

**J00J00**  
**Maryland Transportation Authority**

***Operating Budget Data***

(\$ in Thousands)

	<b><u>FY 08</u></b> <b><u>Actual</u></b>	<b><u>FY 09</u></b> <b><u>Amended</u></b>	<b><u>FY 10</u></b> <b><u>Budget</u></b>	<b><u>FY 09-10</u></b> <b><u>Change</u></b>	<b><u>% Change</u></b> <b><u>Prior Year</u></b>
Nonbudgeted Fund	\$207,030	\$249,809	\$255,542	\$5,733	2.3%
<b>Adjusted Nonbudgeted Fund</b>	<b>\$207,030</b>	<b>\$249,809</b>	<b>\$255,542</b>	<b>\$5,733</b>	<b>2.3%</b>
<b>Adjusted Grand Total</b>	<b>\$207,030</b>	<b>\$249,809</b>	<b>\$255,542</b>	<b>\$5,733</b>	<b>2.3%</b>

- The Maryland Transportation Authority's (MDTA) fiscal 2010 budget increases \$5.7 million, or 2.3%, over its fiscal 2009 budget. If funding for salary increases, the Other Post Employment Benefits liability, and the State match for deferred compensation match are removed from the fiscal 2010 budget, the increase is reduced to \$35,553.
- Increases are included in the fiscal 2010 budget for advertising (\$2.4 million), credit card fees (\$1.3 million), and additional and replacement information technology equipment (\$1.2 million). These increases are offset by decreases in E-ZPass service center costs (-\$1.6 million), E-ZPass transponders (-\$1.5 million), and reciprocity fees (-\$0.9 million).

***PAYGO Capital Budget Data***

(\$ in Thousands)

	<b><u>Fiscal 2008</u></b> <b><u>Actual</u></b>	<b><u>Fiscal 2009</u></b> <b><u>Approved</u></b>	<b><u>Fiscal 2009</u></b> <b><u>Amended</u></b>	<b><u>Fiscal 2010</u></b> <b><u>Budget</u></b>
Nonbudgeted	\$585,730	\$1,141,413	\$1,024,653	\$1,028,101
<b>Total</b>	<b>\$585,730</b>	<b>\$1,141,413</b>	<b>\$1,024,653</b>	<b>\$1,028,101</b>

- The fiscal 2010 budget for capital spending is \$1.0 billion, an increase of \$3.4 million, or 0.3%, over fiscal 2009. Construction of the InterCounty Connector (ICC) is driving the capital program.

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

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***Operating and PAYGO Personnel Data***

	<b><u>FY 08 Actual</u></b>	<b><u>FY 09 Amended</u></b>	<b><u>FY 10 Budget</u></b>	<b><u>FY 09-10 Change</u></b>
Regular Operating Budget Positions	1,641.50	1,630.50	1,630.50	0.00
Regular PAYGO Budget Positions	<u>116.00</u>	<u>113.00</u>	<u>113.00</u>	<u>0.00</u>
<b>Total Regular Positions</b>	<b>1,757.50</b>	<b>1,743.50</b>	<b>1,743.50</b>	<b>0.00</b>
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>
<b>Total FTEs</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>Total Personnel</b>	<b>1,757.50</b>	<b>1,743.50</b>	<b>1,743.50</b>	<b>0.00</b>

**Vacancy Data: Regular Positions**

Turnover and Necessary Vacancies, Excluding New Positions	47.07	2.70%
Positions and Percentage Vacant as of 12/31/08	150.00	8.60%

- MDTA’s fiscal 2010 budget includes 1,743.5 regular positions, the same as in fiscal 2009.
- As of December 31, 2008, MDTA has an 8.6% vacancy rate; however, MDTA has refrained from filling many of these positions due to cost containments efforts.

## *Analysis in Brief*

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### Major Trends

***Revenue Declines Have Huge Impact:*** Over the past year, nationwide declines in vehicle miles traveled have caused declines in toll revenues at MDTA facilities. To offset declining revenues, MDTA has undertaken cost containment actions in its operating budget, deferred completion of the I-95 Express Toll Lanes (ETL) by up to four years, indefinitely deferred one of the ICC contracts for improvements along I-95, and was forced to increase tolls two years earlier than previously projected.

***The Use of Electronic Tolling Continues to Increase:*** Since the implementation of E-ZPass in 2001, the percentage of tolls collected through electronic tolling has grown steadily from 15% in 2001 to over 56% in 2008. Electronic tolling has many advantages, including reducing congestion at toll booths. Two projects currently under construction, the ICC and I-95 ETLs, will utilize only electronic tolling and will not have any toll booths.

### Issues

***Optimistic Forecast Causes Serious Concerns:*** Several assumptions in MDTA's financial forecast are overly optimistic and cause serious concerns about MDTA's ability to maintain its debt coverage ratios over the next few years. These assumptions include an optimistic recovery of traffic and revenue growth, lower than historical operating budget growth, and a capital budget which is virtually nonexistent except for the ICC and I-95 ETLs. **The Department of Legislative Services (DLS) recommends that MDTA comment on toll revenue projections, what effect a sustained decline in traffic would have on the forecast, and the practicality of having no funding for major projects outside of the ICC and I-95 ETLs in the fiscal 2013 and 2014 capital program.**

***MDTA Increases Truck Tolls and Implements New Fees:*** In January 2009, the MDTA board voted to increase tolls for vehicles with three or more axles and implement and increase a number of fees. **DLS recommends that MDTA discuss the need for the recent toll and fee increases, the reason the changes were implemented so quickly, and what effect changes to the toll approval process may have on MDTA's bond ratings.**

***ICC Update and Proposed Changes to General Fund Support of the Project:*** Cost increases over the last year have forced MDTA to postpone a contract for improvements along I-95 beyond the 2014 capital planning period. Modifications to general fund support of the project included in the State's operating budget, capital budget, and Budget and Reconciliation and Financing Act of 2009, would delete general fund support of the project in fiscal 2009 and provide \$146.9 million from general obligation bonds in fiscal 2010. **DLS recommends that MDTA comment on the status of the ICC project and what impact the modifications to general fund support will have on the project. The Secretary of the Maryland Department of Transportation should also comment on why the \$85.0 million in general funds for the project is no longer needed in fiscal 2009.**

***Unverified Reports of Zombies in White Marsh:*** In January 2009, a highway messaging sign was hacked into to warn motorists of “Zombies ahead.” Although it may seem a harmless prank, these incidents expose flaws in the information technology security of these signs and compromise the security of the public safety alert system. **DLS recommends that the Executive Secretary discuss what actions MDTA is taking to prevent similar incidents in the future.**

***Legislative Notice of Proposed Public-private Partnerships:*** MDTA is in the process of soliciting a public-private partnership (P3) for the redevelopment of two travel plazas along I-95. The current statutory definition of P3s only includes existing or future highway, bridge, tunnel, or transit facilities. **DLS recommends the adoption of committee narrative expressing the intent that MDTA provide legislative notice as if the current P3 statute applied to the travel plaza redevelopment. Furthermore, DLS recommends that provisions be added to the Budget Reconciliation and Financing Act of 2009 to expand the current definition of P3s to include any port and airport facilities, as well as any other revenue-producing facility.**

***Firing Range Misses Mark:*** MDTA’s capital budget includes \$3.0 million for construction of a firing range. While there is a definite need for such a facility, the need extends beyond the MDTA Police to the State Police and all other law enforcement agencies. Furthermore, the State has already made a significant investment in the Public Safety Education and Training Center (PSETC) as a centralized facility for the training of all law enforcement, correctional, and parole and probation employees. **DLS recommends the adoption of committee narrative expressing the intent that MDTA should construct its firing range facility at PSETC and make it available to all law enforcement agencies. In recognition of the intent that all law enforcement use the facility, DLS recommends that the State fund half of the project with general obligation bonds.**

## **Operating Budget Recommended Actions**

1. Adopt committee narrative expressing the intent that if the State budget does not fund certain employee benefits and salary increases, then the Maryland Transportation Authority should not fund these items either.

**PAYGO Budget Recommended Actions**

1. Adopt committee narrative to require legislative notice of a public-private partnership agreement for the I-95 travel plazas.
2. Adopt committee narrative expressing the intent that the State Highway Administration take an active consulting role in construction of Express Toll Lanes on I-95.
3. Adopt committee narrative expressing the intent that the Maryland Transportation Authority locate its proposed firing range at the Public Safety Education and Training Center and that it should be accessible to all law enforcement.

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***Budget Analysis***

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**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:

- **Northern Region** – includes the John F. Kennedy (JFK) Memorial Highway (I-95) and the Thomas J. Hatem Memorial (Hatem) Bridge;
- **Central Region** – includes 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
- **Southern Region** – includes the Harry W. Nice Memorial (Nice) Bridge and the William Preston Lane, Jr. Memorial Bridge (Bay Bridge).

In addition to these toll facilities, MDTA also owns the Seagirt Marine Terminal, which is leased to the Maryland Port Administration (MPA), and the Intermodal Container Transfer Facility, which is leased to CSX Railroad.

Most recently, MDTA has been working in partnership with the State Highway Administration (SHA) to construct the \$2.6 billion InterCounty Connector (ICC), a new east-west highway that will link I-270 and I-95.

Membership of MDTA's board is comprised of eight members (increased from six per Chapter 1 of the 2006 special session) appointed by the Governor with the advice and consent of the State Senate. The Secretary of the Maryland Department of Transportation (MDOT) serves as the chairman of MDTA. MDTA's revenues are held separately from the Transportation Trust Fund (TTF), 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 JFK Memorial Highway, which is patrolled by the State Police. MDTA is also under contract with the Maryland Aviation Administration and MPA to provide law enforcement services at the Baltimore/Washington International Thurgood Marshall Airport (BWI Marshall Airport) and MPA-operated facilities at the Helen Delich Bentley Port of Baltimore (Port).

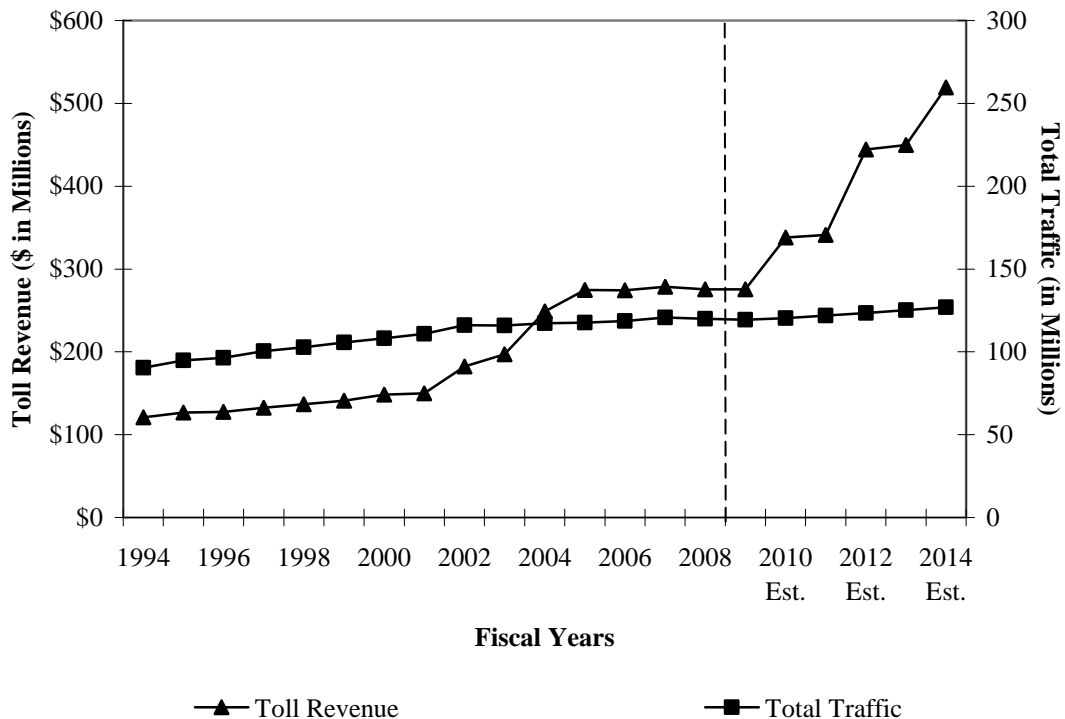
To achieve its vision of "creating E-Z passage throughout Maryland," MDTA has identified the following key goals:

- move people and goods efficiently and effectively;
- safety and security;
- strategic financing and financial stewardship; and
- improve external and internal customer service and performance.

**Performance Analysis: Managing for Results**

In order to achieve its vision of “creating E-Z passage throughout Maryland,” MDTA’s first goal is to efficiently and effectively move people and goods across the State. To exemplify the movement of people and goods, **Exhibit 1** shows the annual tolled traffic and toll revenue at all MDTA facilities from fiscal 1994 through 2014. Total tolled traffic in fiscal 2008 was 120.0 million vehicles, a decrease of 0.1 million, or 0.1%, below fiscal 2007. Toll revenue in fiscal 2008 was \$275.6 million, a decrease of \$3.0 million, or 1.1%, below fiscal 2007.

**Exhibit 1  
Annual Tolled Traffic and Toll Revenue  
Actual Fiscal 1994-2008 and Estimated Fiscal 2009-2014**



Source: Maryland Transportation Authority

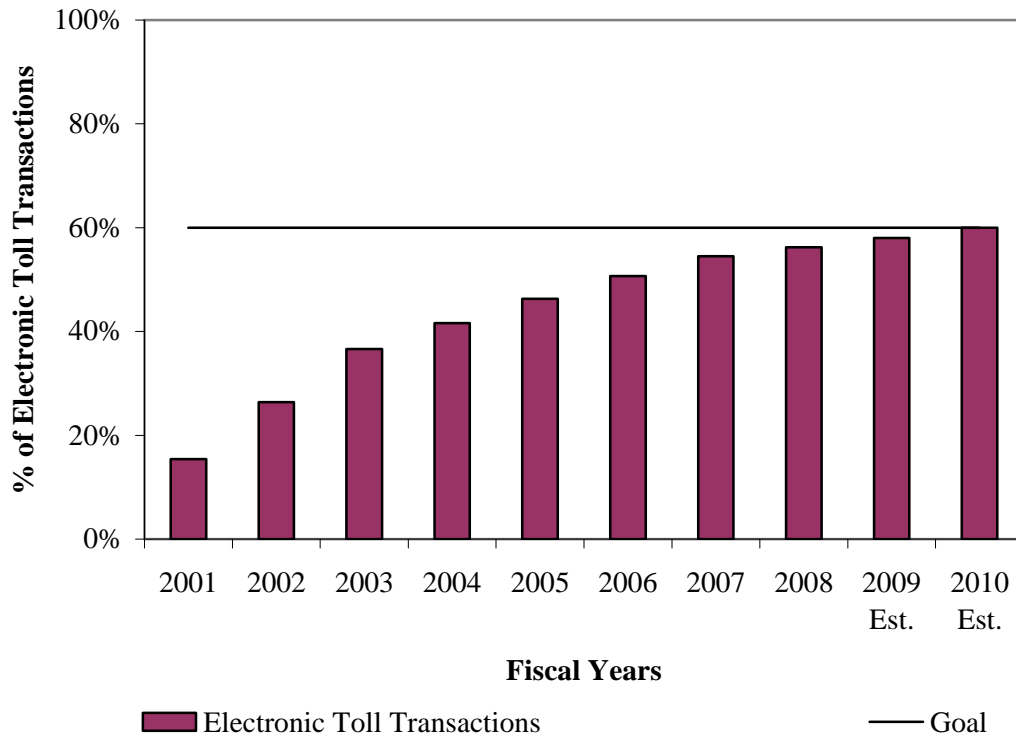
## **Electronic Tolling**

Electronic toll transactions expedite the toll collection process, reduce delays at toll plazas, and allow for the efficient movement of goods and people. MDTA continues to aggressively market its E-ZPass program to increase customer awareness and usage. Other initiatives meant to increase usage of E-ZPass include dedicated E-ZPass lanes, the implementation of higher speed E-ZPass lanes (speeds of 30 miles per hour at the Key Bridge and Fort McHenry Tunnel), and the availability of “E-ZPass on the Go.” The E-ZPass on the Go program aims to create greater access to E-ZPass transponders by allowing the purchase of transponders at select retail locations, such as certain supermarkets and Motor Vehicle Administration branches. The strategy appears to be working, as the total number of E-ZPass active accounts increased by 7.7% from fiscal 2007 to 2008.

E-ZPass electronic toll collection is available at all seven toll facilities, as well as throughout the northeastern part of the United States. E-ZPass was implemented at the Harbor and Fort McHenry tunnels and the Key Bridge in 2001 (its predecessor, M-TAG was implemented in 1999). E-ZPass installation took place at the other four toll facilities in 2001 and early 2002. Electronic toll collection will be the only method of toll collection available on the ICC and the Express Toll Lanes (ETLs) currently being constructed on I-95 north of Baltimore. These facilities will utilize open road tolling, whereby an overhead gantry system collects tolls at highway speeds. These projects will also be the first to utilize congestion toll pricing, which allows for varying toll rates based on traffic, time of day, and other factors to aid in congestion-free travel.

The use of electronic tolling continues to increase. **Exhibit 2** shows the percentage of E-ZPass toll transactions at all toll facilities. This exhibit does not include the use of automatic vehicle identification decals at the Hatem Bridge, which could also be considered as an electronic tolling method.

**Exhibit 2**  
**Tolls Collected via E-ZPass**  
**Actual Fiscal 2001-2008, Estimated Fiscal 2009-2010**



Note: The Maryland Transportation Authority's goal is to reach 60% of tolls collected electronically by fiscal 2010.

Source: Maryland Transportation Authority

## Fiscal 2009 Actions

MDTA's amended fiscal 2009 budget is \$249.8 million, an increase of \$72,936 over the preliminary budget submitted in January 2008. This change is less than 1% of the amended budget and is the result of more closely aligning the budget to expected expenditures. MDTA is also taking cost containment actions in its operating budget which will be reflected in its final fiscal 2009 budget. Cost containment actions include increasing the number of miles vehicles are driven before trading them in, limiting travel, retaining some computer equipment for a longer period of time, deleting 14 positions, and delaying the filling of other positions.

## **Proposed Budget**

MDTA’s fiscal 2010 budget is \$255.5 million, a \$5.7 million, or 2.3%, increase over the fiscal 2009 budget. **Exhibit 3** provides a summary of the changes taking place from fiscal 2009 to 2010.

Major increases in personnel include a \$1.4 million increase for merit increases and a \$0.4 million increase for overtime. It should be noted that MDTA’s budget includes funding for merit increases, the Other Post Employment Benefits liability, and the State match for employee deferred compensation contributions. All of these are items that are not being funded through the Governor’s budget; however, since MDTA’s budget was developed prior to those policy decisions being made, those items were funded. **The Department of Legislative Services (DLS) recommends the adoption of committee narrative expressing intent that these items should not be funded in MDTA’s budget if they are not funded for Executive Branch agencies.**

Outside of personnel, increases are included in the fiscal 2010 budget for advertising (\$2.4 million), credit card fees (\$1.3 million,) and additional and replacement information technology equipment (\$1.2 million). These increases are offset by decreases in E-ZPass service center costs (-\$1.6 million), E-ZPass transponders (-\$1.5 million), and reciprocity fees (-\$0.9 million).

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**Exhibit 3**  
**Proposed Budget**  
**Maryland Transportation Authority**  
**(\$ in Thousands)**

<b>How Much It Grows:</b>	<b><u>Nonbudgeted</u> <u>Fund</u></b>	<b><u>Total</u></b>
2009 Amended Budget	\$249,809	\$249,809
2010 Budget	<u>255,542</u>	<u>255,542</u>
Amount Change	\$5,733	\$5,733
Percent Change	2.3%	2.3%
 Contingent Reductions	 \$0	 \$0
Adjusted Change	\$5,733	\$5,733
Adjusted Percent Change	2.3%	2.3%

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**Where It Goes:**

**Personnel Expenses**

Merit increases .....	\$1,378
Overtime .....	414
Retirement contribution .....	207
Social security .....	157
Unemployment .....	-78
Employee and retiree health insurance pay-as-you-go costs .....	-250
Other fringe benefit adjustments .....	-8

**Other Changes**

Publicity and advertising .....	2,367
Credit card fees .....	1,290
Additional and replacement information technology equipment.....	1,244
Vehicle expenses .....	831
Maintenance service and equipment rental.....	760
Additional and replacement equipment .....	548
Insurance .....	531
Maryland State Police contract for I-95.....	472
Additional and replacement vehicles.....	423
Maintenance materials .....	264
Heating fuel .....	167
Snow removal .....	147
Medical and physical evaluations .....	113
Professional service contracts.....	100
Memberships, publications, and subscriptions .....	73
Bay Bridge Walk .....	-250
Trust agreement expenses .....	-557
Gas and electric.....	-691
Reciprocity fees .....	-930
E-ZPass transponders.....	-1,500
E-ZPass service center costs .....	-1,577
Other .....	88

**Total** **\$5,733**

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

## ***Financial Forecast***

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Section 4-313 of the Transportation Article establishes the Transportation Authority Fund, a non-lapsing fund into which all MDTA revenues flow. MDTA revenues come primarily from tolls, but also from concession income from travel plazas it owns along I-95, investment income, and payments from MDOT. MDOT payments include an operating lease of Seagirt Marine Terminal, a capital lease of Masonville Auto Terminal, and reimbursement for law enforcement services provided at BWI Marshall Airport and the Port of Baltimore.

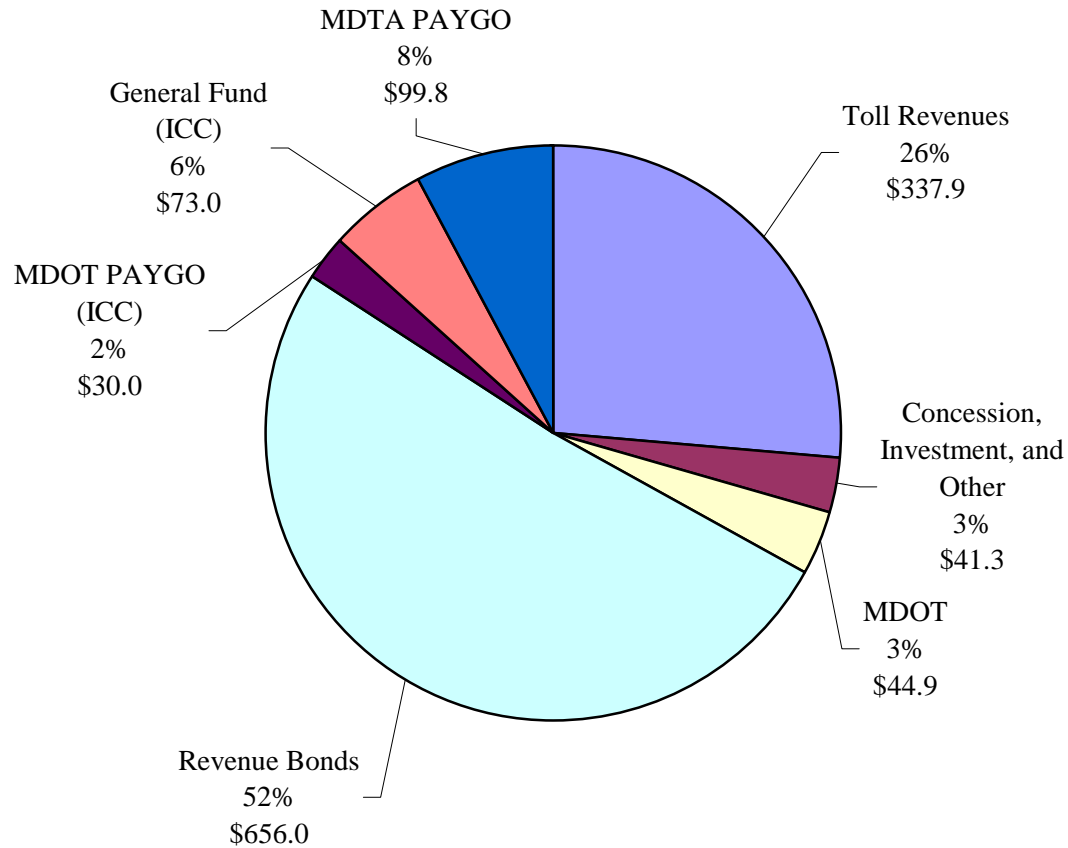
To support its capital program, MDTA may issue toll revenue bonds with a maturity up to 40 years. Typically, MDTA issues its toll revenue bonds with a 30- to 33-year maturity. Chapters 471 and 472 of 2005 established a finance plan for the ICC and created a number of alternative funding sources specific to the ICC. These funding sources include Grant Anticipation Revenue Vehicle (GARVEE) bonds, federal funds, and transfers from the TTF and the State's general fund.

The terms of MDTA's trust agreement with its bondholders is the primary driving force in all MDTA does. Maintaining its bond coverage ratios is the primary concern, and all revenue adjustments and operating and capital expenditures are managed to maintain these ratios. To this end, MDTA develops and maintains a six-year financial forecast. Chapter 567 of 2008 requires MDTA to provide the legislature a copy of its financial forecast by July 1 each year and in conjunction with submission of the Governor's budget. In October 2008, MDTA provided the financial forecast under these new reporting requirements, which was four months late. The January 2009 forecast was provided on time.

**Exhibit 4** provides information on all of the funding supporting MDTA's fiscal 2010 operating and capital budget. As the exhibit shows, the primary source of fiscal 2010 funding is from revenue bonds.

**Exhibit 5** provides a breakdown of fiscal 2010 spending by category. As the exhibit shows, the largest portion (52%) of the fiscal 2010 budget is for the ICC. In fiscal 2010, \$662.9 million is budgeted for the ICC. The next largest use of funds is the rest of the capital program, of which the largest portion is \$138.5 million for the I-95 ETLs.

**Exhibit 4**  
**Sources of MDTA Funding**  
**Fiscal 2010**  
**(\$ in Millions)**

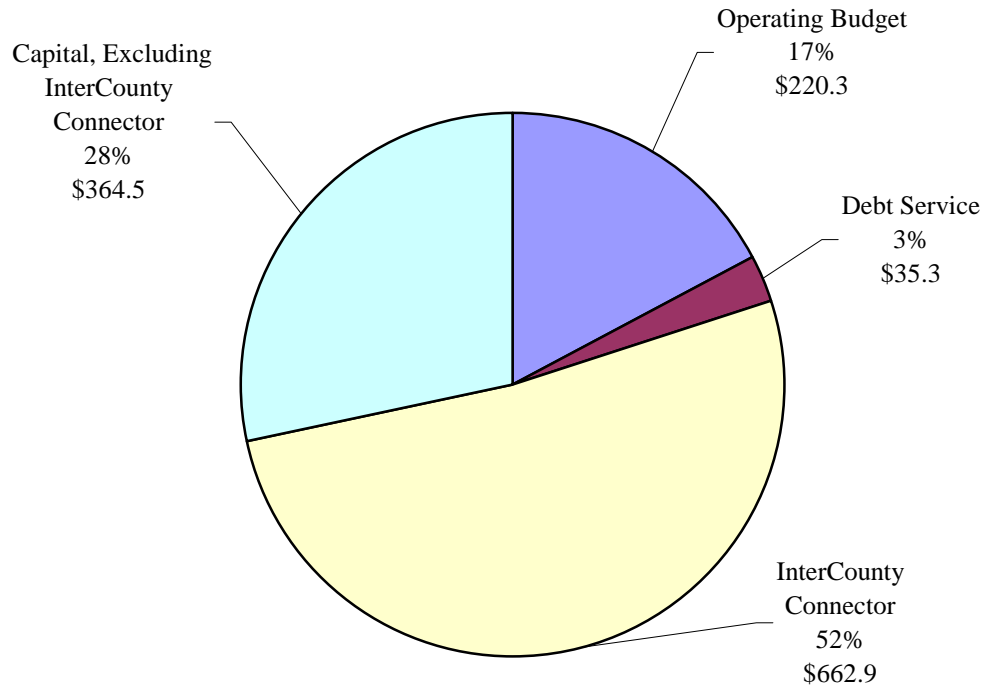


ICC: InterCounty Connector  
MDOT: Maryland Department of Transportation  
MDTA: Maryland Transportation Authority  
PAYGO: pay-as-you-go

Source: Maryland Transportation Authority's Financial Forecast January 2009

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**Exhibit 5**  
**Uses of Maryland Transportation Authority Funding**  
**Fiscal 2010**  
**(\$ in Millions)**



Source: Maryland Transportation Authority's Financial Forecast January 2009

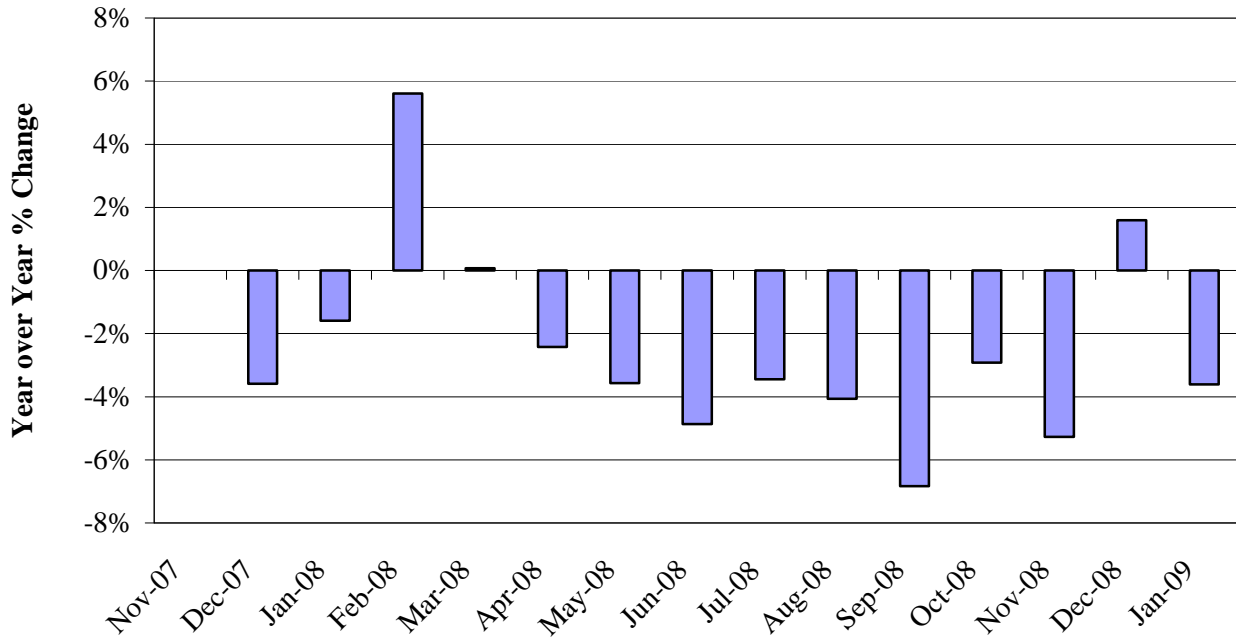
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## **Toll Revenues**

In February 2009, the Federal Highway Administration (FHWA) announced that America's trend of declining vehicle miles traveled (VMT) started its second year of decline compared to the same month the previous year. The consecutive 14-month trend of declining VMT, between November 2007 and December 2008, now tops a decline of 115 billion VMT compared to the same 14-month period a year earlier. The decline over the last 14 months is due in part to the high gas prices in 2008, the current economic recession, and the loss of consumer confidence that has resulted.

At Maryland's toll facilities, year-over-year traffic began declining in December 2007. Except for year-over-year increases in February 2008, March 2008, and December 2008, MDTA has witnessed declines in tolled traffic. **Exhibit 6** shows the percentage change from November 2007 through January 2009 compared to the same month the previous year.

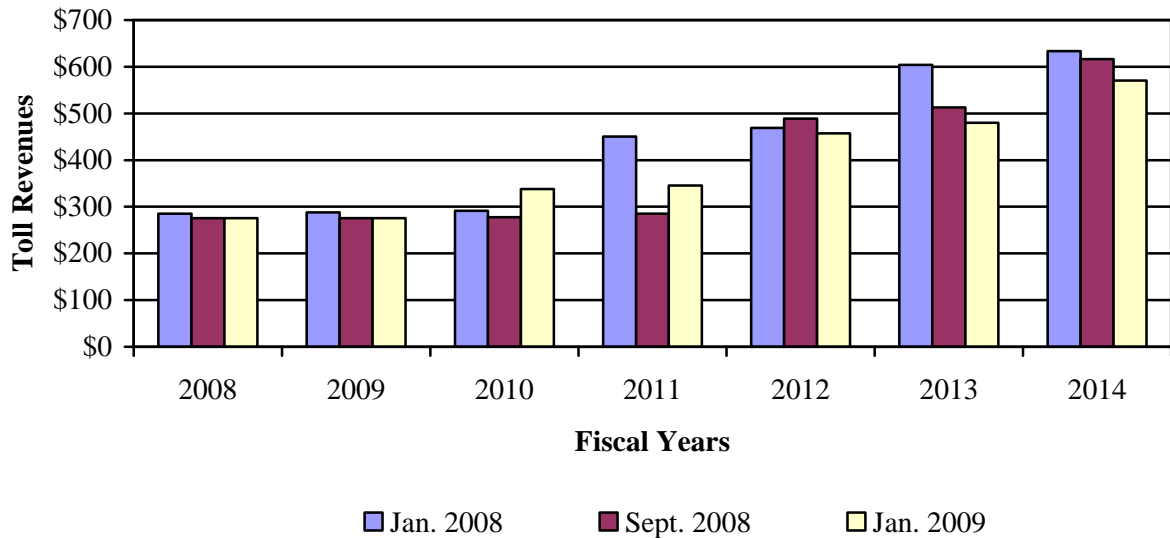
**Exhibit 6**  
**Traffic at Maryland Transportation Authority Facilities**  
**Compares Month to the Same Month the Previous Year**



Source: Maryland Transportation Authority

Declines in tolled traffic have a direct effect on revenues. **Exhibit 7** shows toll revenue projections from fiscal 2008 through 2014. From the 2008 session financial forecast to the 2009 session forecast, MDTA has revised the toll revenue projections downward by \$279.3 million. This is even after accounting for truck toll increases and the implementation of additional service charges that MDTA approved in January 2009. These toll increases and new fees will be described in more detail in Issue 2.

**Exhibit 7**  
**Forecasted Toll Revenues**  
**Fiscal 2008-2014**  
**(\$ in Millions)**



Note: January 2008 forecast includes toll increases in fiscal 2011 and 2013 for a total average systemwide increase of \$2.05. September 2008 forecast includes toll increases in fiscal 2012 and 2014 for a total average systemwide increase of \$2.15. January 2009 forecast includes toll increases in fiscal 2010, 2012, and 2014 for a total average systemwide increase of \$1.80.

Source: Maryland Transportation Authority's Financial Forecasts January 2008, September 2008, and January 2009

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## Revenue Bonds

At the end of fiscal 2008, MDTA had four bond issues outstanding:

- 1992 Series bonds were issued in August 1992 for \$162.1 million to advance refund a portion of the outstanding 1985 Series bonds, fund a deposit to the 1992 Series Reserve Subaccount, and pay bond issuance costs;
- 2004 Series bonds were issued in June 2004 for \$160.0 million to fund MDTA's capital program, fund a deposit to the 2004 Series Reserve Subaccount, and pay bond issuance costs;

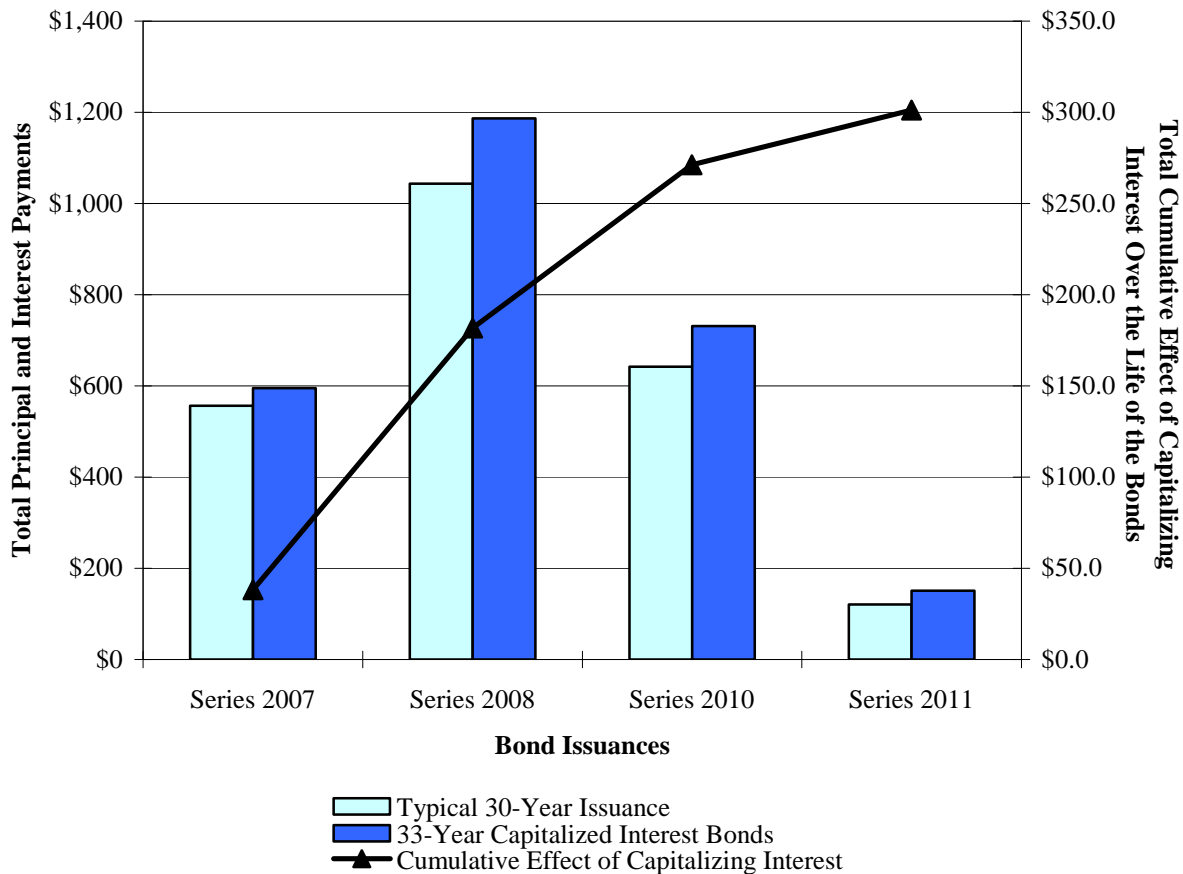
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- 2007 Series bonds were issued in September 2007 for \$300.0 million to fund MDTA’s capital program, fund the 2007 Series Reserve Subaccount, fund \$10.2 million of interest through July 1, 2011, and pay certain issuance costs; and
- 2008 Series bonds were issued in March 2008 for \$573.3 million to fund MDTA’s capital program, fund the 2008 Series Reserve Subaccount, fund \$89.9 million of interest through July 1, 2011, and pay certain issuance costs.

It should be noted that the 2007 and 2008 Series bonds include capitalized interest bonds. MDTA plans to issue additional capitalized interest bond in fiscal 2010 and 2011. Rather than paying the first three years of interest with cash, MDTA utilizes capitalized interest bonds to make these payments. This practice increases the amount of principal borrowed. **Exhibit 8** compares the total amount of principal and interest that MDTA will pay on recent bond issuances that utilized capitalized interest payments and what it would have been spent if these bonds were structured as typical 30 year bonds. Over the life of these four bond issuances, MDTA will pay an additional \$301.3 million due to its use of capitalized interest than it would have otherwise. To put this number into perspective, fiscal 2008 toll revenues were \$275.6 million.

Capitalized interest bonds are often used in the private sector for new construction projects because it allows the deferral of payment on the bonds for several years to allow time for the project to begin generating revenues. However, since MDTA pools the revenue of its seven toll facilities to repay bonds, delaying debt service to generate revenue is not a consideration. Rather, MDTA uses this tactic to lessen the impact of large planned bond issuances on its forecast. Unfortunately, the use of capitalized interest bonds by MDTA is short-sighted because the short-term benefit it receives will be outweighed by the long-term cost. **DLS recommends that MDTA discuss its use of capitalized interest bonds and why it chose to increase its debt costs over the long-term for a short-term benefit.**

**Exhibit 8**  
**Cumulative Effect of Capitalized Interest Bonds**  
 (\$ in Millions)



Source: Department of Legislative Services

**Exhibit 9** provides the schedule of debt service payments and total debt outstanding for MDTA debt (debt backed by MDTA facilities). This includes a projected debt issuance of \$704.4 million in fiscal 2010. Total MDTA debt outstanding is expected to increase from \$1.1 billion in fiscal 2008 to \$1.8 billion in fiscal 2010. Chapter 567 of 2008 increased MDTA’s debt outstanding limit from \$1.9 billion to \$3.0 billion. Although MDTA’s 2008 financial forecast showed bonds outstanding peaking at \$2.9 billion in fiscal 2012, this year’s forecast takes a more modest approach to bonding. By fiscal 2014, the current forecast shows bonds outstanding at \$2.64 billion. The decline in bond issuances over the next six years is largely the result of the deferral of completion of the I-95 ETLs. This project, originally scheduled to be completed by fiscal 2012, is now scheduled to be completed by 2016, which lessens the need for bond issuances.

**Exhibit 9**  
**Debt Service Payments and Debt Outstanding (MDTA Debt)**  
**Fiscal 2008-2010**  
**(\$ in Thousands)**

<b><u>Debt Service Payments</u></b>	<b><u>2008</u></b>	<b><u>2009</u></b>	<b><u>2010</u></b>
Capital Appreciation Bonds – 1992 Series	\$15,415	\$15,415	\$15,415
2004 Series Bonds	9,027	9,030	9,030
2007 Series Bonds	8,463	10,843	10,843
2008 Series Bonds	0	0	0
2010 Series Bonds (Projected)	0	0	0
<b>Total Debt Service Payments</b>	<b>\$32,905</b>	<b>\$35,288</b>	<b>\$35,288</b>
<b><u>Debt Outstanding</u></b>			
1992 Series Bonds	\$70,660	\$55,245	\$39,830
2004 Series Bonds	157,955	156,855	155,700
2007 Series Bonds	300,000	300,000	300,000
2008 Series Bonds	573,305	573,305	573,305
2010 Series Bonds (Projected)	0	0	704,400
<b>Total Debt Outstanding</b>	<b>\$1,101,920</b>	<b>\$1,085,405</b>	<b>\$1,773,235</b>

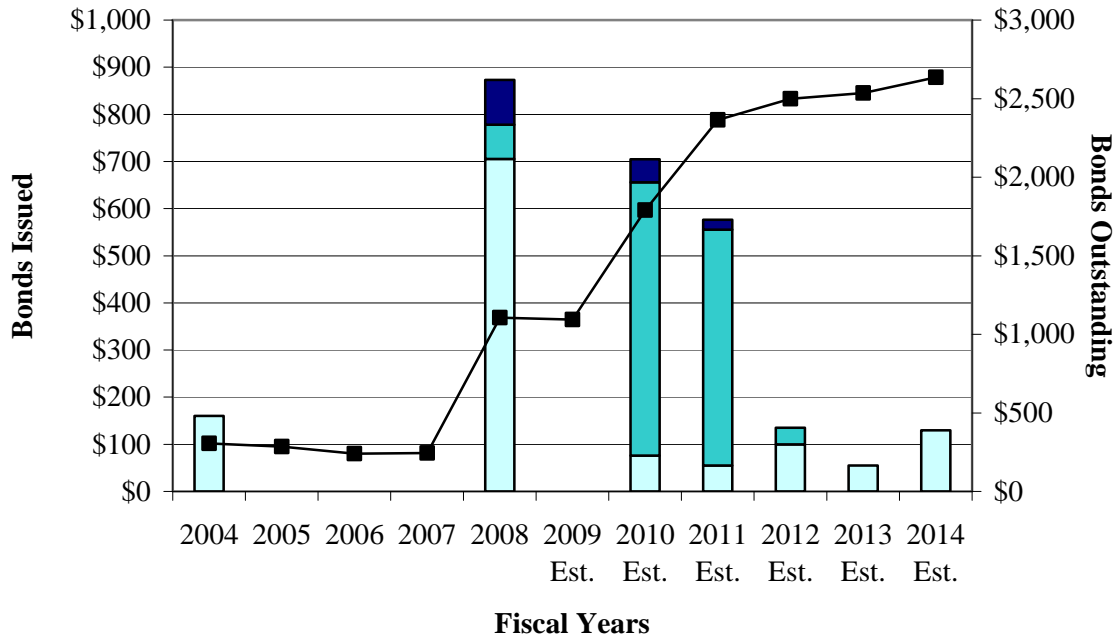
MDTA: Maryland Transportation Authority

Source: Maryland Transportation Authority's Financial Forecast January 2009

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**Exhibit 10** shows the amount of bonds projected to be issued for the ICC and other capital projects as well as total bonds outstanding in each year from fiscal 2004 through 2014. After not issuing any revenue bonds since fiscal 2004, MDTA issued revenue bonds totaling \$873.3 million in fiscal 2008. Although no issuances are planned in fiscal 2009, issuances of \$704.4 million in fiscal 2010 and \$576.2 million in fiscal 2011 are expected, largely for the ICC. Of the total bond issuances in fiscal 2010 and 2011, 89.2% of bond proceeds are projected to be used for the ICC.

**Exhibit 10**  
**Bond Sales and Debt Outstanding**  
**Fiscal 2004-2014**  
**(\$ in Millions)**



Revenue Bond for Other Capital Projects     
  Revenue Bonds for the ICC  
 Bonds Issued to Fund Capitalized Interest     
  Total Revenue Bonds Outstanding

ICC: InterCounty Connector

Source: Maryland Transportation Authority’s Financial Forecast, January 2009

**Debt Affordability**

Statute provides that MDTA may issue bonds without obtaining the consent of any unit or agency in the State, as long as total bonds outstanding do not exceed \$3.0 billion at the end of any fiscal year. MDTA debt backed by toll revenues is not considered State debt and, therefore, is not limited by the State’s debt affordability measures. MDTA does, however, have its own measures to ensure that debt outstanding remains affordable. Coverage ratios include:

- The rate covenant compliance ratio, as stipulated in the trust agreement, requires that net revenues (total revenues minus operating expenses) must be at least 1.00 times the amount deposited into the Maintenance and Operations Reserve Account plus 1.20 times greater than debt service. The

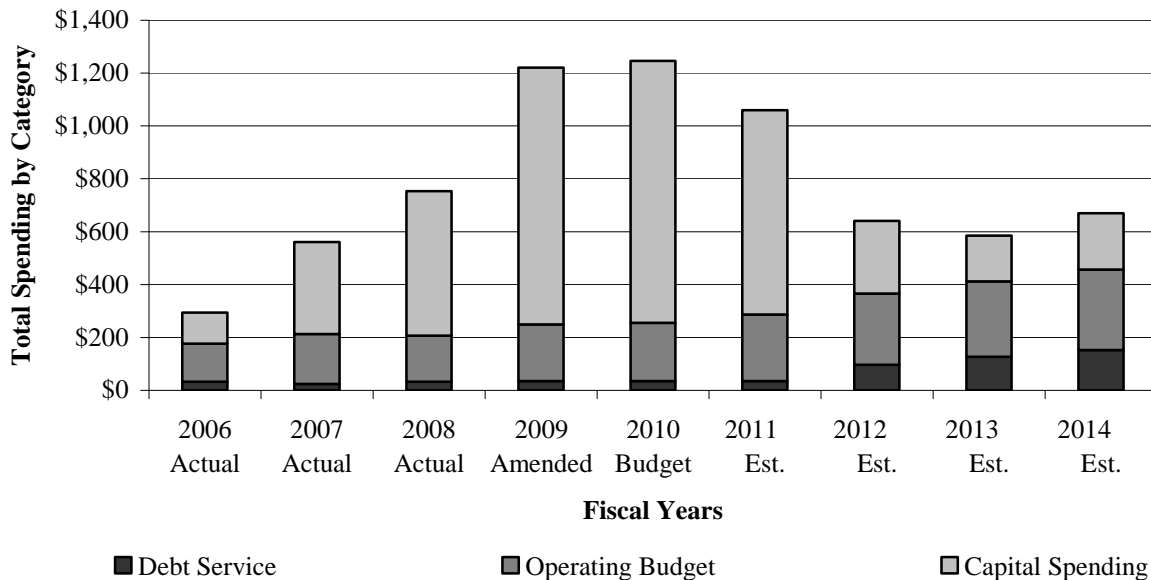
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fiscal 2009 rate covenant compliance ratio is projected to be 1.31 and increases to 2.34 in fiscal 2010.

- A second ratio is the debt coverage ratio, which is a ratio of net revenues to debt service. Although the trust agreement stipulates that net revenues must be 1.20 times greater than debt service, MDTA maintains an administrative policy that requires it to be above 2.00. In fiscal 2010, the debt coverage ratio is 5.21. In fiscal 2013, the debt coverage ratio drops to 2.06, just above the administrative policy level.
- The ratio of total cash to toll revenues must be greater than 1.00. This is an administrative policy only and is not contained in the trust agreement. The fiscal 2010 ratio is projected at 1.36, but then drops to 1.01 in fiscal 2012 and 1.00 in fiscal 2013 and 2014.

As MDTA continues to issue debt for its capital program, debt service costs will rise. **Exhibit 11** provides information on MDTA’s budget over the next six years. Beginning in fiscal 2012, large increases in debt service consume a greater portion of MDTA’s budget. This, coupled with increases in the operating budget, crowd out the ability of the capital program to fund projects. This leaves MDTA with the option to increase toll revenues beyond the toll increases already forecasted for fiscal 2012 and 2014 or to issue additional debt. However, over the next six years, MDTA’s ability to issue additional debt is constrained by its debt coverage ratios.

**Exhibit 11**  
**MDTA’s Operating and Capital Budgets**  
**Fiscal 2006-2014**  
**(\$ in Millions)**



Source: Maryland Transportation Authority’s Financial Forecast, January 2009

## **Conduit Financing**

Besides MDTA revenue bonds, MDTA also issues debt on behalf of other entities, called conduit financing. The following projects were financed by MDTA using conduit financing:

- a total of \$451.1 million of projects associated with the \$1.4 billion expansion project at BWI Marshall Airport, including the Elm Road parking facility, pedestrian bridges, roadway improvements, a central utility plant, and a new consolidated rental car facility, which is backed by fees at BWI Marshall Airport;
- \$40.0 million for three parking facilities at Largo, New Carrollton, and College Park, which is backed by lease payments from the Washington Metropolitan Area Transit Authority;
- \$23.8 million to finance the Calvert Street parking garage in Annapolis for State employees, which is backed by lease payments made by the Department of General Services; and
- \$750.0 million in GARVEE bonds to fund construction of the ICC, which is backed by future federal aid with a secondary pledge from the TTF.

**Exhibit 12** shows debt outstanding for MDTA's conduit financed bonds. The debt service for these projects is paid by the revenues from the projects and does not affect MDTA's debt outstanding or its budget.

**Exhibit 12**  
**Debt Service Payments and Debt Outstanding on Stand-alone Projects**  
**Fiscal 2008-2010**  
**(\$ in Thousands)**

	<u>2008</u>	<u>2009</u>	<u>2010</u>
<b><u>Debt Service Payments</u></b>			
2002 A&B Series – BWI Marshall Airport Elm Road garage	\$20,719	\$20,739	\$20,746
2002 Series – BWI Marshall Airport rental car facility	9,023	9,021	9,015
2003 A&B Series – various BWI Marshall Airport projects <sup>1</sup>	8,808	10,824	11,285
2004 Series – WMATA parking garages	2,903	2,900	2,894
2005 Series – Calvert Street Parking Garage	1,566	1,558	1,551
2007 and 2008 Series – GARVEE Bonds	36,091	40,364	87,458
<b>Total Debt Service Payments</b>	<b>\$79,110</b>	<b>\$85,406</b>	<b>\$132,949</b>
<b><u>Debt Outstanding</u></b>			
2002 A&B Series – BWI Marshall Airport Elm Road garage	\$238,180	\$229,590	\$220,575
2002 Series – BWI Marshall Airport rental car facility	109,825	107,890	105,855
2003 A&B Series – various BWI Marshall Airport projects <sup>1</sup>	60,900	51,800	42,300
2004 Series – WMATA parking garages	37,890	36,785	35,635
2005 Series – Calvert Street Parking Garage	22,575	21,960	21,325
2007 and 2008 Series – GARVEE Bonds	300,655	704,365	651,795
<b>Total Debt Outstanding</b>	<b>\$770,025</b>	<b>\$1,152,390</b>	<b>\$1,077,485</b>

BWI Marshall Airport: Baltimore/Washington International Thurgood Marshall Airport  
GARVEE: Grant Anticipation Revenue Vehicle  
WMATA: Washington Metropolitan Area Transit Authority

<sup>1</sup> The fiscal 2009 and 2010 debt service payments are estimates only, as they are variable rate passenger facility charge revenue bonds.

Source: Maryland Transportation Authority

## PAYGO Capital Program

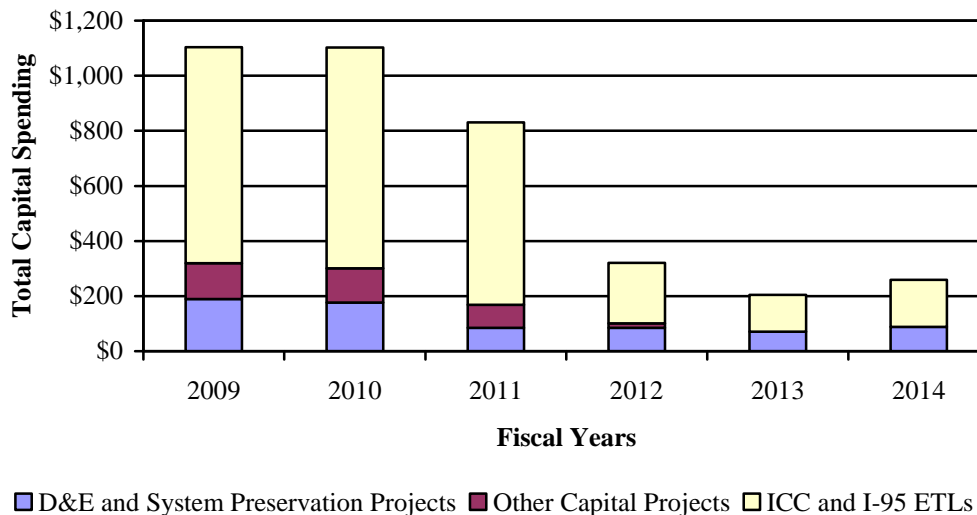
### Program Description

MDTA’s capital program involves the construction and maintenance of revenue-generating transportation facilities throughout the State. Currently, MDTA is undertaking two large capital projects. The projects are the ICC and construction of ETLs on a 10-mile stretch of I-95 from the I-895 split to north of MD 43.

### Fiscal 2009 to 2014 Consolidated Transportation Program

The final fiscal 2009-2014 *Consolidated Transportation Program* (CTP) shows capital spending from fiscal 2009 to 2010 is relatively unchanged, decreasing by only \$1.1 million out of a total capital program in fiscal 2010 of \$1.1 billion. The capital program is largely driven by construction of the ICC, with nearly two-thirds of fiscal 2010 capital expenditures going to this purpose. **Exhibit 13** shows budgeted capital expenditures by year.

**Exhibit 13**  
**Capital Expenditures by Year**  
**Fiscal 2009-2014**  
**(\$ in Millions)**



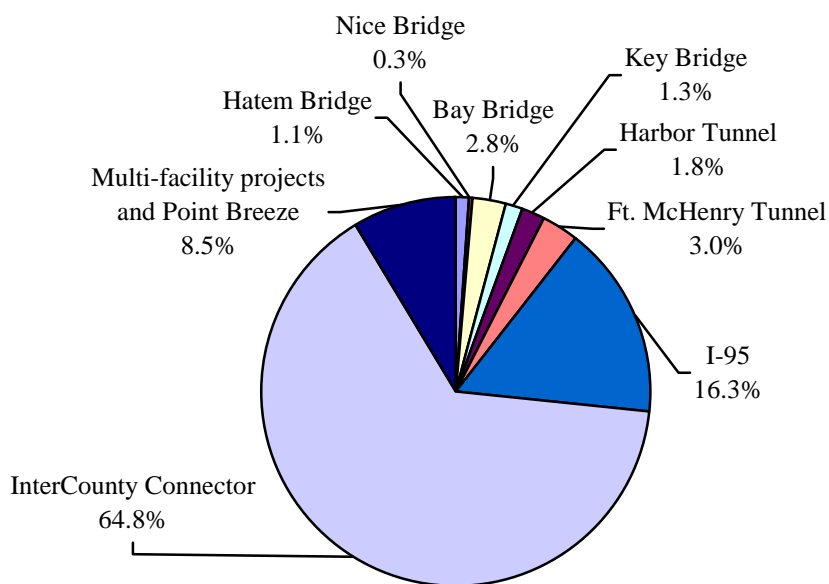
D&E: Development and Evaluation  
 ETL: Express Toll Lanes  
 ICC: InterCounty Connector

Source: Maryland Transportation Authority, 2009-2014 *Consolidated Transportation Program*

Exhibit 14 shows capital spending by facility in fiscal 2010.

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**Exhibit 14**  
**Capital Expenditures by Facility**  
**Fiscal 2010**



Source: Governor's Fiscal 2010 Budget Book, Volume I, page 704

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**Exhibit 15** provides a list of major construction projects funded in fiscal 2010. These projects account for 98.9% of all funding for major projects in the construction program in fiscal 2010.

**Exhibit 15**  
**Major Construction Projects Funded in Fiscal 2010**  
**(\$ in Thousands)**

<u>Project</u>	<u>2010</u>	<u>Total \$</u>	<u>Completion of Fiscal Cashflow</u>
Bay Bridge Deck Rehabilitation – rehabilitate the westbound bridge deck. Phase I involves truss, beam, and girder spans. Phase II involves suspension and thru-truss spans.	\$16,145	\$129,397	2010
I-95 MD 24 Interchange Improvements – involves improvements to the I-95/MD 24 interchange, upgrades to MD 24, and reconstruction of the MD 24/MD 924 interchange.	22,300	60,564	2011
Bridge, Roadway, and Signage Rehabilitation on I-95 South of the Fort McHenry Tunnel – includes overlaying of roadways between Joh Avenue and Washington Boulevard; replacement and upgrades of existing signs; miscellaneous safety improvements; and inspection and repair of highmast light poles and sign structures.	15,438	46,261	2011
Bridge, Roadway, and Signage Rehabilitation on I-95 North of the Fort McHenry Tunnel – includes resurfacing of 34 bridge decks and related structural repairs; resurfacing of roadways; replacement and upgrades of existing signs; miscellaneous safety improvements; and inspection and repair of highmast light poles and sign structures.	7,776	44,879	2011
Deck Replacement for the Hatem Bridge – involves replacement of the 1.5 mile deck on the Hatem Bridge.	15,424	65,127	2011
Bay Bridge – includes the cleaning and painting of the structural steel on the westbound bridge.	15,650	37,343	2011
Harbor Tunnel Thruway Canton Viaduct Bridge Superstructure Replacement – involves the replacement of the deck and superstructure and miscellaneous substructure repairs on the Canton Viaduct bridge.	21,854	73,000	2012
I-95 Express Toll Lanes Construction – involves the construction of two managed lanes in each direction from I-895 north to north of MD 43.	138,477	1,494,517	2016
InterCounty Connector Construction – construction of a new east-west, multimodal highway in Montgomery and Prince George’s counties between I-270 and I-95/US 1.	662,897	2,565,974	Ongoing <sup>1</sup>
<b>Total</b>	<b>\$915,961</b>	<b>\$4,517,062</b>	

<sup>1</sup>Construction of the InterCounty Connector will be complete in 2014. However, one of the contracts associated with the project for improvements along I-95 has been deferred beyond the 2014 capital program period.

Source: Maryland Transportation Authority, 2009-2014 *Consolidated Transportation Program*

## **Significant Scope Changes**

As shown in **Exhibit 16**, the fiscal 2009-2014 CTP includes a number of significant scope changes. When available, costs of the project moved outside of the current planning period is noted. These scope changes include breaking projects into multiple phases and only funding the first phase, eliminating parts of projects, and deferring completion of projects. The two largest changes involve the ICC and the I-95 ETLs.

**ICC:** Due to the contract award for Contract B (MD 97 to US 29) being \$99.7 million higher than estimated, Contract D, which includes improvements along I-95, has been indefinitely deferred. Contract D was moved beyond the current program period and MDTA is still reviewing whether scope changes can be made to Contract D and Contract E (I-95 to US 1) to allow construction within the current project budget. At its current scope, completion of the entire project, including Contract D, is estimated at \$2.57 billion, which is \$120.1 million higher than the estimate of \$2.45 billion in the fiscal 2008-2013 CTP.

**I-95 ETLs:** MDTA has deferred completion of the I-95 ETLs by up to four years. This will move the completion date from fiscal 2012 to 2016. Due in part to this deferred completion, as well as increased right-of-way and construction costs, the total cost for the I-95 ETLs increased to \$1.49 billion, a \$312.9 million increase over the total estimated cost of \$1.18 billion in the fiscal 2008-2013 CTP. This project has witnessed astronomical cost increases over the past three years, increasing from \$810.9 million in the fiscal 2006-2011 CTP to \$1.49 billion in the fiscal 2009-2014 CTP. Although some of this increase can be attributed to high inflation in construction materials over the last several years, part of this increase is due to MDTA's inexperience at estimating costs, planning, managing, and constructing large projects such as this. **DLS recommends that MDTA discuss the 84% increase in this project over the last three years, what actions it is taking to mitigate these increases, and whether further increases are expected. Furthermore, DLS recommends the adoption of committee narrative expressing the intent that SHA, which has much more experience in estimating costs and constructing large highway projects, take an active consulting role in the I-95 ETLs project.**

**Exhibit 16**  
**Significant Scope Changes**  
**From Fiscal 2009-2013 CTP**  
**to Fiscal 2009-2014 CTP**

<u>Project</u>	<u>Scope Change</u>	<u>Moved to Outside Planning Period</u>
I-95 Express Toll Lanes – construction	Cost increased \$312.9 million due to increased right-of-way and construction costs; completion deferred from fiscal 2012 to 2016	Deferred completion from fiscal 2012 to 2016, \$330 million cost
Fort McHenry Tunnel – bridge, roadway, and signage rehabilitation south of the tunnel	Cost decreased \$75.8 million due to creating 3 phases of the project and only moving forward on phase 1 at this time	Phases 2 and 3, cost unknown
Key Bridge – interchange improvements at MD 695 and Quarantine Road	Cost decreased \$35.6 million due to deletion of MD 695 East realignment work and deferral of the commercial vehicle inspection facility beyond the planning period	Commercial vehicle inspection facility, cost unknown
Police firing range	Cost decreased \$14.8 million due to deletion of indoor training facility and reducing scope to an outdoor firing range only	
Harbor Tunnel – Canton Viaduct bridge superstructure replacement	Cost increased \$25.1 million due to increased scope of work to include complete superstructure repair	
Bay Bridge – westbound bridge deck rehabilitation	Cost increased \$11.8 million due to adding steel/bearing repairs and increased fabrication costs	
Bay Bridge – westbound cleaning and painting of structural steel	Cost decreased \$46.7 million due to reduced scope of work and moving some costs beyond the planning period	Full painting for areas previously spot painted, cost unknown
InterCounty Connector – construction	Cost increased \$120.1 million due to increased engineering, construction, and legal costs. In addition, Contract D (improvements along I-95) was moved beyond the planning period	Contract D, \$103 million cost

CTP: *Consolidated Transportation Program*

Source: Maryland Transportation Authority, 2009-2014 *Consolidated Transportation Program*

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### **Project Added to the Development and Evaluation Program**

One project was added to the Development and Evaluation (D&E) program. It involves a study of open road tolling (ORT) on the Bay Bridge. ORT utilizes overhead gantry systems to detect E-ZPass transponders and allows motorists to travel at highway speeds. ORT will be the preferred tolling option for the ICC and I-95 ETLs and could help ease tollbooth-related congestion at peak periods on the Bay Bridge.

### **Project Removed from the Construction Program**

One project was removed from the fiscal 2009-2014 CTP. The project involved construction of two park-and-ride facilities along I-95 at MD 152 and MD 24 and had an estimated cost of \$15 million. Although the project was removed from the fiscal 2009-2014 CTP, funding for right-of-way acquisition for the facilities was moved to the I-95 Section 200 study project in the D&E program. Section 200 extends from north of MD 43 to north of MD 22 (which includes the location of these two facilities) and is the next section of I-95 being considered for possible improvements.

### **Project Removed from the D&E Program**

One project was removed from the D&E program in the fiscal 2009-2014 CTP. The project involved a study of traffic capacity needs across the Chesapeake Bay. The fiscal 2008-2013 CTP included funding of \$1.7 million each in fiscal 2009 and 2010, \$1.8 million each in fiscal 2011 and 2012, and \$1.4 million in fiscal 2013. It should be noted that an ORT study for the Bay Bridge was added to the fiscal 2009-2014 CTP and could help relieve congestion at the facility.

To date, several studies of traffic capacity on the Bay Bridge have taken place. In August 2006, the Task Force on Traffic Capacity Across the Chesapeake Bay issued its final report, concluding that the issue of traffic capacity across the Chesapeake Bay was “complex, controversial, but also compelling” and recommended that more detailed studies be undertaken. In September 2007, MDTA released the Bay Bridge Transit Study, which analyzed transit-only options for addressing capacity needs across the Bay Bridge, concluding that forecasted transit ridership would not meet accepted thresholds for cost-effectiveness and transit service alone would not provide significant relief to either weekday-rush or summer weekend traffic congestion.

## ***Issues***

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### **1. Optimistic Forecast Causes Serious Concerns**

Over the last 13 months, the nation has witnessed a substantial decline in VMT. In Maryland, traffic declines at MDTA's toll facilities required a quick and unexpected toll and fee increase in January 2009. Although MDTA has taken some actions to reduce its operating and capital budgets, it continues to move forward on schedule on the ICC. Continued declines in traffic at MDTA facilities could have a catastrophic effect on MDTA's budget.

#### **Financial Performance to Date**

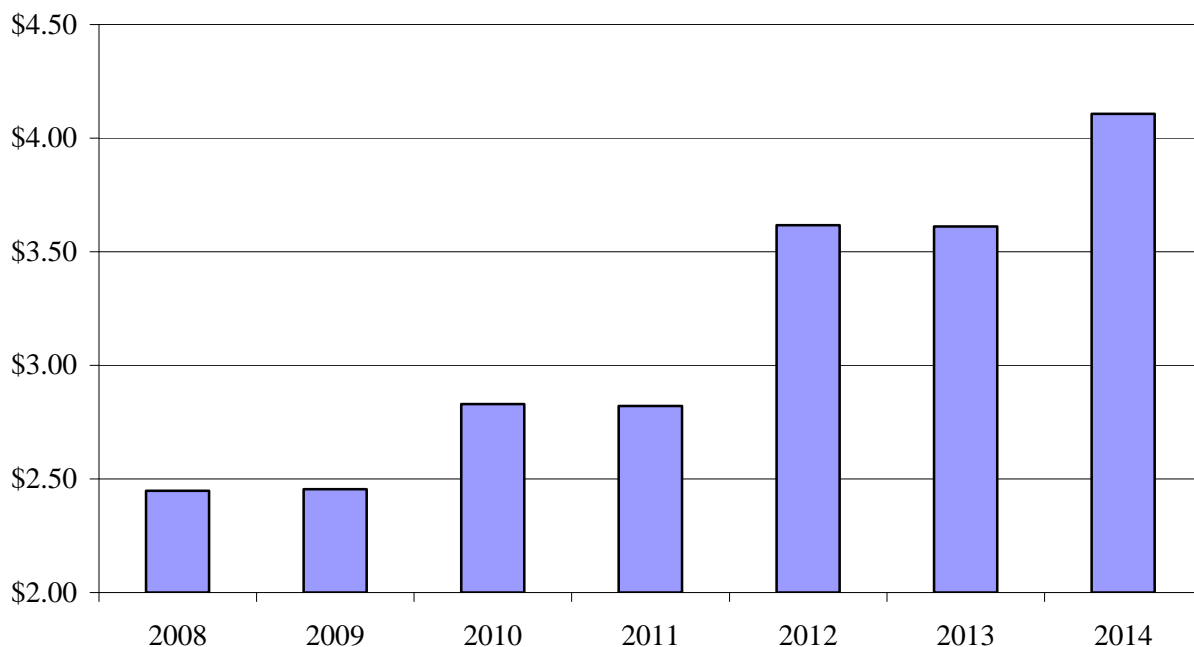
As noted in Exhibit 6, traffic at MDTA toll facilities has seen year-over-year declines since December 2007. Although MDTA's previous financial forecasts had not projected a toll increase for several more years (fiscal 2011 in the December 2007 forecast and fiscal 2012 in the September 2008 forecast), MDTA was forced to move these toll increases forward as the result of downward revisions in its toll revenue projections totaling \$279.3 million from fiscal 2008 through 2014.

As DLS noted in its fiscal 2009 MDTA analysis, "having a forecast built on maintaining only the minimum financial coverage ratios can be a risky decision, because any unexpected changes, such as greater than expected inflation, cost over-runs on capital projects, or a drop in revenue, could have a profound impact on the forecast and would require immediate action, either by pulling projects from the capital program or further increasing toll rates." Over the past year, as a result of declining revenues, MDTA has undertaken cost containment actions in its operating budget, deferred completion of the I-95 ETLs by up to four years, indefinitely deferred one of the ICC contracts for improvements along I-95, and was forced to increase tolls two years earlier than previously projected.

#### **Risks to the Financial Forecast**

MDTA's financial forecast includes a number of overly optimistic assumptions. If these assumptions fail to materialize, without further action, MDTA will begin to breach its administrative debt coverage ratios beginning in fiscal 2012. Since the threat of a downgrading of its ratings will likely spur MDTA to action before this happens, it is a very real possibility that one or more unexpected toll increases may take place over the next several years. These toll increases would be above and beyond the already scheduled average systemwide toll increases of \$0.80 in fiscal 2012 and \$0.50 in fiscal 2014. Like the January 2009 toll and fee increase approved by MDTA, these toll increases would likely be publicized, approved, and implemented in short succession. **Exhibit 17** provides information on average systemwide toll rates from fiscal 2008 through 2014, illustrating the large toll increases that are already planned just to maintain the current financial forecast.

**Exhibit 17**  
**Average Systemwide Tolls**  
**Fiscal 2008-2014**



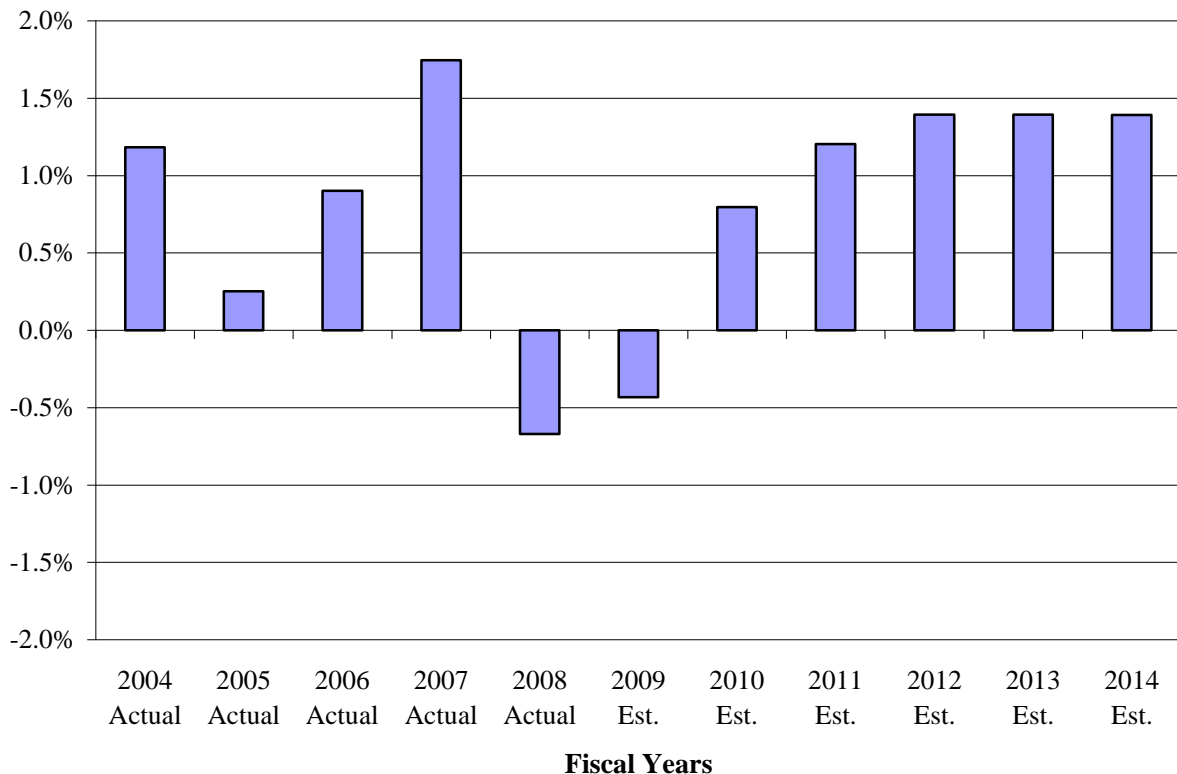
Source: Maryland Transportation Authority's Financial Forecast, January 2009

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**Toll Revenues**

**Exhibit 18** shows the traffic growth assumptions that MDTA is utilizing in its financial forecast. The forecast assumes that the level of decline in fiscal 2009 will be slightly less than fiscal 2008 (-0.4% and -0.7%, respectively), followed by a slight recovery in fiscal 2010 (0.8%) and 2011 (1.2%), and full recovery in fiscal 2012 and beyond (1.4% annual growth).

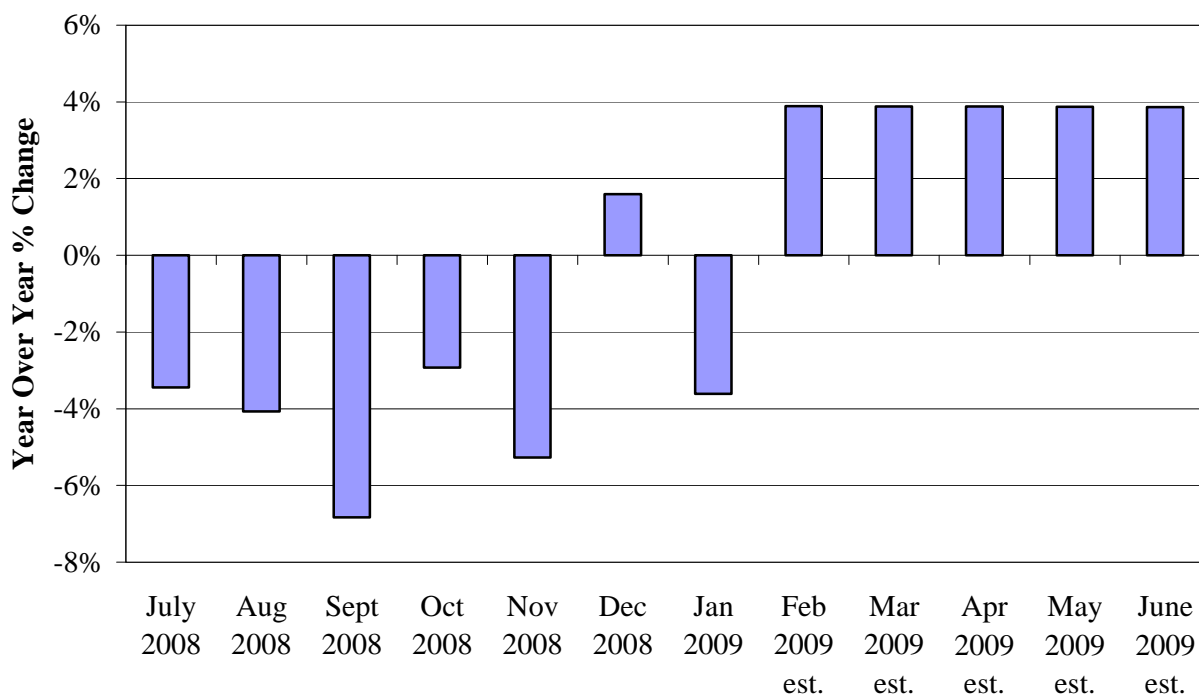
**Exhibit 18  
Traffic Assumptions  
Fiscal 2004-2014**



Source: Maryland Transportation Authority’s Financial Forecast, January 2009

Through January 31, 2009, fiscal 2009 traffic at MDTA’s facilities is down 3.6% over the same period in fiscal 2008. Declines in year-over-year traffic that began in December 2007 have been more dramatic over fiscal 2009 to date, with September 2008 seeing the largest decline (-6.8%) from the previous year. January 2009 data shows a decline of 3.6% from the previous year, suggesting that traffic declines will continue at least through the end of fiscal 2009. With a year-to-date decline of 3.6%, and a forecasted decline of only 0.4%, it is highly likely that forecasted revenues will come in several million dollars below the forecasted rate. **Exhibit 19** shows the year-over-year growth that would have to take place in order for MDTA to meet its fiscal 2009 toll revenue projections. As this seems unlikely, further reductions to the operating and capital budgets or additional revenue increases may be necessary.

**Exhibit 19**  
**Traffic Attainment to Date and Traffic Growth Required to Meet Projections**  
**Fiscal 2009**



Source: Department of Legislative Services

Traffic projections for the next several years are based on several questionable assumptions. First, the projections were made in September 2008 and do not account for actual September 2008 traffic at MDTA facilities, which witnessed the largest single month of year-over-year decline to date.

Second, the projections are based on the assumption that unemployment in Maryland will peak at 5.67% and then decline to 4.0% in fiscal 2011. By December 2008, Maryland unemployment has already reached 5.8%. DLS forecasts for the general fund assume unemployment rates near 7.0% in the first half of fiscal 2010 and averaging 6.3% in fiscal 2011. The unemployment rate can have a substantial impact on traffic at toll facilities since it not only means that people will curtail discretionary travel because they have less money unavailable, but there are also fewer people making morning and afternoon commutes. To date, MDTA has not seen the double-digit decreases in traffic as many toll agencies have because of its heavy reliance on commuters. However, as more people enter unemployment, this will have a greater negative impact on traffic at MDTA facilities.

Finally, the traffic projections assume that the national VMT growth rate, which is highly correlated with MDTA traffic, will follow similar growth patterns as was seen coming out of the high

inflation, energy crisis, and recession period of the late 1970s. However, this may be overly optimistic given the fact that recent drops in VMT are the largest annualized drops since World War II. Moreover, the 115 billion national VMT decline over the last 14 months dwarfs the 50 billion VMT decline in the 1970s. Furthermore, a December 2008 report by the Brookings Institution suggests that there are many indications that recent VMT declines are permanent long-term changes rather than short-term declines as we have seen in the past.

### **Operating Budget**

MDTA's financial forecast assumes that operating budget growth, exclusive of increases for the ICC and I-95 ETLs, will grow at 5% annually. Although MDTA has taken significant cost containment actions in fiscal 2009 and 2010 to inhibit growth, over the past several years, double-digit increases in the operating budget have been common. Moreover, much of MDTA's cost containment relies on deferring actions to later years rather than cutting spending, so future increases will be necessary to fund these deferred items.

### **Capital Budget**

As Exhibit 13 showed, the fiscal 2009-2014 CTP includes only \$16.2 million in fiscal 2012 for the construction of major projects besides the ICC and I-95 ETLs. In fiscal 2013 and 2014, there are no major projects in the construction program outside of these two projects. Given the age of MDTA's facilities, this decision should raise concerns. With two toll facilities nearing 70 years old and several others approaching 60 years old, major capital work is going to be a necessity.

**Capital Project Deferrals:** Unfortunately, MDTA did not have much choice in the decision to defer all other capital projects. Projections of MDTA's debt issuances have been significantly scaled back over the six-year planning period to better manage debt coverage ratios. Although there is still some capacity under the debt outstanding limit, the limiting factor over the next several years will be the debt coverage ratios. Without the additional bond capacity to fund its capital program, MDTA is going to continue to have a constrained capital program.

This constrained capital program is going to be evident in many ways. First, projects currently in the D&E program will not be able to move forward to construction. There are currently nine projects in the D&E program. In total, these projects have an estimated construction cost of several billion dollars. Two projects in particular, one studying improvements to I-95 Section 200 and the other reviewing options for replacement or building a second span of the Nice Bridge, would each likely cost \$1 billion. The other evidence of constraint in the capital program is going to be seen when normal cost increases associated with capital projects suddenly make projects cost prohibitive. Furthermore, astronomical cost increases like the ones associated with the I-95 ETLs will be unsustainable given the financial forecast. Additional cost increases to this project will likely require further deferral of the completion date or significant scope changes.

**Capital Spend Rate:** Another major concern with the capital budget is MDTA's recent decision to decrease its capital spend rate from 90 to 75% for capital projects, excluding the ICC and

I-95 ETLs. These two projects continue to utilize a spend rate of 100%. The capital spend rate is a budgeting tool that assumes that due to normal construction schedule delay, some percentage of budgeted capital expenditures will not be spent each year. For example, if a project is projected to have expenditures of \$100 million in a given year and a 90% spend rate is utilized, then only \$90 million would be budgeted to the project that year. Construction schedule delays are a fairly normal part of construction and may occur due to weather, waiting for permits or inspections, or waiting for materials. MDOT does not utilize capital spend rates, but there are often large adjustments made to the capital program at the end of each year to more closely align the budget with actual expenditures.

Although the use of a capital spend rate is not in itself a bad thing, reducing it from 90 to 75% is questionable. Given the constrained spending in MDTA's current forecast, reducing the capital spend rate could be a technique to alleviate pressure on the financial forecast. However, MDTA reports that it reduced its capital spend rate to more accurately reflect historical capital spending. This reasoning is perhaps just as troubling, because having a spend rate as low as 75% suggests an inability to properly forecast capital spending. To more accurately reflect the progress of construction projects, a better option would be to just reduce forecasted expenditures rather than to reduce budgeted amounts. **DLS recommends that the Secretary discuss why MDTA utilizes a capital spend rate and MDOT does not, why a decision was made to reduce the capital spend rate instead of reducing projected expenditures, and whether there is any concern about having a capital spend rate as low as 75%.**

#### **Effect on the Financial Forecast**

DLS has run several scenarios with MDTA's forecast based on more conservative assumptions of toll revenues, operating budget growth, and capital spending. These include:

- several traffic growth scenarios ranging from a 1 to 3% decline in fiscal 2009 based on year-to-date traffic, no growth in fiscal 2010, and 1% growth in fiscal 2011 through 2014;
- operating budget growth of 8% in fiscal 2011 through 2014 based on historical growth;
- increases in capital spending of \$50 million per year in fiscal 2011 through 2014 based on construction cost increases or the need for new projects; and
- increasing the capital spend rate from 75% to a more reasonable 90%.

Each of these changes in assumptions, taken alone or as a whole, result in MDTA breaching its administrative coverage ratios beginning in fiscal 2012. Perhaps even more notable is that reducing the fiscal 2010 or future bond sales does not change the outcome, because the breach is caused by the fiscal 2008 and prior bond issuances and not by future issuances. The use of capitalized interest bonds is largely to blame for this, because it delays the full impact of debt service from new bonds on the forecast. Capitalized interest bonds allow debt service to remain at \$35.3 million from fiscal 2009 through 2011 even after bond issuances of \$873.3 million in

fiscal 2008. The spike in debt service from \$35.3 million in fiscal 2011 to \$96.9 million in fiscal 2012 is a result of debt service for the fiscal 2008 bonds taking effect and not because of subsequent issues.

Due to the fact that problems in the forecast arise in fiscal 2012 because of prior bond issuances and not future ones, MDTA will be unable to simply reduce its future bond sales to deal with any bond coverage ratio concerns. Instead, a decrease in the operating or capital budget or an increase in revenues will be required. Since the operating and capital budgets are already significantly pared down, this will likely require a toll increase. Although toll increases, in addition to the most recently approved one, are already forecasted in fiscal 2012 and 2014, those are only to maintain the current forecast. Any failure to attain revenue assumptions or spending beyond current assumptions will require additional toll increases.

DLS has often used the analogy of a hole in conjunction with the general fund. In essence, MDTA's actions to date have already dug a similar hole. The only uncertainty is whether further declines in traffic and revenues will cause MDTA to slip into this hole or whether it will be able to remain on solid ground.

**DLS recommends that MDTA comment on:**

- **the toll revenue projections, including an estimate of the toll rates projected in fiscal 2010, 2012, and 2014;**
- **what effect a sustained decline in traffic would have on the forecast; and**
- **the practicality of having no funding for major projects outside of the ICC and I-95 ETLs in the fiscal 2013 and 2014 capital program.**

## **2. MDTA Increases Truck Tolls and Implements New Fees**

On January 5, 2009, the MDTA board proposed a cost recovery initiative to generate approximately \$60 million in additional revenue. The initiative includes an increase in toll rates for large trucks and other multi-axle vehicles as well as the implementation of a number of service charges and program modifications.

After a 23-day public comment period, which included pleas from truckers and legislators to delay implementation, the MDTA board approved the toll and fee increases on January 29, 2009. As shown in **Exhibit 20**, minor modifications were made to the toll and rate schedules based on public comments.

**Exhibit 20**  
**MDTA Toll and Fee Increases and Program Modifications**  
**January 2009**

	<u>Current Policy</u>	<u>Original Recommendation</u>	<u>Changes in Final Action</u>
Toll rates for vehicles with 3 or more axles	\$4-\$25 depending on facility and number of axles	\$6-\$38 depending on facility and number of axles effective April 15, 2009	Effective date changed to May 1, 2009
Additional volume discount program for vehicles with 3 or more axles	n/a	None	Additional 10% discount if making more than 100 trips per month
Motorcycle vehicle class change	n/a	None	Motorcycles will be charged the 2 axle rate, even when using a sidecar or towing a light trailer
Hatem Bridge discount (AVI decal)	\$5 annually for unlimited trips	\$10 annually for unlimited trips effective April 15, 2009	Effective date changed to May 1, 2009
Hatem Bridge discount (1-3 axle trailers)	Discount rate for 5 trips with no expiration date	Discount rate for 5 trips within 1 year effective April 15, 2009	Effective date changed to May 1, 2009
Hatem Bridge discount (3-6 axle trucks and trailers)	\$24-\$72 for 15 trips in 30 days	\$48-\$110 for 15 trips in 30 days effective April 15, 2009	Effective date changed to May 1, 2009
End of commuter ticket sales	n/a	March 1, 2009	Same
Overweight/oversize vehicle permit charge	“Unusual” vehicle toll rates	\$25 effective April 15, 2009	Effective date changed to May 1, 2009
E-ZPass commuter plan duration	60 days	45 days effective July 1, 2009	Same
E-ZPass account charge	None	\$1.50 per month effective July 1, 2009	Same
E-ZPass transponder charge	None	\$21 for standard, \$33 for exterior, \$40 for fusion effective July 1, 2009	Same
Notice of Toll Due charge	None	\$3 effective July 1, 2009	Same
Toll Violation Charge	\$15	\$25 effective July 1, 2009	Same
Shoppers and Travelers Discounts	Ticket sales	Ticket sales end effective July 1, 2009, Creation of E-ZPass discount plan to offer same discount effective July 1, 2009	Same

AVI: automatic vehicle identification  
MDTA: Maryland Transportation Authority  
Source: Maryland Transportation Authority

### *J00J00 – Maryland Transportation Authority*

There was a lot of opposition to the toll rate increases. Aside from opposition to the toll and fee increases, there was a lot of concern voiced about the process itself. Current statute gives independent rate-setting authority to MDTA. Chapter 164 of 2004, enacted after the 2003 toll increases, requires MDTA to provide notice to the legislature of the proposed increase, although legislative approval is not required. MDTA is also not required to provide public notice or hold meetings, although MDTA did provide a 23-day public comment period and allowed the public to comment at its board meeting before the final vote was taken.

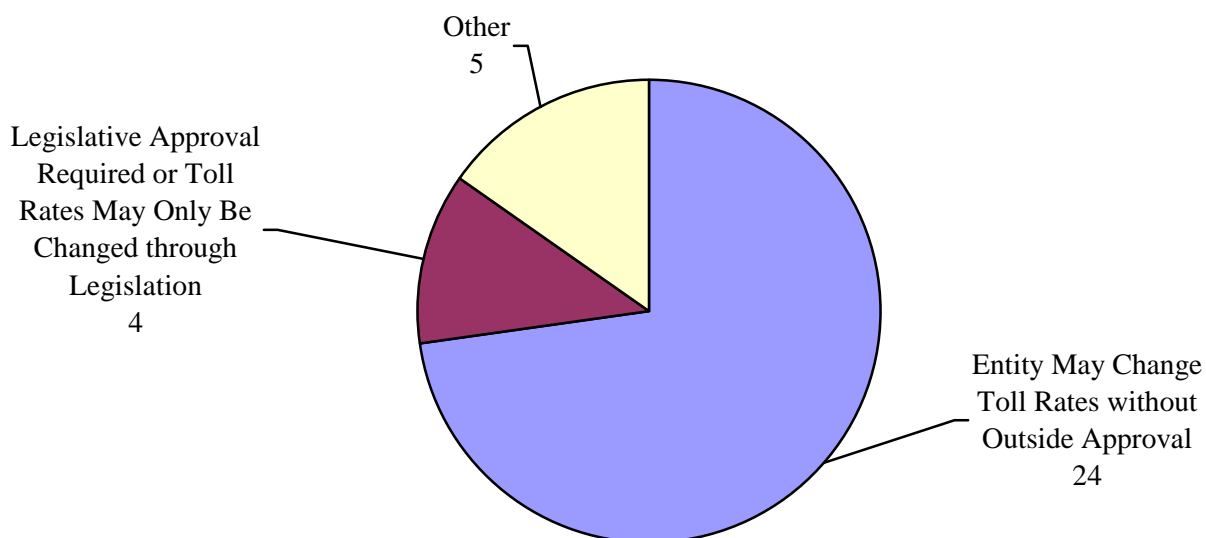
A number of bills have been introduced this session regarding toll increases. Senate Bill (SB) 477 and House Bill (HB) 780 would require legislative approval of toll increases. HB 922 would require public notice, a 60-day public comment period, and public meetings regarding proposed toll and fee increases. HB 1332 would require a phased-in implementation of the recently approved toll increase. SB 475 and HB 882 would prohibit toll increases on the Bay Bridge until an independent inspection of the facility occurs.

In 2007, DLS conducted a survey of 33 tolling entities across the country. The survey found that the overwhelming majority (24 of 33) of toll entities have the power to change toll rates without legislative approval. Of these 24 toll entities, 3, including MDTA, require notice to committees of the legislature or to the legislature as a whole prior to toll increases. Four toll entities require legislative approval of toll rates or require toll rates to be changed through legislation. Of the remaining 5 toll entities, 4 require some type of involvement of the Governor, either to approve toll rates or to allow the Governor veto power over new rates. The final state does not have a clearly defined process for toll rate changes. **Exhibit 21** summarizes these survey results. In addition, the survey also found that public notice or meetings are required of 13 toll entities, although some that are not required to do so still provide public notice or meetings as a matter of practice.

The reason that United States toll facilities typically have independent rate-setting authority is that it enables them to adjust rates as necessary to offset traffic declines, recover from inflationary pressures, and to fund improvements and expand facilities as needed. All three credit rating agencies cite a toll entity's independent ability to set toll rates, free of political considerations or approval from an outside source, as a key factor in achieving an optimal credit rating. In its report on the methodology for rating toll revenue bonds, Fitch Ratings "views unlimited rate-making authority as providing the most credit protection, as opposed to rate-making authority limited by a formula or subject to regulatory approval."

MDTA currently maintains ratings of Aa3 from Moody's Investors Service, AA- from Standard & Poor's and AA- from Fitch Ratings. These ratings are among the highest that are granted for toll authorities. If the rating agencies were to view changes to MDTA's rate-setting ability unfavorably, a downgrading could occur and the cost of borrowing would increase. Potential downgrades could occur from requiring legislative or executive approval of toll increases or by revoking MDTA's independent rate-setting authority in any way, whether it be delaying implementation of previously approved toll increases or requiring certain actions to take place prior to a toll increase.

**Exhibit 21**  
**Approval Needed for Toll Rate Changes**



Source: Department of Legislative Services

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**DLS recommends that MDTA discuss:**

- **the need for the recent toll and fee increases;**
- **the reason the changes were implemented so quickly;**
- **whether there any concerns that the E-ZPass fees will create a disincentive to participate in the E-ZPass program;**
- **whether other states have seen decreases in E-ZPass usage and/or increases in congestion at toll booths following the implementation of similar E-ZPass fees; and**
- **what effect changes to the toll approval process may have on MDTA's bond ratings.**

### **3. ICC Update and Proposed Changes to General Fund Support of the Project**

The ICC is an 18.8-mile, controlled access highway with accommodations for express bus service connecting the I-270/I-370 corridor in Montgomery County with the I-95/US 1 corridor in Prince George's County. It will be owned and operated by MDTA. SHA is managing the planning, environmental approvals, design, and construction administration.

The six-lane (three each way) highway will be the State's first fully electronic toll facility. There will not be any cash transactions or tollbooths, and all toll transactions must be made using either an E-ZPass transponder or video tolling, in which an image of the vehicle's license plate is captured and the vehicle's owner is mailed a bill. Toll rates for the facility have not yet been established; however, the ICC will be the first facility in Maryland to utilize congestion pricing, where toll rates vary based on the time of day.

#### **Status of the Project**

Over the past year, there has been a lot of change in construction progress, the total cost of the project, and the financing mechanisms.

**Construction:** To allow for more competitive bidding and simultaneous construction on multiple parts of the highway, construction of the ICC includes five distinct design-build contracts. In March 2007, Contract A, from I-370 to Georgia Avenue (MD 97), was awarded and major construction of the \$478.7 million contract began in November 2007. This portion of the highway will be completed and open to traffic in late 2010. In November 2007, Contract C, from U.S. 29 to I-95, was awarded for \$513.9 million. Contract B, which runs from MD 97 to U.S. 29, was awarded in September 2008 at \$559.7 million, which was 22% above the most recent engineer's estimate. Contract D, which includes improvements to the collector and distributor roads along I-95 has been indefinitely deferred due to cost increases. Contract E, which runs from I-95 to U.S. 1 is scheduled to be advertised later this year.

**Cost:** In November 2008, MDTA submitted its annual update of the financial plan to FHWA. The update reported that the total cost of the project has increased to \$2.57 billion. The increase is primarily the result of the award of Contract B, which was 22% higher than estimated. Cost increases for Contract B and revised estimates of Contracts D and E were somewhat offset by a decrease in right-of-way costs. As a result of the net increase, Contract D was deferred. The total cost of the ICC to date and through the current capital program period (which excludes Contract D) is \$2.46 billion.

**Financing:** There have been a number of important developments in the financing of the project over the past year. In March 2008, MDTA issued \$573.8 million of revenue bonds to support its capital program. A portion of these bond proceeds will be used for the ICC. In December 2008, MDTA issued the second and final tranche of GARVEE bonds for the ICC. The December issuance sold a principal amount of \$425.0 million and had a true interest cost of 4.33%. The issuance achieved a net premium of \$17.7 million, which will be applied to the ICC project fund. Also in December 2008, MDTA finalized the terms of its Transportation Infrastructure Finance and

Innovation Act loan through FHWA. The parties agreed to a loan not to exceed \$516.0 million with a maturity of 35 years. MDTA was able to lock in an interest rate of 2.56%, which will be in effect throughout the life of the loan. Securing such a low interest rate may save MDTA hundreds of millions of dollars over the life of the loan.

### **General Fund Support of the ICC**

In order to support ongoing State spending, the Budget Reconciliation and Financing Act of 2003 transferred \$314.9 million from the TTF to the general fund with the requirement that the money be repaid to the TTF. During the 2004 session, the Rainy Day Fund statute was amended to require that if there is a surplus of unappropriated funds in the general fund at the close of a fiscal year, the first \$10.0 million would be retained by the general fund, and the next \$50.0 million would be repaid to the TTF. In fiscal 2006, \$50 million was repaid to the TTF under this provision.

Chapters 471 and 472 of 2005 deleted the provision that provided for repayment of the TTF from surpluses in the general fund. In its place, repayment was provided to MDTA to fund construction of the ICC through annual payments of at least \$50.0 million per year until fiscal 2010. The first payment of \$53.0 million was made to MDTA in fiscal 2007. MDTA reported that then-current cash flow forecasts made a general fund payment unnecessary in fiscal 2008, so general fund support was not provided in that year.

Chapter 567 of 2008 altered the timing of payments from the general fund to MDTA contingent on legislation creating an income tax bracket for individuals with an adjusted gross income of \$1.0 million or more. Passage of this legislation (Chapter 10 of 2008) put the following general fund repayment schedule into effect: \$85.0 million in fiscal 2009, \$63.0 million in fiscal 2010, and \$63.9 million in fiscal 2011. Under this repayment schedule, the fiscal 2009 budget as enacted included \$85.0 million in general funds for MDTA in fiscal 2009. In October 2008, in order to address a budget deficit, the Governor withdrew \$20.0 million of that appropriation through the Board of Public Works, leaving a remaining fiscal 2009 appropriation of \$65.0 million. However, this remaining appropriation would be transferred to the general fund based on budget reconciliation legislation introduced at the 2009 session.

The fiscal 2010 Governor's budget as introduced includes a \$63.0 million general fund payment to MDTA for the ICC; however, language attached to this appropriation reduces the amount to zero contingent on the enactment of legislation authorizing the use of general obligation (GO) bonds. SB 166/HB 101, the Budget Reconciliation and Financing Act of 2009, would alter the timing of general fund payments to MDTA and would authorize the use of GO bond proceeds to provide funding to MDTA. **Exhibit 22** provides a summary of the proposed repayment as well as previous repayment schedules. The fiscal 2010 payment to MDTA is also contingent on enactment of SB 167/HB 102, the capital budget, which includes authorization for \$146.9 million in GO bonds for MDTA.

**Exhibit 22**  
**General Fund Support of the ICC**

<u>FY</u>	<u>Original Finance Plan</u>	<u>2008 Session Changes</u>	<u>Proposed Changes</u>
2007	At least \$50.0 million	\$53.0 million	\$53.0 million
2008	At least \$50.0 million	0	0
2009	At least \$50.0 million	\$85.0 million	0
2010	Balance to be repaid <sup>1</sup>	\$63.0 million	\$146.9 million (GO bonds)
2011		\$63.9 million	\$65.0 million

GO: general obligation bonds

<sup>1</sup> Chapter 203 of 2003 transferred \$314.9 million from the Transportation Trust Fund to the general fund to address a budget shortfall. After a repayment of \$50.0 million in fiscal 2006, Chapters 471 and 472 of 2005 directed that the remaining balance of \$264.9 million be paid to the Maryland Transportation Authority for construction of the ICC. If payments of \$50.0 million had been made in fiscal 2007 through 2009, the balance to be repaid in fiscal 2010 would have been \$114.9 million.

Source: Department of Legislative Services

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**At the 2008 session, both the Secretaries of the Department of Budget and Management and MDOT testified that the full \$85 million appropriation was essential to the cash flow of the ICC. Now that the Administration has proposed transferring the entire \$85 million to the general fund in fiscal 2009, the Secretary should brief the committees on the factors that rendered the funding unnecessary. DLS recommends that the Secretary also comment on the status of the ICC project and what impact the modifications to general fund support will have on the project.**

#### **4. Unverified Reports of Zombies in White Marsh**

In early February 2009, electronic highway signs along White Marsh Boulevard/MD 43 alerted motorists to “Zombies ahead.” The next day, the sign read “I love Tony.” The incidents were similar to recent events in Illinois, Texas, and Indiana where computer hackers apparently cracked the code of the highway sign and wrote their own alerts.

While these incidents may appear as harmless pranks, they have the potential to distract drivers or to prevent the dissemination of real traffic alerts. These types of incidents are also a concern because they expose flaws in the information technology security of these signs and compromise the security of the public safety alert system. **DLS recommends that MDTA discuss what actions it is taking to prevent similar incidents in the future.**

## **5. Legislative Notice of Proposed Public-private Partnerships**

MDTA is currently preparing a solicitation for the redevelopment of the Maryland House and Chesapeake House travel plazas on I-95 through a public-private partnership (P3). The P3 agreement is based on a Design-Build-Operate-Maintain-Finance model, in which the private sector will redesign, build, operate, and maintain the facilities in return for a 30-year lease of the facilities. In addition to private sector investment in the redevelopment of these facilities, MDTA will also receive a percentage of annual revenues.

Section 4-205 of the Transportation Article requires MDTA to provide legislative notice 45 days before issuing a public notice of procurement related to a P3 and 45 days prior to entering into a P3. The statute defines a P3 as a lease agreement between MDTA and a private entity under which the private entity assumes control of the operation and maintenance of an existing or future revenue producing highway, bridge, tunnel, or transit facility. This definition does not include port and airport facilities, nor does it include other revenue producing facilities such as the travel plazas. The P3 currently being proposed for Seagirt Marine Terminal does not fall under this definition and neither does a P3 of the travel plazas.

**DLS recommends the adoption of committee narrative expressing the intent that MDTA provide legislative notice as if the current P3 statute applied to the travel plaza redevelopment. DLS also recommends that the committee narrative encourage MDTA to maximize the participation of minority business enterprises in the travel plaza redevelopment and require MDTA to report on contract terms relating to the ongoing operation and maintenance of the facility, contract oversight, and remedies in case of default by the private entity. Furthermore, DLS recommends that provisions be added to the Budget Reconciliation and Financing Act of 2009 to expand the current definition of P3s to include any port and airport facilities, as well as any other revenue producing facility.**

## **6. Firing Range Misses Mark**

In 2004, the Public Safety Education and Training Center (PSETC) became operational. It was created to serve as a central facility for the training of all law enforcement, correctional, and parole and probation employees. PSETC includes classrooms, a pistol range, a driver training course, a laboratory, overnight facilities, and simulated environments. The facility also includes a rifle firing range; however, design flaws render it unusable.

The fiscal 2008-2013 CTP included \$17.8 million for construction of a police training facility and firing range for MDTA Police. Due to declining revenues, this project has been reduced to a stand alone pistol and rifle firing range estimated at \$3.0 million.

Statewide, there is a need for an adequate rifle firing range for all law enforcement. Currently, law enforcement agencies across the State use private firing ranges or make use of the firing ranges of municipal law enforcement agencies when available. Firing ranges are an integral

part of law enforcement and are required not only for practice but also for qualifying. Qualifying involves a testing of marksmanship and handling skills. For the State Police, qualifying is required at least biannually of all troopers, and as much as monthly for certain specialized law enforcement.

While there is a definite need for an adequate firing range dedicated to law enforcement use, there are many law enforcement agencies besides the MDTA Police who could benefit. Although MDTA has selected a site for its firing range in Hawkins Point, it would be more advantageous to have the facility centrally located at PSETC so that classrooms and overnight facilities are also available. MDTA selected the Hawkins Point site due to its proximity to police detachments near the Key Bridge and Fort McHenry and Harbor Tunnels; however, PSETC requires an additional drive of only 20 minutes from these locations. **DLS recommends the adoption of committee narrative expressing the intent that MDTA should construct a firing range facility at PSETC and make it available to all law enforcement agencies. In recognition of the intent that all law enforcement use the facility, DLS recommends that the State fund half of the project with general obligation bonds.**

## ***Operating Budget Recommended Actions***

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1. Adopt the following narrative:

**Funding of Certain Employee Salary Increases and Benefits:** The Governor's budget as introduced does not fund cost-of-living or merit increases for employees' salaries. It also does not include money for the State's Other Post Employments Benefits (OPEB) unfunded liability. Funding is included for a State match of employee deferred compensation contributions; however, this funding is deleted contingent on enactment of budget reconciliation legislation. The Maryland Transportation Authority (MDTA) developed its preliminary budget in December 2008 before these policy decisions were made. As such, the MDTA budget includes \$3.0 million for OPEB, \$2.3 million for salary increases, and \$394,092 for the State match of employee deferred compensation contributions. It is the intent of the committees that if these items are not funded in the State's budget, then MDTA should also not fund these items.

## ***PAYGO Budget Recommended Actions***

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1. Adopt the following narrative:

**Legislative Notice of Proposed Public-private Partnership:** The Maryland Transportation Authority (MDTA) is preparing a solicitation for the redevelopment of the Maryland House and Chesapeake House travel plazas on I-95 through a public-private partnership (P3). Section 4-205 of the Transportation Article requires MDTA to provide legislative notice 45 days before issuing a public notice of procurement related to a P3 and 45 days prior to entering into a P3. However, the current statutory definition of a P3 does not apply to the reconstruction, operation, and maintenance of the travel plazas. It is the intent of the committees that MDTA shall provide legislative notice as if the statute applied to the travel plazas. As such, 45 days prior to issuing a public notice of solicitation, MDTA shall provide a summary of the proposed solicitation document. In addition, 45 days prior to entering into a P3, MDTA shall provide a description of the proposed lease agreement and financing plan, which includes:

- the length of the proposed lease;
- the scope of any rate-setting authority granted to the private entity;
- the scope of payments to MDTA from the proposed P3;
- a cost-benefit analysis of the proposed P3;
- requirements pertaining to the ongoing operation and maintenance of the facility and contract oversight; and
- remedies in case of default by the private entity.

Furthermore, it is also the intent of the committees that MDTA should make an effort to maximize the participation of minority business enterprises.

<b>Information Request</b>	<b>Author</b>	<b>Due Date</b>
Summary of the proposed solicitation document	MDTA	45 days prior to issuing a public notice of solicitation
Description of the proposed lease agreement and financing plan	MDTA	45 days prior to entering into a P3

2. Adopt the following narrative:

**I-95 Costs Continue to Increase, Calls into Question Cost Estimating Techniques:** The fiscal 2009-2014 *Consolidated Transportation Program* (CTP) includes deferred completion of the I-95 Express Toll Lanes (ETLs) by up to four years and a cost increase of \$312.9 million over the fiscal 2008-2013 CTP. This project has witnessed significant cost increases over the past three years, increasing from \$810.9 million in the fiscal 2006-2011 CTP to \$1.49 billion in the fiscal 2009-2014 CTP. Although some of this increase can be attributed to high inflation in construction materials over the last several years, part of this increase is due to the Maryland Transportation Authority's inexperience at estimating costs, planning, managing, and constructing large projects such as this. The State Highway Administration (SHA) has performed all cost estimating and construction management for the InterCounty Connector, and this project, which is considerably larger than the I-95 ETLs, has increased only 5% over this same time period. It is the intent of the committees that SHA, which has much more experience in estimating costs and constructing large highway projects, take an active consulting role in the I-95 ETLs project. At a minimum, this would include SHA reviewing cost estimates for the project and quarterly meetings to review construction progress and cost estimates.

3. Adopt the following narrative:

**Firing Range Misses Mark:** The Public Safety Education and Training Center (PSETC) was created to serve as a central facility for the training of all law enforcement, correctional, and parole and probation employees. It includes classrooms, a pistol range, a driver training course, a laboratory, overnight facilities, and simulated environments. The facility also includes a rifle firing range; however, design flaws render it unusable. The fiscal 2009-2014 *Consolidated Transportation Program* includes \$3.0 million for construction of a pistol and rifle firing range. However, the need for that facility extends beyond the Maryland Transportation Authority (MDTA) Police to all law enforcement agencies. It is the intent of the committees that MDTA should construct its firing range facility at PSETC and make it available to all law enforcement agencies. In recognition of the intent that all law enforcement use the facility, the State intends to fund half of the project with general obligation bonds.

**Maryland Transportation Authority Financial Forecast**  
**Fiscal 2008-2014**  
(\$ in Millions)

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
<b>Revenues</b>							
Toll Revenues	\$275.6	\$275.4	\$337.9	\$345.5	\$457.0	\$480.2	\$570.1
Concessions	8.0	8.2	8.4	3.1	4.3	5.0	7.7
Investment Income and Other	45.9	42.9	32.9	30.6	30.7	31.8	34.6
Maryland Department of Transportation	40.2	43.3	44.9	46.6	48.4	44.2	46.2
<b>Total Revenues</b>	<b>\$369.7</b>	<b>\$369.8</b>	<b>\$424.1</b>	<b>\$425.7</b>	<b>\$540.5</b>	<b>\$561.2</b>	<b>\$658.5</b>
<b>Expenses</b>							
Operations	\$174.7	\$214.6	\$220.3	\$251.4	\$268.7	\$284.5	\$304.0
MDOT Transfer	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Debt Service	32.9	35.3	35.3	35.3	96.9	126.7	152.6
Capital Program	575.3	1,023.6	1,027.4	788.9	295.5	186.4	237.1
Less: GARVEE Bond Proceeds	0.0	-442.7	0.0	0.0	0.0	0.0	0.0
Less: Federal Funds for the ICC	-0.7	0.0	0.0	0.0	0.0	0.0	0.0
Less: Revenue Bond Proceeds	-743.8	0.0	-656.0	-555.0	-135.0	-55.0	-130.0
Less: MDOT PAYGO	-30.0	-30.0	-30.0	0.0	0.0	0.0	0.0
Less: General Fund Transfers	0.0	-65.0	-73.0	-73.9	0	0.0	0.0
<b>Total Expenses</b>	<b>\$8.4</b>	<b>\$735.7</b>	<b>\$523.9</b>	<b>\$446.7</b>	<b>\$526.1</b>	<b>\$542.6</b>	<b>\$563.7</b>
<b>Annual Surplus/Deficit</b>	<b>\$361.3</b>	<b>-\$365.9</b>	<b>-\$99.8</b>	<b>-\$20.9</b>	<b>\$14.4</b>	<b>\$18.5</b>	<b>\$94.9</b>
<b>Total Cash Balance</b>	<b>\$936.6</b>	<b>\$570.7</b>	<b>\$470.8</b>	<b>\$449.9</b>	<b>\$464.3</b>	<b>\$482.8</b>	<b>\$577.7</b>
<b>Debt</b>							
Debt Outstanding	\$1,106.8	\$1,094.1	\$1,791.2	\$2,365.2	\$2,498.7	\$2,534.7	\$2,636.0
Ratio of Total Cash to Toll Revenues (Policy 1.0)	3.30	2.01	1.36	1.29	1.01	1.00	1.00
Debt Service Coverage (Policy 2.0)	5.39	3.88	5.21	4.36	2.59	2.06	2.22
Rate Covenant Compliance (Legal 1.0)	2.04	1.31	2.34	2.30	1.64	1.37	1.43

GARVEE: Grant Anticipation Revenue Vehicle  
ICC: InterCounty Connector  
MDOT: Maryland Department of Transportation  
PAYGO: pay-as-you-go

Note: Includes projected average statewide toll increases of \$0.5 in fiscal 2010, \$0.8 in fiscal 2012, and \$0.5 in fiscal 2014.

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

<u>Object/Fund</u>	<u>FY08 Actual</u>	<u>FY09 Amended Budget</u>	<u>FY10 Budget</u>	<u>FY09 - FY10 Amount Change</u>	<u>Percent Change</u>
<b>Positions</b>					
01 Regular	1,641.50	1,630.50	1,630.50	0	0%
<b>Total Positions</b>	<b>1,641.50</b>	<b>1,630.50</b>	<b>1,630.50</b>	<b>0</b>	<b>0%</b>
<b>Objects</b>					
01 Salaries and Wages	\$ 111,269,463	\$ 131,837,257	\$ 133,657,469	\$ 1,820,212	1.4%
02 Technical and Spec. Fees	2,312,496	5,643,886	5,087,022	-556,864	-9.9%
03 Communication	875,923	1,149,224	1,117,764	-31,460	-2.7%
04 Travel	130,641	135,492	145,986	10,494	7.7%
06 Fuel and Utilities	4,502,801	6,178,401	5,700,547	-477,854	-7.7%
07 Motor Vehicles	4,081,260	3,646,828	4,477,534	830,706	22.8%
08 Contractual Services	23,919,468	36,665,383	37,492,722	827,339	2.3%
09 Supplies and Materials	4,334,698	5,898,456	6,445,010	546,554	9.3%
10 Equipment – Replacement	6,258,906	8,325,901	8,943,205	617,304	7.4%
11 Equipment – Additional	9,508,331	8,055,257	9,652,567	1,597,310	19.8%
13 Fixed Charges	39,835,857	42,272,748	42,821,775	549,027	1.3%
<b>Total Objects</b>	<b>\$ 207,029,844</b>	<b>\$ 249,808,833</b>	<b>\$ 255,541,601</b>	<b>\$ 5,732,768</b>	<b>2.3%</b>
<b>Funds</b>					
07 Nonbudgeted Fund	\$ 207,029,844	\$ 249,808,833	\$ 255,541,601	\$ 5,732,768	2.3%
<b>Total Funds</b>	<b>\$ 207,029,844</b>	<b>\$ 249,808,833</b>	<b>\$ 255,541,601</b>	<b>\$ 5,732,768</b>	<b>2.3%</b>

Note: The fiscal 2009 appropriation does not include deficiencies. The fiscal 2010 allowance does not include contingent reductions.

**Fiscal Summary  
Maryland Transportation Authority**

<u>Program/Unit</u>	<u>FY08 Actual</u>	<u>FY09 Amended Budget</u>	<u>FY10 Budget</u>	<u>Change</u>	<u>FY09 - FY10 % Change</u>
Operating Program	\$ 207,029,844	\$ 249,808,833	\$ 255,541,601	\$ 5,732,768	2.3%
Capital Program	585,730,464	1,024,652,750	1,028,101,250	3,448,500	0.3%
<b>Total Expenditures</b>	<b>\$ 792,760,308</b>	<b>\$ 1,274,461,583</b>	<b>\$ 1,283,642,851</b>	<b>\$ 9,181,268</b>	<b>0.7%</b>
Nonbudgeted Fund	\$ 792,760,308	\$ 1,274,461,583	\$ 1,283,642,851	\$ 9,181,268	0.7%
<b>Total Appropriations</b>	<b>\$ 792,760,308</b>	<b>\$ 1,274,461,583</b>	<b>\$ 1,283,642,851</b>	<b>\$ 9,181,268</b>	<b>0.7%</b>

Note: The fiscal 2009 appropriation does not include deficiencies. The fiscal 2010 allowance does not include contingent reductions.