

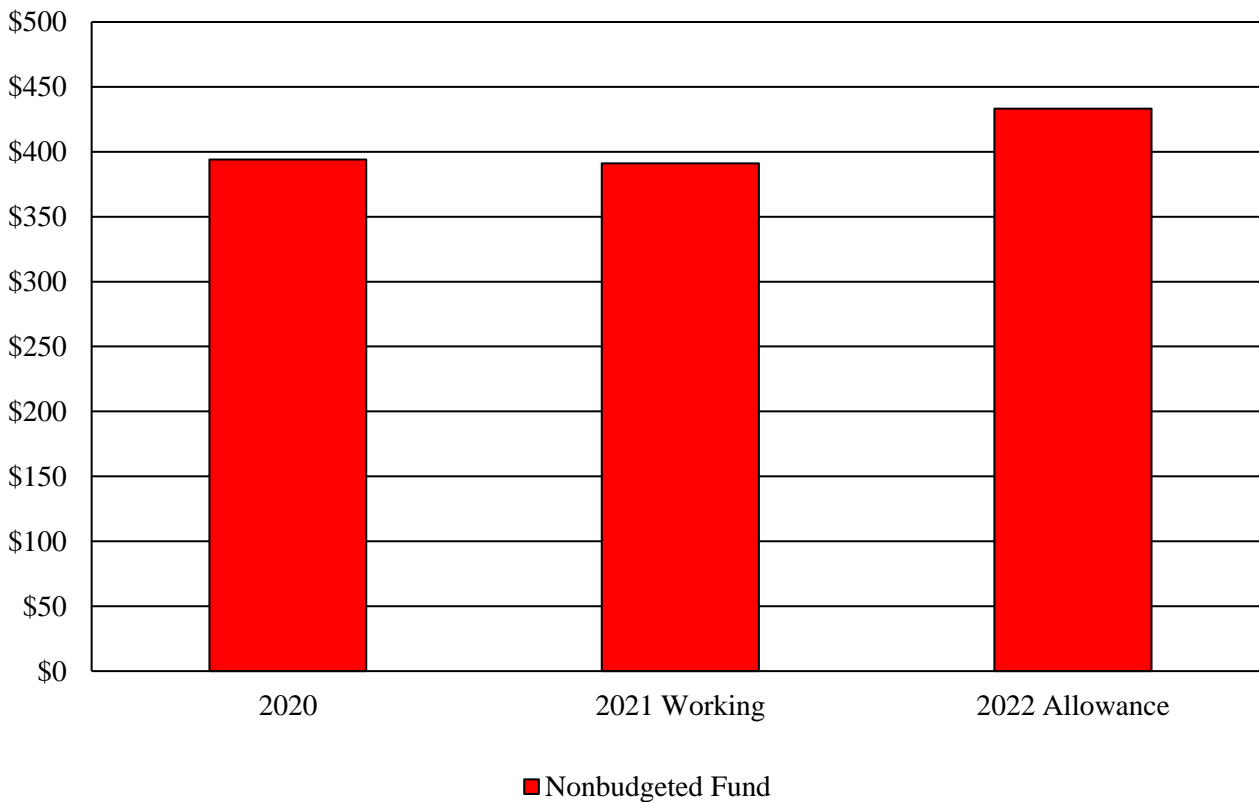
J00J00
Maryland Transportation Authority
Maryland Department of Transportation

Executive Summary

The Maryland Transportation Authority (MDTA) has exclusive authority relating to the supervision, financing, construction, operation, maintenance, and repair of Maryland’s toll facilities as well as for financing new revenue producing projects authorized under law.

Operating Budget Summary

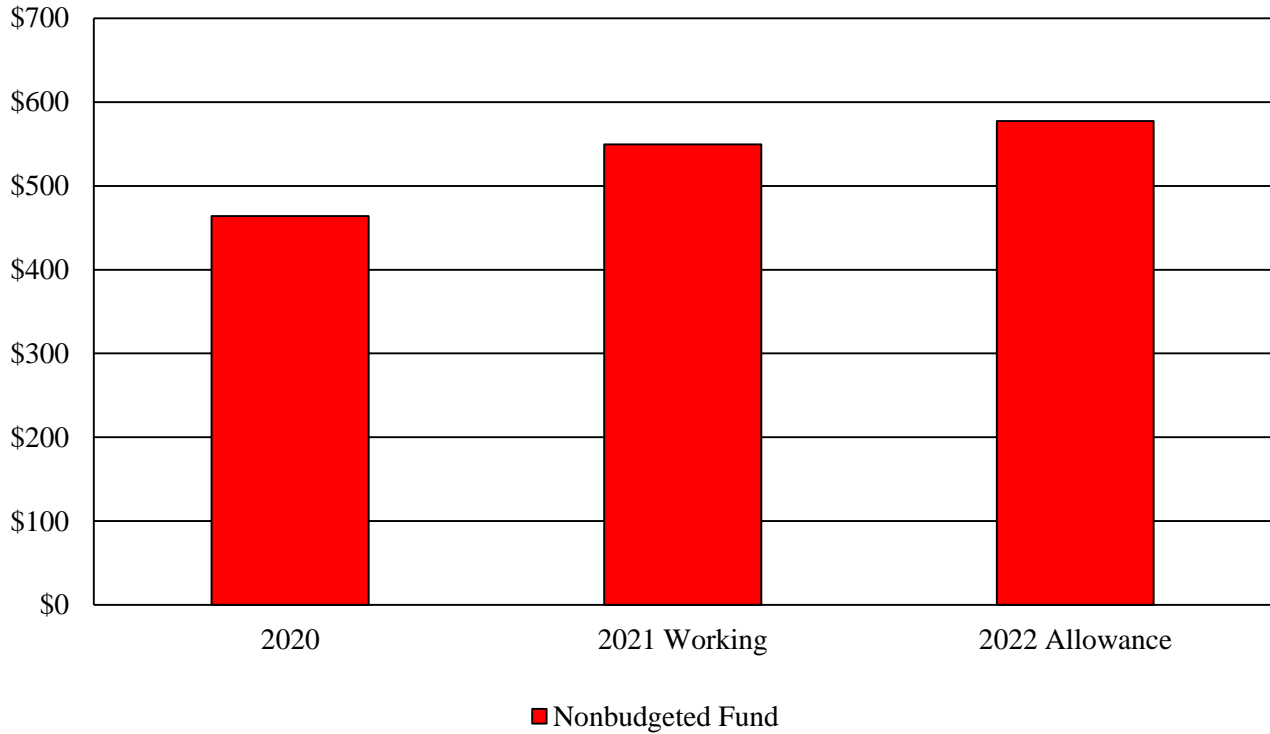
Fiscal 2022 Budget Increases by \$42.2 Million, or 10.8%, to \$433.3 Million
(\$ in Millions)



- The \$42.2 million fiscal 2022 increase includes \$12.8 million in increased personnel expenses and a \$12.5 million increase in debt service.

PAYGO Capital Budget Summary

**Fiscal 2022 PAYGO Budget Increases by \$27.9 Million, or 5.1%, to \$577.4 Million
(\$ in Millions)**



PAYGO: pay-as-you-go

Key Observations

- ***COVID-19 Pandemic Impacts Toll Traffic and Revenue:*** The COVID-19 pandemic has led to dramatic drops in toll traffic and toll revenue.
- ***MDTA Experiences Ongoing Fiscal Stress Exacerbated by COVID-19:*** The drop in toll revenue has placed further fiscal stress on the MDTA system.

Operating Budget Recommended Actions

1. Add language restricting funding pending a report on fiscal stress on the Maryland Transportation Authority.

PAYGO Budget Recommended Actions

1. Nonbudgeted.

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Budget Analysis

Program Description

The Maryland Transportation Authority (MDTA) has exclusive authority relating to the supervision, financing, construction, operation, maintenance, and repair of Maryland’s toll facilities as well as for financing new revenue producing transportation projects authorized under law. MDTA divides its facilities into three regions and has jurisdiction over the following facilities:

- ***Northern Region:*** includes the Thomas J. Hatem Memorial Bridge (US 40); the John F. Kennedy Memorial Highway (I-95); and the Express Toll Lanes (ETL) on I-95;
- ***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 Governor Harry W. Nice/Senator Thomas “Mac” Middleton Bridge (Nice/Middleton Bridge) (US 301); the William Preston Lane, Jr. Memorial Bridge (Bay Bridge) (US 50/301); and the Intercounty Connector (ICC) (MD 200).

Membership of the MDTA board is comprised of eight members appointed by the Governor with the advice and consent of the Senate. The Secretary of Transportation 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 northern region of 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 Airport (BWI Marshall Airport) and with the Maryland Port Administration (MPA) to provide law enforcement services at MPA-owned facilities at the Port of Baltimore.

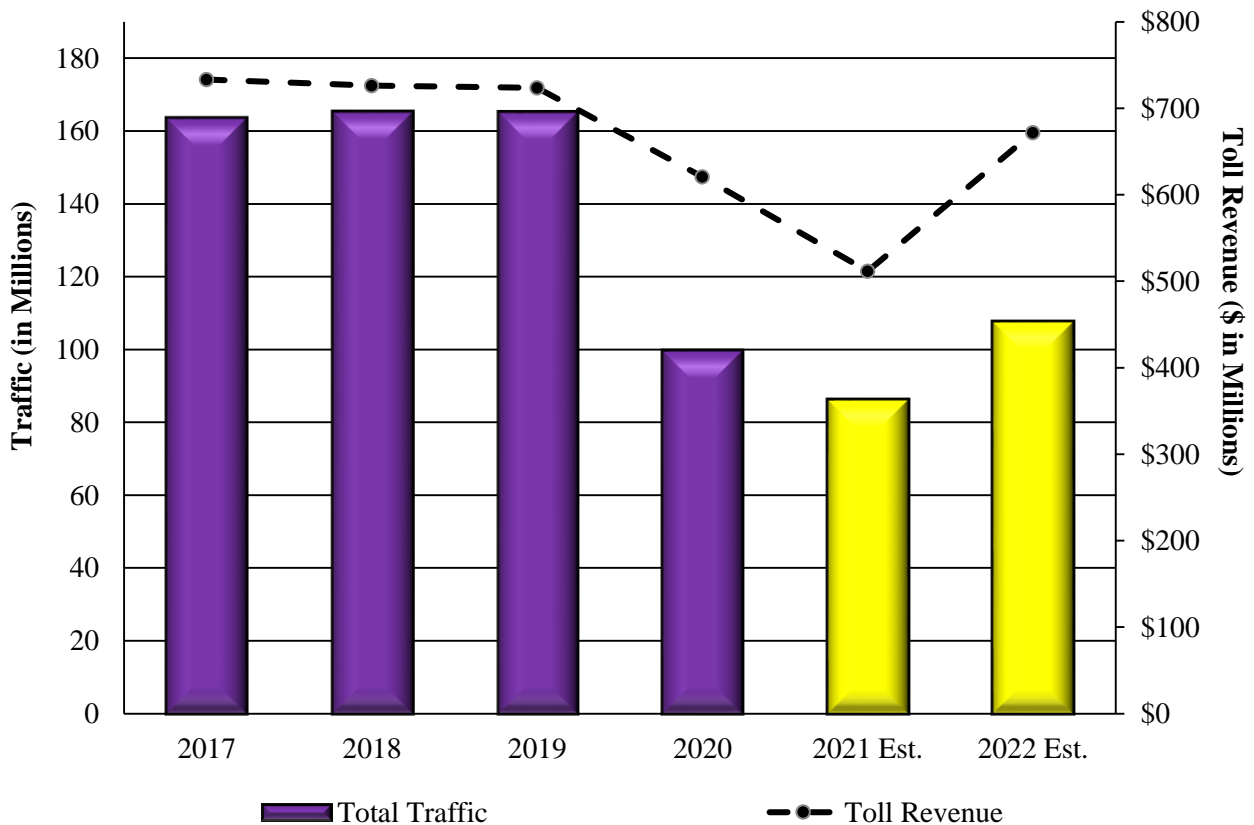
MDTA’s mission is to be a customer driven leader that delivers safe, sustainable, intelligent, and exceptional transportation solutions in order to connect customers to life’s opportunities.

Performance Analysis: Managing for Results

1. Toll Traffic and Revenue Drop Dramatically as COVID-19 Impacts Travel

The first goal of MDTA is to efficiently move people and goods across the State. **Exhibit 1** shows the annual tolled traffic and toll revenue at MDTA facilities between fiscal 2017 and the fiscal 2022 estimate. Toll revenue in fiscal 2020 totaled \$620.9 million compared to \$723.8 million in fiscal 2019, a 14.2% decrease. This shows the dramatic impact of the COVID-19 pandemic on toll traffic and revenue starting the last quarter of fiscal 2020 and continuing into fiscal 2021. For additional information on the impact of COVID-19 on MDTA, see the Issues section.

Exhibit 1
Annual Tolled Traffic and Toll Revenue
 Fiscal 2017-2022 Est.

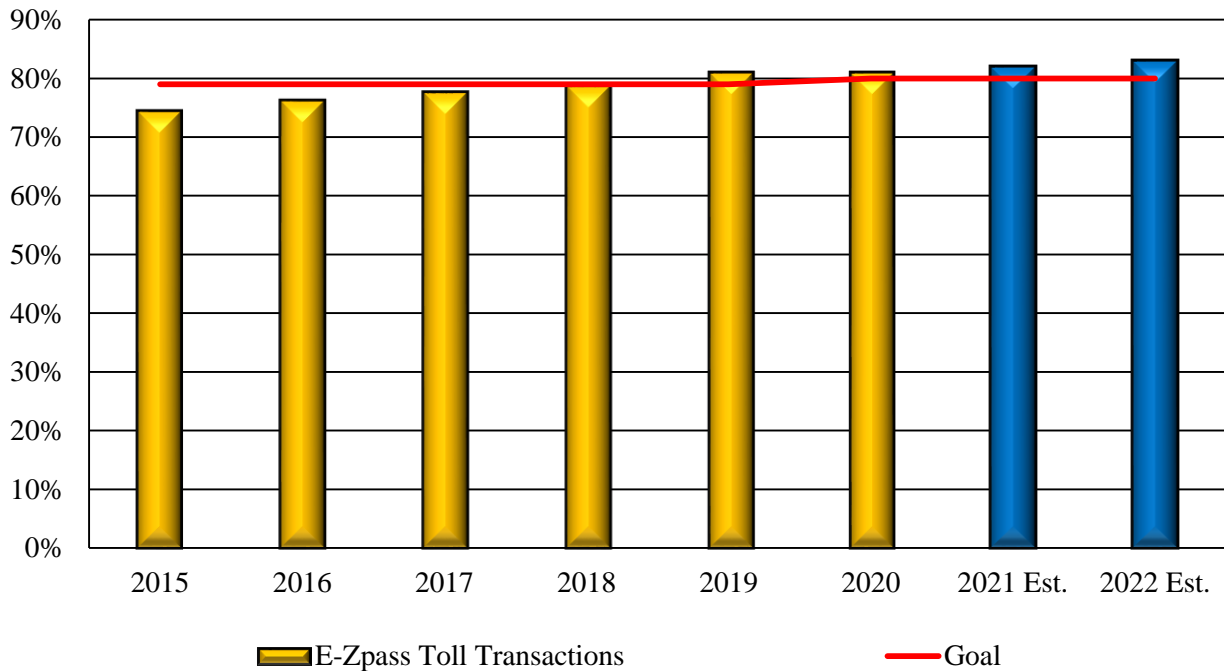


Source: Maryland Transportation Authority

2. E-ZPass Use Continues to Rise as Maryland Moves Toward Transition to All-electronic Tolling

E-ZPass toll transactions reduce costs and 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 toll collection is available at all Maryland toll facilities as well as in central Florida, parts of the Midwest, and most of the northeastern United States. **Exhibit 2** shows the percentage of tolls collected with E-ZPass at all MDTA facilities by fiscal year. In fiscal 2020, MDTA collected 81.0% of tolls with E-ZPass, which exceeded the goal of 80%. The agency anticipates continuing to exceed that goal as the system is now all electronic.

Exhibit 2
Tolls Collected Using E-ZPass
Fiscal 2015-2022 Est.



Source: Department of Budget and Management

Proposed Budget Change

As shown in **Exhibit 3**, the fiscal 2022 allowance increases by approximately \$42.2 million, or 10.8%. Personnel expenses increased by roughly \$12.8 million, debt service payments increased by \$12.5 million, and E-ZPass expenses increased by \$4.4 million.

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

How Much It Grows:	<u>Nonbudgeted Fund</u>	<u>Total</u>
Fiscal 2020 Actual	\$394,110	\$394,110
Fiscal 2021 Working Appropriation	391,140	391,140
Fiscal 2022 Allowance	<u>433,302</u>	<u>433,302</u>
Fiscal 2021-2022 Amount Change	\$42,162	\$42,162
Fiscal 2021-2022 Percent Change	10.8%	10.8%

Where It Goes:	<u>Change</u>
Personnel Expenses	
Salaries.....	\$9,900
Health insurance, retirees' health and retirement system, Social Security, Unemployment	5,800
Overtime	1,600
Reclassifications and additional assistance.....	-500
Workers' compensation	-1,200
Turnover.....	-2,800
Other Changes	
Debt service for outstanding debt	12,500
E-ZPass transponders and E-ZPass Service Center retail service fees	4,400
IT systems analysis, services, applications and licenses.....	4,100
On-call maintenance building and repairs and maintenance expenses for electric vehicle charging stations and various telecommunication contracts.....	3,800
Management studies, training, engineers, advertising, security services	2,200
Motor vehicle purchases based on need and fleet replacement cycle	2,000
IT equipment maintenance of the NetApp storage array that is required every five years	1,500
IT computers and hardware replacement based on need and associated replacement cycles	1,400
Supplies including uniforms, ammunition, salt, roadway maintenance.....	1,000
Utilities.....	600
Additional maintenance and office equipment	600
Other	1,000
Reduced E-ZPass costs due to Third Generation Electronic Tolling Collection System operational savings.....	-5,700
Total	\$42,162

IT: information technology
MDOT: Maryland Department of Transportation

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

Financial Forecast

Section 4-313 of the Transportation Article establishes the Transportation Authority Fund, a nonlapsing fund into which all MDTA revenues flow, except to the extent that they are pledged under a trust agreement. MDTA revenues come primarily from tolls as well as from concession income from travel plazas that it owns along I-95, investment income, and payments from the Maryland Department of Transportation (MDOT). MDOT payments comprise reimbursement for police 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 of 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 financing plan for the ICC that included MDTA revenue bonds and a number of alternative funding sources specific to the ICC. These funding sources included Grant Anticipation Revenue Vehicle (GARVEE) bonds, federal funds, a Transportation Infrastructure Finance and Innovation Act (TIFIA) loan, transfers from the TTF, and funds from the General Fund or proceeds from general obligation bonds.

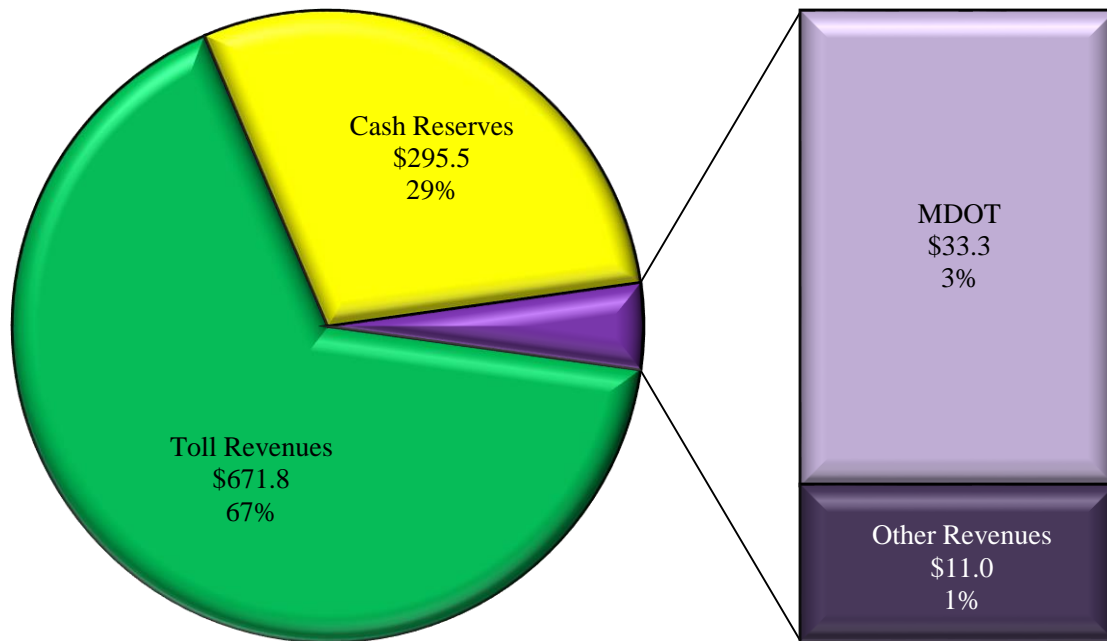
The terms of MDTA's trust agreement with its bondholders are the driving force in MDTA finances. Maintaining its bond coverage ratios is the primary concern, and all revenue adjustments and operating and capital expenditures are managed to maintain these ratios. To this end, MDTA develops and maintains a six-year financial forecast. Section 4-210 of the Transportation Article requires MDTA to provide the General Assembly with a copy of its financial forecast by September 1 of each year and in conjunction with submission of the Governor's budget in January. **Appendix 2** provides the detail of MDTA's fiscal 2020 through 2026 financial forecast.

Fiscal 2022 Sources and Uses of Funding

Exhibit 4 provides information on all of the funding supporting MDTA's fiscal 2022 operating and capital budgets. As is typical, the primary source of funding is toll revenues, totaling \$671.8 million. MDTA will not be issuing additional revenue bonds in fiscal 2022, as it will draw on its cash balance in order to bridge the gap between revenues and expenditures.

MDTA continues to pursue a TIFIA loan for the Nice/Middleton Bridge. In the September 2020 financial forecast, the fiscal 2021 revenue bond issuance amount was increased due to a decline in net revenues associated with COVID-19. The fiscal 2021 revenue bond issuance amount was subsequently increased again in the January 2021 forecast, primarily due to a shift in the anticipated timeframe for the TIFIA loan draw, which is now anticipated to be drawn in fiscal 2023 and the cash funding of a debt service reserve fund for the Series 2021 Transportation Facilities Projects Revenue Bonds financing. MDTA anticipates that the upsizing of the fiscal 2021 revenue bond issuance amount will provide sufficient funds through fiscal 2022.

Exhibit 4
Fiscal 2022 Sources of Funding
(\$ in Millions)

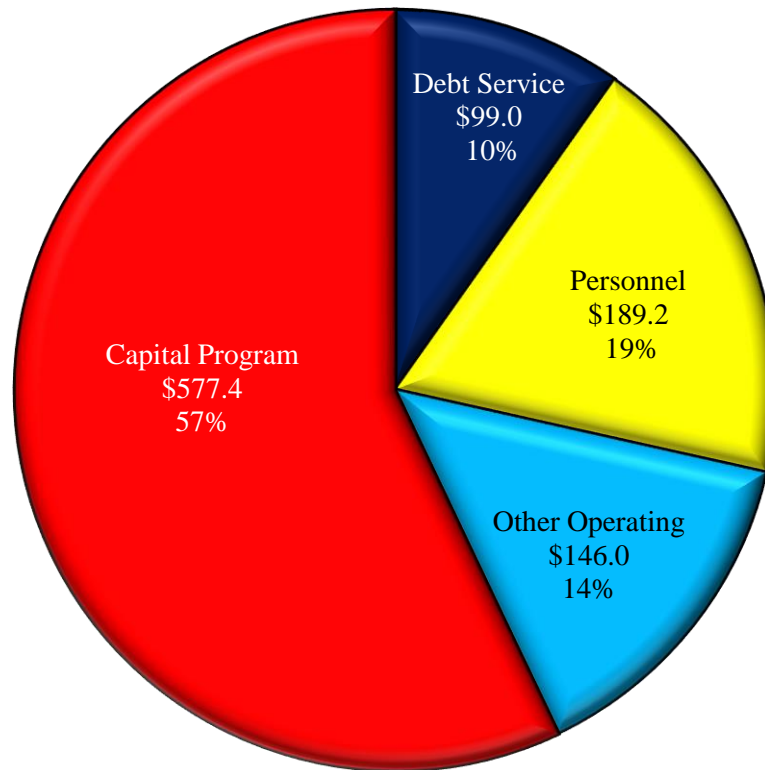


MDOT: Maryland Department of Transportation

Source: Maryland Transportation Authority

Exhibit 5 provides a breakdown of fiscal 2022 spending by category. The capital program accounts for 57% of all spending in fiscal 2022. The operating budget, excluding debt service, accounts for 33% of spending, while debt service makes up the remaining 10% of fiscal 2022 spending.

Exhibit 5
Fiscal 2022 Uses of Funding
(\$ in Millions)



Source: Maryland Transportation Authority; Governor’s Fiscal 2022 Budget Books

Revenues and Debt Affordability

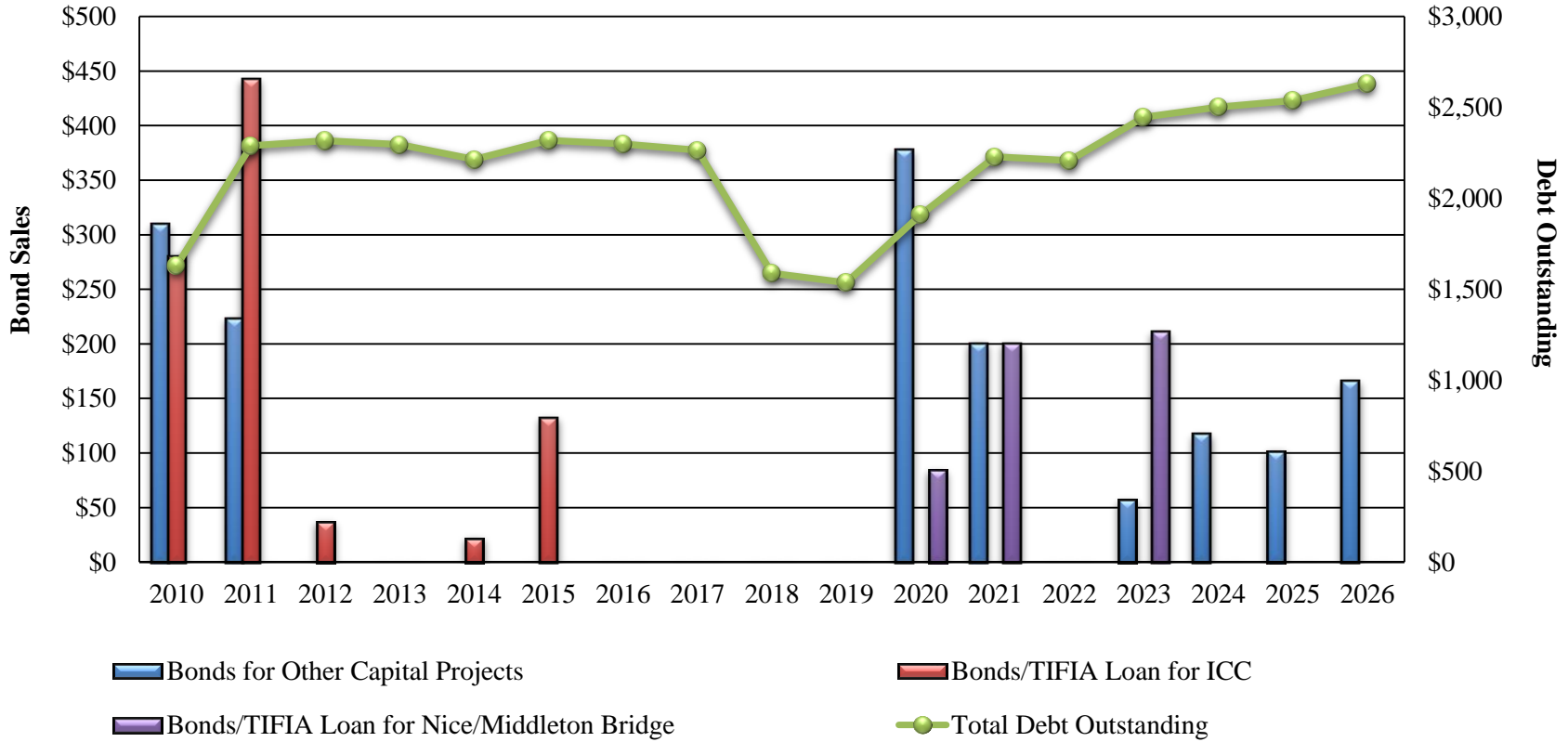
Toll Revenues

Toll revenues are the primary revenue source for MDTA. The \$511.6 million in revenue anticipated for fiscal 2021 reflects a dramatic decrease from the \$713.8 million estimated in the 2020 financial report. This is due to the impacts of COVID-19, which led to a dramatic decline in toll traffic and toll revenue. Total toll revenue is expected to increase to \$671.8 million in fiscal 2022 and grow to \$742.2 million in fiscal 2026, the final year of the forecast. This is due to toll revenue growth at ICC and Legacy facilities. The opening of the northbound ETLs expansion has been delayed from fiscal 2024 to fiscal 2025.

Revenue Bonds

Exhibit 6 shows the total debt outstanding in each year from fiscal 2010 through 2026 and debt issued or TIFIA loan draws. While the total outstanding debt of \$2.2 billion in fiscal 2022 is below the \$3.0 billion statutory limit, the outstanding amount is expected to increase to \$2.6 billion in fiscal 2026. This demonstrates that MDTA is undertaking a number of large projects that are taxing its financial resources and leading to increased issuances of debt. While it is still projected to be under the debt cap in fiscal 2026, the significantly decreased capacity for future debt issuances makes additional large projects more difficult to consider. To accommodate other large projects, MDTA would have to consider revenue enhancements through raising tolls to pay for additional facility construction and adequate levels of system preservation funding. **MDTA should comment on the rising levels of its debt issuances and what it will do if the \$3.0 billion statutory limit is met.**

Exhibit 6
Bond Sales and Debt Outstanding
Fiscal 2010-2026
(\$ in Millions)



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

Source: Maryland Transportation Authority

Howard Street Tunnel Funding

In the Howard Street Tunnel project funding plan released by MDOT, MDTA is providing a loan of \$10 million in fiscal 2022. This is a delay of the prior year funding plan that had the MDTA funds for the project programmed in fiscal 2021. This money will be regained by MDTA due to its ownership of the Canton Railroad. Canton Railroad is a for-profit company that provides railroad switching service around the Port of Baltimore. MDOT indicated that increased container traffic at the Port of Baltimore due to the Howard Street Tunnel project should lead to increased business and revenues for Canton Railroad. However, this loan represents another use of MDTA funds, similar to the State Highway Administration (SHA) and MAA loans, for non-MDTA projects. Furthermore, it comes at a time when MDTA is embarking on two large projects that are rapidly expending its debt capacity. This raises concerns that MDTA is being used as an all-purpose funding source for other transportation projects at a time when the funding capacity is needed for the projects that MDTA is undertaking. It is also another indication that the TTF might need additional revenue to complete the projects that have been programmed.

Debt Affordability

Under statute, MDTA is authorized to issue bonds without obtaining the consent of any unit or agency in the State, so long as the total bonds outstanding do not exceed \$3 billion at the end of any fiscal year. MDTA bonds backed by toll revenue are not considered State debt and, therefore, are not limited by the State's debt affordability measures. However, MDTA does have its own debt affordability measures. Coverage ratios include the following:

- The rate covenant compliance ratio, as stipulated in the trust agreement, requires that the ratio of net revenues (total revenues minus operating expenses) to the amount deposited into the Maintenance and Operating Reserve Account plus 120.0% of debt service be at least 1.00. The additional bonds test requires the rate covenant to be met on a five-year prospective basis. The fiscal 2022 rate covenant compliance ratio is projected to be 3.1, and adequate coverage is provided through the forecast period. However, there is a substantial drop during the forecast period with the rate covenant compliance ratio falling from 3.1 in fiscal 2022 to 2.0 by fiscal 2026.
- The second ratio is the debt service coverage ratio, which is a ratio of net revenues to debt service. Although the trust agreement stipulates that the ratio must be at least 1.2, Chapter 489 of 2015 requires a debt service coverage ratio of 2.5 through fiscal 2020. Starting in fiscal 2021, MDTA will return to its administrative policy, which requires the ratio to be at or above 2.0. In fiscal 2022, the debt coverage ratio is projected to be 3.8. MDTA projects that the debt service coverage ratio will be met throughout the forecast period at levels exceeding both the statutory requirement and MDTA's administrative minimum coverage policy. In the out-years of the forecast, the ratio declines to 2.6 in fiscal 2025 and 2.5 in fiscal 2026. This indicates that as debt service continues to account for a greater portion of available revenues, less cash will be available for capital expenditures in the future.

- Chapter 489 codified MDTA’s administrative policy of maintaining an unencumbered cash balance of \$350 million through fiscal 2020. Bond rating agencies view the amount of cash on hand relative to operating expenses as a liquidity measure to ensure that operations can continue even if revenues are lower than expected, expenses are higher than expected, or if there is a temporary loss of revenues. MDTA reports that for other AA-rated toll agencies, the median cash on hand is sufficient to fund operations for 9 to 18 months. In fiscal 2022, operating expenses including debt service total \$434.2 million, and the unencumbered cash balance is expected to be \$372.5 million, or about 10 months of operating expenses. By fiscal 2026, this number is estimated to fall to approximately 7.5 months. From fiscal 2023 through 2026, MDTA forecasts unencumbered cash equal to or slightly in excess of \$350 million throughout the period.

Nonrecourse Debt

In addition to its own revenue bonds, MDTA also issues debt on behalf of other State agencies and projects, which is called nonrecourse debt (formerly called conduit financing). The following projects have been financed using MDTA nonrecourse debt:

- \$604 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. A new issuance of \$120 million in passenger facility charge backed bonds was approved in late fiscal 2019;
- \$40 million for three parking facilities at Metro stations: 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 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 7 shows debt service and debt outstanding for MDTA’s nonrecourse bonds. In fiscal 2022, debt service on the nonrecourse issuances will total \$34.5 million with \$323.3 million in outstanding debt. The debt service for these projects is paid using the revenues from the projects or through lease payments from other agencies and does not affect MDTA’s debt outstanding or its budget.

Exhibit 7
Debt Service Payments and Debt Outstanding on
Nonrecourse Debt-financed Projects
Fiscal 2020-2022
(\$ in Thousands)

	<u>2020</u>	<u>2021</u>	<u>2022</u>
Debt Service Payments			
2002 Series – BWI Airport Rental Car Facility	\$8,949	\$8,941	\$8,932
2019 Refunding GARVEE ¹	49,960	0	0
2012 A&B Series – BWI Airport Parking ³	18,166	2,528	0
2012 A Series – PFC BWI Airport	3,905	3,886	3,864
2012 B Series – PFC BWI Airport	7,966	7,971	7,970
2012 C Series – PFC BWI Airport ²	868	868	868
2014 Series – PFC BWI Airport	2,953	2,955	2,953
2019 Series – PFC BWI Airport	4,609	8,471	8,470
2014 Series – WMATA Refunding Parking Garages	2,424	2,421	0
2015 Series – Calvert Street Parking Garage Refunding	1,486	1,482	1,481
Total Debt Service Payments	\$101,286	\$39,523	\$34,538
Debt Outstanding			
2002 Series – BWI Airport Rental Car Facility	\$77,375	\$73,430	\$69,230
2019 Refunding GARVEE ¹	0	0	0
2012 A&B Series – BWI Airport Parking ³	101,135	0	0
2012 A Series – PFC BWI Airport	35,260	33,005	30,660
2012 B Series – PFC BWI Airport	50,705	43,925	37,010
2012 C Series – PFC BWI Airport ²	43,400	43,400	43,400
2014 Series – PFC BWI Airport	31,790	30,045	28,215
2019 Series – PFC BWI Airport	108,705	105,085	101,285
2014 Series – WMATA Refunding Parking Garages	18,990	0	0
2015 Series – Calvert Street Parking Garage Refunding	15,689	14,604	13,491
Total Debt Outstanding	\$483,049	\$343,494	\$323,291

BWI Marshall Airport: Baltimore-Washington International Thurgood Marshall Airport

GARVEE: Grant Anticipation Revenue Vehicles

PFC: Passenger Facility Charge

WMATA: Washington Metropolitan Area Transit Authority

¹ 2019 GARVEE refunding bonds and PFC Series 2019 issued in fiscal 2019.

² The debt service payments for the Series 2012C variable rate bonds are conservatively modeled at 2% annually, principal payments begin in fiscal 2028.

³ These bonds were advance refunded in fiscal 2021 by airport revenue bonds.

Source: Maryland Transportation Authority

Operating and PAYGO Personnel Data

	FY 20 <u>Actual</u>	FY 21 <u>Working</u>	FY 22 <u>Allowance</u>	FY 21-22 <u>Change</u>
Regular Operating Budget Positions	1,727.00	1,717.00	1,717.00	0.00
Regular PAYGO Budget Positions	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Total Regular Positions	1,727.00	1,717.00	1,717.00	0.00
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>
Total FTEs	0.00	0.00	0.00	0.00
Total Personnel	1,727.00	1,717.00	1,717.00	0.00
Vacancy Data: Regular Positions				
Turnover and Necessary Vacancies, Excluding New Positions		43.45	2.50%	
Positions and Percentage Vacant as of 12/31/20		236.0	13.74%	
Vacancies Above Turnover		192.55	11.24%	

PAYGO Capital Program

Program Description

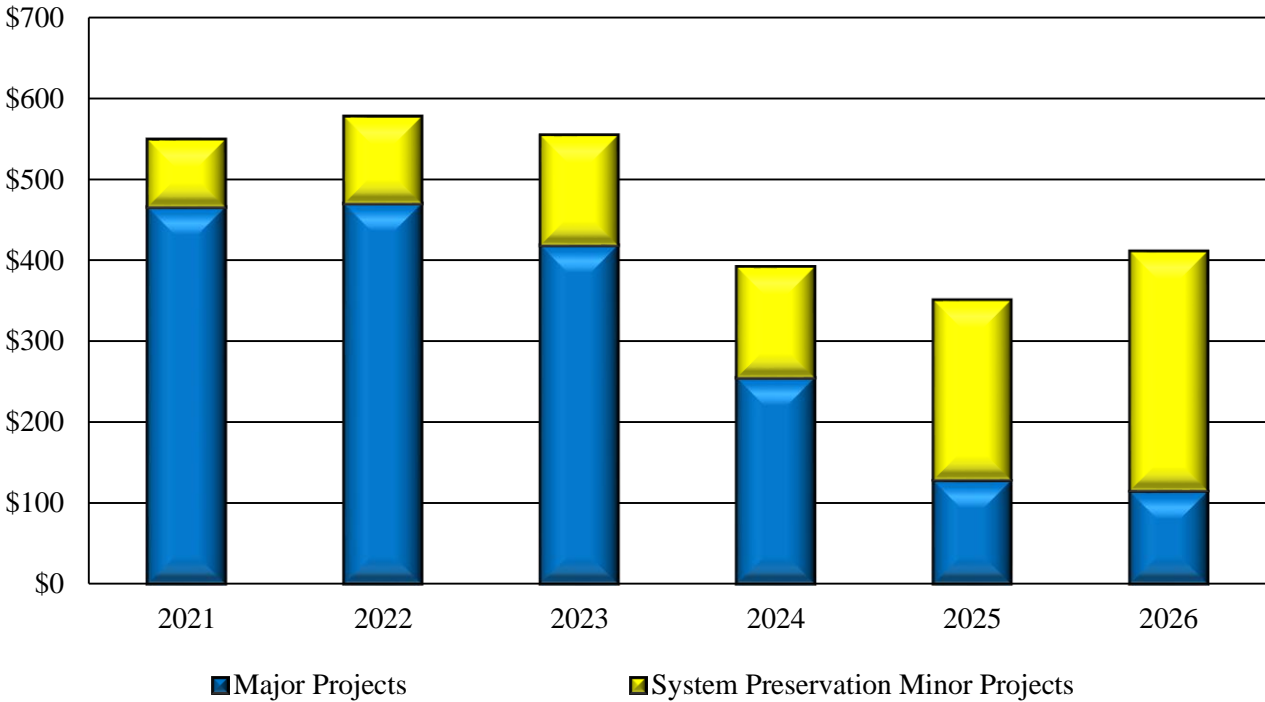
MDTA's capital program involves the construction and maintenance of revenue-generating transportation facilities throughout the State.

Fiscal 2021 to 2026 Consolidated Transportation Program

The fiscal 2021 to 2026 *Consolidated Transportation Program* for MDTA totals \$2.8 billion.

Exhibit 8 shows reduced capital spending for fiscal 2023 through 2025. Fiscal 2026 shows an uptick in spending over the prior year due to increased spending on system preservation and minor projects, including deck rehabilitation on the eastbound span of the Bay Bridge, improvements on the Bear Creek portion of the Francis Scott Key Bridge, and providing part-time hard shoulder running on a segment of I-95.

Exhibit 8
Six-year PAYGO Allowance
Fiscal 2021-2026
(\$ in Millions)



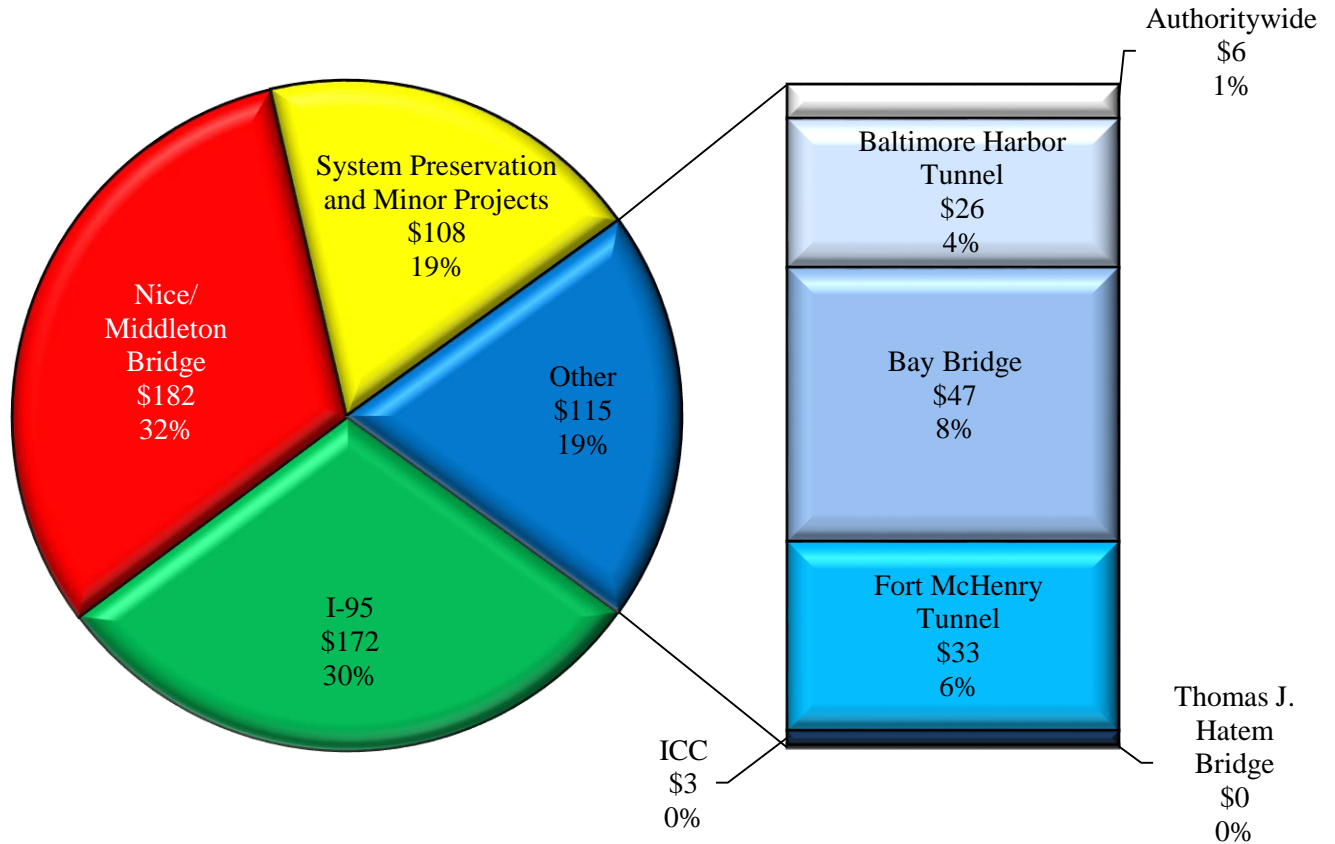
PAYGO: pay-as-you-go

Source: Maryland Department of Transportation, 2021-2026 *Consolidated Transportation Program*

Fiscal 2022 Capital Allowance by MDTA Facility

Exhibit 9 shows capital funding programmed by facility in fiscal 2022. The largest share of spending is for the replacement of the Nice/Middleton Bridge followed by I-95, primarily due to the I-95 ETL Northern Expansion project. Seventy percent of MDTA’s capital spending is programmed for projects at three facilities: the Bay Bridge; I-95; and the Nice/Middleton Bridge. Authoritywide spending consists of system preservation and minor projects unrelated to a particular facility and the implementation of the third generation electronic toll collection and operating system.

Exhibit 9
Major Projects Capital Funding by MDTA Facility
Fiscal 2022
(\$ in Millions)



Bay Bridge: William Preston Lane, Jr. Memorial Bridge (US 50/301)

ICC: Intercounty Connector

I-95: John F. Kennedy Memorial Highway (I-95)

MDTA: Maryland Transportation Authority

Nice/Middleton Bridge: Governor Harry W. Nice/Senator Thomas “Mac” Middleton Bridge

Source: Maryland Department of Transportation, Fiscal 2021-2026 *Consolidated Transportation Program*

Fiscal 2022 Capital Allowance Detail

Exhibit 10 shows the programmed funds for the fiscal 2022 capital allowance by project and program along with total estimated costs and six-year funding for each program.

**Exhibit 10
PAYGO Capital Allowance
Fiscal 2022**

<u>Facility</u>	<u>Project Description</u>	<u>2022</u>	<u>Total Estimated Project Cost</u>	<u>Six-year Total</u>
Baltimore	I-895 Bridge Replacement	\$9,614	\$252,165	\$63,614
Harbor	Replace Vent Fans	429	70,874	2,221
Tunnel	Replace Deck and Superstructure of Bridge over Patapsco Flats	0	62,535	500
	Replace Concrete Median Barrier	409	11,472	4,734
	Replace 15KV Feeder Cables	916	8,751	3,687
	Envelope and Switchgear Replacements at Vent Buildings	14,582	58,243	55,818
Subtotal		\$25,950	\$464,040	\$130,574
Bay Bridge	Clean and Paint Structural Steel Westbound Bridge	\$0	\$102,753	\$1,007
	Deck Rehabilitation and Miscellaneous Modifications	8,683	33,248	15,917
	Rehabilitate Eastbound Bridge Deck	2,516	12,050	4,584
	Rehabilitate Suspension Spans Westbound Bridge	3,419	46,055	6,901
	Structural Repairs and Miscellaneous Modifications	1,639	59,248	6,622
	Replace 5KV Feeder Cable on Eastbound Span	1,981	39,593	26,361
	Crossover Automated Lane Closure System	4,722	17,943	13,916
	Convert to Cashless Tolling	24,500	47,070	41,352
Subtotal		\$47,460	\$357,960	\$116,660
Fort McHenry	Replace Tunnel Lighting Systems	\$0	\$21,973	\$313
Tunnel	Rehabilitate Vent Fans	10,000	41,844	39,546
	Port Covington I-95 Access Study	0	33,400	9
	Deck Sealing and Miscellaneous Rehabilitation	0	7,731	0
	Rehabilitate Substructure and Superstructure of Various Bridges on I-95 in Baltimore City	4,206	24,985	13,970
	Rehabilitate Tunnel 13KV Cable, Conduit, and Concrete Wall	5,281	33,608	33,157
	Superstructure Repairs of Various Bridges North and South of Fort McHenry Tunnel	5,488	12,254	11,448
	Covert to Cashless Tolling	7,736	22,802	21,275
Subtotal		\$32,711	\$198,597	\$119,718

J00J00 – MDOT – Maryland Transportation Authority

<u>Facility</u>	<u>Project Description</u>	<u>2022</u>	<u>Total Estimated Project Cost</u>	<u>Six-year Total</u>
Intercounty Connector	Construction	\$2,500	\$2,375,430	\$8,480
JFK Memorial Highway (I-95)	Express Toll Lane – Northern Extension	168,632	1,070,304	817,083
	Resurfacing	0	61,432	12,268
	Remove, Replace, and Upgrade Sign Structures	717	16,082	4,481
	Replace Deck of Bridge over Little Northeast Creek	0	12,857	568
	Rehabilitate Decks on Three Bridges on I-95 in Cecil County	0	16,674	6,407
	I-95/Belvidere Road Interchange Study	2,973	59,973	57,574
Subtotal		\$172,322	\$1,237,322	\$898,381
Francis Scott Key Bridge	Rehabilitate Substructure and Superstructure of Various Bridges	\$0	\$12,361	\$0
	Clean and Paint Structural Steel of Approach Spans	0	7,941	0
	Resurfacing	0	11,093	1,869
	Convert to Cashless Tolling	0	23,577	9,826
Subtotal		\$0	\$54,972	\$11,695
Nice/Middleton Bridge	Replace Nice/Middleton Bridge	\$182,102	\$635,787	\$517,287
Thomas J. Hatem Bridge	Convert to Cashless Tolling	428	12,558	6,561
Subtotal – Projects		\$463,473	\$5,336,666	\$1,809,356
Programs				
Authoritywide	Replace Electronic Toll Collection and Operating System	\$5,813	\$115,692	\$43,898
Authoritywide	System Preservation and Minor Projects	108,100		985,400
Total – Projects and Programs		\$577,386	\$5,452,358	\$2,838,654

Bay Bridge: William Preston Lane, Jr. Memorial Bridge

KV: kilo volts

NEPA: National Environmental Policy Act

Nice/Middleton Bridge: Governor Harry W. Nice Memorial/Senator Thomas “Mac” Middleton Bridge

PAYGO: pay-as-you-go

Source: Maryland Department of Transportation, 2021-2026 *Consolidated Transportation Program*

Issues

1. COVID-19 Pandemic Hits MDTA Finances, Exacerbating Fiscal Stress

The COVID-19 pandemic and the resulting measures taken to combat the virus have led to a dramatic drop in toll traffic in the State, as demonstrated in Exhibit 1. This decline in both toll traffic and toll revenue has severely impacted the authority’s financial position and put further fiscal stress on MDTA.

Fiscal Stress Summary

MDTA’s financial forecast indicates that the organization is experiencing building fiscal stress due to the high volume of capital spending, cuts to toll revenue, and providing loans to outside projects. **Exhibit 11** shows a number of the indicators in the MDTA forecast that demonstrate this financial stress. In fiscal 2021 through 2025, MDTA is projecting a cash deficit. Additionally, starting in fiscal 2023 through the end of the forecast period, the level of unencumbered cash is within \$5 million of the \$350 million requirement. While the issuance of debt is necessary to MDTA and not inherently fiscally unhealthy, the significant increase in the level of debt from \$1.9 billion in fiscal 2020 to \$2.6 billion in fiscal 2026 shows that MDTA is rapidly expending its debt capacity. This is particularly relevant because MDTA has an outstanding debt limit of \$3.0 billion. This issue was raised during the 2020 session, yet current projections show that MDTA has not altered its course toward the \$3.0 billion debt limit.

Exhibit 11
Fiscal Stress Summary
Fiscal 2020-2026
(\$ in Millions)

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>
Total Revenues	\$683.0	\$555.3	\$716.1	\$758.6	\$775.5	\$777.7	\$793.6
Total Expenses	858.8	940.6	1,011.6	1,042.8	904.3	886.2	968.4
Annual Cash Surplus/Deficit	\$235.1	-\$53.1	-\$323.1	-\$22.0	-\$0.1	-\$0.2	\$0.1
Total MDTA Cash Balance	\$781.7	\$728.7	\$405.6	\$383.5	\$383.4	\$383.3	\$383.3
Debt Outstanding	1,910.4	2,228.1	2,207.1	2,446.2	2,501.9	2,536.8	2,631.5
Unencumbered Cash	566.5	498.4	372.5	350.5	350.4	350.2	350.3
Debt Service Coverage	4.20	2.90	3.80	2.90	2.80	2.60	2.50

MDTA: Maryland Transportation Authority

Source: Maryland Transportation Authority

As a result of the COVID-19 pandemic, MDTA revenues for fiscal 2022 have been written down from \$783.8 million in the 2020 financial forecast to \$716.1 million in the current financial forecast. The fiscal 2021 number has fallen even more dramatically, from \$759.0 million in the prior year financial forecast to \$555.3 million in the current one. At the same time, fiscal 2021 expenses have increased from \$859.7 million in the 2020 financial forecast to \$940.6 million in the current one.

The use of MDTA loans to fill funding gaps for MDOT projects, such as the Howard Street Tunnel project, is another stressor on MDTA's fiscal health. MDTA is being used as an all-purpose funding source to fill shortfalls in funding that cannot currently be covered by the TTF. While these loans will eventually be paid back, they divert money from MDTA at a time when the authority is undertaking two large projects that are also taxing its financial resources. **Given ongoing concerns about the fiscal stress that is being placed on MDTA, the Department of Legislative Services recommends the adoption of budget bill language restricting \$5.0 million in the MDOT budget for MDTA police reimbursement pending a report on MDTA fiscal stress, including projections through fiscal 2031.**

2. I-495 and I-270 Public-private Partnership MDTA Bond Issuance

MDTA is expected to issue one or more series of bonds to finance a portion of the new public-private partnership (P3) project that includes I-495 from the American Legion Bridge to the Woodrow Wilson Bridge and I-270 between Frederick and I-495. The repayment of these bonds would come solely from revenue generated from the P3 program and would not be backed by toll revenue from existing MDTA facilities. Additionally, a second MDTA Trust Agreement will be created that covers all the bonds that are issued for this project. This means that the bonds issued for this project will not impact the fiscal standing of the other MDTA Trust Agreement, which covers all of the revenue bonds issued for MDTA projects.

MDTA is conducting the process by which the toll rates are set for the I-495 and I-270 project, where dynamic tolling is being considered. There are two types of tolling facilities:

- **Fixed-price Tolling:** This is a facility where vehicles pay a toll that remains constant over time. This applies to all MDTA facilities with the exception of the ICC and the I-95 ETLs.
- **Variable Priced Tolling:** This is a facility where vehicles are subject to a toll that varies based on (1) time of day (which is the case for ICC and I-95 ETLs); or (2) dynamic pricing, which is based on the usage of the toll road at a given point in time. The new lanes for I-495 and I-270 project would be the first dynamic toll facilities in Maryland.

Dynamic pricing is a method of calculating the toll where the dynamic pricing mileage rate varies within the approved toll rate range in real time. A dynamic facility uses operational metrics to adjust the toll in real time. These metrics can include vehicle throughput or speed performance targets. The goal of the managed lanes is to maintain free-flowing traffic and to use pricing factors to influence

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traffic flow. As such, toll rates need to apply economic supply and demand principles to influence utilization of the managed lanes.

On February 18, 2021, MDOT SHA and MDTA announced the selection of Accelerate Maryland Partners, LLC, to become the developer responsible for overseeing pre-development work on the American Legion Bridge I-270 to I-370 Relief Plan, pending approval by the MDTA Board and the Board of Public Works. MDTA released a report on *Preliminary Toll Rate Range and Soft Rate Cap, Phase 1 South: American Legion Bridge (ALB) I-270 to I-370*.

This report is not officially part of the toll-setting process and does not begin any official public comment period. The public comment period for the toll-setting process will only be started after the MDTA Board votes to seek public input on the official staff proposal presented during the spring 2021 MDTA Board meeting. MDTA staff anticipate completing the entire toll-setting process by the end of October 2021.

MDTA should comment on the report, the toll-setting process, and how toll rates will be adjusted going forward.

Operating Budget Recommended Actions

1. Add the following section:

SECTION XX. AND BE IT FURTHER ENACTED, That \$2,500,000 of the special fund appropriation in the Maryland Port Administration (MPA), and \$2,500,000 of the special fund appropriation in the Maryland Aviation Administration, may not be expended for Maryland Transportation Authority (MDTA) police reimbursement until MDTA submits a report that allays concerns about future fiscal stress resulting from reduced revenues, engaging in multiple major capital projects, and continuing to fund non-MDTA projects. Based on the current Consolidated Transportation Program and other known planned project costs, the report should specifically forecast bond issuance until fiscal 2031, projected total debt held through 2031, and projected toll increases through 2031. To the extent that the forecasted data provided in the report breaches or comes near to violating coverage ratios and other administrative fiscal policies, MDTA should discuss mechanisms for alleviating that fiscal stress. The report shall be submitted by July 1, 2021, and the budget committees shall have 45 days from the date of the report to review and comment. Funds restricted pending receipt of this report may not be transferred by budget amendment or otherwise to any other purpose and shall be canceled if the report is not submitted.

Explanation: The committees are concerned about the ongoing fiscal stress that MDTA is under and its ability to continue to respond to the State’s need for transportation projects. This language restricts funds until a report is provided outlining forecasted bond issuance until fiscal 2031, projected total debt held through 2031, and projected toll increases through 2031.

Information Request	Author	Due Date
MDTA fiscal stress report	MDTA	July 1, 2021

PAYGO Budget Recommended Actions

1. Nonbudgeted.

Updates

1. Chesapeake Bay Crossing Study Tier 1 Draft Environmental Impact Statement

MDTA has released the Tier 1 draft environmental impact statement for the Chesapeake Bay Crossing Study, which is investigating a possible third Chesapeake Bay crossing. This draft statement is available for review and comment through May 10, 2021. The purpose of the study is to consider a range of corridors along both sides of the Chesapeake Bay for the possible third crossing. The study has narrowed these corridors to three possibilities, all three are located in Anne Arundel County on the western side, and on the eastern side, two are in Queen Anne’s County and one is in Talbot County. Additionally, the draft statement has eliminated ferry service, Bus Rapid Transit, and rail as possible alternatives to an automobile crossing. Transportation System Management/Transportation Demand Management solutions were also eliminated in the draft statement.

Appendix 1
2020 Joint Chairmen’s Report Responses from Agency

The 2020 *Joint Chairmen’s Report* (JCR) requested that the Maryland Transportation Authority (MDTA) prepare three reports. Electronic copies of the full JCR responses can be found on the Department of Legislative Services Library website.

- ***I-495 and I-270 Public-private Partnership Maryland Transportation Authority Bonds:*** This report outlines MDTA’s role in issuing bonds of the I-495 and I-270 project, the use of the bond funds, and MDTA’s claim on the toll revenue from the project.
- ***Bay Crossing Construction Local Aid Report:*** This report covers the ongoing process to possibly construct a third Bay Bridge span. It outlines the anticipated support that the State, MDTA, and the Maryland Department of Transportation would provide to counties to handle increased traffic due to a third Bay Bridge span.
- ***Future I-95 Northbound Express Toll Lane (ETL) Expansion:*** This report outlines further ETL development plans that MDTA has for I-95. It also addresses future ETL development and says that an additional National Environmental Policy Act study with alternatives would need to be conducted.

Appendix 2
Maryland Transportation Authority Financial Forecast
Fiscal 2020-2026

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>
Revenues							
Toll Revenues	\$620.9	\$511.6	\$671.8	\$712.8	\$728.5	\$728.5	\$742.22
Concessions	5.3	3.8	3.8	3.9	3.9	3.9	3.9
Investment Income and Other	25.9	9.0	7.2	6.2	6.1	6.1	6.1
MDOT							
Loan Repayment – Interest	–	0.2	0.5	1.7	1.6	2.4	3.0
MAA/MPA Police Reimbursement ¹	30.9	30.7	32.8	34.1	35.5	36.9	38.4
Total Revenues	\$683.0	\$555.3	\$716.1	\$758.6	\$775.5	\$777.7	\$793.6
Expenses							
Operations	\$302.8	\$304.6	\$335.2	\$348.6	\$362.6	\$377.4	\$392.5
Debt Service	91.3	86.5	99.0	139.9	148.7	156.5	163.6
Capital Program	464.8	549.5	577.4	554.3	392.9	352.3	412.3
Total Expenses	\$858.8	\$940.6	\$1,011.6	\$1,042.8	\$904.3	\$886.2	\$968.4
Capital Funding Sources/(Uses) and Intergovernmental							
Revenue Bond Proceeds	\$461.4	\$400.2	–	\$56.8	\$116.9	\$101.3	\$165.5
TIFIA	–	–	–	210.6	–	–	–
Surety Policy Expenses	–	–	-\$3.3	-0.1	-0.1	-0.1	-0.2
Cash Refunding	–	-63.1	–	–	–	–	–
MDOT Loan Repayment – Principal	-41.1	-4.8	-24.3	-18.2	-8.1	7.1	9.5
VDOT Contribution/Grant	–	–	–	13.0	20.0	–	–
Accounting Reconciliation	-9.5	–	–	–	–	–	–
Total Sources/(Uses)	\$410.9	\$332.2	-\$27.6	\$262.1	\$128.6	\$108.3	\$174.8
Annual Cash Requirements²							
Annual Cash Surplus/(Deficit)	\$235.1	-\$53.1	-\$323.1	-\$22.0	-\$0.1	-\$0.2	-\$0.1
Total MDTA Cash Balance	\$781.7	\$728.7	\$405.6	\$383.5	\$383.4	\$383.3	\$383.31
MDTA Debt							
Debt Outstanding	\$1,910.4	\$2,228.1	\$2,207.1	\$2,446.2	\$2,501.9	\$2,536.8	\$2,631.5

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	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>
Unencumbered Cash	\$566.5	\$498.4	\$372.5	\$350.5	\$350.4	\$350.2	\$350.3
Debt Service Coverage	4.2	2.9	3.8	2.9	2.8	2.6	2.5
Rate Covenant Compliance	3.2	2.3	3.1	2.4	2.2	2.1	2.0

MAA: Maryland Aviation Administration

MDOT: Maryland Department of Transportation

MDTA: Maryland Transportation Authority

MPA: Maryland Port Administration

TIFIA: Transportation Infrastructure Finance and Innovation Act

VDOT: Virginia Department of Transportation

¹ MDTA provides police services at Baltimore-Washington International Thurgood Marshall Airport and the Helen Delich Bentley Port of Baltimore.

² Sources represent an in-flow of funds to MDTA and are subtracted from Total Expenses. (Uses) represent an outflow of funds from MDTA and are added to Total Expenses as a positive value.

**Appendix 3
Object/Fund Difference Report
Maryland Transportation Authority**

<u>Object/Fund</u>	<u>FY 20 Actual</u>	<u>FY 21 Working Appropriation</u>	<u>FY 22 Allowance</u>	<u>FY 21 – FY 22 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	1,727.00	1,717.00	1,717.00	0.00	0%
Total Positions	1,727.00	1,717.00	1,717.00	0.00	0%
Objects					
01 Salaries and Wages	\$ 176,447,585	\$ 175,544,693	\$ 188,499,756	\$ 12,955,063	7.4%
02 Technical and Special Fees	119,536	461,681	689,173	227,492	49.3%
03 Communication	2,643,379	2,766,143	3,047,976	281,833	10.2%
04 Travel	177,538	257,072	389,316	132,244	51.4%
06 Fuel and Utilities	3,740,925	3,941,730	4,490,456	548,726	13.9%
07 Motor Vehicles	8,987,393	8,193,679	10,020,167	1,826,488	22.3%
08 Contractual Services	94,585,092	99,151,997	106,918,549	7,766,552	7.8%
09 Supplies and Materials	8,354,627	7,787,676	11,546,965	3,759,289	48.3%
10 Equipment – Replacement	1,556,282	740,506	2,303,781	1,563,275	211.1%
11 Equipment – Additional	602,868	266,455	854,918	588,463	220.8%
13 Fixed Charges	96,894,958	92,027,917	104,540,511	12,512,594	13.6%
Total Objects	\$ 394,110,183	\$ 391,139,549	\$ 433,301,568	\$ 42,162,019	10.8%
Funds					
07 Nonbudgeted Fund	\$ 394,110,183	\$ 391,139,549	\$ 433,301,568	\$ 42,162,019	10.8%
Total Funds	\$ 394,110,183	\$ 391,139,549	\$ 433,301,568	\$ 42,162,019	10.8%

Note: The fiscal 2021 appropriation does not include deficiencies, targeted reversions, or across-the-board reductions. The fiscal 2022 allowance does not include contingent reductions or cost-of-living adjustments.

**Appendix 4
Fiscal Summary
Maryland Transportation Authority**

<u>Program/Unit</u>	<u>FY 20 Actual</u>	<u>FY 21 Wrk Approp</u>	<u>FY 22 Allowance</u>	<u>Change</u>	<u>FY 21 – FY 22 % Change</u>
41 Operating Program	\$ 394,110,183	\$ 391,139,549	\$ 433,301,568	\$ 42,162,019	10.8%
42 Capital Program	464,775,046	549,458,474	577,410,074	27,951,600	5.1%
Total Expenditures	\$ 858,885,229	\$ 940,598,023	\$ 1,010,711,642	\$ 70,113,619	7.5%
Nonbudgeted Fund	\$ 858,885,229	\$ 940,598,023	\$ 1,010,711,642	\$ 70,113,619	7.5%
Total Appropriations	\$ 858,885,229	\$ 940,598,023	\$ 1,010,711,642	\$ 70,113,619	7.5%

Note: The fiscal 2021 appropriation does not include deficiencies, targeted reversions, or across-the-board reductions. The fiscal 2022 allowance does not include contingent reductions or cost-of-living adjustments.