

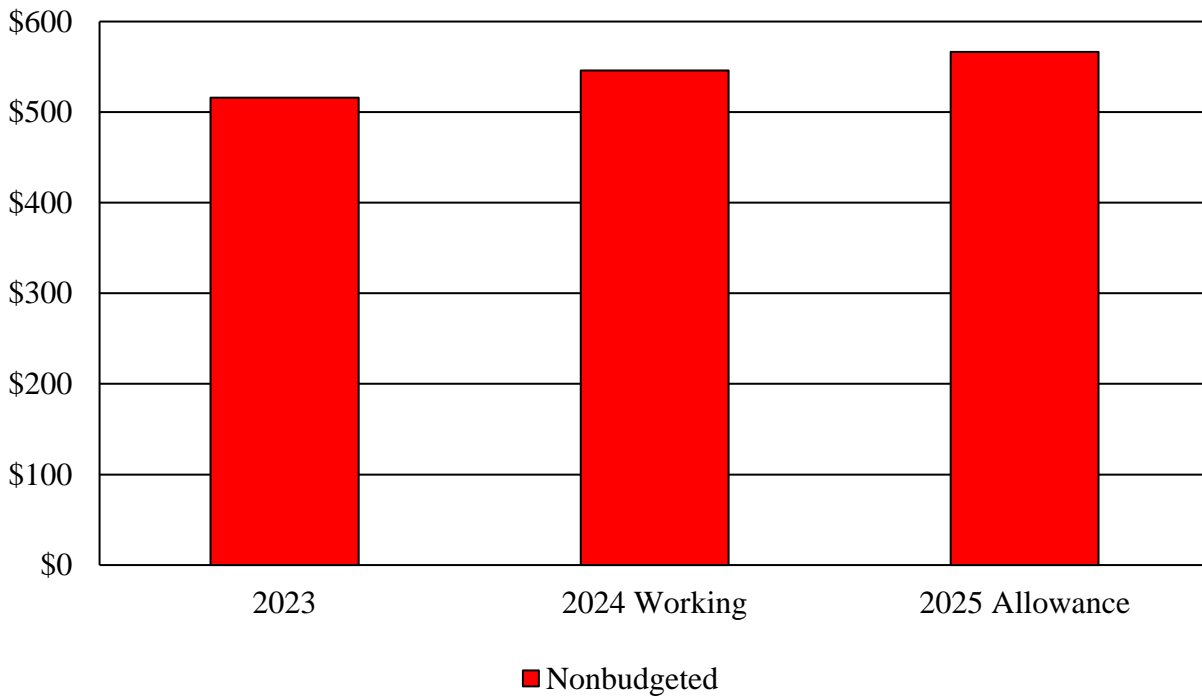
J00J00
Maryland Transportation Authority

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.

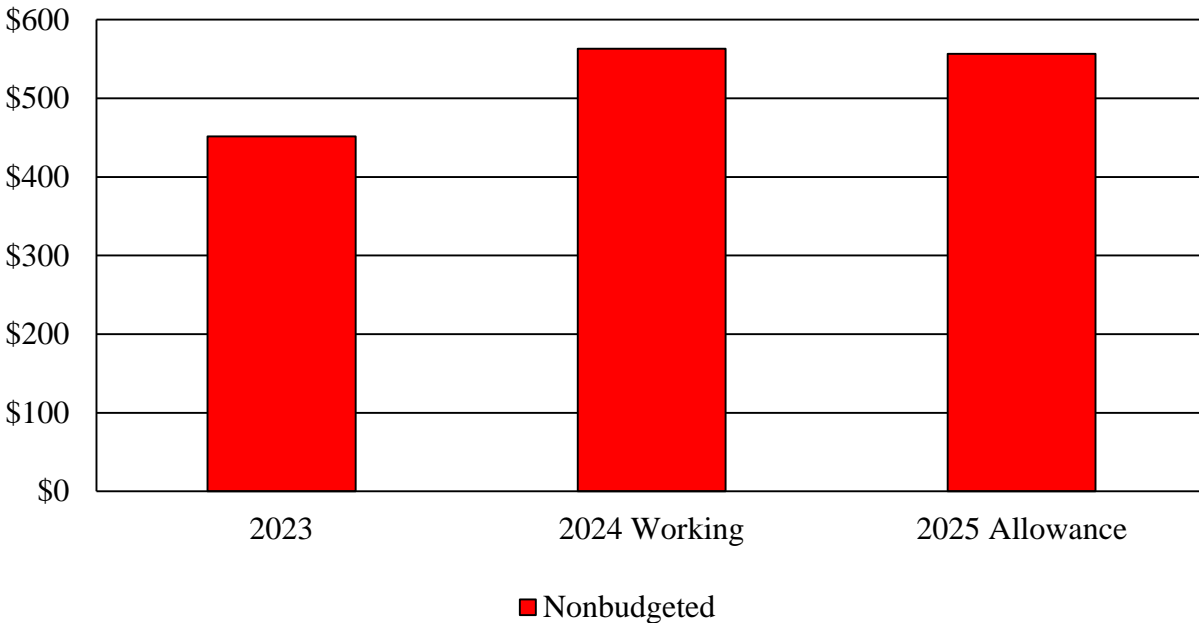
Operating Budget Summary

**Fiscal 2025 Budget Increases \$20.5 Million, or 3.8%, to \$566.4 Million
(\$ in Millions)**



PAYGO Capital Budget Summary

**Fiscal 2025 Budget Decreases \$6.3 Million, or 1.1%, to \$556.7 Million
(\$ in Millions)**



Key Observations

- ***Financial Forecast Improves Slightly, but Additional Revenue Is Still Needed:*** MDTA’s biannual forecast currently anticipates the agency being unable to meet debt service coverage requirements in fiscal 2029. Higher than anticipated projected toll revenues have pushed out this deficit, which was anticipated to occur in fiscal 2028 in last year’s forecast.

Operating Budget Recommended Actions

1. Nonbudgeted.

PAYGO Budget Recommended Actions

1. Nonbudgeted.

Updates

- ***Tier 2 of Bay Crossing Study Continues:*** The project to analyze alternatives to relieve congestion for motorists crossing the Chesapeake Bay is currently in the second phase of the National Environmental Policy Act (NEPA) process. This phase includes further stakeholder engagement and developing an environmental impact statement for the selected corridor alternative (Corridor 7/Existing Corridor).
- ***Transportation Commission Considers Changes to Tolls:*** As part of its work during the 2023 interim, the Transportation Revenue and Infrastructure Needs Commission (TRAIN Commission) recommended that the General Assembly consider requiring MDTA to adjust toll rates to support transportation needs for the Maryland Department of Transportation (MDOT) outside of MDTA facilities.
- ***Beltway Toll Lanes Project Reinvented but Misses Out on Federal Funds:*** The project to replace the American Legion Bridge and add dynamic toll lanes to I-495/I-270 has been reframed under the new Administration. However, a federal grant application to the Multimodal Project Discretionary Grant program was unsuccessful.

J00J00
Maryland Transportation Authority

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 Bay Bridge (US 50/301); and the Intercounty Connector (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 Maryland State Police (MSP). MDTA is also under contract with the Maryland Aviation Administration (MAA) 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.

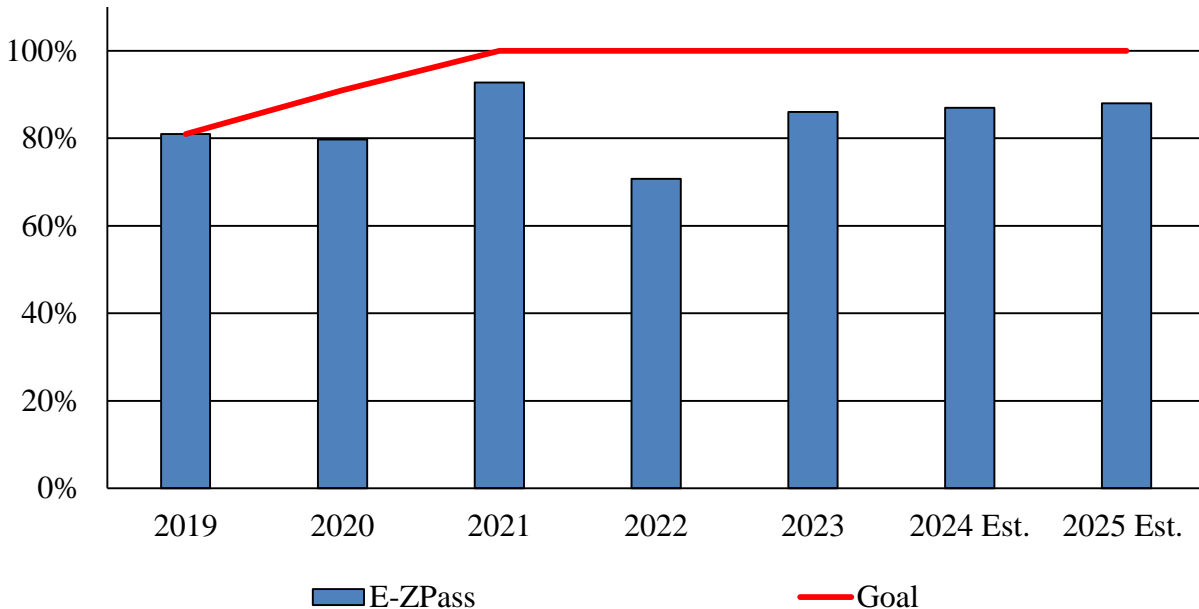
MDTA’s mission is to be a customer-driven leader that delivers safe, sustainable, intelligent, and exceptional transportation solutions in order to connect customers to life’s opportunities.

Performance Analysis: Managing for Results

1. E-ZPass Use

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 2023, MDTA collected 86% of tolls with *E-ZPass*, an increase from 70.8% in fiscal 2022. However, estimated rates for fiscal 2024 and 2025 are within 2 percentage points of fiscal 2023, suggesting that nearly all motorists who have interest in participating in the program are already enrolled. The figures in fiscal 2021 were artificially inflated from processing the toll backlog that accrued during the COVID-19 pandemic. **MDTA should comment on any strategies to encourage the remaining 12% to 15% of toll facility users to enroll in the *E-ZPass* program in order to enhance efficiencies and reduce costs.**

Exhibit 1
Tolls Collected Using E-ZPass
Fiscal 2019-2025 Estimated



Source: Governor’s Fiscal 2025 Budget Books

Proposed Budget Change

As seen in **Exhibit 2**, the proposed fiscal 2025 budget increases by \$20.5 million. Personnel costs increase by \$7.2 million, due in large part to increased salaries. Operational expenses increase by a net \$10.3 million, including an additional \$4.0 million to operate the *E-ZPass* Service Center due to higher transaction volumes and contractual rates. Other increases include \$1.1 million in overhead rates for MSP, which patrols MDTA facilities on I-95, and \$2.9 million in contractual engineering services. Additional funding for MDTA police body cameras and other equipment is offset by reduced spending for vehicle purchases.

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

| How Much It Grows: | <u>Nonbudgeted Fund</u> | <u>Total</u> |
|--|--------------------------------|----------------------|
| Fiscal 2023 Actual | \$516,076 | \$516,076 |
| Fiscal 2024 Working Appropriation | 545,897 | 545,897 |
| Fiscal 2025 Allowance | <u>566,387</u> | <u>566,387</u> |
| Fiscal 2024-2025 Amount Change | \$20,490 | \$20,490 |
| Fiscal 2024-2025 Percent Change | 3.8% | 3.8% |
| Where It Goes: | | <u>Change</u> |
| Personnel Expenses | | |
| Salary increases to mirror statewide actions | | \$7,234 |
| Operations | | |
| <i>E-ZPass</i> service center cost increases due to higher transaction volumes and contractual rates | | 4,000 |
| Contractual engineering costs | | 2,900 |
| Various contracts for systems maintenance, IT, and janitorial services | | 1,500 |
| MDTA police body cameras and communications equipment | | 1,179 |
| Increase in MSP overhead..... | | 1,100 |
| Inflationary adjustments for supplies and equipment | | 564 |
| Contractual personnel | | 162 |
| Vehicle fleet replacement..... | | -1,067 |

| Where It Goes: | <u>Change</u> |
|--|----------------------|
| Technical Adjustments | |
| Premiums for property and business interruption insurance..... | 1,985 |
| Utilities adjusted to match actual costs in fiscal 2023 | 577 |
| Controlled subobjects..... | 297 |
| Employee travel resumes preademic level..... | 97 |
| Debt service..... | -78 |
| Other changes..... | 40 |
| Total | \$20,490 |

IT: information technology
MDTA: Maryland Transportation Authority
MSP: Maryland State Police

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

Financial Forecast

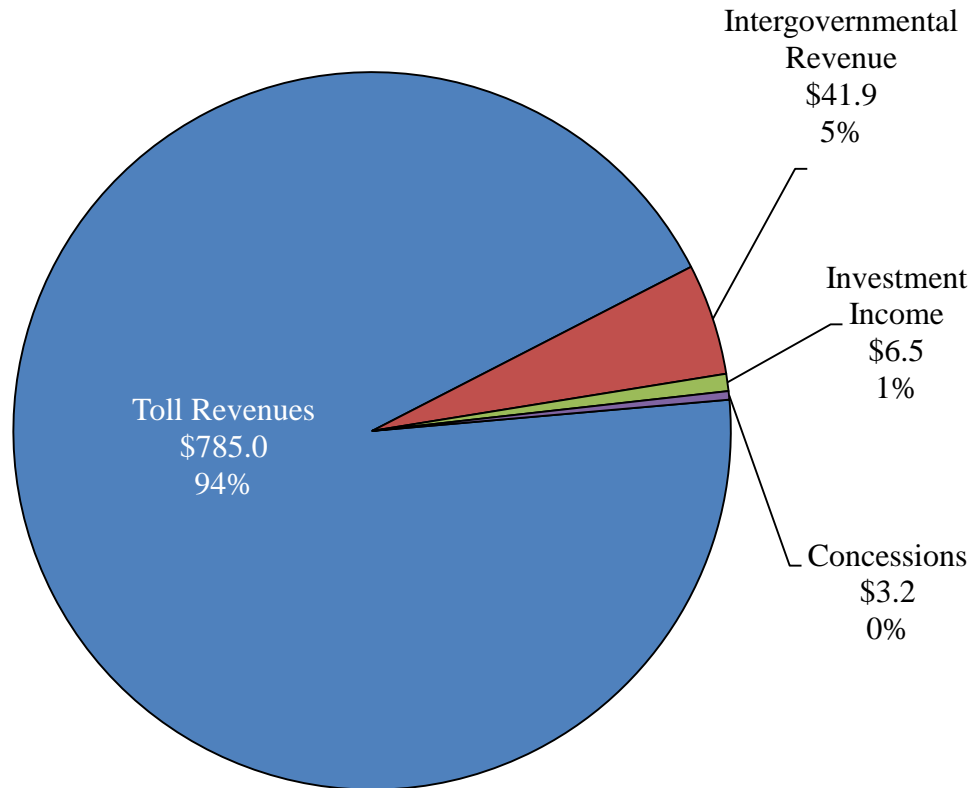
Section 4-313 of the Transportation Article establishes the Transportation Authority Fund, a nonlapsing fund into which all MDTA revenues flow, except to the extent that it is pledged under a trust agreement. MDTA revenues come primarily from tolls as well as from concession income from travel plazas that it owns along I-95, investment income, and payments from 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 debt service coverage and liquidity 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 1** provides the detail of MDTA’s fiscal 2023 through 2029 financial forecast.

Fiscal 2025 Sources and Uses of Funding

Exhibit 3 shows the various sources of revenue in fiscal 2025. The primary source of funding is toll revenues, totaling \$785.0 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 – MAA, and a federal grant to support the I-95 project.

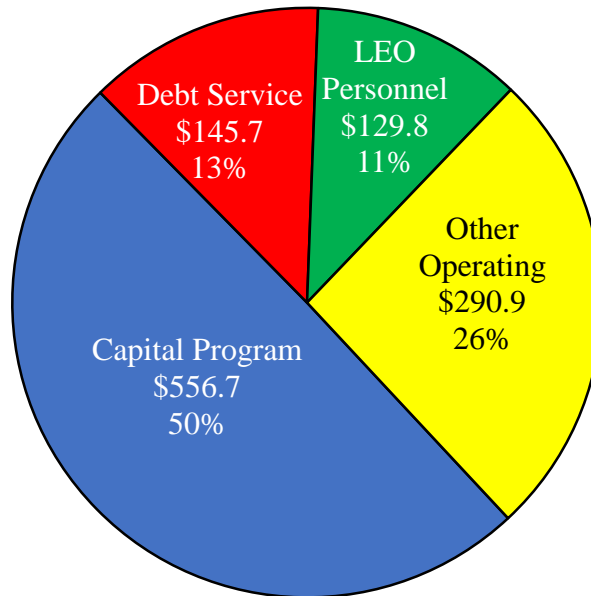
Exhibit 3
Fiscal 2025 Revenue Sources
(\$ in Millions)



Source: Governor’s Fiscal 2025 Budget Books

As shown in **Exhibit 4**, the capital program accounts for 50% of spending in fiscal 2025. Operating costs, including administrative and personnel costs, account for 26% of spending. Law enforcement personnel, including MDTA police and reimbursement for MSP that patrol at the I-95 facility, comprises 11% of spending, while debt service comprises the remaining 13%.

Exhibit 4
Fiscal 2025 Use of Funding
(\$ in Millions)



LEO: law enforcement officer

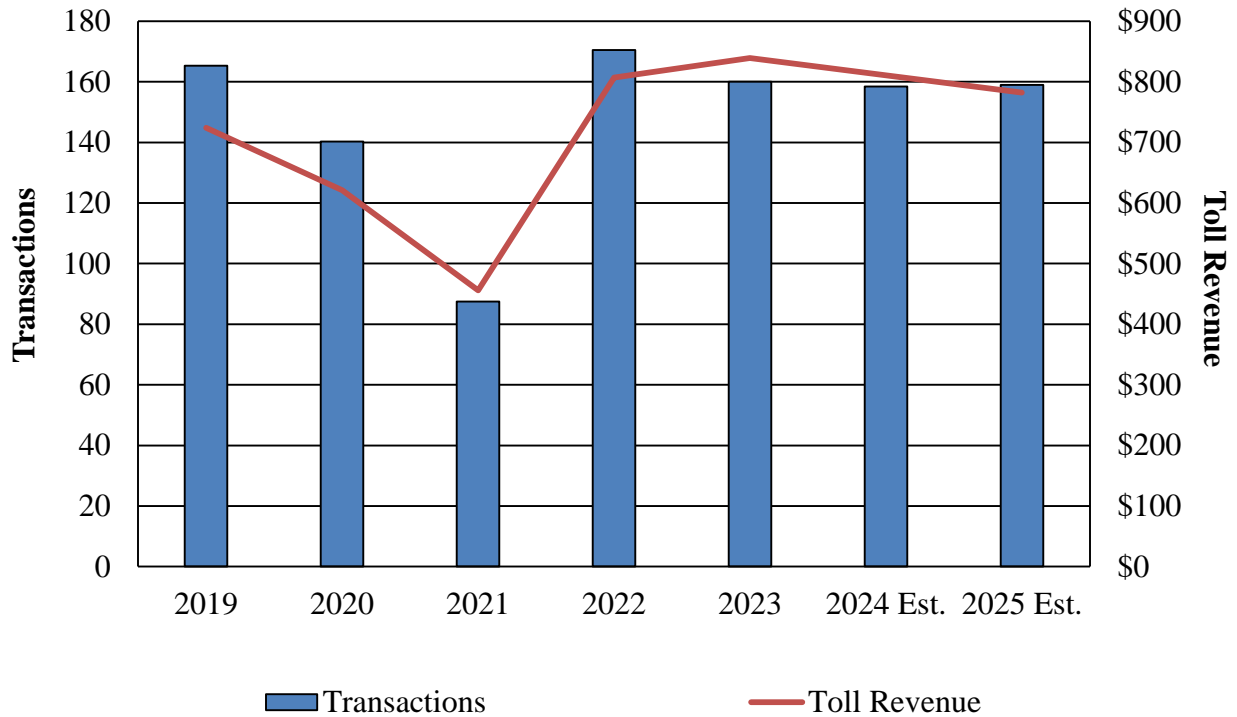
Source: Governor’s Fiscal 2025 Budget Books; Maryland Transportation Authority

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. As shown in **Exhibit 5**, toll revenues have surpassed prepandemic levels. These revenues reached \$839 million in fiscal 2023, exceeding the fiscal 2019 amount of \$724 million. Revenues in fiscal 2020 and 2021 suffered due to decreased traffic associated with the pandemic; however, in fiscal 2022, revenues were artificially inflated due to processing of the toll backlog. The agency estimates that it will collect \$811 million in fiscal 2024 and \$831 million in fiscal 2029, the last year of the forecast. Changes to projected revenues are discussed in more detail in Issue 1 of this analysis.

Exhibit 5
Transactions and Toll Revenues
Fiscal 2019-2025 Est.
(Transactions in Millions, \$ in Millions)

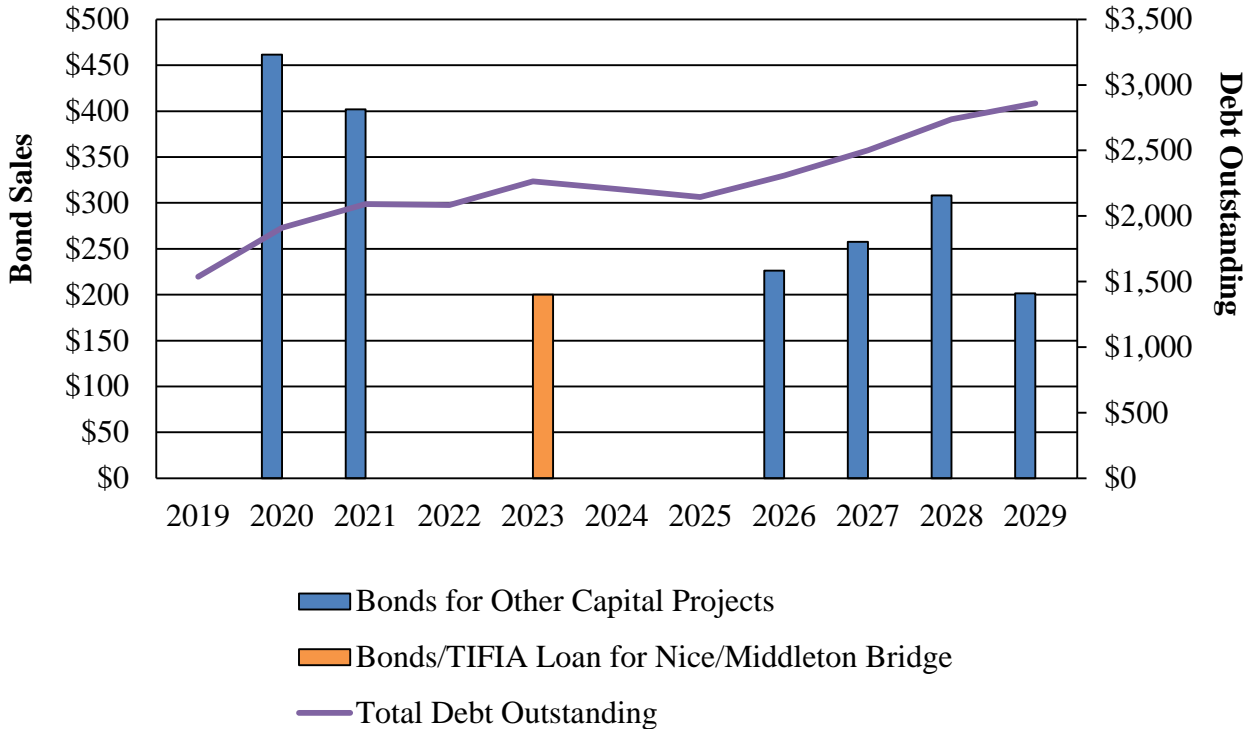


Source: Maryland Transportation Authority

Revenue Bonds and 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. As shown in **Exhibit 6**, the total outstanding debt of \$2.15 billion in fiscal 2025 is well below the \$3.0 billion statutory limit; however, total debt is expected to increase to \$2.86 billion by fiscal 2029.

**Exhibit 6
Bond Sales and Debt Outstanding
Fiscal 2019-2029
(\$ in Millions)**



TIFIA: Transportation Infrastructure Finance and Investment Act

Source: Maryland Transportation Authority

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 2025 rate covenant compliance ratio is projected to be 2.3, and adequate coverage is provided through the forecast period. However, there is a steady decline throughout the forecast with the ratio falling from 3.1 in fiscal 2023 to 1.6 in fiscal 2029.

- The debt service coverage ratio is a ratio of net revenues to debt service. Although the trust agreement does not stipulate a debt service coverage ratio, the MDTA’s TIFIA Loan Agreement contains a 2.0 times debt service coverage covenant and the MDTA Board has established an administrative policy require 2.0 times debt service coverage. In fiscal 2025, the debt coverage ratio is projected to be 2.8. The projected debt service coverage ratio declines steadily throughout the forecast and is expected to dip below the 2.0 level in fiscal 2029. The 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 at least \$400 million. The MDTA Board approved an increase of this threshold from \$350 million in November 2023. The agency notes that the unrestricted cash target has not been raised since calendar 2009 but should periodically be adjusted to conform to agency growth and inflation. 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 at least 12 months. Expenditures are projected to outpace revenues in each year in the forecast, largely due to growth in the capital program. These annual deficits result in a significant reduction in the unencumbered cash balance, from \$860.4 million in fiscal 2023 to \$403.8 million in fiscal 2029.

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. Current outstanding MDTA nonrecourse debt includes \$604 million associated with expansion efforts at BWI Marshall Airport and \$23.8 million for the Calvert Street parking garage in Annapolis for State employees.

Debt service and debt outstanding for MDTA’s nonrecourse bonds from fiscal 2023 through 2025 is shown in **Appendix 2**. 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.

Operating and PAYGO Personnel Data

| | <u>FY 23</u> <u>Actual</u> | <u>FY 24</u> <u>Working</u> | <u>FY 25</u> <u>Allowance</u> | <u>FY 24-25</u> <u>Change</u> |
|------------------------------------|---|--|--|--|
| Regular Operating Budget Positions | 1,697.00 | 1,697.00 | 1,697.00 | 0.00 |
| Regular PAYGO Budget Positions | 0.00 | <u>0.00</u> | <u>0.00</u> | <u>0.00</u> |
| Total Regular Positions | 1,697.00 | 1,697.00 | 1,697.00 | 0.00 |
| 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 | 1,697.00 | 1,697.00 | 0.00 |

Vacancy Data: Regular Positions

| | | |
|---|--------|-------|
| Turnover and Necessary Vacancies, Excluding New Positions | 147.64 | 8.7% |
| Positions and Percentage Vacant as of 1/1/24 | 231.0 | 13.6% |
| Vacancies Above Turnover | 83.36 | |

Note: As a nonbudgeted State agency, the Maryland Transportation Authority is not part of the State Personnel Management System and has independent authority over its personnel.

- While MDTA has independent authority over its personnel, it mirrors statewide salary actions for its civilian workforce. MDTA Police compensation adjustments are collectively bargained.
- MDTA’s vacancy rate decreased from 312 positions, or 18.4%, in January 2023, to 231 positions, or 13.6%, in January 2024. The budgeted turnover rate has also decreased from 10% to 8.7%.

PAYGO Capital Program

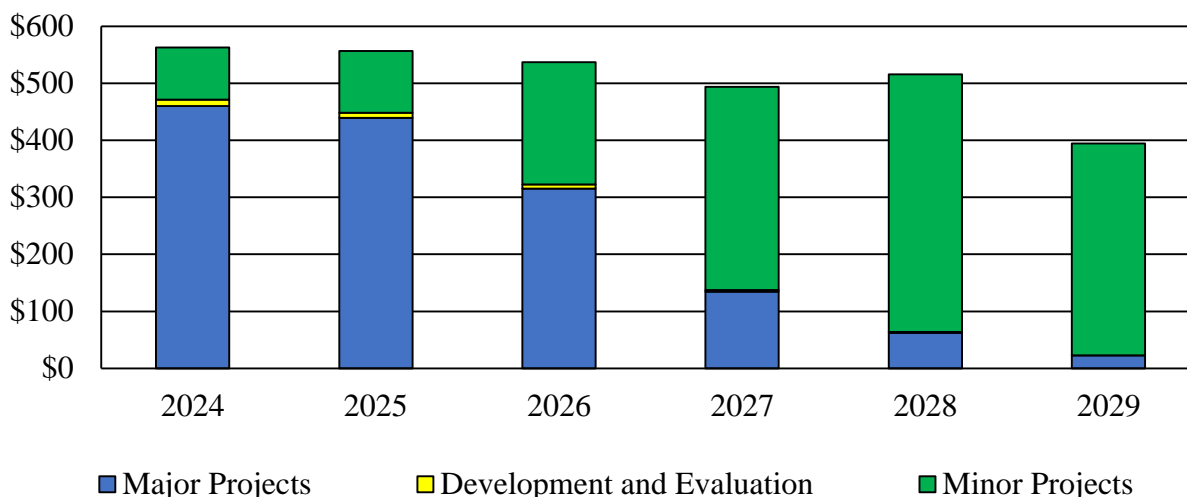
Program Description

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

Fiscal 2024 to 2029 Consolidated Transportation Program

The fiscal 2024 to 2029 Consolidated Transportation Program (CTP) for MDTA totals \$3.1 billion. As shown in **Exhibit 7**, while the planned amount for major projects decreases substantially during the period, total capital investment is nearly maintained through fiscal 2028 due to increased spending for minor projects. The agency notes a heightened focus on state of good repair and system preservation efforts to explain this trend in addition to generally constraining major project spending in the out-years to effectively manage financial standards.

Exhibit 7
Six-year PAYGO Allowance
Fiscal 2024-2029
(\$ in Millions)



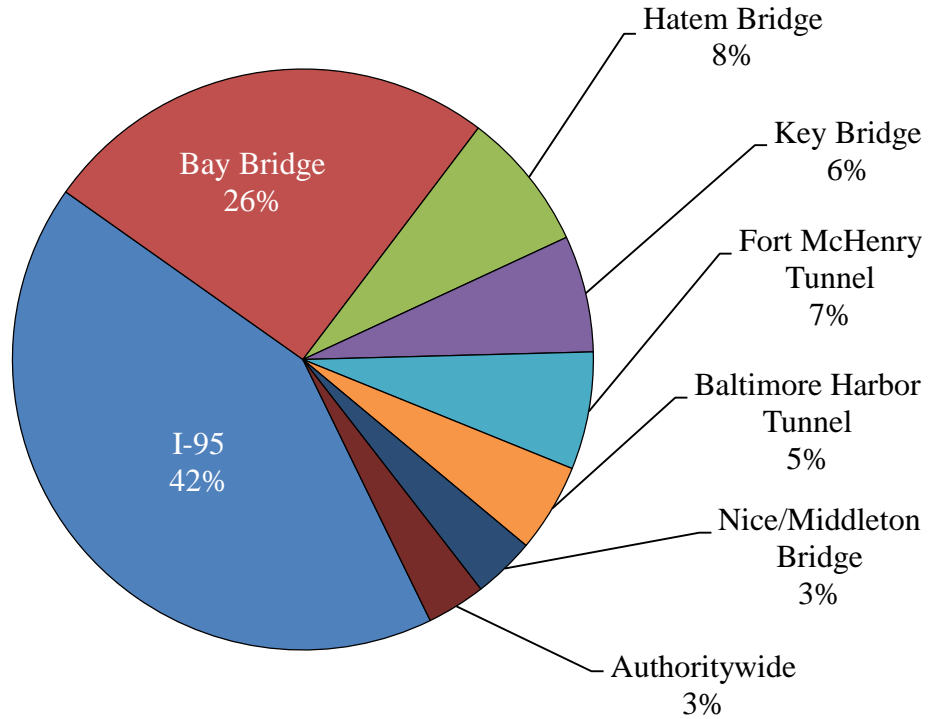
PAYGO: pay-as-you-go

Source: 2024-2029 Consolidated Transportation Program, Maryland Department of Transportation

Fiscal 2025 Capital Allowance by MDTA Facility

Exhibit 8 shows capital funding programmed by facility in fiscal 2025. The largest share of spending is for the various projects along I-95, primarily the Express Toll Lanes Northern Expansion project. Sixty-eight percent of MDTA’s capital spending is programmed for projects at just two facilities – the Bay Bridge and I-95. Authoritywide spending consists of development and evaluation projects and the implementation of the third-generation electronic toll collection and operating system. The programmed \$8.2 million for the Chesapeake Bay Crossing Study Tier 2 NEPA is in the development and evaluation phase and is therefore reflected in the authoritywide total.

Exhibit 8
Capital Funding by MDTA Facility
Fiscal 2025
(\$ in Millions)



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

Hatem Bridge: Thomas J. Hatem Memorial Bridge

I-95: John F. Kennedy Memorial Highway

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.

Source: Maryland Department of Transportation, 2024-2029 Consolidated Transportation Program

Fiscal 2025 Capital Allowance Detail

Exhibit 9 shows the programmed funds for the fiscal 2025 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 2025
(\$ in Thousands)

| <u>Facility</u> | <u>Project Description</u> | <u>2025</u> | <u>Total Estimated Cost</u> | <u>Six-year Total</u> |
|-------------------------------|---|------------------|-----------------------------|-----------------------|
| I-895 Baltimore Harbor Tunnel | Envelope and Switchgear Replacements at Vent Buildings | \$20,026 | \$80,675 | \$72,787 |
| | Resurfacing North and South | 7,224 | 13,603 | 13,083 |
| Subtotal – I-895 | | \$27,250 | \$94,728 | \$85,870 |
| Bay Bridge | Rehabilitate Eastbound Bridge Deck | \$116,175 | \$294,629 | \$261,496 |
| Subtotal – Bay Bridge | | \$116,175 | \$294,629 | \$261,496 |
| Fort McHenry Tunnel (FMT) | Rehabilitate Tunnel 15 KV Cable, Conduit, and Concrete Wall | \$11,500 | \$33,284 | \$22,790 |
| | Rehabilitate Substructure and Superstructure of Various Bridges on I-95 in Baltimore City | 3,584 | 27,326 | 8,451 |
| | Convert to Cashless Tolling | 1,081 | 22,802 | 8,688 |
| | FMT Box Girder Preservation | 2,829 | 10,496 | 10,349 |
| | Rehabilitate FMT Areawide Lighting | 4,458 | 12,042 | 11,575 |
| | FMT Facilitywide Zone Paint Program | 6,323 | 28,370 | 28,272 |
| Subtotal – FMT | | \$29,775 | \$134,320 | \$90,125 |
| JFK Memorial Highway (I-95) | Express Toll Lane – Northern Extension | \$148,367 | \$1,050,304 | \$616,844 |
| | Construct Interchange at Belvidere Road | 24,492 | 81,529 | 62,974 |
| | JFK Maintenance Facility Complex | 4,630 | 45,937 | 43,743 |
| | Southbound Hard Shoulder Running | 2,248 | 35,360 | 33,376 |
| Subtotal – I-95 | | \$179,737 | \$1,213,130 | \$756,937 |

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| <u>Facility</u> | <u>Project Description</u> | <u>2025</u> | <u>Total Estimated Cost</u> | <u>Six-year Total</u> |
|--|---|-------------------------|-------------------------------------|---------------------------|
| Francis Scott Key Bridge (Key Bridge) | Subgrade Improvements at Bear Creek | \$29,534 | \$48,791 | \$45,175 |
| <i>Subtotal – Key Bridge</i> | | <i>\$29,534</i> | <i>\$48,791</i> | <i>\$45,175</i> |
| Nice/Middleton Bridge | Replace Nice/Middleton Bridge | \$15,704 | \$610,787 | \$67,040 |
| <i>Subtotal – Nice/Middleton Bridge</i> | | <i>\$15,704</i> | <i>\$610,787</i> | <i>\$67,040</i> |
| Thomas J. Hatem Bridge (US 40) | Cleaning and repainting | \$35,373 | \$35,915 | \$65,915 |
| <i>Subtotal – Hatem Bridge</i> | | <i>\$35,373</i> | <i>\$35,915</i> | <i>\$65,915</i> |
| <i>Subtotal – Projects</i> | | <i>\$433,548</i> | <i>\$2,461,850</i> | <i>\$1,371,710</i> |
| Programs | | | | |
| Authoritywide | Major Development and Evaluation | \$9,300 | n/a | \$32,500 |
| Authoritywide | Minor Program | 108,300 | n/a | 1,593,900 |
| Authoritywide | Replace Electronic Toll Collection and Operating System | 5,574 | 139,369 | 40,632 |
| Total – Projects and Programs | | \$563,388 | \$2,570,679 | \$3,038,722 |

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

Hatem Bridge: Thomas J. Hatem Memorial Bridge

KV: kilo volts

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 2025. Additional projects appear in this year’s *Consolidated Transportation Program* (CTP) that are funded elsewhere during the six-year program. All a result, the total estimated cost and six-year total is below the figure listed in the CTP. The Chesapeake Bay Bridge Tier II National Environmental Policy Act Study is included as part of the Development and Evaluation Program.

Source: 2024-2029 *Consolidated Transportation Program*, Maryland Department of Transportation

Significant Changes from the Previous *Consolidated Transportation Program*

Exhibit 10 lists the significant changes from the fiscal 2023 to 2028 CTP, which comprises additions to the construction and development and evaluation programs.

Exhibit 10
Major Changes from the 2023 to 2028 CTP
(\$ in Millions)

| <u>Projects Added to the Construction Program</u> | <u>Total Cost</u> |
|--|--------------------------|
| Construction Projects | |
| I-95 Fort McHenry Tunnel – Facilitywide Zone Paint Program | \$28.4 |
| I-95 Fort McHenry Tunnel – Rehabilitate Areawide Lighting | 12.0 |
| I-95 Fort McHenry Tunnel – Box Girder Preservation | 10.5 |
| D&E Program Projects | |
| MD 695 Francis Scott Key Bridge – Deck Replacement | 10.2 |

CTP: *Consolidated Transportation Program*

D&E: development and evaluation

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

Issues

1. Increased Revenues Delay Financial Woes, but Issues Remain

As a nonbudgeted entity, MDTA must balance operating and capital costs, including debt service, to manage its 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 greater than or equal to 1.0 times sum of 120% of debt service and 100% deposits to the Maintenance and Operations Reserve |
| Debt Service Coverage (Policy, Legal) | Net revenues greater than or equal to 2.0 times annual debt service |
| Unencumbered Cash (Policy) | Cash greater than or equal to \$400 million |
| Debt Outstanding Limit (Statutory) | \$3.0 billion for toll revenue-backed debt |

MDTA: Maryland Transportation Authority

Source: 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 2023 through 2029 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 is currently projected to dip below the lowest allowable limit by the end of the forecast period.

Exhibit 12
Financial Forecast Summary
Fiscal 2023-2029
(\$ in Millions)

| | <u>2023</u> | <u>2024</u> | <u>2025</u> | <u>2026</u> | <u>2027</u> | <u>2028</u> | <u>2029</u> |
|--|----------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Total Revenues | \$926.8 | \$871.0 | \$835.1 | \$850.5 | \$857.2 | \$864.2 | \$889.0 |
| Total Expenses | \$967.7 | \$1,108.9 | \$1,123.8 | \$1,130.4 | \$1,116.7 | \$1,174.3 | \$1,088.9 |
| Annual Cash Surplus/Deficit | \$249.2 | -\$219.0 | -\$287.2 | -\$52.5 | -\$0.8 | -\$1.3 | \$2.7 |
| Total MDTA Cash Balance | \$994.9 | \$775.9 | \$488.7 | \$436.2 | \$435.4 | \$434.1 | \$436.9 |
| Financial Standards | | | | | | | |
| Rate Covenant Compliance (Legal; Greater Than or Equal to 1.0) | 3.1 | 2.5 | 2.3 | 2.2 | 1.9 | 1.7 | 1.6 |
| Debt Service Coverage (Policy and Legal; Greater Than or Equal to 2.0) | 4.0 | 3.2 | 2.8 | 2.7 | 2.4 | 2.1 | 1.9 |
| Unencumbered Cash (Policy; Greater Than or Equal to \$400 million) | \$860.4 | \$742.9 | \$455.7 | \$403.2 | \$402.7 | \$401.1 | \$403.8 |
| Debt Outstanding (Statutory, Less Than \$3 Billion) | \$2,263.9 | \$2,206.3 | \$2,146.0 | \$2,309.5 | \$2,501.8 | \$2,738.3 | \$2,861.1 |

MDTA: Maryland Transportation Authority

Source: *MDTA Financial Forecast 2023-2029*, Maryland Transportation Authority

J00J00 – MDOT – Maryland Transportation Authority

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 and the TIFIA loan agreement dictate 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. Debt service coverage is projected to reach 1.9, below the policy minimum, in fiscal 2029.

While the forecast indicates fiscal stress on the horizon, it represents an improvement over the September 2023 forecast, which projected that the debt service coverage would fall below acceptable levels in fiscal 2028. The main reason for this change was the inclusion of an additional \$293 million in projected toll revenue throughout the fiscal 2024 to 2029 forecast period, primarily in fiscal 2023 and 2024. These revenues exceeded earlier projections primarily due to higher than anticipated traffic at *E-ZPass* facilities. Other contributing factors include technical adjustments to anticipated revenue, such as accounting for when outstanding tolls would be processed, and assumptions regarding motorists paying outstanding civil penalties.

Operating Budget Recommended Actions

1. Nonbudgeted.

PAYGO Budget Recommended Actions

1. Nonbudgeted.

Updates

1. Tier 2 of Bay Crossing Study Continues

The combined Final Environmental Impact Statement (FEIS) and Record of Decision (ROD) for the Chesapeake Bay Cross Study: Tier 1 National Environmental Policy Act (NEPA) was approved by the Federal Highway Administration (FHWA) in April 2022. FHWA designated Corridor 7/Existing Corridor (US 50/301 to US 50 from the Severn River Bridge in Anne Arundel County to the US 50/US 301 split in Queen Anne’s County) as the Preferred Corridor Alternative. In June 2022, \$28 million in funding was announced for the Chesapeake Bay Crossing Study: Tier 2 NEPA (Tier 2 Study). The Tier 2 study will evaluate various build alternatives and a No Build Alternative along the Preferred Corridor Alternative, consider transportation alternatives within the study corridor, and determine mitigation strategies for any unavoidable environmental impacts. Goals of the study include providing congestion relief and improving travel reliability, mobility, and safety across the Chesapeake Bay.

In 2022 and 2023, MDTA hosted two rounds of informational open houses and solicited feedback on the Tier 2 study through public meetings and written comments. MDTA also released an equity survey to identify the needs and concerns of disadvantaged and underserved communities in the study area and held a transit and bicycle/pedestrian listening meeting. The agency is currently developing the purpose and need for the Tier II study and plans to release a notice of intent to prepare an environmental impact statement, in addition to hosting a third round of open houses, in summer/fall 2024.

2. American Legion Bridge Replacement/Beltway Expansion Project Misses Out on Federal Funds

In August 2023, Governor Wes Moore announced a shift in the approach to this project. The announcement noted several key priorities for the project that were not identified by the previous Administration, including transit and ridesharing, transit-oriented development, and bicycle and pedestrian improvements. While the current facilities are under the purview of the State Highway Administration, MDTA would become involved if or when tolling lanes are added.

MDOT sought federal grants of \$2.4 billion and \$807 million from the Multimodal Project Discretionary Grant Program and the Bridge Investment Program, respectively, for Phase 1 South. The Multimodal Project Discretionary Grant application was unsuccessful, and the Bridge Investment Program grant is still pending. Construction cannot move forward until funding is secured, so the agency plans to reapply in the next grant cycle to keep the project moving.

Despite challenges with securing funding, initial project planning is moving forward. In fall 2023, the department hosted open houses in the impacted communities to solicit public feedback. The agency will develop a menu of potential projects in the corridor for further stakeholder discussion later in calendar 2024.

3. Transportation Commission Considers Tolling Adjustments

The TRAIN Commission was established by Chapter 455 of 2023 to review and make recommendations on various transportation issues. The commission is comprised of representatives from State and local governments; transit, cycling, and environmental advocacy groups; business groups; transportation industry; and labor. The commission was required to submit an interim report on its findings and recommendations by January 1, 2024, with a final report due by January 1, 2025.

One of the recommendations contained in the commission’s interim report was that the General Assembly consider requiring MDTA to adjust toll rates, including the non-Maryland *E-ZPass* rate, to maximize toll revenues to generate new revenue to support projects in Maryland’s broader transportation system outside of MDTA.

All current revenue generated by tolls is constrained according to the MDTA Trust Agreement. Any proposal to generate additional toll revenue to support operations or capital projects outside of MDTA would require a new source of revenue that is not already pledged for certain purposes under the Trust Agreement and would have no bearing on MDTA’s fiscal situation.

Appendix 1
2023 Joint Chairmen’s Report Responses from Agency

The 2023 *Joint Chairmen’s Report* (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.

- ***Key Bridge Tolling Report:*** The 2023 JCR requested that MDTA submit a report on the accuracy of tolling at the Key Bridge facility. The agency reassessed toll rates and the facility, and the report confirmed that motorists are being assessed appropriate toll rates based on vehicle classifications and entry and exist points. The report gives additional context regarding the facility and details several programs which offers reduced toll rates to certain customers.

**Appendix 2
MDTA Financial Forecast**

| | <u>2023</u> | <u>2024</u> | <u>2025</u> | <u>2026</u> | <u>2027</u> | <u>2028</u> | <u>2029</u> |
|---|----------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Revenues | | | | | | | |
| Toll Revenues | 839.2 | 810.8 | 782.1 | 797.6 | 802.8 | 807.8 | \$830.9 |
| Concessions | 4.5 | 3.1 | 3.2 | 3.3 | 3.4 | 3.5 | 3.6 |
| Investment Income and Other | 47.7 | 17.8 | 9.0 | 7.1 | 6.8 | 6.8 | 6.8 |
| MDOT Loan Repayment – Interest | 1.0 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.1 |
| MAA/MPA Police Reimbursement ⁽¹⁾ | 34.4 | 39.1 | 40.7 | 42.3 | 44.0 | 45.7 | 47.6 |
| Total Revenues | \$926.8 | \$871.0 | \$835.2 | \$850.5 | \$857.2 | \$864.0 | \$889.0 |
| Expenses | | | | | | | |
| Operations | \$378.2 | \$400.1 | \$421.4 | \$442.4 | \$457.2 | \$475.5 | \$494.5 |
| Debt Service | 137.8 | 145.8 | 145.7 | 151.1 | 166.0 | 183.3 | 200.0 |
| Capital Program | 451.7 | 563.0 | 556.7 | 536.9 | 493.5 | 515.5 | 394.4 |
| Total Expenses | \$967.7 | \$1,108.9 | \$1,123.8 | \$1,130.4 | \$1,116.7 | \$1,174.3 | \$1,088.9 |
| Capital Funding Sources/(Uses) and Intergovernmental | | | | | | | |
| Revenue Bond Proceeds | \$0.0 | \$0.0 | \$0.0 | \$226.3 | \$257.6 | \$308.0 | \$201.4 |
| TIFIA | 200.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Surety Policy Expenses | 0.0 | 0.0 | 0.0 | -0.4 | -0.5 | -0.6 | -0.4 |
| MDOT Loan Repayment – Principal | 49.9 | 1.5 | 1.5 | 1.5 | 1.5 | 1.6 | 1.6 |
| VDOT Contribution/Grant | 1.5 | 1.9 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| I-95 Interchange Partner Contribution | 4.5 | 15.5 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Accounting Reconciliation | 34.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Total Sources/(Uses) | \$290.2 | \$18.9 | \$1.5 | \$227.4 | \$258.7 | \$309.0 | 202.6 |
| Annual Cash Requirements⁽²⁾ | \$677.6 | \$1,090.0 | \$1,122.3 | \$903.0 | \$858.0 | \$865.3 | \$886.2 |
| Annual Cash Surplus/(Deficit) | \$249.2 | -\$219.0 | -\$287.2 | -\$52.5 | -\$0.8 | -\$1.3 | \$2.7 |
| Total MDTA Cash Balance | \$994.9 | \$775.9 | \$488.7 | \$436.2 | \$435.4 | \$434.1 | \$436.8 |
| MDTA Financial Standards | | | | | | | |
| Debt Outstanding | \$2,263.9 | \$2,206.3 | \$2,146.0 | \$2,309.5 | \$2,501.8 | \$2,738.3 | \$2,861.1 |
| Unencumbered Cash | 860.4 | 742.9 | 455.7 | 403.2 | 402.4 | 401.1 | 403.8 |
| Debt Service Coverage | 4.0 | 3.2 | 2.8 | 2.7 | 2.4 | 2.1 | 1.9* |
| Rate Covenant Compliance | 3.1 | 2.5 | 2.3 | 2.2 | 1.9 | 1.7 | 1.6 |

I-95: John F. Kennedy Memorial Highway

VDOT: Virginia Department of Transportation

TIFIA: Transportation Infrastructure Finance and Investment Act

J00J00 – MDOT – Maryland Transportation Authority

* Denotes the projected value does not meet legal, statutory, or administrative limit.

(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.

Source: *MDTA Financial Forecast 2023-2029*, Maryland Transportation Authority

**Appendix 3
Nonrecourse Debt
Fiscal 2023-2025**

| | <u>2023</u> | <u>2024</u> | <u>2025</u> |
|---|------------------|------------------|------------------|
| Debt Service Payments | | | |
| 2002 Series – BWI Airport Rental Car Facility | \$8,926 | \$8,913 | \$8,900 |
| 2012 A Series – PFC BWI Airport | 3,842 | 3,839 | 3,841 |
| 2012 B Series –PFC BWI Airport | 7,968 | 7,969 | 7,968 |
| 2014 Series – PFC BWI Airport | 2,957 | 2,955 | 2,955 |
| 2019 Series – PFC BWI Airport | 8,470 | 8,471 | 8,471 |
| 2015 Series – Calvert Street Parking Garage Refunding | 1,478 | 1,473 | 1,472 |
| Total Debt Service Payments | \$33,641 | \$33,620 | \$33,608 |
| Debt Outstanding | | | |
| 2002 Series – BWI Airport Rental Car Facility | \$64,755 | \$59,990 | \$54,910 |
| 2012 A Series – PFC BWI Airport | 28,220 | 25,660 | 22,970 |
| 2012 B Series –PFC BWI Airport | 29,950 | 22,730 | 15,340 |
| 2014 Series – PFC BWI Airport | 26,290 | 24,270 | 22,190 |
| 2019 Series – PFC BWI Airport | 97,295 | 93,105 | 88,705 |
| 2015 Series – Calvert Street Parking Garage Refunding | 12,352 | 11,187 | 9,992 |
| Total Debt Outstanding | \$258,862 | \$236,942 | \$214,107 |

PFC: passenger facility charge

Source: Maryland Transportation Authority

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

| <u>Object/Fund</u> | <u>FY 23 Actual</u> | <u>FY 24 Working Appropriation</u> | <u>FY 25 Allowance</u> | <u>FY 24 - FY 25 Amount Change</u> | <u>Percent Change</u> |
|-------------------------------|-------------------------|--|----------------------------|--|---------------------------|
| Positions | | | | | |
| 01 Regular | 1,697.00 | 1,697.00 | 1,697.00 | 0.00 | 0% |
| Total Positions | 1,697.00 | 1,697.00 | 1,697.00 | 0.00 | 0% |
| Objects | | | | | |
| 01 Salaries and Wages | \$ 190,719,013 | \$ 219,789,883 | \$ 227,023,848 | \$ 7,233,965 | 3.3% |
| 02 Technical and Special Fees | 125,559 | 776,409 | 937,934 | 161,525 | 20.8% |
| 03 Communication | 2,646,156 | 3,177,903 | 4,357,240 | 1,179,337 | 37.1% |
| 04 Travel | 300,151 | 513,568 | 610,138 | 96,570 | 18.8% |
| 06 Fuel and Utilities | 4,503,170 | 4,336,135 | 4,912,901 | 576,766 | 13.3% |
| 07 Motor Vehicles | 12,888,544 | 13,969,859 | 12,903,087 | -1,066,772 | -7.6% |
| 08 Contractual Services | 140,705,721 | 137,817,877 | 147,315,162 | 9,497,285 | 6.9% |
| 09 Supplies and Materials | 7,618,989 | 10,960,490 | 10,974,953 | 14,463 | 0.1% |
| 10 Equipment – Replacement | 2,351,783 | 2,444,400 | 2,579,887 | 135,487 | 5.5% |
| 11 Equipment – Additional | 452,533 | 769,834 | 1,197,911 | 428,077 | 55.6% |
| 13 Fixed Charges | 153,764,359 | 151,340,552 | 153,573,506 | 2,232,954 | 1.5% |
| Total Objects | \$ 516,075,978 | \$ 545,896,910 | \$ 566,386,567 | \$ 20,489,657 | 3.8% |
| Funds | | | | | |
| 07 Nonbudgeted Fund | \$ 516,075,978 | \$ 545,896,910 | \$ 566,386,567 | \$ 20,489,657 | 3.8% |
| Total Funds | \$ 516,075,978 | \$ 545,896,910 | \$ 566,386,567 | \$ 20,489,657 | 3.8% |

**Appendix 5
Fiscal Summary
Maryland Transportation Authority**

| <u>Program/Unit</u> | <u>FY 23 Actual</u> | <u>FY 24 Wrk Approp</u> | <u>FY 25 Allowance</u> | <u>Change</u> | <u>FY 24 - FY 25 % Change</u> |
|-----------------------------|-------------------------|-----------------------------|----------------------------|----------------------|-----------------------------------|
| 41 Operating Program | \$ 516,075,978 | \$ 545,896,910 | \$ 566,386,567 | \$ 20,489,657 | 3.8% |
| 42 Capital Program | 451,629,408 | 562,961,315 | 556,716,398 | -6,244,917 | -1.1% |
| Total Expenditures | \$ 967,705,386 | \$ 1,108,858,225 | \$ 1,123,102,965 | \$ 14,244,740 | 1.3% |
| Nonbudgeted Fund | \$ 967,705,386 | \$ 1,108,858,225 | \$ 1,123,102,965 | \$ 14,244,740 | 1.3% |
| Total Appropriations | \$ 967,705,386 | \$ 1,108,858,225 | \$ 1,123,102,965 | \$ 14,244,740 | 1.3% |