

Wes Moore Governor Aruna Miller Lieutenant Governor Paul J. Wiedefeld Secretary

# J00J00 Maryland Transportation Authority Fiscal Year 2026 Operating Budget Response to Department of Legislative Services Analysis

Senate Budget and Taxation Committee
Public Safety, Transportation, and Environment Subcommittee
Chair Michael Jackson
February 6, 2025

House Appropriations Committee
Transportation and the Environment Subcommittee
Chair Courtney Watson
February 5, 2025

### DLS Budget Analysis Issues

#### 1. MDTA Financial Outlook (Page 22)

MDTA should comment on the timing of potential toll increases and how they would be implemented.

#### **MDOT Response:**

A need for a toll increase has been forecasted since prior to the pandemic. Reductions in revenue caused by the pandemic, coupled with inflationary pressures on operating and capital expenses, pulled the toll increase into fiscal year 2029. The toll increase was pulled forward into fiscal year 2028 largely due to the reduction in toll revenue associated with the Key Bridge collapse.

The toll increase process must begin with sufficient time to accomplish the requirements in state law, Transportation Article 4-312, and to allow year end net revenue compared to annual debt service to meet or exceed a factor of 2-times as required by legal covenant (known as 2.0x Debt Service Coverage). Based the current forecast approved by the MDTA Board in November 2024, the toll setting process would likely begin in early calendar year 2027.

The toll setting process is illustrated in the flow chart on the following page.

### DLS Budget Analysis Issues (continued)

#### **Toll Setting Flowchart**

Proposal

· MDTA staff develops proposal for consideration by the board

Pre-Hearing

- · All technical studies completed
- · Outreach planning initiated

Board Meeting

- · Proposal presented to Board Members
- Authorization to conduct hearing sought

Comment Period

- Material posted at least 10 days prior to hearings
- · Comment period officially opens

Hearings

• 9 public hearings held, one for each county impacted by proposal

Commen Period  Comment period closes 10 days after the completion of the final hearing

Commen Summar  Summary of comments received presented to the board and posted to the website

Board Meeting  Based on comments received, MDTA staff presents a recommendation action for Board vote

Commen Period  A second 10 day comment period is open for public to review and comment on the recommended action

Commen

 Summary and analysis of comments received presented to the board and posted to the website

Board Meeting MDTA Board officially votes on recommended action

### DLS Budget Analysis Issues (continued)

2. Impacts of the Francis Scott Key Bridge Collapse (Page 25)

MDTA should discuss the anticipated timing of receipt of the funding and if any funds have been received to date.

#### **MDOT Response:**

Anticipated funding sources include insurance proceeds, federal emergency relief quick release funds, federal emergency relief funds, toll revenues, and any recoveries from the M/V DALI's owners. On August 5, 2024, the MDTA received \$350 million from its property and business interruption insurance carrier. Insurance proceeds have funded \$25 million of debris removal. A \$10 million emergency relief quick release draw will occur this week. After the initial \$60 million federal emergency relief quick release are utilized, insurance proceeds will be utilized until exhausted, and then federal emergency relief funds will be utilized.

Within the MDTA's financial forecast, future emergency relief funds are assumed to be received one year after the reimbursement request. The twelve-month timeframe is a result of undefined timing by the Federal Highway Administration and federal funding uncertainties, including the timing of semiannual federal appropriation requests.

That said, the State of Maryland is continuing to prosecute its claims against the M/V DALI's owners and operators, the parties solely responsible for the destruction of the Francis Scott Key Bridge and all resulting damages, costs, and losses. It is the State's intention that the DALI's owners and operators will be the primary source to fund the cost to rebuild the Bridge. Other sources of funding to rebuild the Bridge will be accessed if necessary, recognizing that full compensation should be obtained from the DALI's owners, operators, and insurers.

# **Operating Budget Recommended Actions**

1. Nonbudgeted. (Page 27)

#### **MDOT Response**:

The Department concurs with the DLS recommendation.

# PAYGO Budget Recommended Actions

1. Nonbudgeted. (Page 27)

## **MDOT Response**:

The Department concurs with the DLS recommendation.