



Larry Hogan  
Governor  
Boyd K. Rutherford  
Lt. Governor  
Gregory Slater  
Acting Secretary

---

J00J00 – MDOT - Maryland Transportation Authority  
Fiscal Year 2021 Operating Budget  
Response to Department of Legislative Services Budget Analysis

Senate Budget & Taxation Committee  
Public Safety, Transportation & Environment Subcommittee  
Senator Cory McCray, Chair  
February 21, 2020

House Appropriations Committee  
Transportation and Environment Subcommittee  
Delegate Marc Korman, Chair  
February 26, 2020

## ***DLS Budget Analysis***

---

### **1. Howard Street Tunnel Funding (Page 12)**

***MDTA should comment on how long it will take to recover the \$10 million loan through its ownership of Canton Railroad.***

#### **MDOT Response:**

In 1987, under the Schaffer Administration, the State of Maryland made a strategic decision to acquire the Canton Development Corporation (Canton Railroad Company) in an effort to protect rail services in and out of the Port of Baltimore. The MDTA acquired 100 percent of the Canton Development Company and continues to remain the sole shareholder of the company. By investing in the Howard Street Tunnel Project, the Canton Railroad will be positioned to gain valuable, much needed rail line access between the Port of Baltimore and Tradepoint Atlantic. As the sole owner of the Canton Railroad, the MDTA considers any infusion of funds into the company to be a shareholder investment in the long-term profitability and valuation of its business holdings. Expanding rail service to industries located in the Baltimore metropolitan area will not only increase Canton Railroad's bottom line, but will also help to fill the funding gap for the double-stacking of rail cars while providing the Baltimore Region with significant job opportunities.

## ***DLS Budget Analysis Issues***

---

### **1. Chesapeake Bay Bridge Deck Rehab Project (Page 21)**

***MDTA should provide the committees with an update on the status of the project and comment on the estimated additional expense above the initial \$27 million project costs that are associated with the shortened timeframe of the project.***

#### **MDOT Response:**

The Westbound Bay Bridge Deck Project work is moving along at a fast pace. The barrier wall, mechanical milling, hydro demolition, and joint removal are complete. The latex modified concrete is 54 percent complete and the right lane joint replacements are 77 percent complete. All construction on the Bay Bridge is highly dependent on weather. This project is particularly dependent on temperatures.

The MDTA is actively coordinating the acceleration of work with the contractor. To date, the agency has authorized \$393,354 in supplemental funding for work performed on the bridge related to the barrier and heating equipment required due to the weather. Based on actual conditions, including weather, the MDTA develops and approves cost estimates for the acceleration of work on the project as appropriate. The contractor will be submitting its proposed costs for negotiation as compared to the MDTA's cost estimates. Because cost estimates are highly subject to weather conditions and other variables, a final negotiated cost cannot be provided at this time. Additionally, several of the costs that are associated with the acceleration of the project will be offset by time savings resulting from the reduced duration of the project. For example, because of the shorter project duration, there is considerably less equipment rental and staging required for the project, which will result in cost savings. Based on the MDTA's cost estimates, it is believed that any additional contractor costs are well manageable. Furthermore, as a result of the acceleration of the project, traffic levels are expected to return to normal levels sooner than anticipated. Consequently, the MDTA will be able to recoup any revenue loss associated with the project earlier than previously estimated.

### **2. Northbound I-95 ETL Expansion Appears Unaffordable (Page 23)**

***Given the previous concerns about MDTA being overleveraged, the Department of Legislative Services (DLS) recommends the adoption of committee narrative requesting that MDTA provide a report on their plans for future ETL expansion on I-95. This report should include updated cost estimates, project timelines, and discuss any alternatives to ETLs being considered.***

#### **MDOT Response:**

DLS' concern over the possibility of the costs associated with the construction of Sections 300 and 400 is unwarranted. The MDTA has no plans to build Sections 300 and 400 for over a decade or more. Furthermore, no National Environmental Policy Act planning has begun for these sections. The I-95 Master Plan exists as a long-term planning tool. When near-term projects in the corridor arise, the MDTA considers the plan when designing the project. Costs are not refined until a project is expected in the near-term. Since the projects are not planned in the near term, no timeline has been established or alternatives considered.

## ***DLS Budget Analysis Issues (Continued)***

---

With no near- or medium-term plans to build Sections 300 or 400, the MDTA respectfully disagrees with the DLS recommendation for a report on the project, as it believes this request is premature. As stated on page 30 of the DLS analysis, the MDTA has already submitted a report to the legislature regarding the affordability of the planned work on the I-95 ETL Northbound Extension. The MDTA is rated by the credit rating agencies as a Double-A credit. The MDTA is one of only five tolling agencies with a Double-A rating, the highest rating that can be granted to a tolling authority. This rating is achieved through sound financial policies and sustainable long-term financial planning.

### **3. I-495 and I-270 Public-private Partnership Program (Page 25)**

***Given the scope of this project and the plan to create a second trust agreement, DLS recommends the adoption of committee narrative requesting that MDTA provide a report on the scope of MDTA loans to this project, the use of these funds, what claim on revenue from the project MDTA will have, and the structure of the new trust agreement.***

#### **MDOT Response:**

The MDTA and State Highway Administration are partners in the Traffic Relief Plan and leverage each other's strengths. The agencies share a common vision providing superior customer service to current and future toll customers. For example, to ensure consistent services, all tolls will go through the MDTA's new Third Generation Electronic Toll Collection Customer Service Center. Customer Service Center costs are reimbursed through project revenue. The MDTA anticipates issuing less than \$100 million in bonds to fund project costs in which the State is better equipped to manage than the developer. These bonds would be governed by a Trust Agreement that is separate and distinct from the MDTA's current Trust Agreement. The first call of revenues from the public-private partnership are the security to repay the bonds.

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

---

1. Concur with Governor's Allowance.

### **MDOT Response:**

The Department concurs with the DLS recommendation.

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

---

1. Adopt narrative requesting report on future I-95 Northbound ETL Expansion.

### **MDOT Response:**

The Department respectfully does not concur with the recommendation. With no near- or medium-term plans to build Sections 300 or 400, the Department believes this request is premature.

2. Adopt narrative requesting a report on I-495 and I-270 public-private partnership Maryland Transportation Authority bonds.

### **MDOT Response:**

The Department concurs with the recommendation.