STANDARD & POOR'S

PUBLIC FINANCE

Maryland Transportation Authority

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Credit Profile

$560. mil toll revenue bonds series 2009 due 07/01/2043

Long Term Rating	AA-/Stable	New

Maryland Transportation Authority Capital Appreciation Series 92 dated 09/9/92 due 07/1/2004 2007-2015 (MBIA) (MBIA of Illinois)

Unenhanced Rating	AA-(SPUR)/Stable	Affirmed

Rationale

Standard & Poor's Ratings Services has assigned its 'AA-' long-term rating to Maryland Transportation Authority's (MTA or the authority) series 2009 transportation facilities project revenue bonds. At the same time, Standard & Poor's affirmed its 'AA-' underlying rating on the authority's revenue bonds outstanding. The outlook is stable.

In our opinion, the rating reflects a mature, diverse, and relatively inelastic toll revenue system that is adding significantly to its debt burden in the medium term. The rating incorporates MTA's plans to issue approximately $1.83 billion in additional parity revenue debt through fiscal 2013.

More specifically, we believe the rating reflects the authority's:

- Large and well-diversified system consisting of six pledged facilities, with monopoly control over central Maryland's essential highway, bridge, and tunnel network, particularly Interstate 95 (I-95);
- Good liquidity position, with about 950 days' cash on hand at fiscal year-end 2009 (June 30) based on $378 million in unrestricted cash;

- Willingness and ability to raise tolls, highlighted by an approximately 50% increase in commercial vehicle rates in May 2009; and incorporate other revenue-enhancing measures; and

- Strong historical debt service coverage (DSC) ranging from 4.29x-6.04x during the past five years, although we expect this to decline to what we still consider to be a good 1.93x during the next five years, incorporating future debt issuances and assuming no further toll increases after 2013.

We believe that countering these strengths are MTA's debt issuance program, which, as expected, is continuing to increase its debt profile in the medium term. The authority's remaining capital improvement plan (CIP) through fiscal 2015 totals $3.5 billion, of which approximately $1.8 billion will require debt issues, including this one. Overall funding sources include the issue, an additional $635.0 million in revenue bonds, $516.0 million in federal highway trust fund loans (as parity debt), $242.0 million in state and federal funds, and $1.4 billion in authority cash. The state general assembly recently raised the authority's bonding cap to $3 billion.

MTA's $378 million in unrestricted cash and investments at fiscal year-end 2009 is a significant increase from $249 million in 2007. The increase is due to the authority having partially funded its capital requirements with cash from its general fund in earlier years, and has since been rebuilding its cash position through excess operating income. It has no variable-rate revenue bonds and no swaps outstanding.

The bonds' security consists of a pledge on the net revenues of the authority's six existing transportation facilities projects (TFP): JFK Memorial Highway, the Fort McHenry Tunnel, the Chesapeake Bay Bridge, the Baltimore Harbor Tunnel, the Francis Scott Key (Baltimore Harbor Outer) Bridge, and the Nice (Potomac River) Bridge. Bondholders are also entitled to a pledge against certain general account projects, but these pledges are subject to MTA termination, so we don't consider them in our analysis. The authority has the sole ability to set toll rates.

The CIP includes construction of the Inter-County Connector (ICC), an 18-mile east-west highway north of the Washington, D.C., that will connect the I-270 and I-95 corridors in Montgomery County and Prince George's County in Maryland. Construction began in November 2007, with the highway scheduled to open in two phases: the western portion in fall 2010, and the eastern portion in early 2012. Although the new highway will benefit from serving a developed corridor that faces significant congestion, it nevertheless will face some uncertainty in both initial traffic volume and subsequent ramp-up. In January 2008, the ICC was reclassified as a TFP by MTA resolution, previously having been a general account project. As a result, the ICC is now eligible for revenue bond debt-financing, and its revenues will also be pledged to bondholders when operations begin.

Following this issue and including the additional upcoming revenue and par Transportation Infrastructure Finance and Innovation Act bonds, projected DSC will not reach the highs demonstrated in the past few years. Projected net revenues demonstrate DSC to be near 4.0x in 2010, decreasing steadily to 1.93x in 2013, then remaining at about 2.0x for 2014 and 2015. Revenue calculations include financial results from the six existing TFPs, the ICC (a portion of which is assumed to open on time), concessions, and pledged investment income. Incorporating revenues and expenses throughout the system, DSC was 4.94x in 2009 and is projected to decline to a low of 2.00x in 2016, meeting the authority's policy that accounts for all system revenues.

Outlook

The stable outlook reflects our assessment of the essentiality of the system's facilities, the significant revenue-raising capacity of the system, and management's intention to maintain good DSC levels. Should actual net revenues fall significantly below the projected range, we could lower the rating. The rating could also come under pressure if the authority's capital plan is significantly delayed, as projected financial results assume the ICC opening and begin generating revenue in late 2010.

Related Research

USPF Criteria: "Toll Road And Bridge Revenue Bonds," June 13, 2007

Ratings Detail (As Of 16-Nov-2009)		
Maryland Transportation Authority		
Long Term Rating	AA-/Stable	Affirmed
Maryland Transportation Authority		
Unenhanced Rating	AA-(SPUR)/Stable	Affirmed