

Department of Legislative Services
Maryland General Assembly
2014 Session

FISCAL AND POLICY NOTE

Senate Bill 928
Finance

(Senator Hershey)

**Maryland Transportation Authority - John F. Kennedy Memorial Highway - Toll
Plazas**

This bill prohibits the Maryland Transportation Authority (MDTA) from making any “capital investment” in the John F. Kennedy Memorial Highway Toll Plaza, located one mile north of the Millard Tydings Memorial Bridge. “Capital investment” is defined as any project involving construction, reconstruction, improvement, extension, alteration, modernization, or major repairs. When the toll plaza becomes functionally obsolete, MDTA must remove the toll plaza and build a new one between Maryland Route 279 and the Delaware state line.

The bill takes effect July 1, 2014.

Fiscal Summary

State Effect: No immediate effect on MDTA’s nonbudgeted revenues or expenditures because the *Consolidated Transportation Program* (CTP) has no planned capital expenditures for the toll plaza. Eventual placement of a new toll plaza in the designated location likely results in about \$60.0 million annually in lost revenue for MDTA at that location due to traffic diversions, resulting in higher toll rates at other MDTA toll facilities.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law/Background: Since 1971, MDTA has been responsible for constructing, managing, operating, and improving the State's toll facilities and for financing new revenue-producing transportation projects. MDTA is governed by nine individuals appointed by the Governor, with the advice and consent of the Senate. The Secretary of Transportation serves as MDTA's chairman. MDTA transportation facilities projects include:

- bridges (*e.g.*, Susquehanna River Bridge; Harry W. Nice Memorial Potomac River Bridge; William Preston Lane, Jr. Memorial Chesapeake Bay Bridge and parallel Chesapeake Bay Bridge; Baltimore Harbor Tunnel; Fort McHenry Tunnel; Francis Scott Key Bridge; and John F. Kennedy Memorial Highway);
- vehicle parking facilities located in priority funding areas;
- other projects that MDTA authorizes to be acquired or constructed; and
- any authorized additions or improvements to MDTA projects.

MDTA has the authority to set tolls on transportation facilities projects under its supervision. Tolls must provide funds that, when combined with bond proceeds and other available revenues, are sufficient to pay maintenance, repair, and operating costs for transportation facilities projects that are not otherwise paid for; pay the interest and principal of any outstanding bond issues; create reasonable reserves for these purposes; and provide funds for the cost of replacements, renewals, and improvements. Toll revenues are deposited into the Transportation Authority Fund, which is wholly separate from the Transportation Trust Fund.

The CTP is the Maryland Department of Transportation's six-year budget for the construction, development, and evaluation of transportation capital projects. It is revised annually to reflect updated information and changing priorities. It contains a list of current and anticipated major and minor capital projects for the fiscal year it is issued and for the next five fiscal years, including:

- an expanded description of major capital projects;
- a detailed breakdown of the costs of a project, project expenditures to date, expected expenditures for the current fiscal year, projected annual expenditures for the next five years, and total project costs; and

- MDOT's estimates of the source (*i.e.*, federal funds, special funds, etc.) and amount of revenues required to fund projects in the CTP.

The CTP has no planned capital expenditures for the John F. Kennedy toll plaza. However, MDTA's long-range plan includes converting all existing toll plazas to all electronic tolling (AET). The first scheduled conversions are the Hatem Bridge over the Susquehanna River and the Key Bridge over the Patapsco River. However, MDTA recently announced that it was delaying conversion of the Hatem Bridge for at least two years, pending further study.

State Fiscal Effect: The placement of a new toll plaza in accordance with the bill likely results in substantial lost revenue for MDTA. Placement of the toll plaza between Rt. 279 and the Delaware state line makes it easier for travelers to divert to Rt. 40 and avoid tolls in both Maryland and Delaware. A 2009 study conducted for MDTA concluded that approximately half of all traffic on Interstate 95 would divert, resulting in lost toll revenues of about \$60.0 million annually. Any such loss of revenue would likely result in higher toll rates at other MDTA toll facilities so that MDTA could meet its obligations to bond holders under its trust agreement.

Since MDTA plans to eventually replace all toll plazas with AET, the eventual need to remove the current toll plaza and construct a new toll plaza has no practical fiscal effect on MDTA, since it expects to do so anyway under its current long-term plan.

Additional Information

Prior Introductions: None.

Cross File: None.

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

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ncs/lgc

Analysis by: Michael C. Rubenstein

Direct Inquiries to:
(410) 946-5510
(301) 970-5510