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Maryland Transportation Authority

Operating Budget Data

(\$ in Thousands)

	<u>FY 02</u>	<u>FY 03</u>	<u>FY 04</u>	<u>FY 02-04</u> <u>Change</u>	<u>FY 05</u>	<u>FY 04-05</u> <u>Change</u>
Operations	\$129,874	\$119,758	\$130,357	\$483	\$133,444	\$3,087
Contractual Services	2,852	6,402	7,073	4,221	6,752	-321
Adjusted Grand Total	\$132,726	\$126,160	\$137,430	\$4,704	\$140,196	\$2,766
Nonbudgeted	132,726	126,160	137,430	4,704	140,196	2,766
Total Nonbudgeted Funds	\$132,726	\$126,160	\$137,430	\$4,704	\$140,196	\$2,766
Annual % Change		-4.9%	8.9%		2.0%	

- There is a \$1.8 million increase in salaries and wages due to step increases and 18.5 additional positions, as well as increases for hospitalization, retiree hospitalization, pensions, and deferred compensation.
- Maryland Transportation Authority (MdTA) debt service payments for fiscal 2005 increase by \$1.2 million over fiscal 2004 largely due to an increase in the payment on the 1992 series bonds.

PAYGO Capital Budget Data

(\$ in Thousands)

	<u>FY 02</u>	<u>FY 03</u>	<u>FY 04</u>	<u>FY 05</u>	<u>FY 04-05</u> <u>Change</u>	<u>FY 04-05</u> <u>% Change</u>
Nonbudgeted Fund	\$102,847	\$160,892	\$199,780	\$262,794	\$63,014	31.5%
Total	\$102,847	\$160,892	\$199,780	\$262,794	\$63,014	31.5%

- The fiscal 2005 allowance increases by \$63 million over the fiscal 2004 working appropriation. This increase occurs with additions to the development and evaluation (D&E) program and increases in system preservation and minor projects due to aging infrastructure.
- \$116.4 million was added to MdTA's D&E program for the InterCounty Connector (ICC). This amount includes \$65.3 million for project planning and \$51.1 million for right-of-way in fiscal 2004 and 2005.

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

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Analysis of the FY 2005 Maryland Executive Budget, 2004

Operating and PAYGO Personnel Data

	<u>FY 02</u>	<u>FY 03</u>	<u>FY 04</u>	<u>FY 02-04</u> <u>Change</u>	<u>FY 05</u>	<u>FY 04-05</u> <u>Change</u>
Regular Positions	1,499.0	1,518.5	1,534.5	35.5	1,553.0	18.5
Contractual FTEs	0.0	0.0	0.0	0.0	0.0	0.0
Total Personnel	1,499.0	1,518.5	1,534.5	35.5	1,553.0	18.5

Vacancy Data: Regular Positions

Turnover Expectancy	54.00	3.50%
Positions Vacant as of 12/31/03	124.90	8.14%

- The MdTA fiscal 2005 budget includes 18.5 new regular positions. Four new sworn police officers are added to provide additional police support at the Port of Baltimore for the new terminal building. These positions will be funded by the Maryland Port Administration. The fiscal 2005 budget includes six sworn police officers and one police corporal to staff the K-9 drug intervention program. These officers and their dogs will be used on all toll facilities projects and at Baltimore/Washington International Airport (BWI) and the Port of Baltimore. The budget also includes 6.5 Vehicle Recovery Technicians to staff the expansion of the Courtesy Patrol to the northern portions of I-95. Finally, the budget includes one Director of Marketing position to assist with E-ZPass promotion.

Analysis in Brief

Major Trends

Increase in Electronic Tolling: MdTA has witnessed a recent rise in the use of electronic tolling. MdTA advises that over 35% of all tolled traffic currently uses E-ZPass, and its goal is to increase the percentage to 55% by calendar 2006. E-ZPass information is not included in the fiscal 2005 Managing for Results (MFR) submission, but MdTA may include the information in the fiscal 2006 submission. E-ZPass performance is especially important given its potential to relieve congestion and improve the overall toll collection process.

Issues

InterCounty Connector: The ICC is a proposed east-west, limited-access road that would connect I-270 in Montgomery County and I-95/U.S. 1 in Prince George's County. The State Highway Administration (SHA) is anticipating an 18-mile, six-lane (three lanes in each direction) parkway design. Maryland Department of Transportation (MDOT) expects the cost of the parkway to total \$1.7 billion; however, given the early stage of the planning process, it is likely that the final construction cost will be higher. The ICC is included in MdTA's capital program for the fiscal period 2004 through 2009. In fiscal 2004 MdTA anticipates spending \$27.3 million for project planning and right-of-way, and SHA anticipates spending \$19.7 million on project planning. In fiscal 2005 MdTA anticipates spending \$89 million for planning and right-of-way. **The Department of Legislative Services (DLS) recommends that MdTA comment on ICC cost estimates, the MdTA forecast, GARVEE bonds, potential litigation, and the MdTA proposal to acquire the ICC project.**

MdTA Forecast and Toll Increases: In recent years, there has been concern over growing deficits in MdTA's out-year forecast. In response to the financial forecast and rising need to address the capital program, MdTA members decided to raise tolls at five MdTA facilities: the John F. Kennedy Memorial Highway, Hatem Memorial Bridge, Fort McHenry Tunnel, Baltimore Harbor Tunnel, and the Francis Scott Key Bridge. The authority members approved the toll increases on October 21, 2003, and the new tolls went into effect on November 15, 2003. The estimated increase in toll revenues is approximately \$57 million in fiscal 2004 and \$93 million in fiscal 2005. As a result of the increased tolls, MdTA projects a positive cash balance from fiscal 2004 to 2009. This forecast does not include funding for the ICC. **DLS recommends that MdTA update the committees on the expected impact of the addition of the ICC project on its revenue, operating, and capital programs and out-year financial forecast.**

Toll Sponsorship Program at the Chesapeake Bay Bridge: During the summer of 2003, MdTA instituted a pilot program at the Chesapeake Bay Bridge called the Toll Sponsorship Program. The objective is to encourage motorists to travel during non-peak hours. MdTA solicited private and public businesses to pre-pay motorist's toll charges at pre-determined, off-peak times in exchange for

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advertising rights. There were four Fridays of toll sponsorship during the summer of 2003 from 7:00 p.m. to midnight. The Maryland Lottery sponsored three Fridays and the Ocean Conservancy, a nonprofit group dedicated to protecting ocean ecosystems, sponsored the fourth. The overall success of the program is still unclear due to difficulties in measuring the toll sponsorship impact. MdTA plans to implement the program again next summer and has considered hiring a marketing firm to develop and sell sponsorship opportunities. **DLS recommends budget bill language to prohibit State agencies from participating in the Toll Sponsorship Program.**

Operating Budget Recommended Actions

1. Add budget bill language to prohibit State agencies from participating in the Toll Sponsorship Program.
2. Adopt committee narrative to request that the Maryland Transportation Authority forego the deferred compensation match, similar to other State agencies.

Capital Budget Recommended Actions

1. Nonbudgeted.

Updates

Congestion Mitigation Measures at the Chesapeake Bay Bridge: Narrative in the 2003 *Joint Chairmen's Report* (JCR) directed MdTA to prepare a report on congestion mitigation measures at the Chesapeake Bay Bridge. In a November 2003 report, MdTA stated that it will not move forward with a congestion pricing scheme on the Chesapeake Bay Bridge at this time. MdTA provided several reasons for this conclusion: (1) a consultant study concluded that the Chesapeake Bay Bridge is not a good candidate for congestion mitigation measures due to lack of alternative routes, physical limitations of the bridge, and the extent of peak-period travel demand; (2) current construction at the Chesapeake Bay Bridge to renovate the deck of the westbound span; (3) the current trust agreement does not provide sufficient flexibility for congestion pricing at the Chesapeake Bay Bridge exclusively; and (4) lack of roadway alternatives.

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Vehicle Parking Facility Financing Program: MdTA has the authority to finance revenue-generating transportation facilities projects such as the authority's own bridges, highways, toll facilities, and projects at the Port of Baltimore or BWI. Chapter 569, Acts of 2001 gave MdTA the added authority to finance, construct, operate, maintain, and repair vehicle parking facilities in priority funding areas. MdTA pursued the financing of a 1,500-space parking garage in Prince George's County at the intersection of East-West Highway (MD 410) and Belcrest Road. However, MdTA was not able to close a financing deal with the Prince George's Metro Center (PGMC). An MdTA financed Annapolis parking garage may be proposed for construction. The current preferred structure would have four floors, approximately 830 spaces, and include a mix of State and public users. The total cost of the garage is estimated to be \$23 million to \$25 million.

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Budget Analysis

Program Description

The Maryland Transportation Authority (MdTA), established under Title 4 of the Transportation Article, has exclusive authority relating to the financing, construction, operation, maintenance, and repair of Maryland's toll facilities and any other revenue-generating projects authorized under that title. MdTA divides its facilities into three regions and has jurisdiction over the following facilities:

- the Northern Region, including the John F. Kennedy Memorial Highway (I-95) and the Thomas J. Hatem Memorial (Susquehanna River) Bridge;
- the Central Region, including the Baltimore Harbor (I-895) and Fort McHenry (I-95) Tunnels and Thruways, the Francis Scott Key Bridge (I-695), and I-395 leading to Baltimore City; and
- the Southern Region, including the Harry W. Nice Memorial Bridge (U.S. 301) and the William Preston Lane, Jr. Memorial (Bay) Bridge. The Seagirt Marine Terminal, developed by MdTA, is leased to the Maryland Port Administration (MPA).

The authority is comprised of six members appointed by the Governor and the Secretary of the Maryland Department of Transportation (MDOT), who serves as chairman. MdTA's revenues are held separately from the Transportation Trust Fund (TTF), and the agency operates off-budget.

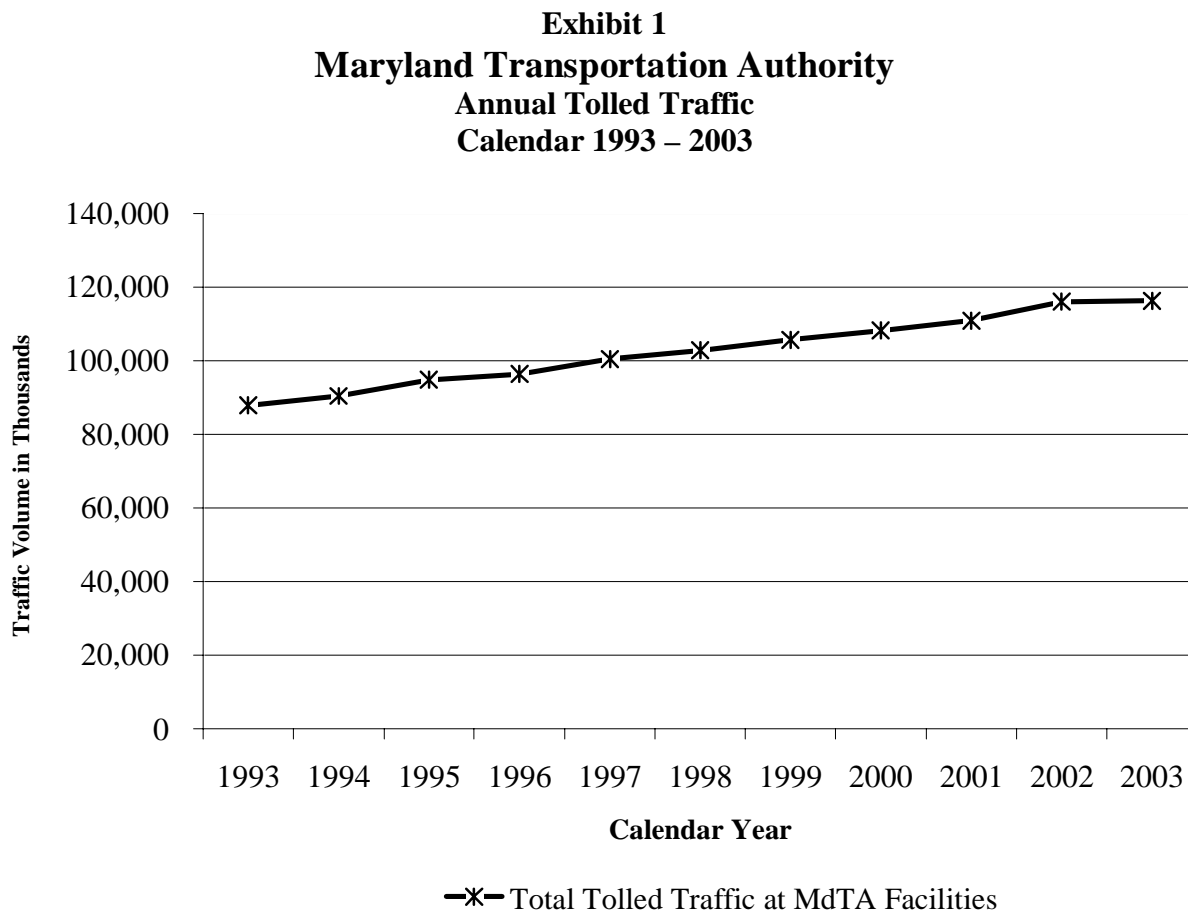
In addition, MdTA's police force is responsible for security and law enforcement services at the authority's toll facilities and for law enforcement services at Baltimore/Washington International Airport (BWI) and MDOT-operated facilities at the Port of Baltimore.

The authority has identified the following key goals:

- to move people and goods conveniently;
- to preserve and improve authority facilities;
- to reduce the fatal and injury vehicle collision rate;
- to reduce workplace accidents;
- to protect people and property from unlawful activity; and
- to finance and build new transportation facilities with the Maryland Department of Transportation to meet Maryland's transportation needs.

Performance Analysis: Managing for Results

Over the past ten years, the annual tolled traffic at MdTA facilities has increased at an average of 3.2%. **Exhibit 1** shows the increase in traffic at all MdTA facilities from calendar 1993 through 2003. This exhibit provides a baseline to help put other performance measures in perspective.



Source: Maryland Transportation Authority

Move People and Goods Conveniently

Goal 1 of MdTA’s MFR submission is to “move people and goods conveniently.” The authority provides several objectives related to this goal.

- **Objective 1.1:** Increase average peak hour throughput at the Baltimore Harbor crossings toll plazas (Francis Scott Key Bridge, Baltimore Harbor Tunnel, and Fort McHenry Tunnel) to 17,780 vehicles per hour in 2005.

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- **Objective 1.2:** Increase the number of disabled vehicles assisted by the Courtesy Patrol Program to 20,358 in 2005 (100% increase, with 10,179 vehicles assisted in 2000 as the base).

The average annual peak hour throughput at the Baltimore toll facilities is a measure related to objective 1.1 and is an appropriate measure for how effectively and efficiently MdTA can maintain safe, clear roads given the large proportion of commuter traffic using these facilities. The maximum average annual peak hour throughput at the Baltimore toll facilities is 20,000 to 24,000 vehicles. Although the average annual peak hour throughput decreased from fiscal 2002 to 2003, MdTA expects the average to increase by about 2.7% from fiscal 2003 through 2005.

The number of vehicles assisted by the Courtesy Patrol Program is a measure related to Objective 1.2. The Courtesy Patrol Program removes disabled vehicles that slow traffic and create delay (particularly important inside a tunnel or on a bridge). The primary mission of the program is to reduce the potential for secondary collisions – collisions that occur as a result of a previous event. Patrols are currently provided at all major facilities (Baltimore Harbor Tunnel, Fort McHenry Tunnel, Chesapeake Bay Bridge, Francis Scott Key Bridge, and the John F. Kennedy Memorial Highway) to cover peak hour congestion periods. MdTA hopes to increase the Courtesy Patrol Program measure by 100% from a base of 10,179 vehicles in fiscal 2000 to an estimated 20,358 vehicles in fiscal 2005.

	<u>Actual</u> <u>2001</u>	<u>Actual</u> <u>2002</u>	<u>Actual</u> <u>2003</u>	<u>Est.</u> <u>2004</u>	<u>Est.</u> <u>2005</u>	<u>Ann.</u> <u>Chg.</u> <u>01-03</u>	<u>Ann.</u> <u>Chg.</u> <u>03-05</u>
Average annual peak hour throughput at the Baltimore Harbor crossings toll plazas *	16,555	16,973	16,872	17,432	17,780	1.0%	2.7%
Number of disabled vehicles assisted by the vehicle recovery program and courtesy patrols	12,384	15,897	17,918	19,138	20,358	20.3%	6.6%

*Francis Scott Key Bridge, Baltimore Harbor Tunnel, and Fort McHenry Tunnel

Safety

Goal 3 of MdTA’s MFR submission is to “reduce the fatal and injury vehicle collision rate.” The authority provides an important objective related to this goal.

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- **Objective 3.1:** During calendar 2004, reduce the annual fatal and injury vehicle collision rate to less than 15 collisions per 100 million vehicle miles traveled (an annual reduction of at least 3% per year, based on the calendar 1999 rate of 17.3).

MdTA strives to minimize fatal and injury vehicle collisions at authority facilities. MdTA provides several performance measures that relate to Objective 3.1 and help to identify overall trends. Although vehicle miles traveled on authority facilities is estimated to increase through 2005, the authority has succeeded in reducing the annual fatal and injury vehicle collision rate.

	<u>Actual</u> <u>2001</u>	<u>Actual</u> <u>2002</u>	<u>Est.</u> <u>2003</u>	<u>Est.</u> <u>2004</u>	<u>Est.</u> <u>2005</u>	<u>Ann.</u> <u>Chg.</u> <u>01-03</u>	<u>Ann.</u> <u>Chg.</u> <u>03-05</u>
Vehicle miles traveled on authority facilities*	3,355	3,390	3,457	3,526	3,597	1.5%	2.0%
Number of fatal vehicle collisions at authority facilities**	16	15	8	12	12	-29.3%	22.5%
Annual fatal and injury vehicle collision rate at authority facilities***	17.5	17.5	16.4	15.9	15.3	-3.2%	-3.4%

*calendar year; in millions of vehicle miles

**calendar year

***calendar year, per 100 million vehicle miles

Electronic Tolling

MdTA has witnessed a recent rise in the use of electronic tolling. The authority advises that over 35% of all tolled traffic currently use E-ZPass, and the goal is to increase the percentage to 55% by fiscal 2006. The number of vehicle transactions served by E-ZPass is currently around 42.6 million vehicles, and MdTA hopes to reach 68.9 million vehicles by fiscal 2006. E-ZPass performance data is shown in **Exhibit 2**. E-ZPass information is not included in the fiscal 2005 MFR submission, but MdTA may include the information in the fiscal 2006 submission. The E-ZPass measure is especially important given its potential to relieve congestion and improve the overall toll collection process. **MdTA should comment on the future of E-ZPass and how it relates to congestion mitigation and improvements in the toll collection process.**

Exhibit 2
Maryland Transportation Authority
E-ZPass Performance Data
Fiscal 2003 – 2006

	<u>FY 2003</u>	<u>FY 2004</u> <u>(Target)</u>	<u>FY 2005</u> <u>(Target)</u>	<u>FY 2006</u> <u>(Target)</u>
Percentage of vehicle transactions served by E-ZPass	36.6%	43.0%	49.0%	55.0%
Number of vehicle transactions served by E-ZPass	42,560,178	51,258,721	59,871,378	68,882,632
Total number of toll paying vehicles per year	116,298,857	119,206,328	122,186,487	125,241,149
Average number of toll paying vehicles per day	318,627	326,593	334,757	343,126

Source: Maryland Transportation Authority

Governor's Proposed Operating Budget

The fiscal 2005 operating budget allowance for MdTA is \$140.2 million, an increase of approximately \$2.8 million over the fiscal 2004 working appropriation. Changes between the fiscal 2004 working appropriation and the fiscal 2005 allowance are highlighted in **Exhibit 3**. Debt service payments are expected to increase by nearly \$1.2 million due to an increase in the payment on the 1992 series bonds. Personnel changes account for an increase of over \$1.8 million. This amount includes step increases and 18.5 additional positions as well as increases for hospitalization, deferred compensation, and pensions. Other changes include the deletion of the Youth Corp Program (-\$215,000) because it was not cost effective and the youths required supervision from the maintenance staff; an increase for the replacement of two vehicles for BWI Police (\$100,000); and a reduction of \$47,000 for a decrease in the purchase of toll tickets due to the increased use of E-ZPass.

Exhibit 3
Governor's Proposed Budget
Maryland Transportation Authority
 (\$ in Thousands)

	<u>FY 03</u>	<u>FY 04</u>	<u>FY 05</u>	<u>FY 04-05</u>	<u>FY 04-05</u>
	<u>Actual</u>	<u>Approp.</u>	<u>Allowance</u>	<u>Change</u>	<u>% Change</u>
NonBudgeted	\$126,160	\$137,430	\$140,196	\$2,766	2.0%
Total Nonbudgeted Funds	\$126,160	\$137,430	\$140,196	\$2,766	2.0%

Where It Goes:

Personnel Expenses

Step increases and additional positions.....	\$771
Hospitalization.....	429
Deferred compensation match.....	288
Retiree's hospitalization	187
Pensions	152

Other Changes

Increase in debt service costs	1,171
Deletion of Youth Corp Program	-215
Increase for motor vehicles including vehicles for BWI Police.....	100
Reduction in purchase of toll tickets due to increase of E-ZPass use	-47
Reduction in salaries paid to Maryland State Police troopers.....	-40
Reduction in office equipment rentals	-30

Total **\$2,766**

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

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MdTA Revenue Overview

As indicated by **Exhibit 4**, overall revenues for MdTA facilities increase by \$47.6 million from fiscal 2004 to 2005. This increase is largely due to the increase in tolls at five MdTA facilities: the John F. Kennedy Memorial Highway, Hatem Memorial Bridge, Fort McHenry Tunnel, Baltimore Harbor Tunnel, and the Francis Scott Key Bridge. Tolls at the John F. Kennedy Memorial Highway and the Hatem Bridge were increased from \$4 to \$5 and tolls at the Fort McHenry Tunnel, Baltimore Harbor Tunnel, and the Francis Scott Key Bridge were increased from \$1 to \$2. The authority members approved the toll increases on October 21, 2003, and the new tolls went into effect on November 15, 2003. The estimated increase in toll revenues is approximately \$57 million in fiscal 2004 and \$93 million in fiscal 2005.

Exhibit 4
Maryland Transportation Authority
Revenues
Fiscal 2003 – 2005
(\$ in Thousands)

	<u>FY 03</u>	<u>FY 04</u>	<u>FY 05</u>	<u>Change</u> <u>FY 04-05</u>	<u>Percent</u> <u>Change</u>
Susquehanna River (Hatem) Bridge	\$3,852	\$4,430	\$4,910	\$480	10.8%
Potomac River (Nice) Toll Bridge	9,124	9,440	9,680	240	2.5%
Chesapeake Bay (Lane) Bridge	32,257	33,800	34,820	1,020	3.0%
Francis Scott Key Bridge	11,272	18,150	22,940	4,790	26.4%
Baltimore Harbor Tunnel	20,800	34,580	43,760	9,180	26.6%
Fort McHenry Tunnel	46,786	78,110	97,540	19,430	24.9%
John F. Kennedy Memorial Highway	75,665	90,010	96,730	6,720	7.5%
Concessions-Kennedy Mem. Hwy.	8,286	7,890	8,060	170	2.2%
Seagirt Marine Terminal	7,567	7,200	7,400	200	2.8%
Seagirt Marine Terminal Berth IV	312	305	298	-7	-2.3%
Commissions, Rental, and Misc.	1,313	1,700	1,700	0	0.0%
Investment Income	8,467	9,580	8,680	-900	-9.4%
Baltimore City I-95 Agreement	-5,000	0	0	0	0.0%
Participation in Maintenance	115	0	0	0	0.0%
MDOT-BWI Airport Police	11,971	14,387	14,370	-17	-0.1%
MDOT-Port Administration Police	4,080	4,880	5,197	317	6.5%
Masonville Revenue	2,104	1,670	1,670	0	0.0%
In Lieu of Federal Funds	0	0	6,000	6,000	
Total	\$238,972	\$316,132	\$363,755	\$47,623	15.1%

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

Source: State Budget Books, fiscal 2005

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The November 2003 toll increases were the second round of increases in recent years. **Exhibit 5** shows a history of MdTA toll revenues from fiscal 1999 to 2005. MdTA increased tolls at three locations in 2001: The John F. Kennedy Memorial Highway, Hatem Memorial Bridge, and Harry W. Nice Memorial Bridge. Tolls at the John F. Kennedy Memorial Highway were increased from \$2.00 to \$4.00, tolls at the Hatem Memorial Bridge were increased from \$2.00 to \$4.00, and tolls at the Harry W. Nice Memorial Bridge were increased from \$1.50 to \$3.00. The authority members approved the toll increases on August 21, 2001, and the new tolls went into effect on November 1, 2001. Tolls were increased to support MdTA system needs and to provide funds for the transit initiative. Primarily as a result of the two rounds of toll increases, it is estimated that toll revenues in fiscal 2005 will be \$160 million or 106% higher than in fiscal 2001.

Exhibit 5
MdTA Toll History
Revenues
Fiscal 1999 – 2005

	<u>FY 99</u>	<u>FY 00</u>	<u>FY 01</u>	<u>FY 02</u>	<u>FY 03</u>	<u>FY 04</u>	<u>FY 05</u>
Susquehanna River (Hatem) Bridge	\$2,389	\$1,957	\$2,256	\$3,206	\$3,852	\$4,430	\$4,910
Potomac River (Nice) Toll Bridge	4,433	4,511	4,686	7,447	9,124	9,440	9,680
Chesapeake Bay (Lane) Bridge	30,060	30,274	30,335	31,821	32,257	33,800	34,820
Francis Scott Key Bridge	9,837	10,379	10,053	10,524	11,272	18,150	22,940
Baltimore Harbor Tunnel	17,262	19,049	19,326	19,893	20,800	34,580	43,760
Fort McHenry Tunnel	43,300	44,155	45,201	45,915	46,786	78,110	97,540
JFK Memorial Hwy.	36,653	37,830	38,343	63,641	75,665	90,010	96,730
Total	\$143,934	\$148,155	\$150,200	\$182,447	\$199,756	\$268,520	\$310,380

Source: State Budget Books, fiscal 2001-2005

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MdTA Expenditure Overview

As indicated by **Exhibit 6**, overall operating expenses for MdTA facilities increase by \$2.8 million from fiscal 2004 to 2005. The change occurs with a \$1.8 million increase in personnel expenses due to the addition of 18.5 new positions and routine personnel cost growth for increments, health, and retirement expenses. There is also a \$1.1 million increase in debt service payments largely due to an increase in the payment on the 1992 series bonds.

Exhibit 6
Maryland Transportation Authority
Operating Expenses
(\$ in Thousands)

	<u>FY 03</u>	<u>FY 04</u>	<u>FY 05</u>	<u>Change</u> <u>FY 04-05</u>	<u>Percent</u> <u>Change</u>
Susquehanna River (Hattem) Bridge	\$3,241	\$3,703	\$3,747	\$44	1.2%
Potomac River (Nice) Bridge	3,127	3,057	3,127	70	2.3%
Chesapeake Bay (Lane) Bridge	6,663	7,494	7,564	70	0.9%
Francis Scott Key Bridge	7,053	7,306	7,503	197	2.7%
Baltimore Harbor Tunnel	11,226	9,974	10,808	834	8.4%
Fort McHenry Tunnel	14,424	17,373	16,297	-1,076	-6.2%
John F. Kennedy Memorial Highway	19,473	18,569	19,220	651	3.5%
Police Headquarters and Traffic Mgt.	8,084	8,581	9,170	589	6.9%
BWI Airport Police	11,814	14,387	14,371	-16	-0.1%
Port of Baltimore Police	4,067	4,880	5,197	317	6.5%
Administrative and General Expenses	15,786	15,696	15,602	-94	-0.6%
Subtotal	\$104,958	\$111,020	\$112,606	\$1,586	1.4%
Debt Service	21,202	26,410	27,590	1,180	4.5%
Total	\$126,160	\$137,430	\$140,196	\$2,766	2.0%

Note: Numbers may not sum to total due to rounding.
Source: State Budget Books, fiscal 2005

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Debt Service Payments

Exhibit 7 provides the schedule of debt service payments, totaling \$27.6 million for fiscal 2005. Debt service payments increased by \$1.2 million from fiscal 2004 to 2005. This increase is largely due to an increase in the payment on the 1992 series bonds.

Exhibit 7
Maryland Transportation Authority
Debt Service Payments
Fiscal 2003 – 2004
(\$ in Thousands)

	<u>FY 03</u>	<u>FY 04</u>	<u>FY 05</u>
Interest on Bonds – 1991 Series	\$1,467	\$1,240	\$750
Interest on Bonds – 1992 Series	4,741	4,560	3,900
Interest on Bonds – 1998 Series	754	750	740
Payments of Serial Bonds – 1991 Series	7,205	7,680	8,200
Payments of Serial Bonds – 1992 Series	6,830	11,965	13,790
Payments of Serial Bonds – 1998 Series	205	210	220
Total	\$21,202	\$26,405*	\$27,600*

*These debt service numbers were provided by MdTA. The numbers differ slightly from the State Budget Books, fiscal 2005.

Source: Maryland Transportation Authority

The 1991 series bonds were issued on May 15, 1991, for \$81 million and are intended to finance improvements at MdTA facilities, pay bond issuance costs, and to advance refund the 1989 series bonds. MdTA expects these bonds to be retired by 2006. The 1992 series bonds were issued on August 15, 1992, for \$162.1 million and are intended to advance refund a portion of the outstanding 1985 series bonds, to fund a deposit to the 1992 series Reserve Subaccount, and to pay bond issuance costs. MdTA expects these bonds to be retired by 2015. The 1998 series bonds were issued on April 15, 1998, for \$16.3 million and are intended to advance refund a portion of the outstanding Transportation Facilities Projects Revenue Bonds, 1991 series, and to fund the 1998 series Reserve Subaccount. MdTA expects these bonds to be retired by 2006. As of June 30, 2003, MdTA had \$194.1 million in total outstanding debt from 1991 series, 1992 series, and 1998 series bonds.

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The total debt service payments that appear on MdTA financial statements do not include two MdTA bonds issued in 2002 and one bond issued in 2003 for BWI stand-alone projects. The 2002 series bonds were issued on June 1, 2002, for \$117.3 million and are intended to finance a portion of the costs of the acquisition, construction, and equipping of the new consolidated rental car facility and certain related projects at BWI Airport. MdTA expects a maturity date of 2032. The 2002 A&B series bonds were issued on February 1, 2002, for \$264.1 million and are intended to finance the costs of the new Elm Road Garage at BWI Airport as well as major roadway, curbside, terminal, pedestrian access and associated improvements. MdTA expects a maturity date of 2027. The 2003 A&B series bonds were issued in December 2003 for \$69.7 million and are intended for BWI improvements including work on the new Concourse A, pedestrian bridges, taxiway and new aircraft parking areas, and Common Use Terminal Equipment for 52 ticket counter positions and five gate positions at the International Terminal. MdTA expects a maturity date of 2013. The 1994 A&B series bonds (passenger facility charge bonds used to support BWI projects) were recently defeased in December 2003. This results in the deletion of debt service payments for this debt; the bonds were originally projected to be retired in 2010. Debt service payments for the 2002 series, 2002 A&B series, and 2003 A&B series bonds are shown in **Exhibit 8**.

Exhibit 8
Maryland Transportation Authority
Debt Service Payments on BWI Stand-Alone Projects
Fiscal 2003 through 2005
(\$ in Thousands)

	<u>FY 03</u>	<u>FY 04</u>	<u>FY 05</u>
Interest on Bonds – 2002 Series			
Taxable Limited Obligation Revenue Bonds			
BWI Airport Consolidated Rental Car Facility	\$3,978	\$7,450	\$7,412
Interest on Bonds – 2002 A&B Series			
Government Purpose Bonds and Qualified Airport Bonds			
BWI Elm Road Garage and improvement and upgrades at BWI	14,346	13,243	13,243
Interest on Bonds – 2003 A&B Series			
Variable Rate Passenger Facility Charge Revenue Bonds			
Concourse A, pedestrian bridges, CUTE		1,579	2,942
Payment of Serial Bonds – 2002 Series		600	1,630
Payment of Serial Payments – 2002 A&B Series			4,315
Total	\$18,324	\$22,872	\$29,542

CUTE = common use terminal equipment

Source: Maryland Transportation Authority

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Exhibit 9 shows debt outstanding on BWI stand-alone projects. Debt outstanding recently increased due to the issuance of the 2003 A&B series bonds.

Exhibit 9
Maryland Transportation Authority
Debt Outstanding on BWI Stand-Alone Projects
Fiscal 2003 – 2005
(\$ in Thousands)

	<u>FY 03</u>	<u>FY 04</u>	<u>FY 05</u>
Airport Parking Revenue Bonds – 2002 A&B Series	\$264,075	\$264,075	\$259,760
Taxable Limited Obligation Revenue Bonds – 2002 Series	117,345	116,745	115,115
Variable Rate Passenger Facility Charge Revenue – 2003 A&B Series	0	69,700	69,700
Total	\$381,420	\$450,520	\$444,575

Source: Maryland Transportation Authority

PAYGO Capital Program

Program Description

MdTA's capital program involves the construction and maintenance of revenue-generating transportation facilities throughout the State. In addition to the seven toll facilities for which it is responsible, MdTA finances construction of certain facilities at BWI and the Port of Baltimore. Projects at BWI are repaid through a passenger facility charge assessed on airplane tickets for enplaning passengers. MdTA also constructed the Seagirt Marine Terminal on MdTA property, for which the MPA provides a revenue-based lease payment for operating the terminal.

Fiscal 2004 to 2009 Consolidated Transportation Program

The MdTA PAYGO capital program increases by \$63 million from \$199.8 million in fiscal 2004 to \$262.8 million in fiscal 2005. The change includes four projects added to the D&E program. Two significant new D&E programs include project planning on the John F. Kennedy Highway from I-895 North to north of MD 43 (\$212.2 million total cost) and a study to construct the ICC (\$116.4 million total MdTA planning cost).

The total increase of \$63 million in the MdTA capital program also includes higher funding for the system preservation and minor projects. The increase in system preservation work from fiscal

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2004 to 2007 is due to MdTA efforts to manage aging infrastructure. Projects such as the painting of the Francis Scott Key Bridge, Phase II rehabilitation of the westbound Chesapeake Bay Bridge, and several projects at the Fort McHenry Tunnel are included in system preservation.

Major projects decrease from fiscal 2004 to 2005 due to the fact that many MdTA major projects are currently in the design phase. A very large increase in major projects will occur from fiscal 2006 to 2007 when the projects finish the design phase and enter construction. MdTA estimates that it will spend \$27.7 million on major projects in fiscal 2006 and \$129.0 million in fiscal 2007.

Construction in Progress or Project Phasing

As shown in **Exhibit 10**, MdTA has six major construction projects in progress or project phasing. Four of the projects involve improvements to the Chesapeake Bay Bridge including rehabilitation of the westbound bridge deck, cleaning and painting the eastbound bridge, painting the westbound bridge, and widening the toll plaza approach and the addition of a dedicated E-Z Pass lane on the eastbound side. Project costs have increased on the westbound deck rehabilitation project due to additional maintenance of traffic operations, construction phasing, and additional railing repairs and replacement not anticipated in the original contract. The total cost of the project increased from \$61.2 million in the fiscal 2003 to 2008 *Consolidated Transportation Program* (CTP) to \$68.2 million in the fiscal 2004 to 2009 CTP.

Exhibit 10
MdTA CTP Projects in Construction or Project Phasing
(\$ in Thousands)

	<u>FY 04</u>	<u>FY 05</u>	<u>FY 04 - 05</u> <u>Change</u>	<u>Total</u> <u>Project Cost</u>
John F. Kennedy Memorial Highway – Interchange improvements at I-95 and MD 22	\$15,856	\$0	-\$15,856	\$31,623
Francis Scott Key Bridge – Interchange improvements at I-695 and Quarantine Road	500	500	0	15,560
Westbound Bay Bridge – Rehabilitate bridge deck	11,364	17,000	5,636	19,388
Westbound Bay Bridge – Painting	0	200	200	9,140
Eastbound Bay Bridge – Cleaning and painting	3,004	0	-3,004	70,168
Eastbound Bay Bridge – Widen toll plaza approach	2,075	1,361	-714	3,636
Total	\$32,799	\$19,061	-\$13,738	\$149,515

Source: Maryland Transportation Authority, 2004 *Consolidated Transportation Program*

Development and Evaluation Program Projects

As shown in **Exhibit 11**, MdTA has eight projects in the D&E program. Four projects involve planning, engineering, and right-of-way at the John F. Kennedy Memorial Highway. All four projects involve studying potential improvements in congestion levels and safety for portions of the John F. Kennedy Memorial Highway. Other D&E projects include work on the Fort McHenry Tunnel, Chesapeake Bay Bridge, and the ICC. Two of the projects on the John F. Kennedy Memorial Highway (I-95 from north of MD 43 to north of MD 22 and I-95, I-895 north split to north of MD 43), an upgrade of the westbound weigh and inspection station at the Chesapeake Bay Bridge, and the ICC are new to D&E for fiscal 2004-2009.

MdTA plans to use cash from toll revenues to fund the \$65.3 million in planning and \$51.1 million in right-of-way in the CTP for the ICC. A funding plan will be completed by the fiscal 2005 to 2010 CTP to completely fund the ICC. The \$65.3 million in funds used by MdTA for planning will assist in developing reports and studies as well as conducting public meetings. Some of the planning activities pursued in fiscal 2004 include:

- public scoping, alternatives, and informational meetings;
- development of preliminary highway engineering plans;
- development of bridge hydraulics, socio-economic, natural, environmental, noise quality, air quality, and historic context reports;
- initial site assessment;
- effects determination;
- begin Draft Environmental Impact Statement preparation; and
- conduct project coordination meetings.

Some of the planning activities pursued in fiscal 2005 include:

- complete Draft Environmental Impact Statement;
- conduct public hearings;
- continue development of preliminary highway engineering plans;
- prepare conception maintenance of traffic plans;
- prepare preliminary lighting/signing, utility design/coordination, and right-of-way needs; and
- complete Final Environmental Impact Statement and record of decision.

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The MdTA funding for right-of-way will be used to protect the alternate corridors under study from potential development. The State Highway Administration (SHA) will likely purchase all right-of-way. For all MdTA funds budgeted for right-of-way, MdTA is the funding mechanism, and SHA is the responsible agent. Right-of-way purchases include advanced acquisition related to hardship and advanced acquisition related to protective purchases. Advanced acquisition related to hardship is when individuals submit a request to have their property purchased for health or financial reasons. Advanced acquisition related to protective purchases is when potential development is foreseen within the limits of one of the corridor study areas.

Exhibit 11
MdTA CTP Projects in Development and Evaluation Program
(\$ in Thousands)

	<u>FY 04</u>	<u>FY 05</u>	<u>FY 04 – 05</u> <u>Change</u>	<u>Total</u> <u>Project Cost</u>
John F. Kennedy Memorial Highway – project planning on I-95 from north of MD 43 to North of MD 22 (Section 200, \$10 million annually from fiscal 2007 through 2009)	\$0	\$0	\$0	\$30,000
John F. Kennedy Memorial Highway – improvement studies for John F. Kennedy Memorial Highway at MD 24	25	250	225	1,484
*John F. Kennedy Memorial Highway – study to address capacity and safety needs on I-95, I-895 north split to north of MD 43 (Section 100)	14,000	39,000	25,000	212,200
Fort McHenry Tunnel – study to investigate methods of improving access to the Carroll Camden development area	500	1,500	1,000	2,500
*Fort McHenry Tunnel – rehabilitate existing structures and widen to provide full shoulders (previously in construction program, engineering and construction monies removed contingent on results of a future study of Baltimore Harbor Crossings)	0	750	750	1,750
*Westbound Bay Bridge – upgrade westbound weigh and inspection facility	300	250	-50	965
*InterCounty Connector – study to construct a new east-west multi-modal highway in Montgomery and Prince George’s counties between I-270 and I-95/US 1	27,376	89,000	61,624	116,376
Total	\$42,201	\$130,750	\$88,549	\$369,375

*New to fiscal 2004-2009 CTP D&E Program

Source: Maryland Transportation Authority 2004, *Consolidated Transportation Program*

Issues

1. InterCounty Connector

The InterCounty Connector (ICC) is a proposed east-west, limited-access road that would connect I-270 in Montgomery County and I-95/US 1 in Prince George's County. SHA is anticipating an 18-mile, six-lane (three lanes in each direction) parkway design. The proposed alignment of the road runs approximately five to eight miles north of the Capital Beltway (I-495). Estimates as to the expected usage of the new road are still being developed; however, SHA indicates that the new road will accommodate approximately 2,100 cars per lane per hour.

General History of the ICC

The National Capital Planning Commission first proposed the plan for an east-west road running parallel to the Capital Beltway in 1950. Planning studies were initiated in the 1980s and a Master Plan for developing the roadway was selected. However, federal review and permitting agencies rejected MDOT's plan in 1989. During the Glendening Administration, a second project planning study was undertaken. In September 1999, based on federal agency environmental concerns, the project was dropped from the SHA capital program. MDOT began project planning in March 2003 using existing resources to evaluate the following alternatives: no build, master plan alignment (as identified by the Montgomery County Council), northern alternatives, or to upgrade existing roads.

Financing Proposal

MDOT expects the cost of the ICC to total \$1.7 billion; however, given the early stage of the planning process, it is likely that the final construction cost will be higher. The ICC is included in the Administration's capital program for fiscal 2004 through 2009. In fiscal 2004, SHA anticipates spending \$19.7 million for project planning with \$6.7 million coming from federal aid. MdTA anticipates spending \$116.4 million on project planning and right-of-way in fiscal 2004 and 2005. This includes \$27.4 million in fiscal 2004 (\$12.3 million planning and \$15.1 million right-of-way) and \$89 million in fiscal 2005 (\$53 million planning and \$36 million right-of-way).

Exhibit 12
InterCounty Connector Planning and Right-of-way Funding
Fiscal 2003 – 2005
(\$ in Thousands)

	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>Total</u>
SHA	\$1,376	\$19,724	\$0	\$21,100
MdTA	0	27,376	89,000	116,376
Total	\$1,376	\$47,100	\$89,000	\$137,476

Source: State Highway Administration; Maryland Transportation Authority, 2004 *Consolidated Transportation Program*

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The total cost of the ICC is dependent on the final location and final scope of the chosen alternative. MDOT, SHA, and MdTA are continuing to develop a financing plan to fund planning, right-of-way acquisition, and construction of the highway project. Potential funding sources are identified as:

- ***Special Financing Bonds (\$900 Million to \$1 Billion):*** MDOT and MdTA have the authority to sell special revenue bonds backed by future federal aid receipts, called Grant Anticipation Revenue Vehicles (GARVEE).
- ***MdTA Bonds (\$500 to \$950 Million):*** If the ICC is a tolled-facility, the increased revenue could be used to back revenue bonds sold by the authority. In addition, the increase in total toll revenue to MdTA would increase its own bonding capacity and additional bond proceeds could be raised.
- ***Cash (\$50 to \$300 Million):*** Cash proceeds from the TTF used on a pay-as-you-go basis could support a portion of the project cost.
- ***Federal special revenue (\$10 to \$50 Million):*** Congress will be reauthorizing federal transportation aid in the near future. It is possible that special federal funds could be set aside for Maryland's use for this project. These funds would be above and beyond the federal transportation aid the State currently receives for highway projects. The Ehrlich Administration has requested this consideration.

GARVEE Bonds

GARVEEs are bonds issued by states and public authorities backed by future federal-aid highway and transit apportionments. The use of GARVEE bonds was authorized by the National Highway System Designation Act of 1995, which expanded the debt-related costs eligible for repayment with federal funds to include interest expenses and almost all other debt-related expenses (bond rating costs, insurance costs etc.).

MDOT was expressly authorized to issue GARVEE bonds in 2002 under Chapter 470, Title 3, Subtitle 6 of the Transportation Article. Under advice of the Attorney General, MdTA is also authorized to issue GARVEE bonds under current statutes relating to the authority's power to issue bonds. If MdTA issued GARVEE bonds, it would have to comply with the federal requirements placed on federal grant recipients.

At least 13 states and one U.S. territory have issued GARVEE bonds. Maryland is proposing to issue between \$900 million and \$1 billion in GARVEEs for the ICC; to date, only three states have released GARVEE issuances that reached or exceeded \$1 billion. Federal funds are reauthorized on six-year cycles; as the length of maturity of the bonds increases, the number of reauthorization cycles spanned by the bonds increases and associated risks increase. At the 30-year maturity currently suggested by MDOT for ICC GARVEEs, up to five six-year federal reauthorization cycles would be spanned; this number of reauthorization cycles would be unprecedented.

30-year GARVEE Issuance

- Total interest could range between \$1.2 and \$1.3 billion depending on the rating. Approximately \$100 million in total interest over the life of the GARVEE is contingent on the rating.
- Annual debt service payment for years 3 through 30 could range between \$70 million and \$74 million depending on the rating.

15-Year GARVEE Issuance

- Total interest is reduced to between \$472 million and \$523 million depending on the rating. Approximately \$50 million in total interest over the life of the GARVEE is contingent on the rating.
- Annual debt service payment for years 3 through 15 is increased to approximately \$100 million.

DLS recommends that the General Assembly should pass legislation or adopt provisions in the Budget Reconciliation and Financing Act that would amend the Transportation Article to impose debt ceiling limits and a coverage test on GARVEE bond issuances made by either MDOT or MdTA. Specifically, GARVEE issuances should be constrained in the following manner:

- **the total amount of GARVEE debt outstanding should not exceed \$500 million;**
- **anticipated debt service payments on GARVEE bonds should not exceed 10% of the State's total annual federal highway aid; and**
- **GARVEE issuances should not exceed 15 years' maturity.**

A discussion of GARVEE bonds, including the above recommendations, is also in the MDOT Debt Service Requirements analysis (J00A04).

Future Financing Challenges for the ICC

In a letter dated January 22, 2004, the Maryland Secretary of Transportation notified the Legislative Policy Committee (LPC) of MdTA's intention to authorize the acquisition or construction of the proposed ICC. Under Maryland Transportation Code, Annotated 4-205 (c) (2), MdTA is required to notify the LPC regarding any proposed contract or agreement to acquire or construct a revenue-producing transportation facilities project.

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MdTA's intention to authorize the acquisition or construction of the proposed ICC has both advantages and disadvantages. One advantage is simplicity. During the study period from 2003 until the present, it has never been clear whether SHA or MdTA was taking the lead. This proposal specifies that MdTA would acquire the project and build a new tolled facility with the help of SHA. It is anticipated that MdTA would enter into an agreement whereby MdTA and SHA would establish shared responsibilities for the management and financing of the project. The agreement would contain provisions governing contracting, extra work authorization requests, and appropriate authority supervision and oversight, including actions for which authority member approval would be required. SHA would act as an agent for MdTA for completion of the National Environmental Policy Act (NEPA) process and for design and pre-construction activities in accordance with NEPA requirements. A second advantage lies in MdTA's nonbudgeted status. Because MdTA does not draw on the TTF, MdTA acquisition of the ICC project could minimize use of TTF funds, thereby leaving more resources for other transportation projects. Reliance on GARVEE bonds; however, would reduce future federal funds available to the TTF.

MdTA's intention to authorize the acquisition or construction of the proposed ICC also has disadvantages. Because MdTA is a nonbudgeted agency, the legislature does not have to approve key decisions relating to the construction or financing of the project, thereby limiting oversight for this major undertaking. Moreover, many aspects of the project remain unknown, including (1) what the true full cost of the project will be; (2) the impact of additional project costs on the financed health and credit of MdTA; (3) how the project will be financed; and (4) whether environmental or other litigation may arise and delay the project. Although Transportation Code 4-205 requires MdTA to notify the LPC regarding any proposed contract or agreement to acquire or construct a revenue-producing transportation facilities project, no further action by the committee is required for these actions to occur. The committee may choose to offer comments to MdTA to the extent concerns exist, however.

DLS recommends that MdTA comment on (1) when and on what basis the \$1.7 billion cost estimate was made; (2) the total estimated cost of the ICC given that it will very likely exceed \$1.7 billion; (3) the role of GARVEE bonds in ICC financing; (4) anticipated contributions from the TTF; (5) potential litigation and project impact; and (6) the MdTA proposal to acquire the ICC and the MdTA/SHA relationship.

DLS also recommends that the committees consider a law change to require the LPC or budget committees review and comment for proposed additions to MdTA facilities.

2. MdTA Forecast and Toll Increases

In recent years there has been concern over MdTA's out-year forecast. MdTA's ending cash fund balance was predicted to drop to -\$64.5 million in fiscal 2005 and to -\$933.2 million by fiscal 2008. In response to the financial forecast and rising need to address the capital program, MdTA members decided to raise tolls at five MdTA facilities: the John F. Kennedy Memorial Highway, Hatem Memorial Bridge, Fort McHenry Tunnel, Baltimore Harbor Tunnel, and the Francis Scott Key Bridge. Tolls at the John F. Kennedy Memorial Highway and the Hatem Bridge were increased from \$4 to \$5 and tolls at the Fort McHenry Tunnel, Baltimore Harbor Tunnel, and the Francis Scott Key Bridge were increased from \$1 to \$2. The authority members approved the toll increases on October 21, 2003, and the new tolls went into effect on November 15, 2003. The estimated increase in toll revenues is approximately \$57 million in fiscal 2004 and \$93 million in fiscal 2005.

As a result of the increased tolls and a reevaluation of capital needs, the MdTA forecast now projects a positive cash balance from fiscal 2003 to 2009. MdTA had estimated spending \$1.2 billion on capital projects from fiscal 2005 to 2008. With the current forecast, MdTA estimates spending \$742.5 million from fiscal 2005 to 2008. **Exhibit 13** shows that MdTA projects annual deficits from fiscal 2003 to 2007 (with the exception of a surplus in fiscal 2004). In fiscal 2008 and 2009, MdTA achieves annual surpluses. The forecast shown in Exhibit 12 does not include the addition of the ICC. ICC financing will clearly have a significant impact on the MdTA forecast. A more detailed forecast is provided in **Appendix 1**. This forecast provides detail on revenues, expenses, and bonds outstanding.

DLS recommends that MdTA update the committees on the expected impact of the addition of the ICC project on its revenue, operating and capital programs, and out-year financial forecast.

Exhibit 13
MdTA Forecast without ICC
Fiscal 2003 – 2009

	<u>FY 03</u>	<u>FY 04</u>	<u>FY 05</u>	<u>FY 06</u>	<u>FY 07</u>	<u>FY 08</u>	<u>FY 09</u>
Opening Cash Balance	\$383.05	\$336.41	\$368.16	\$327.18	\$258.31	\$177.28	\$177.78
Ending Cash Balance	336.41	368.16	327.18	258.31	177.28	177.78	213.85
Unencumbered Cash Balance	\$247.50	\$296.92	\$265.81	\$195.76	\$113.48	\$112.68	\$147.38
Revenues	240.37	316.97	365.35	372.68	379.76	387.93	397.89
Expenses	287.01	285.21	406.32	441.55	460.79	387.43	361.82
Annual Surplus/Deficit	-46.64	31.75	-40.97	-68.87	-81.04	0.50	36.07

Source: Maryland Transportation Authority

3. Toll Sponsorship Program at the Chesapeake Bay Bridge

During the summer of 2003, MdTA instituted a pilot program at the Chesapeake Bay Bridge called the Toll Sponsorship Program. The purpose of the Toll Sponsorship Program is to “inform motorists about the best times to travel over the bridge and to encourage drivers to alter their plans by providing toll-free passage during non-peak hours.”¹ MdTA solicited private and public businesses to pre-pay motorist’s toll charges at pre-determined off-peak times in exchange for advertising rights.

There were four Fridays of toll sponsorship during the summer of 2003 from 7:00 p.m. to midnight. The Maryland Lottery sponsored three Fridays and the Ocean Conservancy, a nonprofit group dedicated to protecting ocean ecosystems, sponsored the fourth. The authority experienced an increase in traffic volumes during peak and non-peak periods during all four sponsorships. However, the majority of growth from 2002 to 2003 was in the non-peak period (28% increase during peak hours and 72% during non-peak hours). The overall success of the program is still unclear due to difficulties in measuring the toll sponsorship impact. MdTA plans to implement the program again next summer and has considered hiring a marketing firm to develop and sell sponsorship opportunities.

DLS recommends budget bill language to prohibit State agencies from participating in the Toll Sponsorship Program due to the fiscal condition of the State and uncertainty of the program’s results.

¹ Peak period Friday is from 12 p.m. – 7 p.m., peak period Saturday is from 8 a.m.-4 p.m., non-peak is from Friday 12:01 a.m. – Sunday 11:59 p.m. (excluding peak period)

Operating Budget Recommended Actions

1. Add the following language:

Section XX. AND BE IT FURTHER ENACTED, That no State agency may in any way appropriate, expend or transfer, by budget amendment or otherwise, any funds for the Maryland Transportation Authority Toll Sponsorship Program for the Chesapeake Bay Bridge or any transportation facility.

Explanation: The Toll Sponsorship Program is intended to encourage drivers to alter their plans by providing toll-free passage during non-peak hours. During the summer of 2003, the Maryland Transportation Authority (MdTA) solicited private and public businesses to pre-pay motorist's toll charges at pre-determined off-peak times in exchange for advertising rights. There were four Fridays of toll sponsorship during the summer of 2003 and the Maryland Lottery sponsored three out of four Fridays. Due to the fiscal condition of the State and the uncertainty of the program's results, it is inappropriate for any State agency to provide funding for future toll sponsorship.

2. Adopt the following narrative:

Payment of Deferred Compensation Match: It is the intent of the committees that the Maryland Transportation Authority eliminate the deferred compensation match if the State eliminates deferred compensation match funding for all other State employees for fiscal 2005.

Capital Budget Recommended Actions

1. Nonbudgeted.

Updates

1. Congestion Mitigation Measures at the Chesapeake Bay Bridge

Narrative in the 2003 JCR directed MdTA to prepare a report on congestion mitigation measures at the Chesapeake Bay Bridge. Congestion at the Chesapeake Bay Bridge is severe during the summer months, and the report addressed whether congestion mitigation measures could serve to reduce peak period congestion and shift some traffic to non-peak periods.

In a November 2003 report, MdTA stated that it will not move forward with a congestion pricing scheme on the Chesapeake Bay Bridge at this time. MdTA provided several reasons for this conclusion: (1) a Vollmar Associates consultant study dated March 1999 concluded that the Chesapeake Bay Bridge is not a good candidate for congestion mitigation measures due to lack of alternative routes, physical limitations of the bridge, and the extent of peak period travel demand; (2) current construction at the Chesapeake Bay Bridge to renovate the 30-year-old deck of the westbound span, widen the eastbound toll plaza approach and to create a dedicated E-ZPass exclusive lane; (3) the current trust agreement does not provide sufficient flexibility for congestion pricing at the Chesapeake Bay Bridge exclusively; and (4) lack of roadway alternatives.

Although MdTA does not recommend moving forward with congestion mitigation measures, it continues to look at other short-term options. The short term options include (1) a Toll Sponsorship Program that provides toll free passage during non-peak hours to encourage drivers to alter their plans away from peak-hour periods; (2) providing real time traffic information to the traveling public such as overhead variable message signs; (3) capital project initiatives for roadway improvements to the toll plaza approach to the Chesapeake Bay Bridge; and (4) E-ZPass enhancements and advertising such as campaigns promoting E-ZPass through radio, billboards, newspaper, exterior transit advertising, and promotional opportunities with sports teams.

Looking to the future, the authority has conducted a survey to help develop a model projecting future Chesapeake Bay Bridge traffic and how the existing bridge will function during the next 20 years. Results of these projections will be available within a year. The authority is reviewing previous bay-crossing studies in light of current projections, environmental regulations, and the state highway network. After completion of the current Chesapeake Bay Bridge construction projects, (bridge deck renovation is planned for completion in 2006, other roadway improvement projects done in summer 2004) MdTA advises that it will continue to study and implement ideas for mitigating congestion, including possible pricing alternatives.

2. Vehicle Parking Facility Financing Program

MdTA has the authority to finance revenue-generating transportation facilities projects such as the authority's own bridges, highways, toll facilities, and projects at the Port of Baltimore or BWI. Chapter 569, Acts of 2001 gave MdTA the added authority to finance, construct, operate, maintain, and repair vehicle parking facilities in priority funding areas. Previously, MdTA only participated in

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financing construction or improvements for transportation facilities projects proposed by MDOT. MdTA indicates that it intends to give priority to garages within a transit-oriented development.

MdTA pursued the financing of a 1,500-space parking garage in Prince George's County at the intersection of East-West Highway (MD 410) and Belcrest Road. The total cost of the project was \$16.2 million, and MdTA planned to finance \$10.6 million of the total project cost on behalf of a commercial real estate developer, PGMC, by selling parking revenue bonds backed by future parking fees. However, MdTA was not able to close a financing deal with PGMC. MdTA expressed concern over the bond ratings and inadequate debt service coverage. MdTA has not financed any parking facilities to date.

An MdTA financed Annapolis parking garage may be proposed for construction on a site bound by Bladen Street, Calvert Street, St. John's Street, and the new Bloomsbury Housing Complex. The current preferred parking structure would have four floors and a basement level, with approximately 830 spaces. The parking structure may include a mix of State and public users. The total cost of the garage is estimated to be approximately \$23 million to \$25 million.

**MdTA Financial Forecast without ICC
Fiscal 2003 through 2009
(\$ in Thousands)**

	<u>FY 03</u>	<u>FY 04</u>	<u>FY 05</u>	<u>FY 06</u>	<u>FY 07</u>	<u>FY 08</u>	<u>FY 09</u>
Opening Cash Balance	\$383.05	\$336.41	\$368.16	\$327.18	\$258.31	\$177.28	\$177.78
Less Encumbered Cash	101.68	88.90	71.24	61.37	62.55	63.79	65.10
Unencumbered Cash	\$281.37	\$247.50	\$296.92	\$265.81	\$195.76	\$113.48	\$112.68
Revenues							
Toll Revenue	198.13	268.53	310.37	317.97	325.75	333.55	341.35
Concessions	8.29	7.89	8.06	8.24	8.42	8.61	8.80
Investment Income & Other	9.44	12.41	12.28	10.65	8.44	7.25	7.79
Maryland Dept. of Transportation	24.51	28.14	34.64	35.82	37.15	38.52	39.96
Total Revenues	\$240.37	\$316.97	\$365.35	\$372.68	\$379.76	\$387.93	\$397.89
Expenses							
Operations	89.04	91.75	93.19	97.84	102.74	107.87	113.27
Capital Projects	56.67	80.61	130.23	164.41	237.81	210.05	183.28
Maintenance & Operations Reserve Account	61.22	62.99	89.80	85.18	35.08	26.27	20.91
BWI and Port Police	15.88	19.27	19.57	20.55	21.57	22.65	23.78
MDOT Transit Initiative	43.00	43.00	43.00	43.00	43.00	0.00	0.00
Debt Service	21.20	27.59	30.53	30.57	20.59	20.59	20.59
Less: Bonds Issued	0.00	-40.00	0.00	0.00	0.00	0.00	0.00
Total Expenses	\$287.01	\$285.21	\$406.32	\$441.55	\$460.79	\$387.43	\$361.82
Annual Surplus/Deficit	-\$46.64	31.75	-\$40.97	-\$68.87	-\$81.04	\$0.50	\$36.07
Unencumbered Cash (Gen. Acct. Bal.) Balance	247.50	296.92	265.81	195.76	113.48	112.68	147.38
Encumbered Cash Balance	88.90	71.24	61.37	62.55	63.79	65.10	66.47
Ending Cash Balance	\$336.41	\$368.16	\$327.18	\$258.31	\$177.28	\$177.78	\$213.85
Total Bonds Outstanding	\$210.00	\$227.29	\$203.97	\$179.32	\$163.30	\$147.25	\$131.16

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

<u>Object/Fund</u>	<u>FY03 Actual</u>	<u>FY04 Working Appropriation</u>	<u>FY05 Allowance</u>	<u>FY04 - FY05 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	\$1,518.5	\$1,534.5	\$1,553.0	18.50	1.2%
Total Positions	\$1,518.5	\$1,534.5	\$1,553.0	18.50	1.2%
Objects					
01 Salaries and Wages	\$ 83,994,814	\$ 90,571,639	\$ 92,412,835	\$ 1,841,196	2.0%
02 Technical & Spec Fees	2,514,312	2,818,700	2,833,350	14,650	0.5%
03 Communication	646,247	602,800	675,100	72,300	12.0%
04 Travel	79,845	77,500	93,018	15,518	20.0%
06 Fuel & Utilities	2,533,598	2,637,000	2,558,300	-78,700	-3.0%
07 Motor Vehicles	1,707,523	1,695,000	1,793,500	98,500	5.8%
08 Contractual Services	6,401,821	7,073,300	6,751,695	-321,605	-4.5%
09 Supplies & Materials	6,837,142	5,192,836	5,145,598	-47,238	-0.9%
13 Fixed Charges	21,444,947	26,761,300	27,932,325	1,171,025	4.4%
Total Objects	\$ 126,160,249	\$ 137,430,075	\$ 140,195,721	\$ 2,765,646	2.0%
Funds					
07 Non-budgeted Fund	\$ 126,160,249	\$ 137,430,075	\$ 140,195,721	\$ 2,765,646	2.0%
Total Funds	\$ 126,160,249	\$ 137,430,075	\$ 140,195,721	\$ 2,765,646	2.0%

Note: Fiscal 2004 appropriations does not include deficiencies, and the fiscal 2005 allowance does not reflect contingent reductions.

**Fiscal Summary
Maryland Transportation Authority**

<u>Unit/Program</u>	<u>FY03 Actual</u>	<u>FY04 Legislative Appropriation</u>	<u>FY04 Working Appropriation</u>	<u>FY03 - FY04 % Change</u>	<u>FY05 Allowance</u>	<u>FY04 - FY05 % Change</u>
41 Operating Program	\$ 126,160,249	\$ 161,430,271	\$ 137,430,075	8.9%	\$ 140,195,721	2.0%
42 Capital Program	160,892,299	248,198,000	199,780,000	24.2%	262,793,501	31.5%
Total Expenditures	\$ 287,052,548	\$ 409,628,271	\$ 337,210,075	17.5%	\$ 402,989,222	19.5%
Non-budgeted Fund	\$ 287,052,548	\$ 409,628,271	\$ 337,210,075	17.5%	\$ 402,989,222	19.5%
Total Appropriations	\$ 287,052,548	\$ 409,628,271	\$ 337,210,075	17.5%	\$ 402,989,222	19.5%

Note: Fiscal 2004 appropriations does not include deficiencies, and the fiscal 2005 allowance does not reflect contingent reductions.

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