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Maryland Transportation Authority

Operating Budget Data

(\$ in Thousands)

	<u>FY 10</u> <u>Actual</u>	<u>FY 11</u> <u>Amended</u>	<u>FY 12</u> <u>Budget</u>	<u>FY 11-12</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
Nonbudgeted Fund	\$214,854	\$262,847	\$322,116	\$59,268	22.5%
Total Funds	\$214,854	\$262,847	\$322,116	\$59,268	22.5%

- The fiscal 2012 operating budget increases by \$59.3 million, or 22.5%, from the fiscal 2011 budget. This is primarily the result of an increase of \$53.1 million in debt service as a result of increased bond issuances over the last several years.

PAYGO Capital Budget Data

(\$ in Thousands)

	<u>Fiscal 2010</u> <u>Actual</u>	<u>Fiscal 2011</u> <u>Approved</u>	<u>Fiscal 2011</u> <u>Amended</u>	<u>Fiscal 2012</u> <u>Budget</u>
Nonbudgeted Fund	\$815,266	\$923,311	\$987,634	\$601,652

Total

- The capital budget decreases by \$386.0 million, or 39.1%. The capital budget is primarily driven by the project schedules for the InterCounty Connector (ICC) and I-95 Express Toll Lanes.
- The first section of the ICC, from I-270/I-370 to MD 97/Georgia Avenue, is scheduled to open February 23, 2011, weather permitting. The road will be open toll-free for two weeks and the \$3.00 notice of toll due fee will be waived for one additional month. On April 6, 2011, full revenue collection will begin.

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

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Operating and PAYGO Personnel Data

	<u>FY 10 Actual</u>	<u>FY 11 Working</u>	<u>FY 12 Allowance</u>	<u>FY 11-12 Change</u>
Regular Positions	1,739.50	1,800.50	1,800.50	0.00
Contractual FTEs	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Total Personnel	1,739.50	1,800.50	1,800.50	0.00

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	54.02	3.00%
Positions and Percentage Vacant as of 12/31/10	191.00	10.60%

- The fiscal 2012 budget includes 1,800.5 positions, the same as fiscal 2011.
- There are 191.0 positions vacant, for a vacancy rate of 10.6%. In fiscal 2011, 73.0 new positions were created in anticipation of the opening of the ICC. These positions have been held vacant pending the opening of the ICC, which is part of the reason for the high vacancy rate.

Analysis in Brief

Major Trends

Traffic Stabilizes, Revenues Rise: Following declines in traffic from fiscal 2007 through 2009, traffic stabilized in fiscal 2010. Toll revenue in fiscal 2010 was \$323.9 million, an increase of \$50.8 million, or 18.6%, from fiscal 2009. Absent any change in tolled traffic, the toll revenue increase in fiscal 2010 was due entirely to toll and fee increases implemented by the Maryland Transportation Authority (MDTA) in 2009. Additional toll increases are forecasted for fiscal 2012, 2014, and 2016 to pay for increases in debt service and operations.

Debt Service Costs Increase: Debt service on MDTA's revenue bonds increases \$53.1 million in fiscal 2012, up from \$35.7 million in fiscal 2011 to \$88.8 million in fiscal 2012. Further increases in debt service are expected over the next several years as a result of recent and planned bond issuances.

Issues

Making Every Dollar Count: MDTA's transition from a cash-rich agency to a highly leveraged one provides significant fiscal challenges both now and in the future; however, it also provides an opportunity to perform a comprehensive review of MDTA's tolling structure. To date, MDTA has utilized a simple tolling structure where toll rates vary based on toll facility and vehicle axles, with

discounts offered to frequent users. In the future, MDTA needs to maximize toll revenues and to use tolls as a traffic management tool to maximize capacity on its existing facilities. **The Department of Legislative Services (DLS) recommends that MDTA comment on the effectiveness of using tolls as both a revenue measure and a traffic management strategy. Furthermore, MDTA should be directed to explore alternative tolling structures.**

MDTA Begins Travel Plaza Public-private Partnership Process...Again: In March 2010, MDTA issued a request for proposals (RFP) for the redevelopment, operation, and maintenance of the two travel plazas that it owns along I-95. From March to October, MDTA issued seven addendums to the RFP and changed the proposed schedule five times. In November 2010, rather than issuing an eighth addendum to the RFP, MDTA cancelled the RFP. MDTA is now consulting with the Maryland Port Administration (MPA) on its recent public-private partnership (P3) and securing the services of a P3 advisor before reissuing the RFP. **DLS recommends that MDTA discuss why MPA staff were not consulted earlier in the process, what lessons were learned from the first failed RFP attempt, and plans to reissue the RFP.**

Operating Budget Recommended Actions

1. Adopt committee narrative expressing the intent that most nonrevenue E-ZPass accounts be closed.
2. Adopt committee narrative expressing the intent that the Maryland Transportation Authority no longer pay volunteer fire companies for services provided on toll facilities.
3. Adopt committee narrative expressing the intent that funding for employee recognition, employee events, and off-site employee retreats be deferred until fiscal 2014.
4. Adopt committee narrative expressing the intent that the Maryland Transportation Authority Police charge the Maryland Department of Transportation indirect cost recovery.
5. Adopt committee narrative requiring a report on alternative tolling structures.

PAYGO Budget Recommended Actions

1. Nonbudgeted.

Updates

Portion of ICC/MD 200 Opens to Traffic: In February 2011, the westernmost section of the ICC, from I-270/I-370 to MD 97/Georgia Avenue is scheduled to open. Upon opening, the facility will be toll-free for two weeks to allow users to get accustomed to the facility. Following that, the \$3.00 notice of toll due fee for drivers without E-ZPass will be waived for two weeks. Beginning April 6, 2011, full revenue collection will begin.

Law Enforcement Operations: The 2010 *Joint Chairmen's Report* directed MDTA, the Maryland Department of Transportation, and the Maryland State Police to jointly submit a report on law enforcement operations. This report was submitted as required and outlines the major personnel, budget, and vehicle fleet information for each law enforcement agency and reviews the advantages and disadvantages of consolidating operations.

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Maryland Transportation Authority

Budget Analysis

Program Description

The Maryland Transportation Authority (MDTA) 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 Memorial Highway (I-95) and the Thomas J. Hatem Memorial Bridge (Hatem Bridge) (US 40);
- **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 Bridge (Nice Bridge) (US 301), the William Preston Lane, Jr. Memorial Bridge (Bay Bridge) (US 50/301), and the InterCounty Connector/MD 200 (ICC).

In addition to these toll facilities, MDTA also owns the Intermodal Container Transfer Facility at the Port of Baltimore, which is leased to the Maryland Port Administration (MPA), who subleases it to CSX Railroad. Prior to January 2010, MDTA also owned Seagirt Marine Terminal, which was leased to MPA. As part of a public-private partnership (P3) for Seagirt, MDTA conveyed the property to MPA after receiving \$140 million from Ports America Chesapeake, the private partner, to repay MDTA's investment in the construction of Seagirt.

Membership of MDTA's board is comprised of eight members 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 I-95, which is patrolled by the Department of State Police. MDTA is also under contract with the Maryland Aviation Administration (MAA) to provide law enforcement services at the Baltimore/Washington International Thurgood Marshall (BWI Marshall) Airport, with MPA to provide law enforcement services at MPA-owned facilities at the Port of Baltimore, with the Motor Vehicle Administration (MVA) to provide law enforcement services at the headquarters complex in Glen Burnie, and with the Maryland Transit Administration (MTA) to supplement existing MTA police forces.

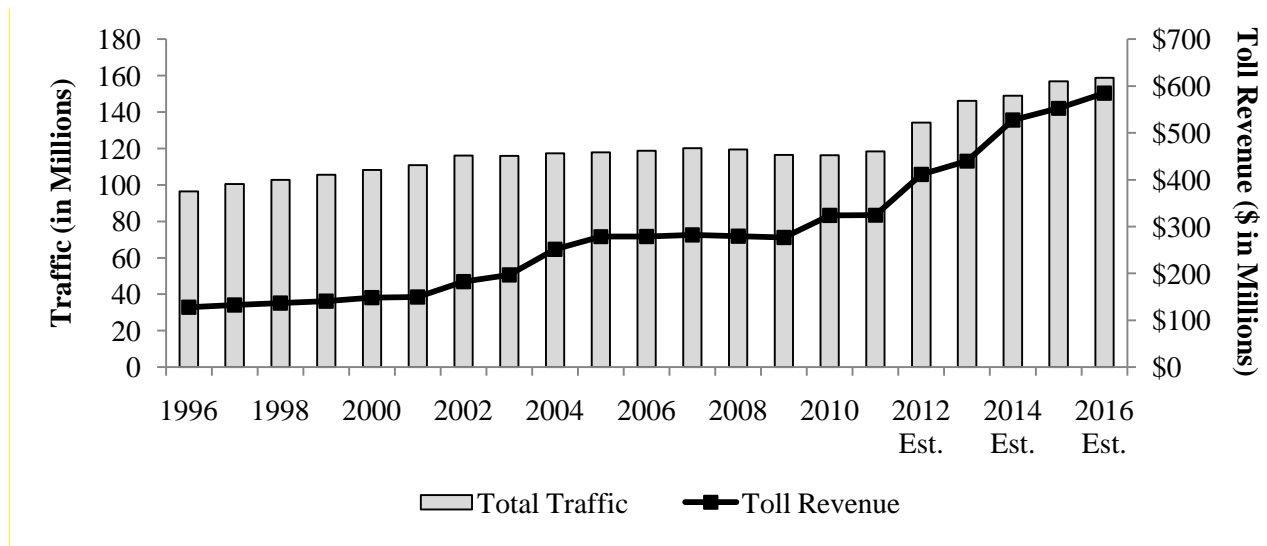
To achieve its vision of "creating E-Z passage throughout Maryland," MDTA has identified the following key goals:

- moving people and goods efficiently and effectively;
- safety and security;
- strategic financing and financial stewardship; and
- improving 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. **Exhibit 1** shows the annual tolled traffic and toll revenue at all MDTA facilities from fiscal 1996 through 2016. Total tolled traffic in fiscal 2010 was 117.1 million vehicles, the same as in fiscal 2009. Toll revenue in fiscal 2010 was \$323.9 million, an increase of \$50.8 million, or 18.6%, from fiscal 2009. Absent any change in tolled traffic, the toll revenue increase in fiscal 2010 was due entirely to toll and fee increases implemented by MDTA in 2009. These include toll increases for vehicles with three or more axles, new E-ZPass monthly fees and transponder charges, increases to other administrative fees, changes to commuter discount plans, and ending ticket sales. Additional toll increases are expected in fiscal 2012, 2014, and 2016 to pay for increases in debt service and operations.

Exhibit 1
Annual Tolled Traffic and Toll Revenue
Fiscal 1996-2016



Note: Toll revenue data includes forecasted toll increases in fiscal 2012, 2014, and 2016. Traffic data in fiscal 2012 and beyond includes traffic increases from the opening of two new facilities.

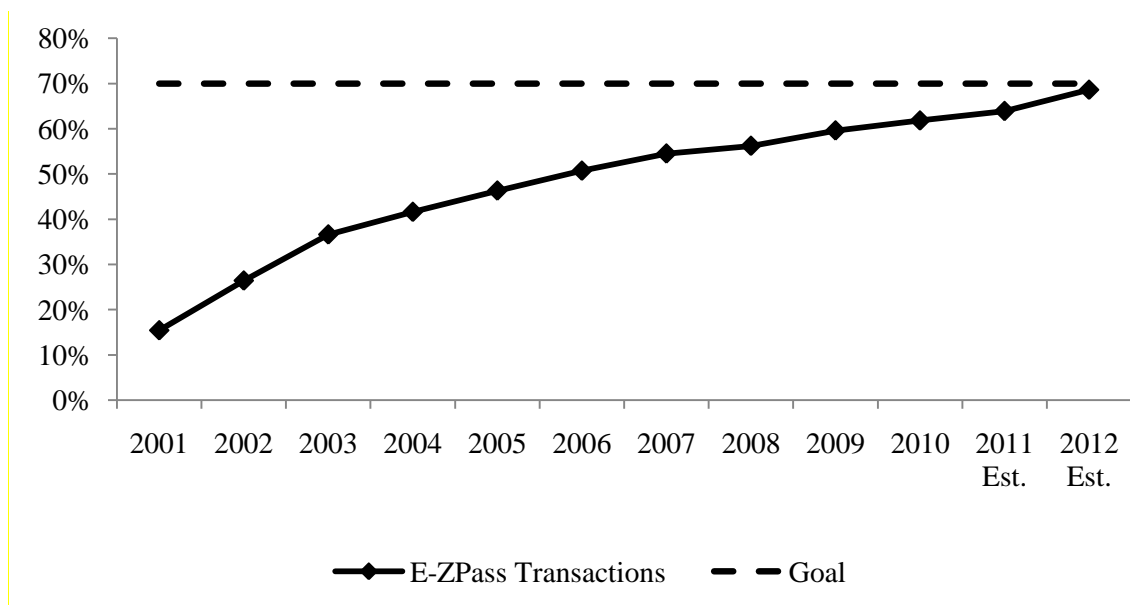
Source: Maryland Transportation Authority

Following declines in traffic from fiscal 2007 through 2009, traffic stabilized in fiscal 2010. Slight declines in commercial traffic are expected to continue through fiscal 2011, but passenger cars are expected to recover slightly. In fiscal 2012 and beyond, traffic on existing facilities is expected to grow at about 1% per year, which is less than annual growth rates of 3% seen in fiscal 1995 through 2002. The total number of toll transactions on existing facilities is not expected to reach its pre-recession fiscal 2007 peak until fiscal 2014.

Electronic Tolling

Electronic toll transactions expedite the toll collection process; reduce delays at toll plazas; reduce vehicle idling time, thereby reducing emissions; and allow for the efficient movement of goods and people. E-ZPass electronic toll collection is available at all toll facilities, as well as throughout the northeastern part of the United States. 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 (AVI) decals at the Hatem Bridge, which could also be considered an electronic tolling method. In fiscal 2010, 62% of tolls were collected electronically. MDTA's goal is to reach 70% electronic toll collection by fiscal 2013. The use of electronic tolling is expected to rise substantially over the next several years following the opening of the ICC/MD 200 and express toll lanes (ETLs) on I-95.

Exhibit 2
Percentage of Tolls Collected via E-ZPass
Fiscal 2001-2012



Source: Maryland Transportation Authority's *Managing for Results*, January 2011 Submission

Fiscal 2010 Closeout

MDTA's fiscal 2010 actual spending for its operating budget was \$214.9 million, \$37.5 million less than its amended fiscal 2010 budget as presented at the 2010 legislative session. This decrease was the result of cost containment efforts by MDTA. Significant areas of underspending include:

- \$14.2 million for salaries and benefits as a result of savings from the statewide temporary salary reduction program and furlough days, as well as holding positions associated with the ICC vacant due to a delayed opening date;
- \$8.3 million for deferred information technology (IT) projects and from increasing the life cycle for replacement IT equipment;
- \$7.8 million for E-ZPass service center costs due to overestimated expenditures and the delayed impact of increased accounts associated with the ICC;
- \$3.8 million for publicity and advertising associated with an educational campaign for the ICC due to the delayed opening; and
- \$3.2 million for non-IT equipment as a result of increasing mileage and life cycle replacement guidelines and the implementation of an inspection program prior to vehicle replacement.

Proposed Budget

As a nonbudgeted agency, MDTA submits its budget to the General Assembly for informational purposes only. The General Assembly is not permitted to approve or amend MDTA's budget.

MDTA's fiscal 2012 budget is \$322.1 million, a \$59.3 million, or 22.5%, increase from the fiscal 2011 budget. **Exhibit 3** provides a summary of the changes taking place from fiscal 2011 to 2012. The majority of this increase is a result of a \$53.1 million increase in debt service in accordance with amortization schedules for recent bond issuances. Outside of debt service, the operating budget increases \$6.2 million.

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

How Much It Grows:	<u>Nonbudgeted</u> <u>Fund</u>	<u>Total</u>
2011 Amended Budget	\$262,847	\$262,847
2012 Proposed Budget	<u>322,116</u>	<u>322,116</u>
Amount Change	\$59,268	\$59,268
Percent Change	22.5%	22.5%

Where It Goes:

Personnel Expenses

Employee and retiree health insurance.....	\$2,120
Retirement.....	635
Overtime.....	90
Social Security.....	-75
Salaries.....	-1,277
Other fringe benefit adjustments.....	-4

Other Changes

Debt service.....	53,115
Maintenance and contingency.....	1,850
Purchase of additional and replacement vehicles.....	1,478
Insurance.....	1,303
Maintenance service and equipment rental.....	1,170
Publicity and advertising.....	1,150
Snow removal.....	515
E-ZPass transponders.....	357
Vehicle expenses.....	234
Maintenance materials.....	181
Office equipment rental and service.....	142
Memberships, publications, and subscriptions.....	84
Gas and electric.....	66
Professional services contracts.....	57
Training.....	54
Police operations supplies.....	51

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Where It Goes (Cont.):

Other Changes

Recruit training.....	-80
Policy and procedure development	-150
Contract with Maryland State Police for I-95	-168
Purchase of additional and replacement equipment.....	-1,668
E-ZPass service center costs	-1,978
Other.....	16
Total	\$59,268

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

Personnel

Personnel costs increase \$1.5 million. This includes increases of \$2.1 million in employee and retiree health insurance and \$0.6 million in overtime expenses. These increases are offset by a \$1.3 million decrease in salaries.

Nonpersonnel

Excluding personnel and debt service, the operating budget increases \$4.7 million. This includes several large increases:

- \$1.9 million in maintenance and contingency funds transferred from the maintenance and operations reserve account;
- \$1.5 million in the purchase of additional and replacement vehicles;
- \$1.3 million for insurance;
- \$1.2 million for maintenance service and equipment rental; and
- \$1.2 million for publicity and advertising.

These increases are offset by decreases of \$2.0 million for E-ZPass service center costs and \$1.7 million for the purchase of additional and replacement equipment.

Financial Forecast

Section 4-313 of the Transportation Article establishes the Transportation Authority Fund, a nonlapsing 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 a capital lease of Masonville Auto Terminal and reimbursement for law enforcement services provided at BWI Marshall Airport, the Port of Baltimore, the MVA headquarters in Glen Burnie, and Maryland Area Regional Commuter (MARC) facilities.

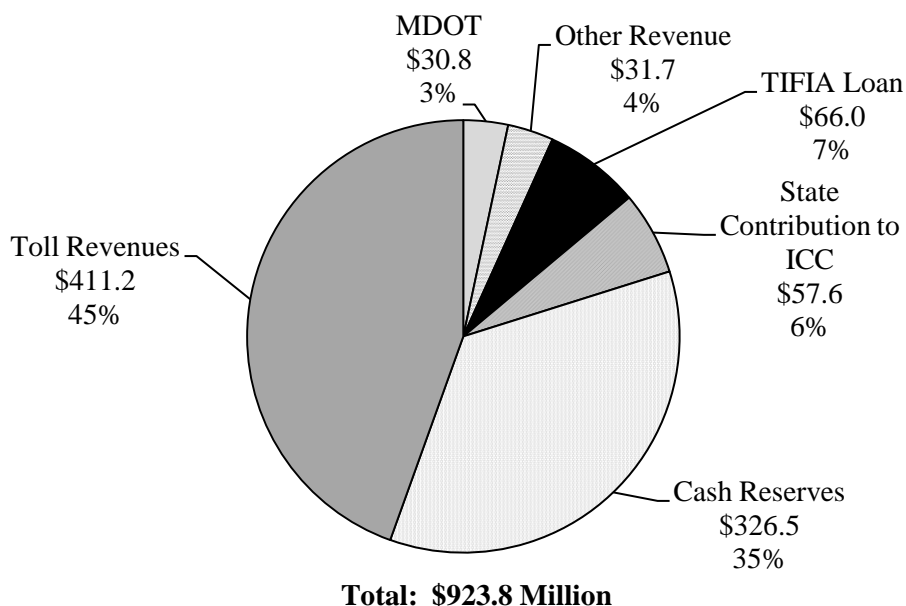
To support its capital program, MDTA may issue toll revenue bonds with a maturity up to 40 years. Typically, MDTA issues its toll revenue bonds with a 30- to 33-year maturity. Chapters 471 and 472 of 2005 established a finance plan for the ICC that included MDTA revenue bonds and a number of alternative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

The terms of MDTA's trust agreement with its bondholders are the driving force in MDTA finances. Maintaining its bond coverage ratios is the primary concern, and all revenue adjustments and operating and capital expenditures are managed to maintain these ratios. To this end, MDTA develops and maintains a six-year financial forecast. Section 4-210 of the Transportation Article requires MDTA to provide the legislature a copy of its financial forecast by July 1 each year and in conjunction with submission of the Governor's budget in January.

Sources and Uses of Funding

Exhibit 4 provides information on all of the funding supporting MDTA's fiscal 2012 operating and capital budgets. The primary sources of fiscal 2012 funding are from toll revenues (\$411.2 million) and the use of cash reserves (\$326.5 million).

Exhibit 4
Fiscal 2012 Sources of Funding
(\$ in Millions)



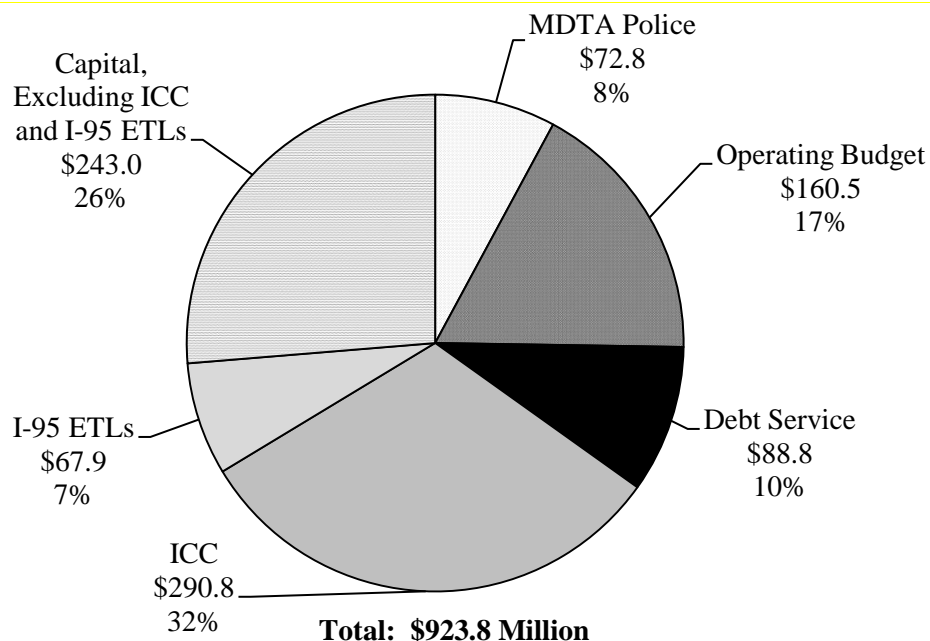
ICC: InterCounty Connector
MDOT: Maryland Department of Transportation
TIFIA: Transportation Infrastructure Finance and Innovation Act

Note: Assumes fiscal 2012 toll increase.

Source: Maryland Transportation Authority's January 2011 Financial Forecast, Version 2010-16

Exhibit 5 provides a breakdown of fiscal 2012 spending by category. The capital program, including the ICC, the I-95 ETLs, and all other capital projects, accounts for about two-thirds of all spending in fiscal 2012. The operating budget, including the operating budget for the MDTA Police, accounts for about one-quarter of all spending. Debt service as a percentage of overall spending is increasing rapidly, from 3% in fiscal 2011 to 10% in fiscal 2012.

Exhibit 5
Fiscal 2012 Uses of Funding
(\$ in Millions)



ETLs: Express Toll Lanes
ICC: InterCounty Connector
MDTA: Maryland Transportation Authority

Source: Maryland Transportation Authority's January 2011 Financial Forecast, Version 2010-16

Toll Revenues

Toll revenues are the primary revenue source for MDTA. Historically, MDTA has been a cash-rich agency, allowing it to keep toll rates low. Construction of the ICC and I-95 ETLs will usher in a new era for MDTA as it must now support a growing, yet aging, system. There will be a fundamental change in the role of toll revenues. Previously, capital projects were funded almost entirely with cash. Toll revenues were sufficient to cover the cost of both the operating and capital budgets. Increased reliance on debt to fund construction of a new toll facility and the major expansion of an existing toll facility will result in significantly higher debt service payments over the next 30 years. Debt service will increase from a low of \$25 million in fiscal 2007 to annual debt service of about \$165 million in fiscal 2020 based on debt issued through fiscal 2016. Increased operating costs, rising debt service, and the need to maintain aging infrastructure will require periodic toll increases over the next several years.

The first of several forecasted toll increases will take place in fiscal 2012 and will increase tolls at each facility by an average of 27%. This increase is significantly less than had been projected in prior years. Significant reductions and deferred spending in both the operating and capital programs and increases in forecasted toll revenues have helped reduce the size of the required increase. MDTA has also benefited tremendously from a low interest rate environment. MDTA could not have picked a better time to issue such large amounts of debt. Early forecasts were predicated on interest rates upwards of 5.0%. By issuing bonds at a true interest cost of 3.8% in 2009 and 3.7% in 2010, coupled with a fixed interest rate of 2.6% on its Transportation Infrastructure Finance and Innovation Act (TIFIA) loan, MDTA saved hundreds of millions of dollars in interest. These savings allow smaller toll increases than originally forecasted, but periodic toll increases will still be required.

Historical Toll Rates

Exhibit 6 provides detail on historical roundtrip toll rates for two-axle vehicles for each of MDTA’s facilities since the opening of each facility. The rates are shown as roundtrip rates, since some facilities were initially tolled in both directions and later changed to one way tolling. Currently, all facilities except the Harbor Crossings are tolled in one direction only. Since 1952 when the Bay Bridge first opened, the roundtrip toll rate has actually gone down, from \$2.80 to \$2.50. In the 71 years since the Nice Bridge has opened, toll rates have only doubled. The Hatem Bridge has seen the largest increase since its opening; however, this is primarily due to a law change that requires the Hatem Bridge and I-95 to have the same toll rate to prevent significant driver diversion to US 40 and other local roads to avoid paying the toll on I-95. As shown in **Appendix 1**, Maryland has some of the lowest toll rates across the Eastern seaboard.

Exhibit 6
Roundtrip Toll Rates for Two-axle Vehicles

	<u>Hatem Bridge</u>	<u>I-95</u>	<u>Harbor Crossings</u>	<u>Nice Bridge</u>	<u>Bay Bridge</u>
At facility opening	\$0.40	\$2.00	\$1.00	\$1.50	\$2.80
1968	0.70	1.80	1.20	1.20	2.00
1975	1.00	2.00	1.50	1.50	2.50
1985	1.00	2.00	2.00	1.50	2.50
1991	2.00	2.00	2.00	1.50	2.50
2001	4.00	4.00	2.00	3.00	2.50
2003	5.00	5.00	4.00	3.00	2.50

Note: Harbor crossings include the Fort McHenry Tunnel, the Harbor Tunnel, and the Key Bridge. Years shown represent years in which toll increases took place.

Source: Maryland Transportation Authority

Commuter Rates

MDTA offers commuter discounts for regular users of its toll facilities. **Exhibit 7** provides information on the current toll rates at each of the facilities along with the date that the commuter rate was last increased. Commuter rates at the Harbor Crossings have not increased in more than 35 years and currently provide a discount of 80% over full toll rates. At the Hatem Bridge, AVI decals are used instead of commuter toll rates. Drivers are charged a yearly rate of \$10.00 to obtain the AVI decal and are allowed unlimited passage over the Hatem Bridge for the entire year. For a commuter who uses the Hatem Bridge five days a week for 50 weeks a year, the savings are substantial. They would only pay \$10 for the year instead of \$1,250 full fare, representing a payment of less than 1% of the full fare.

Exhibit 7 Commuter Rates and Date of Last Rate Increase

	<u>Current Commuter Rate</u>	<u>Discount from Full Fare</u>	<u>Date of Last Increase</u>
Harbor Crossings	\$0.40	80%	February 1975
Bay Bridge	1.00	60%	July 1983
I-95	0.80	84%	July 1989
Nice Bridge	0.60	80%	July 1989
Hatem Bridge	AVI	Unlimited	May 2010

AVI: automatic vehicle identification

Note: Automatic vehicle identification decals are valid at the Hatem Bridge only and allow unlimited passage through the toll facility for a yearly fee. In May 2010, this yearly fee was increased from \$5.00 to \$10.00.

Source: Maryland Transportation Authority

Nonrevenue E-ZPass Transponders

Nonrevenue E-ZPass transponders are transponders that allow for free passage through all Maryland toll facilities. As shown in **Exhibit 8**, nonrevenue transponders are widely used by State agencies, especially MDTA and MDOT. Throughout State agencies, only fleet vehicles are eligible for nonrevenue accounts. At MDTA, fleet vehicles have nonrevenue transponders, but employees are also allowed nonrevenue transponders for their personal vehicles. Nonrevenue accounts are supposed to be used for official business only; however, few safeguards are in place to make sure this is the case, and account reviews are generally not done unless someone alerts MDTA or the State agency to potential abuse. Nonrevenue accounts for State agencies and others may have been acceptable when toll rates were minimal; however, as toll rates increase over the next several years, they represent an

**Exhibit 8
Nonrevenue E-ZPass Accounts**

	<u>Number of Transponders</u>	<u>Number of Transactions – First Six Months Calendar 2010</u>
State Agencies		
Maryland Institute of Emergency Medical Services	33	1,106
Department of General Services	95	1,442
Department of Labor, Licensing, and Regulation	73	1,530
Military Department	58	1,573
State Department of Education	81	1,575
Maryland State Lottery	53	2,142
University of Maryland, College Park	350	2,153
Comptroller	66	2,360
Department of Agriculture	292	2,413
Injured Workers Insurance Fund	60	2,422
Department of Juvenile Services	198	3,618
Department of Health and Mental Hygiene	590	4,003
Department of Human Resources	455	5,272
Maryland Environmental Services	208	7,657
Department of Public Safety and Correctional Services	677	7,694
Department of the Environment	267	9,438
Department of Natural Resources	1,117	14,115
Maryland State Police	2,027	84,841
Department of Transportation	3,340	230,314
Maryland Transportation Authority ¹	1,685	170,196
Other State Agencies	618	8,417
Total State Agencies	12,343	564,281
First Responders	2,301	33,858
Others	61	973
Total	14,705	599,112

¹Excludes Maryland Transportation Authority fleet vehicles.

Source: Maryland Transportation Authority

unnecessary revenue loss. In fiscal 2010, unearned revenue on nonrevenue accounts, excluding MDTA fleet vehicles, totaled \$3.3 million at full toll rates or \$0.7 million if commuter rates were applied. **The Department of Legislative Services (DLS) recommends that committee narrative**

be adopted expressing the intent that all nonrevenue accounts, except those on MDTA fleet vehicles, be terminated, and that all current nonrevenue account holders be moved to personal or business accounts so they may benefit from post-usage discount plans.

Revenue Bonds

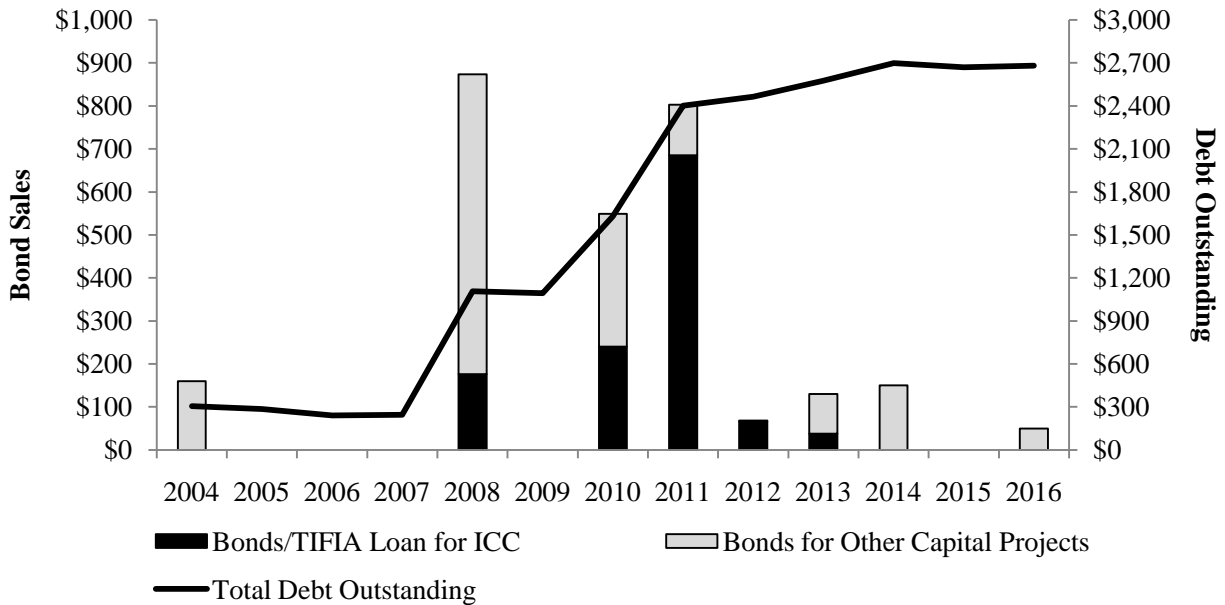
From fiscal 2008 through 2014, MDTA will issue \$2.5 billion in bonds to support its capital program. Approximately \$1.2 billion in debt, including \$688.9 million in revenue bonds and a \$516.0 million TIFIA loan, will fund construction of the ICC. MDTA has secured a guaranteed TIFIA loan from the Federal Highway Administration with a fixed interest rate of 2.56% for the life of the loan. MDTA began drawing on this loan in October 2010. Through February 15, 2011, draws on the TIFIA loan have totaled \$227.9 million. The TIFIA loan has a maturity of 36 years and will be repaid with toll revenues.

In July 2010, MDTA issued \$326.5 million in bonds, including \$29.8 million in revenue bonds and \$296.6 million in Build America Bonds. MDTA maintained its bond ratings of AA- by Standard & Poor's and Fitch Ratings and Aa3 by Moody's Investors Service. The final maturity of the bonds is in 2041, and the true interest cost was 3.66%.

The bonds included \$13.8 million in capitalized interest bonds. Capitalized interest is a financing mechanism to issue more principal than what is actually needed for the project and then use those additional proceeds to pay debt service in the first few years. Capitalizing interest can be a useful tool for start-up facilities to allow time for the project to become operational and begin to generate revenues. Capitalizing interest makes less financial sense for issuers such as MDTA that have existing revenue-generating facilities that can cross-subsidize debt service until revenues from a new facility, like the ICC, begin flowing.

Exhibit 9 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 2016. After not issuing any revenue bonds since fiscal 2004, MDTA issued revenue bonds totaling \$873.3 million in fiscal 2008 and \$549.4 million in fiscal 2010. In fiscal 2011, MDTA has already issued \$326.4 million in revenue bonds and Build America Bonds. It also expects to draw down \$450.0 million on the TIFIA loan in fiscal 2011 for construction of the ICC. In fiscal 2012, MDTA expects to draw down the final \$66.0 million on the TIFIA for construction of the ICC. Total debt outstanding is expected to increase from \$1.6 billion in fiscal 2010 to \$2.7 billion in fiscal 2016. This level of debt outstanding remains below the statutory debt outstanding limit of \$3.0 billion.

**Exhibit 9
Bond Sales and Debt Outstanding
Fiscal 2004-2016
(\$ in Millions)**



ICC: InterCounty Connector
TIFIA: Transportation Infrastructure Finance and Innovation Act

Source: Maryland Transportation Authority’s January 2011 Financial Forecast, Version 2010-16

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 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 1.0 times the amount deposited into the Maintenance and Operations Reserve Account plus 120% of debt service. The additional bonds test requires the rate covenant to be met on a five-year prospective basis. The fiscal 2012 rate covenant compliance ratio is projected to be 1.43 and decreases to 1.14 in fiscal 2013, just above the legal requirement.

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- A second ratio is the debt service coverage ratio, which is a ratio of net revenues to debt service. Although the trust agreement stipulates that net revenues must be 120% of debt service, MDTA maintains an administrative policy that requires it to be above 2.0. In fiscal 2012, the debt coverage ratio is 2.69, which is down significantly from 4.3 in fiscal 2011. The lowest level over the forecast period occurs in fiscal 2015, when the debt service coverage ratio drops to 2.07, just above the administrative policy level.
- The ratio of the cash balance to toll revenues must be at least 1.0 times toll revenues or a minimum balance of \$350.0 million in unencumbered cash. This is an administrative policy only and is not contained in the trust agreement. The fiscal 2012 unencumbered cash balance is \$502.4 million and drops to \$368.1 million in fiscal 2013.

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 are backed by fees at BWI Marshall Airport;
- \$40.0 million for three parking facilities at Largo, New Carrollton, and College Park, which are backed by lease payments from the Washington Metropolitan Area Transit Authority;
- \$23.8 million for the Calvert Street parking garage in Annapolis for State employees, which is backed by general fund lease payments from the Department of General Services; and
- \$750.0 million in GARVEE bonds to fund construction of the ICC, which is backed by future federal highway aid with a secondary pledge from the TTF.

Exhibit 10 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 10
Debt Service Payments and Debt Outstanding on Conduit Projects
Fiscal 2010-2012
(\$ in Thousands)

	<u>2010</u>	<u>2011</u>	<u>2012</u>
<u>Debt Service Payments</u>			
2002 A&B Series – BWI Marshall Airport Elm Road garage	\$20,746	\$20,756	\$20,765
2002 Series – BWI Marshall Airport rental car facility	9,015	9,008	9,006
2003 A&B Series – various BWI Marshall Airport projects ¹	9,604	10,520	11,365
2004 Series – WMATA parking garages	2,921	2,922	2,920
2005 Series – Calvert Street Parking Garage	1,561	1,560	1,557
2007 and 2008 Series – GARVEE Bonds	87,458	87,455	87,457
Total Debt Service Payments	\$131,305	\$132,221	\$133,070
<u>Debt Outstanding</u>			
2002 A&B Series – BWI Marshall Airport Elm Road garage	\$220,575	\$211,110	\$201,175
2002 Series – BWI Marshall Airport rental car facility	105,855	103,710	101,440
2003 A&B Series – various BWI Marshall Airport projects ¹	42,300	32,400	22,000
2004 Series – WMATA parking garages	34,430	33,175	31,860
2005 Series – Calvert Street Parking Garage	21,325	20,670	19,995
2007 and 2008 Series – GARVEE Bonds	651,795	596,915	539,355
Total Debt Outstanding	\$1,076,280	\$997,980	\$915,825

BWI Marshall Airport: Baltimore/Washington International Thurgood Marshall Airport

GARVEE: Grant Anticipation Revenue Vehicle

WMATA: Washington Metropolitan Area Transit Authority

¹ The fiscal 2011 and 2012 debt service payments are estimates only, as they are variable rate passenger facility charge revenue bonds.

Source: Maryland Transportation Authority

Financial Outlook: Stable

In recent years, DLS has expressed serious concerns with MDTA's financial forecast and its ability to meet its debt coverage ratios. These concerns have been largely tempered by MDTA's ability to constrain budget growth, MDTA's partnership with the State Highway Administration (SHA) to provide better capital cost estimates, the recovering economy, and the tremendous benefit that MDTA received from a low interest rate environment.

Constrained Spending: As a cash-rich agency with few financial constraints during the 1990s and early 2000s, there was typically double-digit percentage growth in the operating budget each year. Even the rating agencies cited concerns about MDTA's inability to constrain spending. In fiscal 2010, cost containment actions in the operating budget decreased spending by \$37.5 million from what was expected at this time last year. Similarly, in the capital budget, fiscal 2010 actual spending was \$300.3 million less than had been anticipated last year. Some of this underspending was the result of weather-related delays which will just be deferred to later years, but other spending was not needed due to unnecessary contingency budgets and can be reprogrammed to other projects. Although many of these actions in both the operating and capital budgets only defer spending to later years, it still allows MDTA to decrease the size of the expected toll increases in fiscal 2012.

Partnership with SHA: On the capital side, a closer partnership has been formed between MDTA and SHA, in part due to collaboration on the ICC. Although MDTA will own and operate the ICC, SHA has largely been responsible for oversight and management of the construction. Following a nearly 40% increase in the cost of the I-95 ETLs in 2007, SHA has worked more closely with MDTA on cost estimates for the project. SHA, accustomed to the construction of large mega-projects like the ICC and Woodrow Wilson Bridge, provides valuable experience to MDTA, which has never undertaken such a large capital project on its own.

Economy Recovering: As the economy has started to improve over the last several months, traffic at MDTA facilities has increased, providing a much needed boost to MDTA's revenues. Revenue forecasts made during the depths of the recession are starting to improve, slightly moderating the toll increases required over the next several years.

Lower Borrowing Costs: While the recession negatively impacted revenues, it allowed MDTA to borrow at record low interest rates. MDTA achieved hundreds of millions of dollars in debt service savings as a result of interest rates below 4.0% on revenue bonds and at only 2.6% for the TIFIA loan.

Risks to the Financial Forecast

Moving forward, the largest risks to MDTA's financial forecast is its ability to continue to constrain operating budget growth as two new toll facilities begin operation, its ability to raise tolls as necessary despite potential public and political objections, maintaining an aging infrastructure with limited cash or debt capacity, and continuing on its current course despite a change in leadership.

Constraining Budget Growth: In an agency unaccustomed to financial constraint, the recent budget belt-tightening has been a real culture change for employees. The ability of MDTA to continue to constrain operating budget growth, despite opening two new toll facilities over the next several years, will continue to be a challenge for MDTA. A return to double-digit budget growth is unacceptable and would pose a risk to the long-term forecast for MDTA.

Unpopular Revenue Increases: There will also need to be a culture change for users of MDTA facilities. Over the past several decades, low toll rates have made Maryland drivers accustomed to paying minimal toll rates. Increased debt service and the demands of an aging system will necessitate periodic toll increases over the next several years. Although the MDTA Board has independent toll-setting authority, it is not immune to public and political pressure to limit toll increases. The MDTA Board has a fiduciary responsibility to continue to raise revenues as necessary despite public or political opposition. Although improving revenues, deferred spending, and reduced debt service costs have enabled MDTA to reduce the size of the required toll increases, it has not eliminated the need for them. MDTA has an opportunity to undertake a comprehensive review of how tolls are charged in Maryland and should consider some alternative tolling strategies as outlined in Issue 1.

Maintaining an Aging System: From fiscal 2008 through 2014, MDTA will issue \$2.5 billion in debt. Debt outstanding will increase more than tenfold from \$245.7 million in fiscal 2007 to \$2.7 billion in fiscal 2014, and debt service will rise from \$24.5 million in fiscal 2007 to \$164.2 million in fiscal 2020. Forecasted toll increases over the next several years will only sustain existing operations; it will not provide additional capacity for other large projects that loom on the horizon. The current ETLs project addresses congestion on only 8 miles of I-95. More than 50 miles of improvements to I-95 were envisioned in the 2003 I-95 Master Plan Study. Planning for improvements along Section 200 of I-95, a 17-mile section running from north of MD 43 to north of MD 22, has been underway since 2005, but no money is available for construction. Likewise, planning for possible replacement of the Nice Bridge has been underway since 2006 and will be completed in 2011, but no funding is available to construct the selected improvements. Funding large, but necessary, capital projects over the next several decades will be a challenge for MDTA given limited debt capacity and limited ability to raise revenues beyond already forecasted increases.

Leadership Changes: From 2007 through 2010, MDTA was ably led by Mr. Ronald L. Freeland, who started MDTA down a path of fiscal austerity. Upon his departure in July 2010, Deputy Secretary of Transportation Mr. Harold Bartlett became the Acting Executive Secretary and continued to lead MDTA on a similar path. Mr. Bartlett's departure in February 2011 will mark another leadership change for MDTA, and the importance of continued strong, capable leadership during this transitional time for MDTA cannot be overstated. The lack of such leadership may pose a risk to MDTA's financial position.

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 an eight-mile stretch of I-95 from the I-895 split to north of MD 43.

Fiscal 2010 Actual Spending

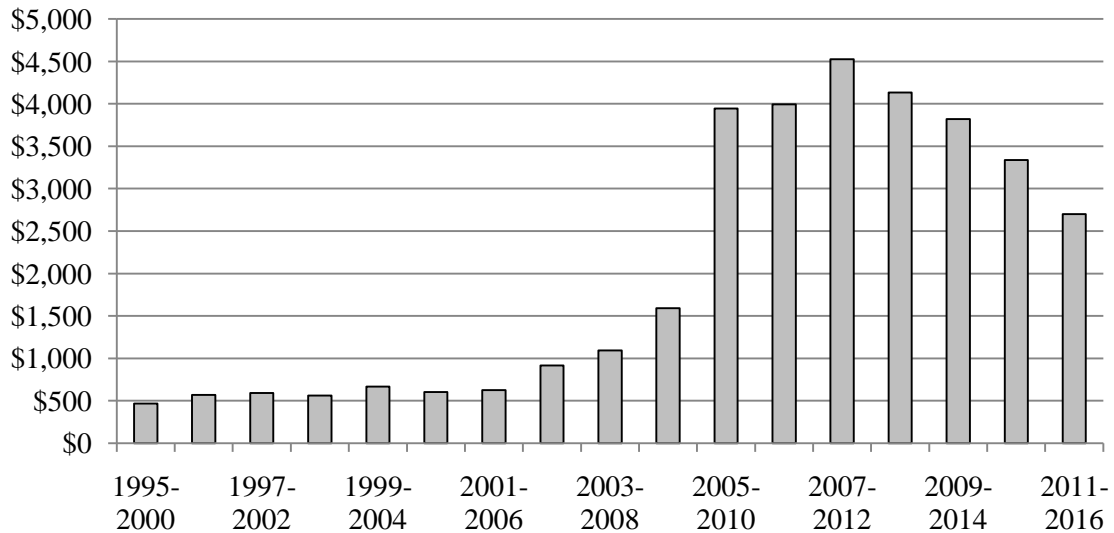
In fiscal 2010, capital spending was \$300.2 million less than what had been anticipated during the 2010 legislative session. Much of this was weather-related construction delays due to the heavy snow and unspent contingency budgets that were not needed. The largest portion of underspending in fiscal 2010 occurred with the ICC (\$133.1 million), the I-95 ETLs (\$75.8 million), and the redecking of the westbound Bay Bridge (\$19.7 million). In addition, \$32.0 million designated for system preservation projects was unnecessary, due to delays in design work and some previous year funds that were rolled over into fiscal 2010. Money not spent due to weather delays will be deferred to later years. Money unspent as a result of contingency budgets that were not needed can be reprogrammed to other projects.

Fiscal 2011 to 2016 Consolidated Transportation Program

The total six-year capital program decreases from \$3.3 billion in the fiscal 2010-2015 *Consolidated Transportation Program* (CTP) to \$2.7 billion in the fiscal 2011-2016 CTP. This decrease is largely due to the anticipated completion in fiscal 2014 of both the ICC and the I-95 ETLs. Over the next several years, the size of the six-year capital program will continue to decrease as the two mega-projects come to completion.

Exhibit 11 shows the size of MDTA's six-year capital program from 1995 through the present. MDTA's six-year capital program has historically been around \$500 million. The six-year capital program began growing in the fiscal 2004-2009 CTP, where the ICC made its first appearance in MDTA's development and evaluation program. In the fiscal 2005-2010 CTP, six-year spending increased dramatically when both the ICC and I-95 ETLs were moved into the construction program. As work began on the two projects, six-year spending in the fiscal 2007-2012 CTP again increased as cost estimates for the I-95 ETLs increased by \$353.9 million. The capital program reached its peak of \$4.5 billion in that same year, increasing nearly \$4.0 billion more than historical spending. Since then, the capital program has decreased gradually as a result of changes to the scope of the I-95 ETLs project, capital projects deferred as a result of the economic downturn, and decreases in future spending on the ICC and I-95 ETLs as the projects near completion.

Exhibit 11
Size of Six-Year Capital Program
(\$ in Millions)

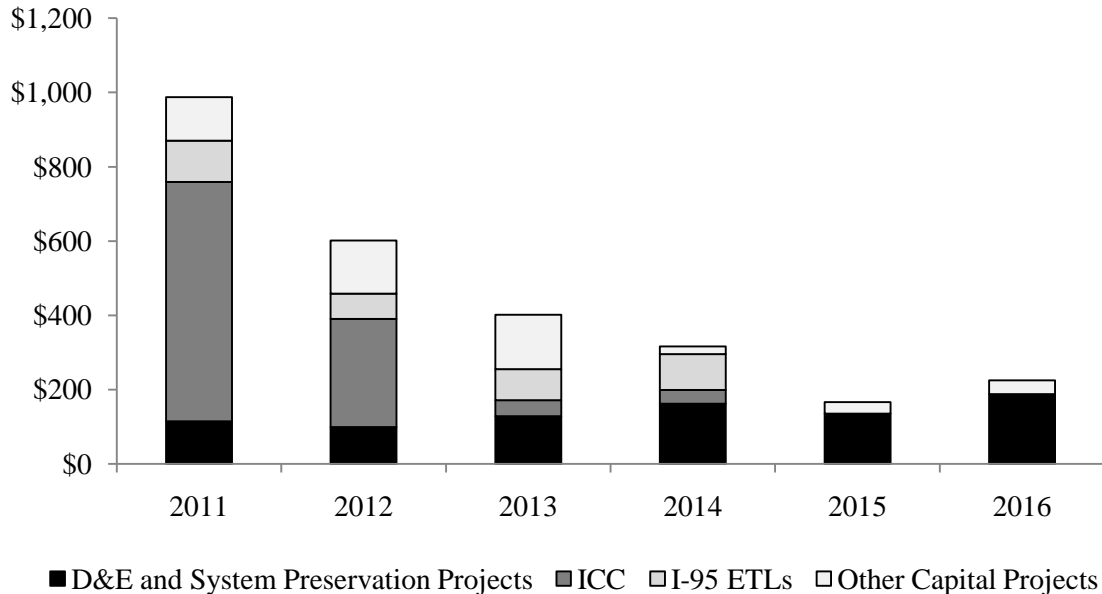


Source: Department of Legislative Services

Fiscal 2011 and 2012 Cash Flow Analysis

MDTA's capital program in fiscal 2012 totals \$601.7 million. This is a \$386.0 million decrease from the fiscal 2011 capital budget of \$987.6 million. The capital program is largely driven by construction of the ICC and I-95 ETLs, with nearly two-thirds of fiscal 2012 capital expenditures going to these projects. **Exhibit 12** shows capital expenditures by year.

Exhibit 12
Capital Expenditures by Year
Fiscal 2011-2016
(\$ in Millions)

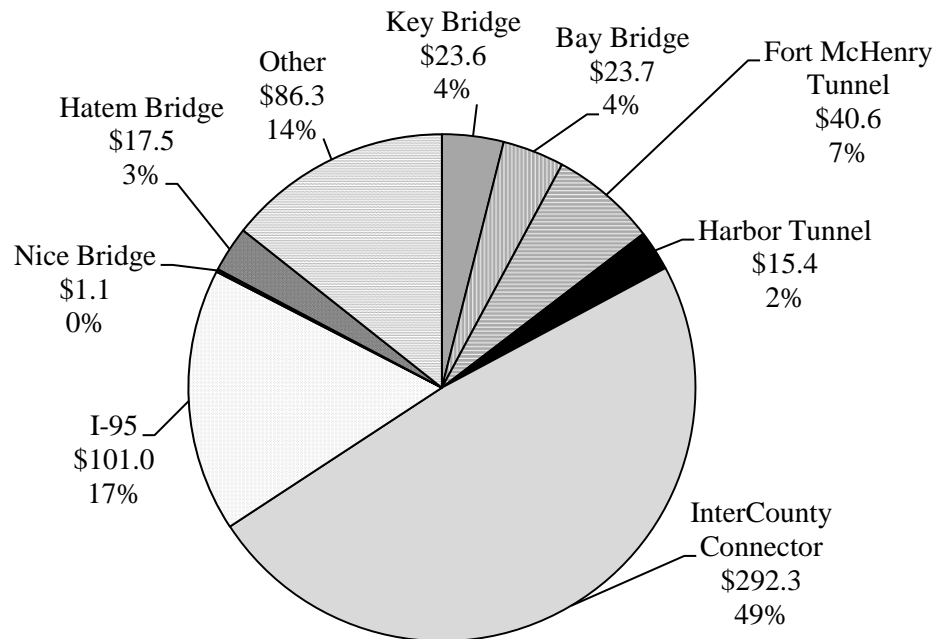


D&E: development and evaluation
ETL: Express Toll Lanes
ICC: InterCounty Connector

Source: Maryland Department of Transportation, 2011-2016 *Consolidated Transportation Program*

Exhibit 13 shows capital spending by facility in fiscal 2012.

Exhibit 13
Capital Expenditures by Facility
Fiscal 2012
(\$ in Millions)



Source: Governor's Fiscal 2012 Budget Book

Exhibit 14 provides a partial list of major construction projects funded in fiscal 2012. The projects listed account for 95% of all funding for major projects in the construction program in fiscal 2012.

Exhibit 14
Major Construction Projects
Funded in Fiscal 2012
(\$ in Thousands)

<u>Project</u>	<u>2012</u>	<u>Total \$</u>	<u>Completion of Fiscal Cash Flow</u>
Bridge, Roadway, and Signage Rehabilitation on I-95 from Joh Avenue to Washington Boulevard – includes overlaying of roadway, replacement and upgrades of existing signs, miscellaneous safety improvements, and inspection and repair of highmast light poles and sign structures	\$9,882	\$38,153	2012
Key Bridge – replace the steel grid deck of the Curtis Creek drawbridge	12,947	14,447	2012
Procure, upgrade, repair and replace signs and sign structures throughout MDTA toll facilities, including dynamic messaging signs	7,485	34,798	2012
Fort McHenry Tunnel – grind and overlay three existing lanes to provide four continuous through lanes for lane continuity from Moravia Road to the tunnel	7,801	13,358	2012
Bay Bridge – partial painting of all structural steel surfaces on the westbound bridge	14,392	37,661	2013
Upgrade to 700 MHz radio communications systems – MDTA will be the first agency to upgrade as part of the statewide project for improved interoperability	10,200	23,680	2013
Underwater Repairs at the Hatem Bridge – rehabilitate pier foundations with advanced wear	13,573	54,324	2013
Fort McHenry Tunnel – involves rehabilitating the tunnel deck of all four bores	15,886	22,333	2013
Underwater repairs at Tydings Bridge (I-95 over the Susquehanna River) – rehabilitate pier foundations and provide pier scour protection	23,416	54,760	2013
I-95 Express Toll Lanes – involves the construction of two managed lanes in each direction from I-895 north to north of MD 43	67,941	994,219	2014
InterCounty Connector – construction of a new east-west, multimodal highway in Montgomery and Prince George’s counties between I-270 and I-95/US 1	290,842	2,462,730	2014
Total	\$474,365	\$3,750,463	

MHz: megahertz

MDTA: Maryland Transportation Authority

Source: Maryland Department of Transportation, 2011-2016 *Consolidated Transportation Program*

Projects Moved from the Development and Evaluation Program to the Construction Program

One project was moved from the development and evaluation program to the construction program. This project involves the redevelopment of MDTA's travel plazas along I-95, which will be discussed further in Issue 2.

Construction Schedule Delays

Four projects experienced construction schedule delays. These are listed in **Exhibit 15**.

Exhibit 15 Construction Schedule Delays

<u>Project</u>	<u>Justification</u>	<u>Delay</u>
Fort McHenry Tunnel – Moravia Road to the tunnel modifications	Additional environmental coordination	Fiscal 2010 to 2011
Fort McHenry Tunnel – I-395 repair and spot paint beam ends, deck seal and joint repair	Contract sequencing	Fiscal 2011 to 2012
Hatem Bridge – underwater repairs	Coincide with completion of deck work	Fiscal 2011 to 2012
Police outdoor firing range	Needs assessment ongoing	Fiscal 2011 to 2013

Source: Maryland Department of Transportation, 2011-2016 *Consolidated Transportation Program*

Construction Schedule Advancements

Exhibit 16 provides details on the projects whose construction schedules advanced in the fiscal 2011-2016 CTP.

Exhibit 16 Construction Schedule Advancements

<u>Project</u>	<u>Justification</u>	<u>Advancement</u>
Key Bridge – replace Curtis Creek grid deck	To follow recently completed repair	From fiscal 2014 to 2012
Key Bridge – repair approach spans and paint bridge fascia beams	Inspection findings	From fiscal 2013 to 2012

Source: Maryland Department of Transportation, 2011-2016 *Consolidated Transportation Program*

Issues

1. Making Every Dollar Count

MDTA's transition from a cash-rich agency to a highly leveraged one provides significant fiscal challenges both now and in the future; however, it also provides an opportunity to perform a comprehensive review of MDTA's tolling structure. To date, MDTA has utilized a simple tolling structure where toll rates vary based on facility and on the number of vehicle axles and discounts are offered to frequent users. Historically, toll rates were set at artificially low levels and revenues only had to be sufficient to cover operating costs and relatively minor capital costs of \$100 million per year. As MDTA's obligations increase, it will need to maximize toll revenues. Continuing the current tolling structure whereby all two-axle vehicles (except commuters) are charged the same toll rate regardless of time of day and method of payment no longer makes financial sense. Tolls can serve two important roles – generating revenues and managing traffic. Toll rates should vary based on each particular driver's cost to the system and should be used to encourage driver behavior.

The opening of the ICC and I-95 ETLs will be MDTA's first facilities to use tolls not only to generate revenues, but as a traffic management tool as well. Providing market incentives to alter driver behavior can be a powerful tool in addressing congestion. It allows MDTA to maximize existing capacity at its toll facilities, thus delaying the need for expansion projects. Many options for toll increases are available. Several are listed below.

Toll Structures for Revenue Maximization

Eliminate AVI Decals or Significantly Increase Cost: It is fairly common for toll agencies across the country to offer commuter discount programs; however, it is not common to provide unlimited passage on a toll facility for a year for one set fee. The US Route 35 Parkway currently being constructed in West Virginia does provide for a similar program; however, the annual fee for unlimited passage is \$100. For comparison purposes, the full toll rate on the Hatem Bridge is \$5.00 and the proposed rate for the US Route 35 Parkway is only \$2.00. Therefore, the annual fee is 10 times higher than the annual fee for the Hatem Bridge, even though the full toll rate is less than half of the full toll rate on the Hatem Bridge.

Decrease Commuter Discount Savings: Commuter toll rates on most facilities have not been increased since the 1980s and now provide discounts of up to 84%. MDTA could consider establishing commuter rates as a percentage of toll rates rather than a fixed dollar amount. That way, commuter rates will increase proportionally as regular toll rates increase. For example, commuter rates could be set at 40% of the full fare rate.

Limit the Use of Commuter Discount Plans to One Toll Facility: Commuter toll rates are typically valid for one facility only; however, MDTA's Baltimore Region Discount Plan is valid on five toll facilities – the three Harbor crossings, I-95, and the Hatem Bridge. This type of plan can provide significant savings to people who drive around the Baltimore region and provide many travel

options; however, from a revenue standpoint, allowing its use at five facilities reduces revenue earned.

Limit the Use of Nonrevenue Accounts: As discussed above, MDTA foregoes approximately \$3.3 million in annual toll revenues due to the use of nonrevenue accounts by State agencies and others. Nonrevenue accounts should be limited to MDTA fleet vehicles only. MDTA employees should be moved to personal accounts paying full fare and State agencies and others should be transferred to business accounts to benefit from post-usage discounts.

Increase the Discount Thresholds for Commercial Vehicles: MDTA offers post-usage discounts for business account holders. These provide up to a 33% discount based on the total tolls charged to an account during a 30-day period. Discounts start at 15% for toll charges of \$100 to \$999 on an account in a month. In 2009, MDTA nearly doubled toll rates for vehicles with three or more axles but did not adjust the discount thresholds. By increasing toll rates without a corresponding change in discount thresholds, more vehicles become eligible for post-usage discounts. Five-axle vehicles can qualify for discounts after only four trips across I-95 or the Hatem Bridge. The benefit of this discount can be significant to many companies, since the thresholds are based on spending by account, which could contain an entire fleet of vehicles, and not just individual transponders.

Provide Discounted E-ZPass Rates for Maryland-issued Transponders: Monthly fees and transponder charges implemented for E-ZPass customers in May 2009 provide a financial disincentive to use E-ZPass. Many toll facilities on the East Coast offer a bifurcated toll structure whereby cash customers pay one toll rate and E-ZPass customers pay a discounted toll rate. Toll agencies with this type of toll structure include the New York Metropolitan Transportation Authority, the Illinois Tollway, and the Dulles Greenway. The Pennsylvania Turnpike just moved to a bifurcated cash/E-ZPass toll schedule in January 2011 when it increased tolls for cash customers by 10% and increased E-ZPass toll rates by only 3%. Typically, E-ZPass rates offer discounts of up to 30% off cash toll rates and are available to drivers having an E-ZPass transponder issued by that state only. Providing E-ZPass discounted rates provides further incentive for drivers to utilize electronic tolling.

Tolling Structures to Provide Traffic Management Benefits

Peak vs. Nonpeak Rates: Many toll agencies on the East Coast offer toll rates that vary based on time of day. Typically, peak rates reflect normal commuting patterns and are in effect Monday through Friday from 6 a.m. to 9 a.m. and 4 p.m. to 7 p.m. Some toll agencies include Saturday and Sunday in the peak rate as well. The Baltimore Harbor crossings would be prime candidates for peak toll rates during rush hour. The Bay Bridge and I-95 would be excellent locations for peak rates that fall on the weekends and maybe even differ by season, with weekend summer travel paying the highest toll. The primary purpose of peak rates, or congestion pricing, is not to maximize revenues; it is to alter driver behavior by encouraging travel during less congested periods.

Offer Nonpeak Discounts to E-ZPass Customers Only: There has also been a growing trend of offering discounts to E-ZPass users who travel during off-peak periods. In this scenario, cash

customers pay the full, peak toll rate at all times while E-ZPass customers pay the full, peak rate during peak periods only and receive discounts during nonpeak periods.

Nonpeak Discounts for Commercial Traffic: To encourage commercial drivers to drive when there is less traffic, many toll agencies provide discounts to commercial traffic traveling overnight. For example, the Delaware River Joint Toll Bridge Commission offers discounts of 10% to commercial traffic from 9:01 p.m. to 5:59 a.m. Similarly, the Illinois Tollway offers discounts of 25% overnight and the Port Authority of New York and New Jersey offers overnight discounts of 33%.

All Electronic Tolling

All electronic tolling, or open road tolling, allows vehicles to travel at highway speeds through overhead gantries that collect tolls. As roads become cashless, toll agencies increase efficiency and customers and the environment reap benefits. Electronic tolling allows toll agencies to process four times as many cars per hour over manned toll booths, thereby decreasing congestion at toll booths. Electronic tolling also reduces vehicle idling time at toll booths, which is good for the environment. In 2010, a report on tolling options along I-95 prepared for MDTA recommended that MDTA move toward all electronic tolling on I-95. In January 2011, the New York Metropolitan Transportation Authority announced plans to move toward all electronic tolling on all of its toll facilities, starting with the Henry Hudson Bridge in 2012. Also in January 2011, the board of directors of San Francisco's iconic Golden Gate Bridge announced that it will go cashless in 2012.

In addition to environmental and efficiency benefits, all electronic tolling makes it easier to implement smaller increases in toll rates. Historically, MDTA has typically implemented one major toll increase each decade. The drawback of this method is that it requires larger toll increases than if periodic toll increases were made. However, the benefit is that increases can be rounded to \$0.50 or \$1.00, which reduces the amount of change required for cash customers. All electronic tolling makes increases easier for both MDTA and customers because it allows for smaller increases that would not be ideal for cash customers. For example, a toll rate increase of \$0.05 may not be ideal for cash customers but would be easy to implement with all electronic tolling.

Potential Toll Increase Scenarios

MDTA has not yet made any decisions on implementing toll increases this year. Prior to implementation, MDTA will hold at least one public hearing, accept public comments for at least 60 days, and allow at least 30 days between the final MDTA Board decision to raise tolls and the effective date of the increase in accordance with regulations promulgated by MDTA in 2009. Legislative notice is provided to the General Assembly prior to a toll increase; however, it may not approve or modify a toll increase. Independent toll-setting authority by the MDTA Board is essential for MDTA to maintain its bond ratings.

J00J00 – Maryland Transportation Authority

As discussed above, the MDTA Board has a multitude of options available to it about how to structure a toll increase. **Exhibit 17** shows four toll increase scenarios developed by DLS for illustrative purposes only. Each of these scenarios provides approximately \$80 million in additional revenues in fiscal 2012, as is required to maintain current spending levels.

DLS recommends that MDTA comment on the effectiveness of using tolls as both a revenue measure and a traffic management strategy. Furthermore, MDTA should be directed to explore alternative tolling structures as outlined above.

**Exhibit 17
Possible Toll Increase Scenarios**

	<u>Current Toll Rate</u>	<u>Scenario 1</u>	<u>Scenario 2</u>	<u>Scenario 3</u>	<u>Scenario 4</u>
Two-axle cash rate					
Baltimore Crossings	\$2.00	\$2.50	\$2.75	\$2.75	\$3.00
I-95 and Hatem Bridge	5.00	6.25	6.50	5.50	7.00
Bay Bridge	2.50	3.25	3.25	6.50	5.00
Nice Bridge	3.00	3.75	4.00	4.25	4.00
Two-axle E-ZPass rate					
					<u>Peak/Off peak</u>
Baltimore Crossings	\$2.00	\$2.50	\$2.20	\$2.20	\$2.70/\$2.00
I-95 and Hatem Bridge	5.00	6.25	5.50	4.40	6.30/5.00
Bay Bridge	2.50	3.25	2.75	5.20	4.50/2.50
Nice Bridge	3.00	3.75	3.30	3.40	3.60/3.00
Commuter rate (Maryland E-ZPass required)					
Baltimore Crossings	\$0.40	\$0.50	\$0.88	\$0.88	\$0.80
I-95 and Hatem Bridge	0.80	1.00	2.20	1.76	2.00
Bay Bridge	1.00	1.25	1.10	2.08	1.00
Nice Bridge	0.60	0.75	1.32	1.36	1.20
Five-axle rate (Cash/E-ZPass rate)					
					<u>Cash/E-ZPass Peak/ E-ZPass Off peak</u>
Baltimore Crossings	\$12.00	\$15.00	\$15.75/\$13.20	\$16.25/\$13.00	\$16.00/\$14.40/\$12.00
I-95 and Hatem Bridge	30.00	37.50	39.00/33.00	33.00/26.40	39.00/35.10/30.00
Bay Bridge	15.00	18.75	19.50/16.50	39.00/31.20	20.00/18.00/15.00
Nice Bridge	15.00	18.75	19.50/16.50	20.25/16.20	20.00/18.00/15.00

Scenario 1 – Increase toll rates 25% across all vehicle classes and toll facilities.

Scenario 2 – Increase cash rates 30% and E-ZPass rates 10% across all vehicle classes and toll facilities; and set commuter rates at 40% of E-ZPass rate.

Scenario 3 – Toll increases vary by facility so that the cumulative effect of the percentage of all toll increases since 2000 at all toll facilities is similar; plus additional 10% increase at each facility; 20% discount to E-ZPass customers; and set commuter rates at 40% of E-ZPass rate.

Scenario 4 – Increase all toll rates by 30% and round cash rates up to nearest dollar; 10% discount to E-ZPass customers; rates for E-ZPass off peak rates remain same as current rates; and set commuter rates at 40% of E-ZPass rate.

Source: Department of Legislative Services

2. MDTA Begins Travel Plaza Public-private Partnership Process...Again

On November 12, 2009, MDTA provided legislative notice that it intended to issue a request for proposals (RFP) for the redevelopment, operation, and maintenance of the two travel plazas that it owns along I-95. The travel plazas are the Maryland House and Chesapeake House, opened in 1963 and 1975, respectively. Needing additional time to prepare the RFP, MDTA waited until March 25, 2010, to issue the RFP. Proposals were to be submitted by July 15, 2010, and the notice of award was expected to take place in November 2010, with final execution of the contract in May 2011.

DLS noted a number of items to consider:

- the highly detailed RFP of more than 700 pages provided little room for flexibility and innovation by the private partner, making the RFP more like a procurement than a P3;
- an unrealistic timeline did not provide sufficient time for response by the private partner or review and negotiation by MDTA;
- the role of promoting State tourism would fall to the private sector;
- minority business enterprise participation was encouraged but not required;
- the RFP allowed the private partner to set prices 10% higher than average prices charged in the area and required 20% discounts to MDTA employees; and
- few details of what MDTA expected to receive in revenue were provided.

From March to October, MDTA issued seven addendums to the RFP and changed the proposed schedule five times. In November 2010, rather than issuing an eighth addendum to the RFP, MDTA cancelled the RFP with plans to rebid the contract again later. In January 2011, MDTA indicated that it was reaching out to MPA and state agencies in other states that have recently undertaken a P3 and were looking to obtain the services of a nationally recognized P3 expert to guide it through the process. It is uncertain at this time when the RFP will be reissued.

Now, nearly a year and a half since this process began, and with the current operating contracts set to expire in November 2011, MDTA is faced with the prospect of starting over again. Arguably, this could have all been avoided if MDTA had worked more closely with MPA from the beginning. In January 2010, MPA closed the State's first P3 deal in a 50-year deal involving the operations of Seagirt Marine Terminal. In January 2010, the executive director of MPA reported to the budget committees that MPA had learned several lessons from the P3 deal. The primary among these was time. Although MPA assumed that the transaction would consume a considerable amount of staff time, the actual time required by staff was well beyond anyone's expectations. Secondly, MPA reported on the value of having a P3 expert to guide staff through the process and to help in the

negotiations. Additionally, MPA noted the importance of planning for as many contingencies as possible and the importance of continued communication between all parties.

DLS recommends that MDTA discuss why MPA staff were not consulted earlier in the process, what lessons were learned from the first failed RFP attempt, and plans to reissue the RFP.

Operating Budget Recommended Actions

1. Adopt the following narrative:

The Free Ride Stops Here: Currently, nearly 15,000 E-ZPass nonrevenue accounts exist to provide free passage on toll facilities for State agencies, first responders, Maryland Transportation Authority (MDTA) employees, and others. In fiscal 2010, MDTA missed out on potential revenue of between \$0.7 million and \$3.3 million depending on whether full fare or commuter rates are applied. It is the intent of the committees that nonrevenue accounts be limited to MDTA fleet vehicles and that all other nonrevenue accounts should be closed. MDTA employees should be encouraged to open personal accounts and all State agencies, first responders, and others should be encouraged to open business accounts to receive the benefit of usage discounts.

2. Adopt the following narrative:

Extinguishing Fees by Fire Departments: Each year, the Maryland Transportation Authority (MDTA) budgets \$30,000 for fire and ambulance service on the Bay Bridge and Interstate 95. It has been the practice for many years that volunteer fire companies are paid \$60.00 per call for responding to calls at MDTA facilities. There are no agreements or memoranda of understanding in place, but this has been standard practice. It is unclear how or why this practice developed. The State Highway Administration does not pay similar fees for incidents on State roads, and it is unclear why MDTA would have to pay these fees. Furthermore, many of the volunteer fire departments that charge these fees also charge patients who are transported to the hospital, which may result in revenues from two sources for the same call. It is the intent of the committees that MDTA should not pay fees for fire and ambulance services on its facilities.

3. Adopt the following narrative:

Equity Among State Employees: Over the last several years, the economic recession and the State's declining revenues have forced employee layoffs, furloughs, and temporary salary reductions. In addition, statewide, most funding for employee recognition, employee awards, or employee events has been eliminated. As State employees, Maryland Transportation Authority (MDTA) employees have undergone the same employee furloughs and salary actions; however, as a nonbudgeted agency, MDTA has been able to maintain funding for employee events and recognition. MDTA's fiscal 2012 budget includes \$83,090 for employee recognition, \$55,750 for employee events, and \$6,000 for an offsite annual retreat. To provide parity among all State employees, it is the intent of the committees that these items should be deferred until fiscal 2014 as they are for other State employees. Although these items may provide a valuable morale boost to employees, these items should not be funded at one State agency but not others.

4. Adopt the following narrative:

Recovering Indirect Costs and Training Expenses: The Maryland Transportation Authority (MDTA) Police provide law enforcement services for most modes within the Maryland Department of Transportation (MDOT) at several locations across the State. Each mode reimburses the MDTA Police for the direct cost of services provided; however, all of the indirect costs of operating the police department are borne by MDTA. These indirect costs are necessary for the general operation of the MDTA Police force and may include administrative and clerical staff, human resources functions, and upper level management. The Maryland State Police provide law enforcement on Interstate 95 for MDTA and charge MDTA for all direct costs as well as an indirect cost recovery rate around 25%. It is the intent of the committees that MDTA should identify the indirect costs of providing law enforcement to MDOT and begin charging an appropriate indirect cost recovery rate to each mode.

Furthermore, MDTA Police and the Maryland Transit Administration (MTA) Police have begun working more closely together and are evaluating certain cost savings that may be achieved through consolidated training, procurement, and command. One of the changes already taking place is MTA officer candidates being trained in the MDTA Police Academy. It is the intent of the committees that MDTA should develop an estimated cost per officer candidate for its police academy and that MTA should be charged for each officer candidate in the MDTA Police Academy.

5. Adopt the following narrative:

Evaluating Alternative Tolling Structures: Simultaneous construction of two major capital projects has transitioned the Maryland Transportation Authority (MDTA) from a cash-rich agency to a highly leveraged one. Historically, toll rates have been set at low levels that are no longer sustainable. MDTA's current financial forecast projects toll increases in fiscal 2012, 2014 and 2016. These increases provide MDTA an opportunity to perform a comprehensive review of its tolling structure and to utilize tolls as both a revenue tool and a traffic management tool. Using tolls as traffic management tools can help to maximize capacity at existing facilities and may delay the need for system expansion projects. Alternative tolling structures may include:

- providing discounts to E-ZPass users with Maryland accounts;
- charging higher toll rates at peak traffic periods or providing discounts for off peak travel;
- offering off peak or overnight discounts to commercial traffic;
- increasing the discount thresholds used in calculating post-usage discounts;

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- re-evaluating whether current discounts provided to users are financially sound; and
- implementing all electronic tolling at all toll facilities.

In conjunction with its development of toll increases in fiscal 2012, MDTA should evaluate each of these tolling structures and submit a report to the committees on the advantages and disadvantages of each alternative tolling structure.

Information Request	Author	Due Date
Report evaluating alternative tolling structures	MDTA	August 1, 2011

PAYGO Budget Recommended Actions

1. Nonbudgeted.

Updates

1. Portion of ICC/MD 200 Opens to Traffic

After more than 50 years of planning and 5 years of construction, the first segment of the ICC/MD 200 will open to traffic on February 23, 2011. The segment scheduled to open is the westernmost section of the road and runs from I-270/I-370 to MD 97/Georgia Avenue, an approximate length of 5.5 miles. The remaining portion of the road is expected to open in late 2011. Motorists will be allowed to “test drive” the road for the first two weeks for free. On March 7, 2011, toll collection on the road will begin but the \$3.00 notice of toll due fee will be waived for motorists who travel the road without an E-ZPass. On April 6, 2011, full revenue collection will begin.

Toll rates for the ICC will vary based on time of day. Peak period pricing will be in effect from 6:00 a.m. to 9:00 a.m. and 4:00 p.m. to 7:00 p.m. Monday through Friday, excluding federal holidays. Overnight pricing will be in place from 11:00 p.m. to 5:00 a.m. daily and off-peak rates will be in effect at all other times. Toll rates for two-axle vehicles will be \$0.25 per mile during peak periods, \$0.20 per mile during off-peak periods, and \$0.10 per mile overnight. Toll rates for two-axle vehicles for the first segment will be \$1.45 during peak periods, \$1.15 during off-peak periods, and \$0.60 overnight.

A total of five bus routes will be available from MTA upon opening of the entire ICC. Only two routes will begin operations in February in conjunction with the opening of the first segment of the ICC. The initial bus routes will run from Gaithersburg to BWI Marshall Airport and Gaithersburg to the National Security Agency and Fort Meade. As part of the federal record of decision on the ICC, MDTA committed \$20 million for operating and capital costs for these bus routes.

The total cost of the project is \$2.6 billion. Construction of the mainline road from I-270/I-370 to I-95 is underway. Contract D, for improvements to the collector and distributor roads along I-95, is deferred to outside of the current capital program period, but is included in the total cost. The scope and schedule for Contract E, connecting the ICC from I-95 to US 1, is still under review.

The finance plan for the ICC has remained largely unchanged and includes the following sources:

- \$750 million in GARVEE bonds have already been issued. These will be repaid by future federal aid. Debt service is approximately \$87 million per year through fiscal 2020;
- \$689 million in MDTA revenue bonds to be repaid by toll revenues through fiscal 2043;
- \$516 million in a TIFIA loan from the federal government with repayment from toll revenues;
- \$180 million from the TTF has already been provided;

- \$265 million from the State’s general fund or general obligation proceeds with final payment expected in fiscal 2013;
- \$63 million in other funding, including \$17 million in premiums from the issuance of GARVEE bonds, \$19 million in federal aid, and \$27 million in MDTA PAYGO cash; and
- \$103 million in funding yet to be determined to fund construction of the deferred Contract D.

2. Law Enforcement Operations

The 2010 *Joint Chairmen’s Report* directed MDTA, MDOT, and the Maryland State Police (MSP) to jointly submit a report on law enforcement operations. This report was submitted in September 2010 and provides a broad overview of each law enforcement agency.

Generally, when comparing MDTA Police, MTA Police, and MSP in terms of number of personnel, employee incentives and programs, budget, and vehicle fleets, it can be concluded that MDTA Police have benefited from MDTA’s nonbudgeted status. The percentage of increase in personnel, budget, and vehicle fleets has been higher at MDTA than at MTA or MSP from fiscal 2002 to today. Similarly, MDTA Police have access to more employee incentives and programs than MSP or MTA Police; however, State Police generally have better retirement benefits and contribute less of their pay to retirement and federal taxes.

MDTA Police maintain memoranda of understanding with four of the five MDOT modes: MAA, MPA, MVA, and MTA. Under these agreements, MDTA has law enforcement responsibility for BWI Marshall Airport, the Port of Baltimore, MVA facilities, and on MARC property. These modes each reimburse MDTA for direct costs incurred by law enforcement operations. The agreement with MTA to utilize MDTA Police to supplement existing MTA Police on MARC facilities is the newest agreement. It just became effective in March 2010 and is paid for in part with a federal Transit Security Grant. To fulfill these duties, MDTA Police created the Visible Intermodal Transportation and Response Team (VIPR). The VIPR unit includes three positions and \$440,000 in expenses.

Consolidating police forces may provide some benefits; however, the consolidation would involve many issues that would have to be considered and addressed. These include:

Differences in Employee Benefits Across Police Forces: MTA Police and MDTA Police are in different retirement plans than MSP and receive different benefits under these plans. Costs will be incurred to move all employees to one retirement plan. Similarly, MTA Police currently have collective bargaining with binding arbitration, while MDTA Police only recently received collective bargaining. Assuming that MTA Police would be unwilling to get rid of binding arbitration, it would be difficult to grant MDTA Police the same benefit since certain requirements in MDTA’s trust agreement with bondholders may be violated.

Differences in Agency Culture, Mission, and Philosophy: The three police agencies have each developed its own purpose, philosophy, and culture. Assimilating these differences into one consolidated unit may require special attention to each agency's uniqueness.

One-time Costs May Be Incurred: Consolidating police agencies would require all officers to have the same uniforms, cars, and guns. This will result in one-time costs.

Sharing Costs: MTA Police, MDTA Police, and MSP currently have several cost-sharing agreements between them. MTA pays MDTA Police to supplement existing police forces on MARC facilities and MDTA pays MSP to provide law enforcement on I-95. To the extent that police agencies are consolidated or if MDTA Police were moved into MDOT, consideration would have to be given to who pays what expenses.

Although full police consolidation may require that many issues be addressed, benefits can still accrue as a result of closer partnerships between law enforcement agencies. Section 23 of the fiscal 2012 budget bill includes a reduction of \$500,000 for law enforcement operations at MDOT based on cost savings from MTA Police and MDTA Police working more closely together. These synergies may include:

- consolidation of procurement services;
- joint training of police forces;
- improved unified command, control, and intelligence sharing;
- coordinated investigations; and
- development of a unified two-way radio communications and dispatch center.

Comparative Toll Rates

<u>Facility</u>	<u>State</u>	<u>Toll Direction</u>	<u>Toll Length (Miles)</u>	<u>One-way Equivalent Toll</u>	<u>Five-axle Toll</u>
Pennsylvania Turnpike	PA	Two-way	524.0	\$32.30	\$100.60
New York State Thruway – Mainline (SB/EB)	NY	Two-way	426.0	24.60	49.20
New York State Thruway – Mainline (NB/WB)	NY	Two-way	426.0	19.60	39.95
New Jersey Turnpike (entire pike)	NJ	Two-way	148.0	9.05	32.50
Massachusetts Turnpike (WB)	MA	Two-way	135.1	8.60	31.25
MTA Crossings	NY	Two-way		6.50	35.00
Verrazano – Narrows Bridge	NY	One-way	0.8	6.50	70.00
Garden State Parkway (Northbound)	NJ	Two-way	173.0	6.00	17.50
Dulles Greenway (rush hour)	VA	Two-way	14.0	5.25	15.00
Massachusetts Turnpike (EB)	MA	Two-way	135.1	5.10	22.50
Garden State Parkway (Southbound)	NJ	Two-way	173.0	5.00	12.50
Maine Turnpike	ME	Two-way	113.0	5.00	20.00
Dulles Greenway (non-rush hour)	VA	Two-way	14.0	4.45	12.60
Delaware Turnpike (I-95)	DE	Two-way	11.0	4.00	9.00
Hudson River Crossings	NY	One-way		4.00	40.00
Pocahontas Parkway	VA	Two-way	8.8	3.00	6.00
Thomas J. Hatem Bridge	MD	One-way	1.4	2.50	30.00
JFK Memorial Highway	MD	One-way	48.0	2.50	30.00
Tappan Zee Bridge	NY	One-way	3.0	2.50	32.75
Baltimore Harbor Tunnel (I-895)	MD	Two-way	17.0	2.00	12.00
Fort McHenry Tunnel (I-95)	MD	Two-way	11.2	2.00	12.00
Francis Scott Key Bridge	MD	Two-way	10.3	2.00	12.00
Chesapeake Expressway	VA	Two-way	16.0	2.00	5.00
Dulles Toll Road	VA	Two-way	13.4	2.00	3.50
West Virginia Turnpike	WV	Two-way	88.0	2.00	6.75
Delaware SR1 - weekend	DE	Two-way	10.3	2.00	6.00
DRPA Delaware River Crossings	PA	One-way		2.00	30.00
Harry W. Nice Bridge	MD	One-way	1.7	1.50	15.00
Delaware Memorial Bridge	DE-NJ	One-way	2.0	1.50	20.00
William Preston Lane (Bay) Bridge	MD	One-way	5.4	1.25	15.00
New Jersey Turnpike (avg. trip)	NJ	Two-way	22.9	1.20	4.15
Delaware SR1 – weekday	DE	Two-way	10.3	1.00	5.00
New York State Thruway- Berkshire Connector	NY	Two-way	24.0	0.85	4.25

Source: Maryland Transportation Authority

Maryland Transportation Authority Financial Forecast
Fiscal 2010-2016
(\$ in Millions)

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Revenues							
Toll Revenues	\$323.9	\$324.3	\$411.2	\$439.7	\$527.2	\$552.4	\$584.6
Concessions	9.0	8.1	8.2	5.5	5.6	5.6	8.5
Investment Income and Other	19.6	17.1	23.5	19.1	17.9	18.0	18.3
Maryland Department of Transportation	31.5	32.7	30.8	26.0	27.2	28.5	29.8
Total Revenues	\$384.2	\$382.2	\$473.6	\$490.3	\$577.9	\$604.5	\$641.2
Expenses							
Operations	\$187.4	\$227.2	\$233.3	\$255.8	\$280.5	\$297.2	\$312.8
Debt Service	35.3	35.7	88.8	110.1	137.2	147.7	149.0
Capital Program	817.6	987.6	601.7	401.4	316.5	166.1	225.0
Less: Seagirt Proceeds	-140.0	0.0	0.0	0.0	0.0	0.0	0.0
Less: Revenue Bond Proceeds	-492.6	-767.9	-66.0	-130.0	-150.0	0.0	-50.0
Less: MDOT PAYGO	-30.0	0.0	0.0	0.0	0.0	0.0	0.0
Less: General Fund/GO Bonds	-55.0	-89.3	-57.6	-10.0	0.0	0.0	0.0
Total Expenses	\$322.8	\$393.3	\$800.1	\$627.3	\$584.2	\$611.0	\$636.8
Annual Surplus/Deficit	\$61.4	-\$11.1	-\$326.5	-\$137.0	-\$6.3	-\$6.4	\$4.4
Total Cash Balance	\$967.7	\$956.6	\$630.1	\$493.0	\$486.7	\$480.3	\$484.7
Debt							
Debt Outstanding	\$1,630.1	\$2,400.9	\$2,464.7	\$2,575.6	\$2,698.8	\$2,668.9	\$2,680.9
Ratio of Total Cash to Toll Revenues	2.91	2.88	1.50	1.11	0.91	0.86	0.82
Unencumbered Cash (Policy \$350.0 million minimum)	\$424.5	\$413.1	\$502.4	\$368.1	\$361.7	\$355.3	\$361.4
Debt Service Coverage (Policy 2.0)	5.58	4.30	2.69	2.11	2.16	2.07	2.19
Rate Covenant Compliance (Legal 1.0)	3.49	1.38	1.43	1.14	1.30	1.32	1.39

GO: general obligation

MDOT: Maryland Department of Transportation

PAYGO: pay-as-you-go

Note: Includes projected average statewide toll increases of \$0.75 in fiscal 2012, \$0.75 in fiscal 2014, and \$0.15 in fiscal 2016.

Audit Findings

Audit Period for Last Audit:	November 1, 2006 – January 6, 2010
Issue Date:	December 2010
Number of Findings:	4
Number of Repeat Findings:	1
% of Repeat Findings:	25%
Rating: (if applicable)	

Finding 1: **Certain collections processed by the E-ZPass system contractor were not adequately controlled.**

Finding 2: MDTA had not obtained an audit of E-ZPass toll collection system controls since May 2006.

Finding 3: Proper internal controls were not established over the processing of certain purchasing and disbursement transactions.

Finding 4: MDTA did not always follow State procurement regulations when procuring goods and services.

*Bold denotes item repeated in full or part from preceding audit report.

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

<u>Object/Fund</u>	<u>FY 10 Actual</u>	<u>FY 11 Working Appropriation</u>	<u>FY 12 Allowance</u>	<u>FY 11 - FY 12 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	1,739.50	1,800.50	1,800.50	0.00	0.0%
Total Positions	1,739.50	1,800.50	1,800.50	0.00	0.0%
Objects					
01 Salaries and Wages	\$ 117,703,767	\$ 135,594,368	\$ 137,083,114	\$ 1,488,746	1.1%
02 Technical and Spec. Fees	5,113,079	5,077,987	5,081,180	3,193	0.1%
03 Communication	894,577	1,228,217	1,158,451	-69,766	-5.7%
04 Travel	37,808	118,474	122,818	4,344	3.7%
06 Fuel and Utilities	4,226,039	5,749,197	5,830,581	81,384	1.4%
07 Motor Vehicles	4,270,968	4,925,025	5,159,198	234,173	4.8%
08 Contractual Services	22,390,012	41,285,015	43,684,348	2,399,333	5.8%
09 Supplies and Materials	9,277,829	6,476,765	7,262,546	785,781	12.1%
10 Equipment – Replacement	2,624,402	7,749,632	8,826,513	1,076,881	13.9%
11 Equipment – Additional	4,838,487	11,368,811	10,130,671	-1,238,140	-10.9%
13 Fixed Charges	43,477,237	43,273,712	97,776,201	54,502,489	125.9%
				0	
Total Objects	\$ 214,854,205	\$ 262,847,203	\$ 322,115,621	\$ 59,268,418	22.5%
Funds					
07 Nonbudgeted Fund	\$ 214,854,205	\$ 262,847,203	\$ 322,115,621	\$ 59,268,418	22.5%
Total Funds	\$ 214,854,205	\$ 262,847,203	\$ 322,115,621	\$ 59,268,418	22.5%

Note: The fiscal 2011 appropriation does not include deficiencies. The fiscal 2012 allowance does not include contingent reductions.

**Fiscal Summary
Maryland Transportation Authority**

<u>Program/Unit</u>	<u>FY10 Actual</u>	<u>FY11 Amended Budget</u>	<u>FY12 Budget</u>	<u>Change</u>	<u>FY11 - FY12 % Change</u>
Operating Budget	\$ 214,854,205	\$ 262,847,203	\$ 322,115,621	\$59,268,418	22.5%
Capital Budget	815,266,474	987,634,000	601,652,000	-\$385,982,000	-39.1%
Total Expenditures	\$1,030,120,679	\$1,250,481,203	\$923,767,621	-\$326,713,582	-26.1%
Nonbudgeted Fund	\$1,030,120,679	\$1,250,481,203	\$923,767,621	-\$326,713,582	-26.1%
Total Appropriations	\$ 1,030,120,679	\$ 1,250,481,203	\$ 923,767,621	-\$326,713,582	-26.1%