimum, in fiscal 2024.

Nonrecourse Debt

In addition to its own revenue bonds, MDTA also issues debt on behalf of other State agencies and projects, which is called nonrecourse debt (formerly called conduit financing). The following projects have been financed using MDTA nonrecourse debt:

J00J00 – MDOT – Maryland Transportation Authority

- \$604 million of projects associated with the \$1.4 billion expansion project at BWI Marshall Airport, including the Elm Road parking facility, pedestrian bridges, roadway improvements, a central utility plant, and a new consolidated rental car facility, which are backed by fees at BWI Marshall Airport. A new issuance of \$120 million in passenger facility charge-backed bonds was approved in late fiscal 2019; and
- \$23.8 million for the Calvert Street parking garage in Annapolis for State employees, which is backed by general fund lease payments from the Department of General Services.

Exhibit 6 shows debt service and debt outstanding for MDTA’s nonrecourse bonds. In fiscal 2024, debt service on the nonrecourse issuances will total \$35.4 million with \$280.3 million in outstanding debt. The debt service for these projects is paid using the revenues from the projects or through lease payments from other agencies and does not affect MDTA’s debt outstanding or its budget.

Exhibit 6
Debt Service Payments and Debt Outstanding on
Nonrecourse Debt-financed Projects
Fiscal 2022-2024
(\$ in Thousands)

	<u>2022</u>	<u>2023</u>	<u>2024</u>
Debt Service Payments			
2002 Series – BWI Airport Rental Car Facility	\$8,932	\$8,926	\$8,913
2012 A Series – PFC BWI Airport	3,864	3,842	3,839
2012 B Series –PFC BWI Airport	7,971	7,968	7,969
2012 C Series – PFC BWI Airport ⁽¹⁾	30	1,736	1,736
2014 Series – PFC BWI Airport	2,953	2,957	2,955
2019 Series – PFC BWI Airport	8,470	8,470	8,471
2015 Series – Calvert Street Parking Garage Refunding	1,481	1,478	1,473
Total Debt Service Payments	\$33,701	\$35,377	\$35,356
Debt Outstanding			
2002 Series – BWI Airport Rental Car Facility	\$69,230	\$64,755	\$59,990
2012 A Series – PFC BWI Airport	30,660	28,220	25,660
2012 B Series –PFC BWI Airport	37,010	29,950	22,730
2012 C Series – PFC BWI Airport ⁽¹⁾	43,400	43,400	43,400
2014 Series – PFC BWI Airport	28,215	26,290	24,270
2019 Series – PFC BWI Airport	101,285	97,295	93,105
2015 Series – Calvert Street Parking Garage Refunding	13,491	12,352	11,187
Total Debt Outstanding	\$323,291	\$302,262	\$280,342

BWI Airport: Baltimore/Washington International Thurgood Marshall Airport
PFC: Passenger Facility Charge

⁽¹⁾ The debt service payments for the Series 2012C variable rate bonds are conservatively modeled at 2% annually, and principal payments begin in 2028.

Source: Maryland Transportation Authority

Operating and PAYGO Personnel Data

	<u>FY 22</u> <u>Actual</u>	<u>FY 23</u> <u>Working</u>	<u>FY 24</u> <u>Allowance</u>	<u>FY 23-24</u> <u>Change</u>
Regular Operating Budget Positions	1,697.00	1,707.00	1,697.00	-10.00
Regular PAYGO Budget Positions	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Total Regular Positions	1,697.00	1,707.00	1,697.00	-10.00
Operating Budget FTEs	0.00	0.00	0.00	0.00
PAYGO Budget FTEs	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Total FTEs	0.00	0.00	0.00	0.00
Total Personnel	1,697.00	1,707.00	1,697.00	-10.00

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	169.7	10.00%
Positions and Percentage Vacant as of 2/1/23	312	18.4%
Vacancies Above Turnover	154.7	

- The fiscal 2024 allowance eliminates 10 vacant toll collector positions due to the conversion to all electronic tolling.
- MDTA has consistently struggled with very high vacancy rates. Despite a high budgeted turnover rate of 10%, the average vacancy rate from July 2022 through January 2023 was 19.5%. Over 130 positions, or 8%, have been vacant for one year or more, and 67 positions, or 4%, have been vacant for two years or more.
 - Sworn law enforcement positions contribute to the vacancy rate, as the hiring window each year is limited due to timing of training.
 - In the past year, 19% of separations were retirements, which is an unusually high percentage.
- The agency extended the Department of Budget and Management-imposed hiring freeze for an additional year in an effort to mitigate COVID-19-related revenue impacts. While the statewide hiring freeze lasted from April 2020 to early calendar 2021, MDTA’s freeze was in effect until December 2021.
 - During the freeze, exceptions were reviewed on a case-by-case basis and were granted if a position was (1) critical to operation of a division’s function, (2) would reduce costs, or (3) would generate revenue.

J00J00 – MDOT – Maryland Transportation Authority

- The agency notes that prior to the hiring freeze, its vacancy rate was at or below 10%.
- After conclusion of the hiring freeze, MDTA had additional internal controls on recruitment, including executive director review and approval of any new recruitment requests.
- The agency has taken various actions to fill vacancies, including:
 - prioritization of vacancies in human resources;
 - advertising recruitments as open and continuous;
 - increasing outreach, particularly digital outreach and promotions; and
 - expediting and centralizing onboarding procedures.
- Efforts to retain employees include:
 - hiring of a career counselor to manage an apprenticeship program for hard to fill trade positions;
 - reviewing salaries for hard to fill positions and increasing some salaries;
 - conducting “stay interviews” with employees;
 - creating a mentorship program to support new employees; and
 - establishing a diversity, equity, and inclusion committee.

The agency should comment on the high vacancy rate, particularly how long-term vacancies have impacted critical operations, including customer support or law enforcement/public safety objectives during operational challenges during and after the COVID-19 pandemic. The agency should also be prepared to discuss the rationale for the extended hiring freeze and if it substantially offset reduced revenues as intended. Finally, the agency should discuss specific strategies to reduce the vacancy rate or consolidate unneeded positions.

PAYGO Capital Program

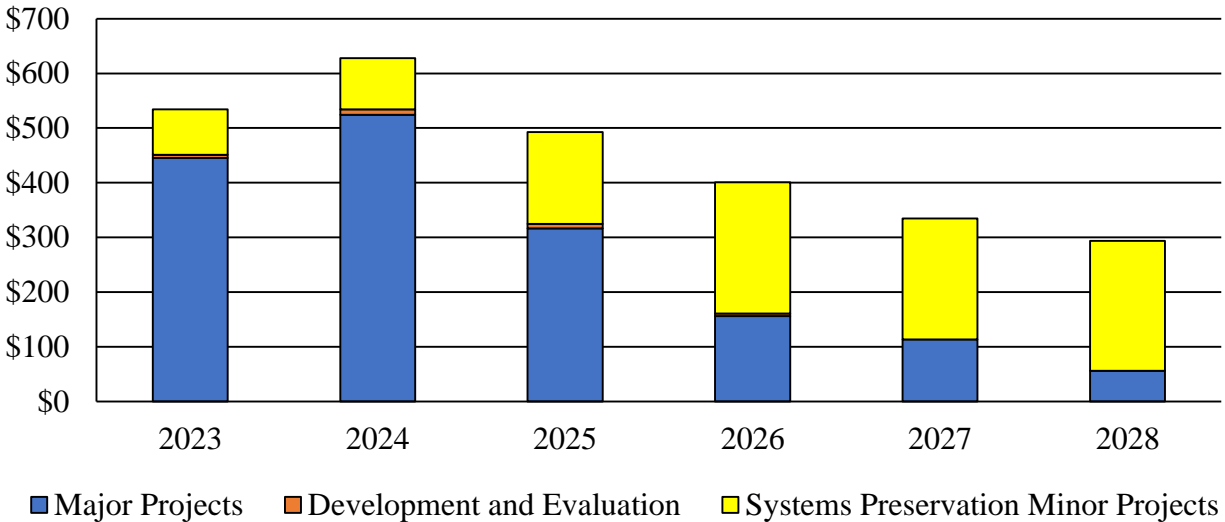
Program Description

MDTA’s capital program involves the construction and maintenance of revenue-generating transportation facilities throughout the State.

Fiscal 2023 to 2028 Consolidated Transportation Program

The fiscal 2023 to 2028 *Consolidated Transportation Program* (CTP) for MDTA totals \$2.7 billion. The agency expects reduced capital spending in fiscal 2026 through 2028, particularly in major projects, as shown in **Exhibit 7**. The agency notes that it has constrained capital and operating expenses to effectively manage financial standards, and that the later years of the forecast will be reevaluated with each new CTP, taking updated revenue and expenditure projections and the changing construction market into consideration.

Exhibit 7
Six-year PAYGO Allowance
Fiscal 2023-2028
(\$ in Millions)



PAYGO: pay-as-you-go

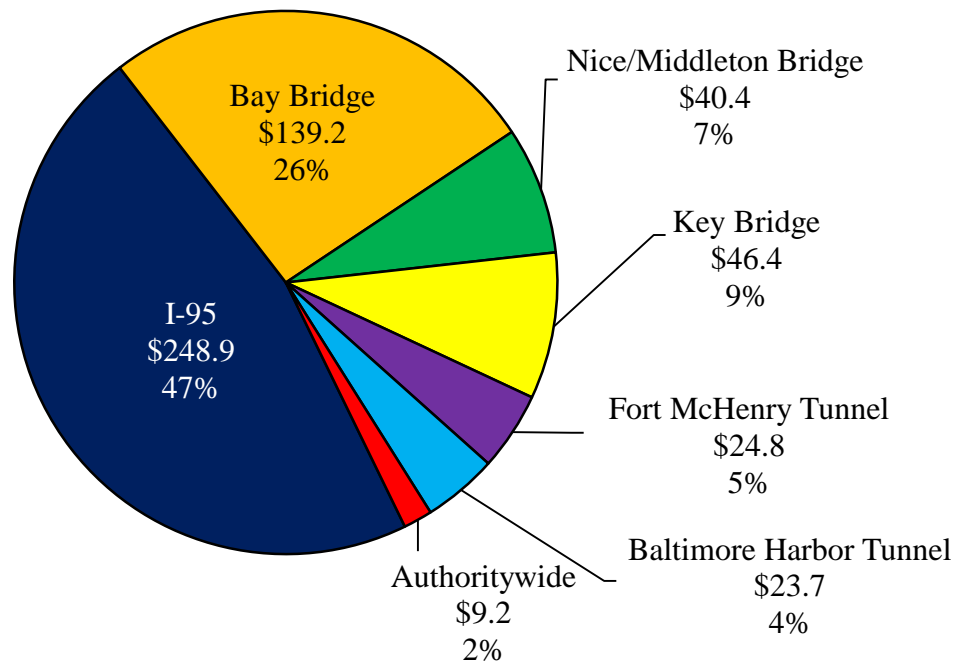
Source: 2023-2028 *Consolidated Transportation Program*, Maryland Department of Transportation

Fiscal 2024 Capital Allowance by MDTA Facility

Exhibit 8 shows capital funding programmed by facility in fiscal 2024. The largest share of spending is for the various projects along I-95, primarily the Express Toll Lanes

Northern Expansion project. Eighty-four percent of MDTA’s capital spending is programmed for projects at just three facilities: the Bay Bridge; I-95; and the Nice/Middleton Bridge. The bulk of funding for the Nice/Middleton Bridge has been expended, as the replacement bridge completed construction and opened to traffic in October 2022. Remaining costs include a total of \$85 million programmed in fiscal 2024 and 2025 for demolition of the old bridge, final construction elements, and environmental remediation. Authoritywide spending consists of system preservation and minor projects unrelated to a particular facility and the implementation of the third-generation electronic toll collection and operating system.

Exhibit 8
Capital Funding by MDTA Facility
Fiscal 2024
(\$ in Millions)



Bay Bridge: William Preston Lane, Jr. Memorial Bridge (US 50/301)

I-95: John F. Kennedy Memorial Highway (I-95)

Key Bridge: Francis Scott Key Bridge

MDTA: Maryland Transportation Authority

Nice/Middleton Bridge: Governor Harry W. Nice/Senator Thomas “Mac” Middleton Bridge

Note: These amounts do not include minor projects. While not considered a major project in fiscal 2024, the Bay Bridge section includes \$9.6 million in funding for the Tier 2 National Environmental Policy Act study.

Source: Maryland Department of Transportation, 2023-2028 Consolidated Transportation Program

Fiscal 2024 Capital Allowance Detail

Exhibit 9 shows the programmed funds for the fiscal 2024 capital allowance by project and program along with the total estimated costs and six-year funding for each program.

**Exhibit 9
PAYGO Capital Allowance
Fiscal 2024**

<u>Facility</u>	<u>Project Description</u>	<u>2024</u>	<u>Total Estimated Cost</u>	<u>Six-year Total</u>
I-895 Baltimore Harbor Tunnel	Envelope and Switchgear Replacements at Vent Buildings	\$15,511	\$80,675	\$76,022
	Resurfacing North and South	8,184	13,008	12,691
Subtotal – I-895		\$23,695	\$93,683	\$88,713
Bay Bridge	Rehabilitate Eastbound Bridge Deck	\$125,542	\$238,451	\$226,750
	Project Management Office and Maintenance Equipment Storage Building	3,056	12,160	10,096
	Replace 5KV Feeder Cable on Eastbound & Westbound Spans	1,043	50,229	8,373
Subtotal – Bay Bridge		\$129,641	\$300,840	\$245,219
Fort McHenry Tunnel	Rehabilitate Tunnel 15KV Cable, Conduit, and Concrete Wall	\$11,500	\$33,284	\$28,196
	Rehabilitate Substructure and Superstructure of Various Bridges on I-95 in Baltimore City	5,221	27,250	13,630
	Convert to Cashless Tolling	4,471	22,802	15,852
	Rehabilitate Vent Fans	3,633	44,695	19,654
Subtotal – Fort McHenry Tunnel		\$24,825	\$128,031	\$77,332
JFK Memorial Highway (I-95)	Express Toll Lane – Northern Extension Resurfacing	\$219,164	\$1,070,304	\$796,347
	Construct Interchange at Belvidere Road	29,776	81,068	69,765
Subtotal – I-95		\$248,940	\$1,151,372	\$866,112
Francis Scott Key Bridge	Subgrade Improvements at Bear Creek	\$46,444	\$61,572	\$58,493
Subtotal – Key Bridge		\$46,444	\$61,572	\$58,493

J00J00 – MDOT – Maryland Transportation Authority

<u>Facility</u>	<u>Project Description</u>	<u>2024</u>	<u>Total Estimated Cost</u>	<u>Six-year Total</u>
Nice/Middleton Bridge	Replace Nice/Middleton Bridge	\$40,363	\$635,787	\$177,477
<i>Subtotal – Nice/Middleton Bridge</i>		<i>\$40,363</i>	<i>\$635,787</i>	<i>\$177,477</i>
<i>Subtotal – Projects</i>		<i>\$513,908</i>	<i>\$2,371,285</i>	<i>\$1,513,346</i>
Programs				
Authority-Wide	System Preservation and Minor Projects	\$93,800		\$929,700
Bay Bridge	Tier 2 NEPA Study	9,550	28,000	28,000
Authority-Wide	Replace Electronic Toll Collection and Operating System	9,158	123,009	37,004
Total – Projects and Programs		\$626,416	\$2,522,294	\$2,508,050

Bay Bridge: William Preston Lane, Jr. Memorial Bridge (US 50/301)

KV: kilo volts

NEPA: National Environmental Policy Act

Nice/Middleton Bridge: Governor Harry W. Nice/Senator Thomas “Mac” Middleton Bridge

PAYGO: pay-as-you-go

Note: This table include only projects and programs that will receive funding in fiscal 2024. Additional projects appear in this year’s *Consolidated Transportation Program (CTP)* that are funded elsewhere during the six-year program. All a result, the six-year total is below the figure listed in the CTP.

Source: *2023-2028 Consolidated Transportation Program*, Maryland Department of Transportation

Significant Changes from the Previous Consolidated Transportation Program

Exhibit 10 lists the significant changes from the fiscal 2022 to 2027 CTP, which comprises additions to the construction and development and evaluation programs.

Exhibit 10
Major Changes from the 2022 to 2027 CTP`
(\$ in Millions)

<u>Projects Added to the Construction Program</u>	<u>Total Cost</u>
Construction Projects	
I-95 John F. Kennedy Memorial Highway – I-95 Southbound Hard Shoulder Running	\$35.0
I-895 Baltimore Harbor Tunnel Throughway – Resurfacing North and South of the Baltimore Harbor Tunnel	13.0
I-95 John F. Kennedy Memorial Highway – Structural Rehabilitation of the Millard E. Tydings Memorial Bridge	11.0
D&E Program Projects	
US 50/301 Bay Bridge – Tier 2 NEPA Study	\$28.0

CTP: Consolidated Transportation Program

D&E: design and engineering

NEPA: National Environmental Policy Act

Source: Maryland Department of Transportation, 2023-2028 Consolidated Transportation Program

Issues

1. MDTA’s Financial Outlook Projects Challenges

As a nonbudgeted entity, MDTA must balance operating and capital costs, including debt service, to manage their financial standard requirements while also keeping facilities in a state of good repair. As shown in **Exhibit 11**, four financial standards guide MDTA: (1) rate covenant; (2) debt service coverage; (3) unencumbered cash; and (4) debt outstanding limits.

Exhibit 11 MDTA Financial Standards

<u>Financial Ratio</u>	<u>Requirement</u>
Rate Covenant (Legal)	Net Revenues $\geq 1.0x$ Sum of 120% of Debt Service + 100% Deposits to the Maintenance and Operations Reserve
Debt Service Coverage (Policy)	Net Revenues $\geq 2.0x$ Annual Debt Service
Unencumbered Cash (Policy)	Cash \geq \$350 Million
Debt Outstanding Limit (Statutory)	\$3.0 Billion for Toll Revenue-backed Debt

MDTA: Maryland Transportation Authority

Source: 2022 Fiscal Stress Report, Maryland Transportation Authority

MDTA is mandated to submit a biannual financial forecast that covers the same six-year period as the current CTP. The fiscal 2022 through 2028 forecast projects financial stress in the coming years. A summary of the forecast, including projected values for each of the four financial standards, appears in **Exhibit 12**. Each standard has a threshold that is set in statute or as an agency policy to ensure that MDTA is in good financial standing and able to cover its obligations, even if revenues unexpectedly decline. While all of the financial standards approach the respective limitations throughout the forecast, the debt service coverage, without additional intervention, is projected to reach its lowest allowable limit by the end of the forecast period.

Debt service coverage conveys the ability of the authority to adequately cover its debt service obligations without overly stressing its revenues. The ratio illustrates annual net revenues divided by annual debt service obligations. MDTA policy dictates that this ratio should be at least 2.0, demonstrating the ability of the authority to use half or less of its annual revenues to cover debt service obligations that same year. As seen in Exhibit 12, debt service coverage is projected to reach 2.0, the policy minimum, in fiscal 2028.

Exhibit 12
Financial Forecast Summary
Fiscal 2022-2028
(\$ in Millions)

	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>
Total Revenues	\$827.8	\$804.8	\$782.9	\$795.0	\$798.8	\$807.7	\$828.2
Total Expenses	957.8	1,059.5	1,165.0	1,050.4	991.1	952.1	937.4
Annual Cash Surplus/Deficit	-93.4	-201.1	-161.2	1.1	1.5	-0.6	0.7
Total MDTA Cash Balance	\$745.7	\$544.6	\$383.3	\$384.4	\$358.9	\$385.3	\$386.0
Financial Standards							
Rate Covenant Compliance	3.8	2.4	2.2	2.1	2.1	1.7	1.6
Debt Service Coverage	4.6	3.0	2.7	2.6	2.3	2.1	2.0
Unencumbered Cash	\$489.5	\$511.5	\$350.3	\$351.3	\$352.8	\$353.9	\$354.6
Debt Outstanding	\$2,083.6	\$2,061.6	\$2,203.9	\$2,399.2	\$2,529.1	\$2,599.4	\$2,629.2

MDTA: Maryland Transportation Authority

Note: Last year’s analysis included financial forecasting data until 2031 due to a request in the 2021 *Joint Chairmen’s Report*. MDTA’s mandated biannual financial forecast submission cover a six-year period only, the same period covered by the current *Consolidated Transportation Program*.

Source: 2022-2028 *Financial Forecast*, Maryland Transportation Authority

The forecast presents a less optimistic outlook than the previous year, which projected the threshold reaching 2.2 in fiscal 2028 and dipping below the 2.0 goal, to 1.8, in fiscal 2030. The agency notes that the decline in coverage is due in part to increased personnel expenses related to collectively bargained salary and cost-of-living increases for civilian and sworn law enforcement employees following the submission of last year’s report. These expenses are compounded throughout the financial forecast period, resulting in a noticeable change from last year’s projections. The current forecast also reflects a slight increase in total revenue over the period.

Historically, the agency has maintained the debt service coverage ratio at the minimum 2.0 level by increasing toll rates to boost annual revenues. The agency notes that timing for any change in toll rates is dependent on various factors, including toll revenue attainment, mandated operating budget increases, debt issuances and timing, capital budget spending, inflation, and market volatility. MDTA continually monitors revenues and expenses to ensure that it meets debt service coverage requirements. **MDTA should comment on its strategies to mitigate projected fiscal challenges in the years to come, including a potential toll increase.**

The long-term fiscal impact of the nine-month Customer Assistance Plan, which waived \$182 million in civil penalties, is still being evaluated. One of the goals of the plan was to help customers establish and maintain a consistent payment method moving forward. The agency notes that during the plan, 76,000 unregistered video toll customers were converted to *E-ZPass* or pay-by-plate customer accounts. Having registered accounts, rather than receiving a photo or video toll, reduces costs for both the customer and the agency and improves efficiency. To date, 98% of those new accounts remain open.

2. MDTA Operations Recover from Pandemic-related Backlogs, Customer Assistance Plan Provides Penalty Relief

During the COVID-19 pandemic, MDTA paused the collection of video tolls from March through October 2020. Once this period ended, MDTA began to mail out notices of tolls due (NOTD) to the impacted customers. To avoid sending large bills to customers, MDTA adopted a metering strategy that involved mailing customers one week of old NOTDs concurrently with one week of current NOTDs. However, the pause in video toll mailings created a substantial backlog. Additionally, a suspension of toll collections on the ICC in June 2020 as the agency transitioned to its new tolling system created an additional backlog of nearly one year of tolls.

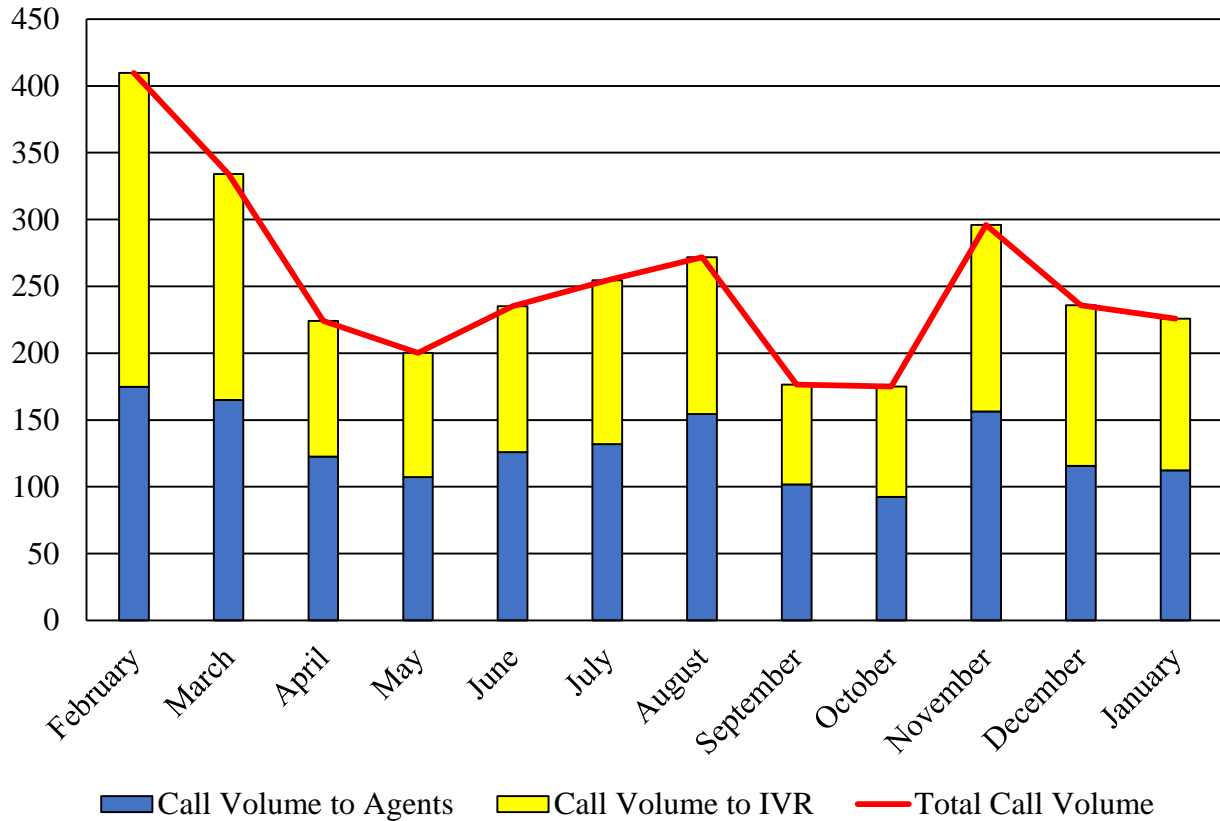
MDTA completed posting all backlogged customer tolls that were deferred during the pandemic in September 2021. However, various delays and inconsistent billing schedules resulted in many customers receiving large bills for years of tolling charges in addition to associated civil penalties for tolls that, often, they were not even aware were initially assessed. In response to widespread concerns about the backlog, delays in mailing NOTD, and associated civil penalties, the MDTA board approved a Customer Assistance Plan on February 24, 2022.

Customer Assistance Plan

This program waived any outstanding civil penalties (late fees) that were assessed for customers who paid their toll balance in full during the duration of the program. It also temporarily halted the referral of overdue toll notices to Central Collections Unit and MDOT – Motor Vehicle Administration. If a customer paid off the balance on a particular toll transaction in full, the associated civil penalty was waived. It was originally slated to end on December 1, 2022, but was later extended to December 15.

Prior to implementation of the Customer Assistance Plan, confusion surrounding these changes resulted in a substantial increase in customers contacting the agency for assistance. As shown in **Exhibit 13**, the call center volume peaked in February 2022, with 409,650 calls, over 257,000 more than in February 2021. Shortly after the Customer Assistance Plan was implemented in late February, call volume began to decrease and level off. Volume increased in November 2022, as the end of the Customer Assistance Plan approached, but was still 87,000 fewer calls than in November 2021.

Exhibit 13
Call Center Volume
Calendar 2022-2023
(Calls in Thousands)

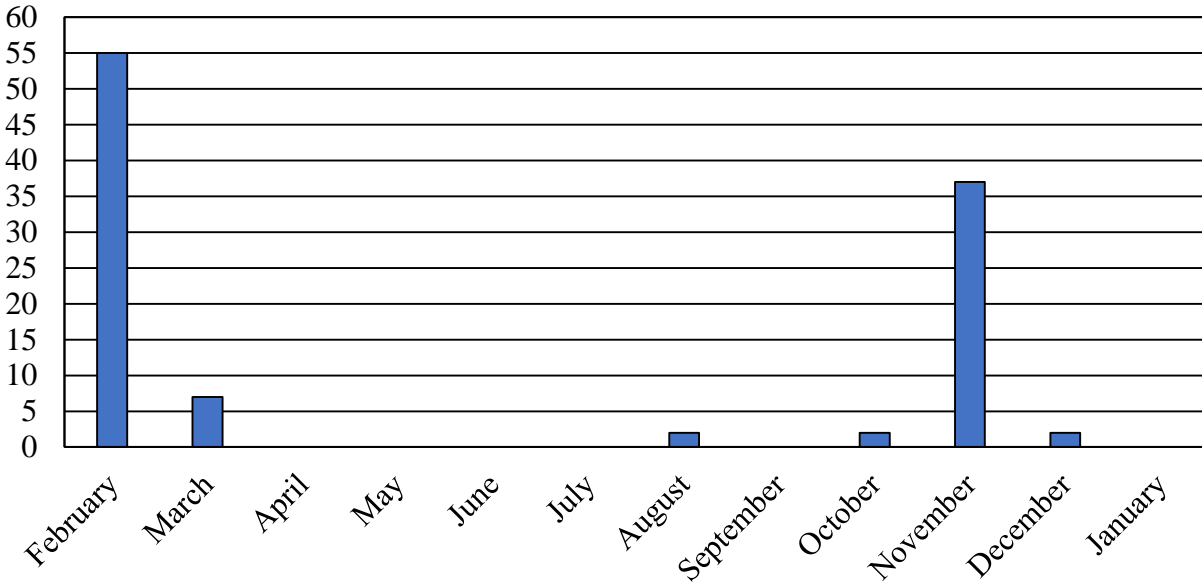


IVR: Interactive Voice Response

Source: Maryland Transportation Authority

The trends in call volume are also reflective in the average wait time data. As shown in **Exhibit 14**, the call wait time dramatically decreased after February 2022 due to the implementation of the Customer Assistance Plan on February 24. From April to July, the average call wait time was under 1 minute. These figures are substantial improvements over the previous year, where average wait times between January 2021 and February 2022 were 69 minutes.

Exhibit 14
Average Call Center Wait Times
Calendar 2022-2023
(in Minutes)



Source: Maryland Transportation Authority

During the last week in November, the wait time increased to 1:18:30 due to the impending end of the program. To accommodate the last-minute rush, the MDTA board voted to expand the program another two weeks, to December 15. There were minimal to no waits during the period of the two-week extension, except for the last day, which averaged a wait time of 0:16:19. Staffing at the call center has also greatly improved since the previous year, which saw a low of only 60 agents. From February 2022 to January 2023, the call center averaged 280 agents.

It is important to note that the Customer Assistance Plan did not forgive or waive the original toll amount due, nor did it allow for reimbursement for customers who paid any civil penalties prior to the start of the program. Customers who did not pay or postmark any outstanding tolls prior to the conclusion of the program will be assessed the associated civil penalties.

MDTA engaged in an extensive public awareness campaign for the Customer Assistance Plan to encourage customers to pay any outstanding tolls to avoid assessment of civil penalties. These outreach efforts included:

- emails to all Maryland General Assembly members throughout the duration of the plan;

J00J00 – MDOT – Maryland Transportation Authority

- letters mailed to county and local officials in September 2022;
- discussion of the plan during MDOT statewide CTP tour meetings in fall 2022;
- approximately 1.3 million “act now” letters mailed to customers who had not made any payments on outstanding toll debt during the period;
- news releases and email blasts and social media;
- a media campaign about the civil penalty grace period and available savings when customers pay tolls prior to NOTD being mailed, which included billboards, radio ads, print ads, and targeted digital ads in zip codes with the highest density of NOTDs;
- banners on the home page of MDTA and DriveEz MD webpages;
- a recording on the Interactive Voice Response call center system; and
- inserts included in mailed NOTDs.

As of February 9, 2023, \$182 million in civil penalties were waived for approximately 837,000 drivers and businesses that paid their outstanding video tolls during the Customer Assistance Plan period. These numbers may change as staff continues processing payments, particularly mailed payments that were postmarked by the deadline.

Civil Penalties Paid in Error

Chapter 448 of 2022 required MDTA to reimburse customers who paid a civil penalty in error during the Customer Assistance Plan. The agency identified 56,792 accounts that paid in error and issued nearly \$3.2 million in reimbursements.

Customers eligible for reimbursement received communication describing the type of reimbursement for which they qualified. Full reimbursements were provided to customers who had paid a civil penalty and had no outstanding toll debt to MDTA. Partial reimbursements were provided to customers who had outstanding toll debt. The reimbursement owed was applied to the unpaid video tolls associated with the registered vehicle(s) on the account, and any remaining reimbursement amount was provided to the customer. If a customer was due a reimbursement for a civil penalty paid in error but the reimbursement amount was lower than outstanding tolls owed, no reimbursement was issued, and the reimbursement due was instead applied to the outstanding toll debt. The number of accounts that qualified for each type of reimbursement and the total amount of reimbursements by method, is listed in **Appendix 3**.

3. Future Uncertain for Op Lanes Maryland

The Op Lanes Maryland project seeks to relieve traffic congestion on the American Legion Bridge and I-270 by adding high-occupancy toll lanes to particularly congested areas while keeping existing general purpose lanes free. The project, which was known as the I-495 and I-270 public-private partnership (P3) program prior to rebranding, is managed by MDTA.

In August 2022, the Federal Highway Administration issued the record of decision (ROD) for the selected alternative – Phase 1 South, which provides for two high-occupancy toll lanes from the George Washington Memorial Parkway in Virginia to the I-370 interchange on I-270 and the replacement and expansion of the American Legion Bridge. Issuance of the ROD concluded the environmental impact statement process for the first phase of the project and makes the project eligible to receive federal support. In this year’s CTP, \$240 million was added to this project across all years for engineering for Phase 1 South.

The phase developer, Accelerate Maryland Partners (AMP), onboarded its construction contractor in September 2022 and is completing predevelopment work and working with MDOT/MDTA to finalize a committed section proposal for the final design, construction, financing, operations, and maintenance of Phase 1 South. The current deadline for submission of the proposal is March 21, 2023. After final acceptance by MDOT/MDTA of the committed section proposal, the P3 agreement could then be submitted to the MDTA board for review and approval, followed by submission first to the Comptroller, the State Treasurer, and the budget committees for review and comment and then to the Board of Public Works for approval. The current Administration will decide when, or even if, a P3 agreement will be submitted for review.

Unresolved issues related to the bid protest of the selection of AMP as the phase developer, pieces of which are currently awaiting decisions by the Appellate Court of Maryland and the Circuit Court for Montgomery County, may also affect how the project can move forward. **MDTA should comment on the future of the Op Lanes Maryland project and when a decision will be made on the future of the project, given significant planned investments.**

Operating Budget Recommended Actions

1. Nonbudgeted.

PAYGO Budget Recommended Actions

1. Nonbudgeted.

Updates

1. Tolling Accuracy Report

The 2022 *Joint Chairmen's Report* (JCR) requested information regarding the accuracy of tolling equipment at MDTA facilities. Specifically, the report requested an accuracy study of tolling facilities over a one-week period, in addition to details of any instances of overbilling, and processes for addressing tolling issues.

The report includes results of a study of transactions occurring between September 22 and 28, 2022. During the period, the agency processed 2.4 million trips in the amount of \$10.8 million, net of discounts. The study used industry standards approaches to evaluate tolling accuracy, including system controls and sample transaction testing. The results demonstrated accurate transactions and consistent patterns for all study areas at each MDTA facility, showing that MDTA's tolling equipment is performing accurately and meets or exceeds industry standards.

System errors that do occur, while rare, include miscounting a vehicle's number of axles, not applying an applicable discount, processing a toll twice, or charging a toll to the wrong customer. Customers that experience these errors can contact the MDTA call center to have the issue rectified.

Several measures are in place to ensure tolling accuracy. MDTA's systems have the capability to scan both the transponder and license plate, providing cross-checks that are supported by additional manual reviews. The tolling system also undergoes independent audits that continually yield among the highest accuracy rates in the industry.

Errors may also arise from issues unrelated to the tolling system itself. Customers with *E-ZPass* accounts may receive an image or video toll due to improper mounting of the transponder, vehicle plates not linked with a customer's *E-ZPass* account, or an *E-ZPass* account not having a positive balance. MDTA makes information regarding resolution of these and other issues available on the Drive EZ checklist and website. Customers can also work with live agents at the customer service center from 7 a.m. to 8 p.m. on weekdays and 8 a.m. to 2 p.m. on Saturdays to resolve any issues.

Appendix 1
2022 Joint Chairmen’s Report Responses from Agency

The 2022 JCR requested that MDTA prepare one report. Electronic copies of the full JCR responses can be found on the Department of Legislative Services Library website.

- ***Tolling Accuracy Report:*** MDTA submitted a report detailing the results of a one-week accuracy study of each tolling facility, procedures in place to ensure accuracy, and methods to remedy any errors that occur. Further discussion of this data can be found in Update 1 of this analysis.

Appendix 2
Maryland Transportation Authority Financial Forecast
Fiscal 2022-2028

	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>
Revenues							
Toll Revenues	\$806.9	\$716.6	\$732.8	\$744.1	\$746.3	\$753.5	\$772.3
Concessions	5.8	3.9	3.9	3.9	3.9	3.9	3.9
Investment Income and Other	-16.8	48.0	7.1	6.3	6.3	6.3	6.3
MDOT Loan Repayment – Interest	0.5	1.0	0.2	0.2	0.2	0.2	0.2
MAA/MPA Police Reimbursement ⁽¹⁾	31.5	35.2	38.9	40.5	42.1	43.8	45.5
Total Revenues	\$827.9	\$804.7	\$782.9	\$795.0	\$798.8	\$807.7	\$828.2
Expenses							
Operations	\$356.6	\$387.2	\$391.4	\$407.4	\$423.7	\$440.6	\$458.2
Debt Service	105.0	137.8	145.7	150.7	166.5	176.6	184.0
Capital Program	496.2	534.4	627.9	492.3	401.0	334.9	295.1
Total Expenses	\$957.8	\$1,059.4	\$1,165.0	\$1,050.4	\$991.2	\$952.1	\$937.3
Capital Funding Sources/(Uses) and Intergovernmental							
Revenue Bond Proceeds	\$0.0	\$0.0	\$0.0	\$255.6	\$192.6	\$142.5	\$108.5
TIFIA	0.0	0.0	200.0	0.0	0.0	0.0	
Surety Policy Expenses	-1.2	0.0	-0.5	-0.5	-0.3	-0.2	-0.2
MDOT Loan Repayment – Principal	4.7	49.9	1.5	1.5	1.5	1.5	1.6
VDOT Contribution/Grant	7.7	3.8	0.0	0.0	0.0	0.0	0.0
I-95 Interchange Partner Contribution	0.0	0.0	20.0	0.0	0.0	0.0	0.0
Accounting Reconciliation	25.4	0.0	0.0	0.0	0.0	0.0	0.0
Total Sources/(Uses)	\$36.6	\$53.7	\$221.0	\$256.6	\$193.8	\$143.8	\$109.9
Annual Cash							
Requirements⁽²⁾	\$921.2	\$1,005.7	\$944.1	\$793.9	\$797.3	808.3	\$827.5
Annual Cash Surplus/(Deficit)	-\$93.7	-\$201.1	-\$161.2	\$1.1	\$1.5	-\$0.6	\$0.7
Total MDTA Cash Balance	\$745.7	\$544.6	\$383.4	\$384.5	\$386.0	\$385.4	\$386.1

J00J00 – MDOT – Maryland Transportation Authority

	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>
MDTA Debt							
Debt Outstanding	\$2,083.6	\$2,061.6	\$2,203.9	\$2,399.2	\$2,529.1	\$2,599.4	\$2,629.2
Unencumbered Cash	\$489.5	\$511.5	\$350.3	\$351.3	\$352.3	\$353.9	\$354.6
Debt Service Coverage	4.6	3.0	2.7	2.6	2.6	2.1	2.0
Rate Covenant Compliance	3.8	2.4	2.2	2.1	2.1	1.7	1.6

MAA: Maryland Aviation Administration

VDOT: Virginia Department of Transportation

⁽¹⁾ MDTA provides police services at BWI Marshall Airport and the Helen Delich Bentley Port of Baltimore.

⁽²⁾ Sources represent an in-flow of funds to MDTA and are subtracted from Total Expenses. (Uses) represent an outflow of funds from MDTA and are added to Total Expenses as a positive value

**Appendix 3
Civil Penalties Paid in Error
During the Customer Assistance Plan**

<u>Reimbursement Type</u>	<u>Accounts</u>
Full Reimbursement	43,572
Partial Reimbursement	9,523
Tolls Owed Exceeded Reimbursement Due	3,697
Total	56,792

<u>Reimbursement Type</u>	<u>Reimbursements</u>	<u>Amount</u>
Full Reimbursement (Check)	16,277	\$790,221.15
Partial Reimbursement (Check)	3,484	213,839.46
Full Reimbursement (Credit Card)	27,295	1,700,956.05
Partial Reimbursement (Credit Card)	6,039	485,595.64
Tolls Owed Exceeded Reimbursement Amount	3,697	n/a
Total	56,792	\$3,190,612.30

Source: Maryland Transportation Authority

**Appendix 4
Object/Fund Difference Report
MDOT – Maryland Transportation Authority**

<u>Object/Fund</u>	<u>FY 22 Actual</u>	<u>FY 23 Working Appropriation</u>	<u>FY 24 Allowance</u>	<u>FY 23 - FY 24 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	1,697.00	1,707.00	1,697.00	-10.00	-0.6%
Total Positions	1,697.00	1,707.00	1,697.00	-10.00	-0.6%
Objects					
01 Salaries and Wages	\$ 176,030,620	\$ 198,675,634	\$ 212,840,583	\$ 14,164,949	7.1%
02 Technical and Special Fees	105,000	899,548	853,189	-46,359	-5.2%
03 Communication	2,711,286	3,205,899	3,300,381	94,482	2.9%
04 Travel	207,307	413,722	490,529	76,807	18.6%
06 Fuel and Utilities	3,513,354	4,100,791	4,168,635	67,844	1.7%
07 Motor Vehicles	9,093,371	17,078,134	12,639,859	-4,438,275	-26.0%
08 Contractual Services	117,145,727	142,678,188	137,508,187	-5,170,001	-3.6%
09 Supplies and Materials	8,938,548	10,637,624	10,807,633	170,009	1.6%
10 Equipment – Replacement	1,338,883	3,081,307	2,541,450	-539,857	-17.5%
11 Equipment – Additional	357,263	1,131,585	704,835	-426,750	-37.7%
13 Fixed Charges	110,556,584	143,077,641	151,277,296	8,199,655	5.7%
Total Objects	\$ 429,997,943	\$ 524,980,073	\$ 537,132,577	\$ 12,152,504	2.3%
Funds					
07 Nonbudgeted Fund	\$ 429,997,943	\$ 524,980,073	\$ 537,132,577	\$ 12,152,504	2.3%
Total Funds	\$ 429,997,943	\$ 524,980,073	\$ 537,132,577	\$ 12,152,504	2.3%

Appendix 5
Fiscal Summary
MDOT – Maryland Transportation Authority

<u>Program/Unit</u>	<u>FY 22</u> <u>Actual</u>	<u>FY 23</u> <u>Wrk Approp</u>	<u>FY 24</u> <u>Allowance</u>	<u>Change</u>	<u>FY 23 - FY 24</u> <u>% Change</u>
41 Operating Program	\$ 429,997,943	\$ 524,980,073	\$ 537,132,577	\$ 12,152,504	2.3%
42 Capital Program	496,169,832	534,430,817	627,924,933	93,494,116	17.5%
Total Expenditures	\$ 926,167,775	\$ 1,059,410,890	\$ 1,165,057,510	\$ 105,646,620	10.0%
Nonbudgeted Fund	\$ 926,167,775	\$ 1,059,410,890	\$ 1,165,057,510	\$ 105,646,620	10.0%
Total Appropriations	\$ 926,167,775	\$ 1,059,410,890	\$ 1,165,057,510	\$ 105,646,620	10.0%