



Larry Hogan  
Governor

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Lt. Governor

James F. Ports, Jr.  
Secretary

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**J00J00 Maryland Transportation Authority  
FY 2023 Operating Budget  
Response to the Department of Legislative Services Budget Analysis**

Senate Budget and Taxation Committee  
Public Safety, Transportation, and Environment Subcommittee  
Chairman Cory McCray  
March 3, 2022

House Appropriations Committee  
Transportation and the Environment Subcommittee  
Chairman Marc Korman  
March 7, 2022

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

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### **2. Backlog of Toll Transactions (Page 23)**

*MDTA should comment on the ongoing backlog, including an update on the hiring of call agents and whether it is on track to meet its timeline of processing the backlog by summer 2022.*

#### **MDOT Response:**

When the MDTA resumed mailing of Notices of Toll Due in October of 2020, the agency immediately began experiencing long call wait times resulting from the backlog processing of Notices of Toll Due. In response to the increase in call volume, the MDTA expanded its in person customer service hours and worked with its new customer service center (CSC) vendor to ensure adequate staffing at its call center. However, like other businesses and agencies nationwide, the MDTA and CSC vendor have been significantly impacted by the staffing shortages, retention challenges, and COVID-19-related quarantining and absences. As Exhibit 13 in the DLS analysis shows, call wait times are declining with increases in staffing, and as of February 28, 2022, the MDTA is now up to over 200 call agents supporting the call center. However, the MDTA knows there is more work to be done to further reduce call wait times.

At the request of the MDTA Board to devise a plan to reduce call wait times and Governor's Hogan's request to provide relief measures to customers, the MDTA began exploring ways to provide relief for customers facing late fees on toll bills that accrued during the height of the COVID-19 pandemic. On February 24, 2022, the MDTA Board approved a Customer Assistance Plan that includes a civil penalty waiver grace period that waives all civil penalties for customers who pay their unpaid tolls by November 30, 2022. The Customer Assistance Plan provides the following measures (1) immediately discontinue referrals of toll bills to the State's Central Collection Unit (CCU) and the MDOT Motor Vehicle Administration (MVA); (2) establish a civil penalty waiver grace period that waives all civil penalties for all customers who pay all their unpaid tolls by midnight on November 30; (3) work with the MDTA's CSC vendor to increase the number of CSC agents to reduce call and web chat wait times; and (4) work with the MDTA's CSC vendor to explore other payment opportunities.

The Customer Assistance Plan was formulated in response to the three key requests or concerns of MDTA customers to (1) have more time to pay outstanding tolls; (2) have additional time to pay outstanding tolls without the consequence of late fees; and (3) be able to get through to the CSC in a timely fashion. The Customer Assistance Plan addresses the first two requests by providing customers with a grace period to spread out payments of unpaid Video Tolls at the customer's convenience, while avoiding further escalations to MVA & CCU. Additionally, the plan acts as a temporary payment plan by allowing customers to stretch out toll payments over the waiver grace period – which is over 9 months – and without the worry of further consequences. The plan also provides civil penalty waivers for payments on any outstanding video tolls during the grace period, including historical, pandemic backlog, and current transactions. Regarding the third request, MDTA is in the process of modifying the preexisting

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***DLS Budget Analysis Issues (continued)***

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contract with its CSC vendor to add additional funds to the contract that would enable the vendor to bring on subcontractors to increase the number of CSC representatives until such time that call and web chat volumes normalize and acceptable wait times can be maintained. Lastly, the MDTA is proactively exploring the feasibility of payment plan options that would require several actions, including a signed agreement with the vendor as well as regulatory and Board of Public Works approval. It is important to note that the Customer Assistance Plan is financially affordable to the agency and offers other financial benefits beyond the customer service benefits that include furthering customers' education on paying Video Tolls, utilizing the DriveEZMD website, and learning about the 15% early payment discount.

In conclusion, the future outlook for the MDTA and its customers is promising. The agency is well on its way to providing customers with financial relief via the Customer Assistance Plan while also reducing call and web chat wait times. Furthermore, processing backlog transactions currently stands at 99% complete for E-ZPass® transactions and 91% for posting Video and Image Toll transactions to customers' accounts with the mailings of the Notices of Toll Due expected to be mailed by late summer 2022.

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***DLS Budget Analysis Issues (continued)***

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**3. MDTA’s Fiscal Stress Report (Page 24)**

***MDTA should comment on the status of the TIFIA loan application and how its financial forecast will be affected if the loan is not approved.***

**MDOT Response:**

On February 16, 2022, the MDTA was advised that the Nice/Middleton Bridge TIFIA loan allocation was recommended for final approval by the United States Department of Transportation and weekly meetings for the loan have resumed. The closing of the TIFIA loan is proceeding according to schedule.

***MDTA should comment on the possibility of a toll increase in fiscal 2030 and whether alterations to current capital plans could be made to avoid the financial stresses reflected in the forecast.***

**MDOT Response:**

The MDTA’s responsibility to supervise, finance, construct, operate, maintain, and repair Maryland’s toll facilities requires a strategic approach that avoids significant capital system preservation and expansion costs from clustering many projects in a narrow timeframe. As such, the MDTA deploys strategies such as asset life cycle reviews, long range needs analysis, and planned debt service cycles. The MDTA intentionally plans for period of debt service growth and decline. The table below illustrates the planned cycles.

Time Period	Description	Bonds Payable Change
FY 2007-11	Mega Projects MD 200 Intercounty Connector and I-95 Express Toll Lanes (ETL)	\$2.05B
FY 2011-19	Pay Down of Debt and Pay-Go	(\$756.73M)
FY 2019-26	Mega Projects Nice/Middleton Bridge and I-95 ETL Northbound Extension	\$915.97M

As noted in the analysis, beginning in FY 2024, the MDTA is projected to approach its unencumbered cash target of \$350 million. The decision to remain just above the \$350 million unencumbered cash target is reflective of the estimated annual cashflow needs and the MDTA’s desire to use more PAYGO in lieu of debt financing to fund the capital program.

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The MDTA maintains several financial standards and Board-adopted financial management policies to ensure that its budgets and debt remain affordable. Bi-annually, the MDTA Board adopts a six-year financial forecast, which ensures sufficient revenues are available to maintain required financial coverage ratios and to meet operating and capital needs. The forecast incorporates the latest traffic and revenue data developed by an independent traffic and revenue consultant, debt service based on amortization schedules for existing and planned debt, the current year operating budget growth at historical growth levels, and the six-year capital program. The financial forecast helps determine the size and timing of required bond issuances to fund the capital program and assist with determining the future outlook on MDTA's financial standards and coverage ratios.

Despite the MDTA's sound financial policies and the continual monitoring of its finances, future toll rate increases may periodically be necessary to support long-term population or economy driven system expansion, as well as the normal inflation adjustments for capital system preservation, maintenance, and operating costs. The MDTA last increased tolls in FY 2014, followed by certain toll reductions in subsequent years. As shown below, when considering that over 60% of comparable tolling authorities were required to raise electronic tolls for passenger and commercial vehicles by at least 10% between 2014 and 2021, the MDTA's ability to avoid raising tolls projected for nearly two decades while maintaining its capital infrastructure, constructing two mega projects, and weathering the COVID-19 pandemic, is indicative of the MDTA's ability to manage within its financial means.

At present, reducing the MDTA's capital budget would come with great risk and cost. Nearly three-quarters of the six-year capital budget is under contract. Future possibilities for capital program reductions will depend on conditions and statewide priorities. For example, as page 27 indicates, the MDTA will be concluding the NEPA Tier 1 study for the Bay Bridge in March, and while funding has not been identified, several counties have already requested funding prioritization to advance the NEPA Tier 2 study. The MDTA anticipates that several counties will include this request in their priority letters due on April 1, 2022.

In conclusion, the MDTA has a stable and experienced senior leadership team. The MDTA can leverage the experience of its senior leadership team to develop mitigation plans and strategies to alleviate financial challenges. Many members of the leadership team worked for the MDTA during the Great Recession of 2007-2008, when the agency was also constructing both the Intercounty Connector and Section 100 of the I-95 Express Toll Lanes. Those combined projects totaled more than \$3 billion.

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***Operating Budget Recommended Actions***

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1. **Adopt narrative requesting a report on tolling concerns. (Page 26)**

**MDOT Response:**

The Department concurs with the DLS recommendation.

***PAYGO Budget Recommended Actions***

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1. **Nonbudgeted. (Page 26)**

**MDOT Response:**

The Department concurs with the DLS recommendation.