
March 3, 2022

The Honorable Kumar P. Barve
Chairman, House Environment and Transportation Committee
251 House Office Building
Annapolis, MD 21401

Re: Letter of Information – House Bill 175 – Maryland Transportation Authority – Program for Payment of Unpaid Video Tolls

Dear Chairman Barve and Members of the Committee:

The Maryland Department of Transportation (MDOT) and the Maryland Transportation Authority (MDTA) take no position on House Bill 175 but offer the following information for the Committee’s consideration.

House Bill 175 would establish a two-year program for the payment of unpaid video tolls by Maryland residents if certain conditions are met. The legislation requires the MDTA to: (1) notify State residents at their last known address that they are eligible for participation; (2) waive 70% of a resident’s unpaid video tolls and related civil penalties that became delinquent before July 1, 2022; (3) require a resident to pay the remaining balance of unpaid video tolls and civil penalties after deducting the waived amount and State Central Collection Unit (CCU) fees; (4) after deducting the waived amount and the CCU fees, allow a resident to enroll in a 6-month installment plan to pay the remaining balance; and (5) require a resident to maintain an *E-ZPass* account until June 30, 2024.

On February 24, 2022, the MDTA Board unanimously voted to approve the MDTA Customer Assistance Plan. The plan immediately discontinues referrals of toll bills to the CCU and the MDOT Motor Vehicle Administration (MVA); establishes a civil penalty waiver grace period that waives civil penalties for all customers who pay all their unpaid tolls by 11:59 p.m. on November 30, 2022; requires the MDTA to work with the toll vendor to increase the number of customer service agents to reduce call and web chat wait times; and explore a payment plan opportunity.

As drafted, House Bill 175 does not define the term “delinquent.” However, if 70% of the outstanding tolls and penalties are eligible to be waived under the program, toll and civil penalty debt owed between the fiscal years of 2014 to 2021 to the MDTA would be reduced by \$420.3 million. House Bill 175 also excludes any provisions for reinstating the debt if the resident fails to comply with the requirements, potentially leading to the waived debt being lost regardless of resident compliance.

The MDTA makes every effort to work with customers on an individual case-by-case basis, and depending on the situation, the MDTA can waive civil penalty amount owed; since transitioning to the new tolling system in April 2021, the MDTA has waived over 174,500 civil penalties. The proposed legislation’s blanket waiver of tolls and civil penalties may result in residents avoiding payments on valid tolls; the MDTA’s Customer Assistance Plan addresses this by making payments of unpaid video tolls a condition of the civil penalty waiver.

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House Bill 175 would require the MDTA to waive tolls for certain vehicles, which is in violation of the MDTA's Trust Agreement with its bondholders. Revenues from Transportation Facilities Projects are pledged as bondholder security to repay the MDTA's debt. Passage of House Bill 175 would pose a challenge if the proposed waiver causes the MDTA to fail to generate sufficient revenues to comply with the Rate Covenant, resulting in the MDTA violating the Trust Agreement.

The MDTA is estimated to incur \$350,000 in postage and related fees associated with mailing 634,000 notices advising Maryland residents of eligibility to participate in the program. Hiring four contractual positions to establish and administer the program is estimated at \$252,000 annually for the duration of the two-year program. Further, it is estimated to cost approximately \$1.9 million to modify the MDTA's existing tolling system to establish a mechanism for tracking accounts with installment plans and for vendor services to directly offer monthly installment plans in lieu of the CCU performing these activities. Revenues for the CCU fee would decline to the extent that customers choose to participate in the program, and House Bill 175 does not identify the agency responsible for the cost for the CCU fee waiver. The CCU fee waiver adds approximately \$30.1 million in lost revenue based on the \$177.0 million of outstanding customer video tolls and civil penalties referred to the CCU for Maryland residents as of January 13, 2022.

The MDTA also anticipates the program's limitation to Maryland residents will result in confusion, additional correspondence, and possible legal challenges from out-of-state customers. The costs related to additional work with out-of-state customers caused by this bill are indeterminable, but it is expected that there will be costs to the MDTA.

Since 1971, the MDTA has been a self-supporting, non-budgeted agency, governed by an eight-member Board, with the Secretary of Transportation serving as the Chair, that does not receive funding from the State's General Fund or the Transportation Trust Fund. Therefore, without adequate toll revenue, the MDTA risks its ability to finance, construct, operate, and maintain its eight toll facilities.

The MDTA is governed by a Trust Agreement with its bondholders, as allowed by statute. Revenues from Transportation Facilities Projects are pledged as bondholder security to repay the MDTA's debt. If the proposed legislation goes into effect, it could cause the MDTA to fail to generate sufficient revenues to comply with the Rate Covenant. Failure to comply with the Rate Covenant would cause the MDTA to be in default of its contractual obligations under its Trust Agreement with its bondholders. Additionally, violations of the Trust Agreement may result in a downgrading of the MDTA credit rating by the rating agencies. Other toll agencies such as the Miami-Dade County Expressway Authority (MDX) experienced bond rating downgrades due to similar interventions. A downgrade of MDTA's credit would lead to lower credit worthiness as well as higher financing rates for capital projects.

The Maryland Department of Transportation and the Maryland Transportation Authority respectfully request the Committee consider this information when deliberating House Bill 175.

Respectfully submitted,

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