S&P Global
Ratings

RatingsDirect®

Maryland Transportation Authority; Toll Roads Bridges

Primary Credit Analyst:
Andrew J Stafford, New York + 212-438-1937; andrew.stafford1@spglobal.com

Secondary Contact:
Kenneth P Biddison, Englewood + 1 (303) 721 4321; kenneth.biddison@spglobal.com

Table Of Contents

Maryland Transportation Authority; Toll Roads Bridges

Credit Profile		
Maryland Transportation Authority		
Long Term Rating	AA-/Negative	Outlook Revised

Credit Highlights

- S&P Global Ratings revised the outlook to negative from stable and affirmed its 'AA-' long-term rating and underlying rating (SPUR) on the Maryland Transportation Authority's (MDTA's) revenue bonds outstanding.
- The outlook revision to negative reflects our opinion that we believe there is at least a one-in-three chance we could lower the rating within the two-year outlook if potential project cost escalations and uncertain timing of future federal reimbursements will weaken the authority's ability to sustain financial metrics at levels comparable with those of peers as it finances the reconstruction of the Francis Scott Key Bridge and its $5.1 billion capital improvement program (CIP).

Rationale

Security

Net revenue from the facilities designated Transportation Facilities Projects (TFPs) under the trust agreement secure the bonds. These TFPs currently include:

- The JFK Memorial Highway (Interstate 95 [I-95]);
- The Francis Scott Key Bridge (I-695);
- The Fort McHenry Tunnel (I-95);
- The William Preston Lane, Jr. Memorial Bridge (U.S. Route 50/301);
- The Baltimore Harbor Tunnel (I-895);
- The Governor Harry W. Nice Memorial Bridge (US 301); and
- The Intercounty Connector (Maryland Route 200).

Although bondholders are also entitled to a pledge against General Account Projects, these are subject to authority termination. The authority excludes the revenue and expenses associated with its Hatem Bridge General Account Project in its calculation of rate covenant coverage as defined in the trust agreement but does include pledged general account project revenues in its calculations of debt service coverage (DSC). We exclude these general account project revenues and expenses in our analysis.

A debt service reserve, funded to the lesser of maximum annual debt service, 125% of average annual debt service, or

10% of par, provides additional liquidity to bondholders. All bonds outstanding, excluding the TIFIA loan, are supported by debt service reserves funded with surety policies.

As of March 31, 2025, MDTA had approximately $2.1 billion of toll revenue-backed debt outstanding and $237 million in debt backed by nonrecourse sources external to the MDTA. Included in the $2.1 billion of toll revenue-backed debt is a $200 million TIFIA loan that was used to finance the replacement of the Nice-Middleton Bridge, which opened to traffic in October 2022.

Credit overview

The 'AA-' ratings reflect a mature system, consisting of seven pledged tolled facilities (generating about $761 million in toll revenues from approximately 165 million transactions for the fiscal year ended June 30, 2024) that we believe provide essential service along the I-95 corridor for both commercial and passenger traffic (49% vs. 51% of the traffic mix in fiscal 2024, respectively), linking the northeast corridor with the nation's capital, and conservative fiscal management and budgeting practices that have yielded healthy financial margins and actual results that typically outperform forecasts. Our rating also reflects our expectation that MDTA's DSC will gradually decline and settle near 2x from significant additional debt needs over the outlook horizon to rebuild the Francis Scott Key Bridge and fund a large CIP. A one-notch positive holistic analysis adjustment was used in determining the rating to accurately reflect MDTA's credit characteristics as a large state toll system, which we believe are consistent with other 'AA-' rated peers. There is, however, potential for downward rating pressure over the outlook period from the authority potentially increasing its debt burden and debt service costs substantially to finance the reconstruction of the Francis Scott Key Bridge (which collapsed after being struck by a container ship in April 2024) and a large $5.1 billion CIP. While the authority anticipates reimbursements from the federal government for most bridge replacement costs over time, we believe several uncertainties--including project cost escalations, construction delays, and uncertain timing of future federal reimbursements--could cause debt to rise above the authority's current projections and weaken its ability to sustain financial metrics at a level comparable with peers over the outlook horizon.

Key credit strengths, in our opinion, are the MDTA's:

- Favorable historical TFP traffic trends, strong competitive position, and what we believe are minimal restrictions to pricing power;
- Financial metrics (S&P Global Ratings-calculated), which we expect will be maintained at levels we consider strong with DSC near 2x, debt-to-EBIDA of 5x-10x, and unrestricted days' cash on hand of 400-600; and
- Fiscally conservative budgeting and capital planning practices, as demonstrated by a history of meeting or exceeding operational and financial goals, detailed financial forecasting that the authority updates frequently, and a very capable staff that has considerable experience operating a tolling agency.

The credit strengths above, in our view, are somewhat offset by MDTA's significant additional debt needs to fund a large $5.1 billion CIP for fiscal years 2025-2030 that could cause DSC levels to drop below 3x. While MDTA is receiving federal reimbursements of project costs related to reconstruction of the Francis Scott Key Bridge (current cost estimate $1.7 billion-$1.9 billion), which is expected to provide some relief to MDTA, the timing and ultimate amount awarded of such relief is currently uncertain.

Environmental, social, and governance

We analyzed MDTA's environmental, social, and governance (ESG) factors relative to the authority's market position, management, and governance, and determined all are in line with our view of the toll road sector standard. Management has taken various actions to create a more resilient and sustainable system by limiting exposure to cyber attacks and extreme weather events, and by performing periodic resilience studies.

Outlook

The negative outlook reflects our opinion that there is at least a one-in-three chance that the rating could be lowered over the outlook period.

Downside scenario

We could lower the rating if actual financial performance trends negatively and is materially weaker than current forecast due to construction cost escalations, project delays, or softening demand.

Upside scenario

We could revise the outlook to stable if we believe MDTA can adjust capital spending, toll rates, and operating expenses as needed to maintain financial metrics in line with similarly rated peers as it finances the reconstruction of the Francis Scott Key Bridge and funds its large CIP. Clarity regarding the financing of the bridge construction in anticipation of receiving federal reimbursements and other identified debt-funded projects in its capital improvement program will be key considerations.

Credit Opinion

Enterprise Risk Profile: Very Strong

Diverse toll system with seven tolled assets along a critical traffic corridor

MDTA's enterprise risk profile reflects our view of the mature system, consisting of seven pledged tolled facilities (generating about $761 million in toll revenues from approximately 165 million transactions for the fiscal year ended June 30, 2024) that we believe provide essential service for central Maryland's highway, bridge, and tunnel network, including I-95. (See table 2 for more information). The assessment also reflects the toll system's strategic location along the I-95 corridor, connecting the Northeast Corridor and cities like New York and Philadelphia with the nation's capital through Baltimore, as well as a lack of significant competition from toll-free roads and a relatively inelastic demand profile.

Rate-setting flexibility provides management with options to bolster finances

The system serves a diverse customer base of regional commuter, longer-distance intrastate and interstate commercial, business, and recreational travel. Traffic volumes have performed well historically. The authority has complete autonomy to set rates and has a history of regular although infrequent rate increases, and we note its current plans to increase toll rates in 2028 to support revenues and the additional debt we expect it to take on in conjunction with its CIP. MDTA's historical growth in toll revenue reflects a diverse revenue mix, with passenger cars and commercial vehicles accounting for an approximately equal share of total system gross toll revenue (at 49% for commercial traffic and 51% for passenger traffic for fiscal 2024). Fiscal 2024 toll transactions recaptured 99.1% of fiscal 2019 transactions, suggesting stability in the authority's post-pandemic recovery.

Management Insights: Effective risk mitigation strategies and management actions to ensure a resilient and sustainable system

Multiple specific financial goals drive MDTA's financial planning. These board-instituted policies include maintenance of DSC at or above 2.0x, including existing and forecast debt, and maintenance of unencumbered cash at no lower than $400 million. MDTA's historical financial performance has consistently exceeded the levels outlined by its coverage and liquidity goals. Based on management's forecasts, we expect actual performance will continue to meet or exceed its policy-determined thresholds.

We believe that MDTA proactively adjusts rates, capital spending, and cash management to maintain actual and forecast metrics that are in line with, or exceed, the strong levels prescribed by its internal policies. The authority commissions an external consultant to formulate 10-year traffic and revenue forecasts each year and presents six-year financial forecasts to the state legislature twice per year, per statute, but MDTA's forecasts and budgets are not subject to legislative approval. The authority's financial forecasts include generally conservative assumptions, including conservative capital spending and interest-rate assumptions.

MDTA commissions private-sector consultants to perform annual state-of-repair inspections of each of its facilities, using the results to inform its capital plans. MDTA maintains a variety of insurance policies, as well as a simple debt structure that includes no variable-rate debt. In our view, MDTA's senior management demonstrates considerable expertise and experience in operating the toll system and maintaining its assets. We understand that MDTA manages succession planning concerns through its approach to hiring and training of mid- and junior-level staff.

Financial Risk Profile: Strong

Our assessment of MDTA's financial risk profile reflects the toll system's strong financial performance, very strong debt and liabilities capacity, and strong liquidity and financial flexibility. Our financial profile risk assessment considers historical as well as forecasted figures, namely our expectations for fiscal 2027. The pro forma figures reflect the authority's baseline forecast, which we believe is reasonable in its assumptions of continued revenue loss from the Key Bridge and expense growth, with stable transaction trends.

Continued strong operating performance expected, in light of major capital needs

The strong financial performance assessment reflects our expectation that DSC will decrease to levels below 3x by fiscal 2027, as the authority's capital plan calls for the issuance of multiple series of additional debt. As the related debt service comes on line, we expect that DSC will be maintained at levels we consider strong, supported by generally stable activity levels.

We believe MDTA's base-case financial forecast is reasonable and somewhat conservative in its assumptions. Although the forecast indicates DSC could fall below 3x by fiscal 2027 as annual debt service requirements rise, the relatively long time horizon and conservative assumptions mitigate our concern over the prospect of lower forecast

DSC. Conservative assumptions employed in the forecast include full funding of the authority's capital plan (the authority typically spends only a portion of its capital plan, 75%-80% historically, and not the entire plan each year), limited rate increases, and conservative expense growth assumptions. Our analysis assumes that MDTA will maintain DSC at least near 2x, as per its board-approved DSC policy.

Large all-in CIP not expected to be fully executed

We assess MDTA's debt and liabilities capacity as very strong. As the authority adds debt in funding its CIP, we expect that its debt-to-EBIDA metrics will likely remain in a range of 5x-10x. MDTA's CIP for the six-year period from 2025-2030 outlines $5.1 billion in expenditures. The funding plan calls for $2.0 billion in new debt, to be issued in multiple series every year beginning in fiscal 2026. MDTA's approach to capital planning involves the inclusion of additional projects each year, above and beyond what MDTA will likely spend. Over the last six years, MDTA spent, on average, 80% of its annual capital program. However, MDTA's forecast assumes full spending of the current capital plan. Therefore, we believe the forecast debt metrics are likely somewhat conservative. MDTA's statutory debt ceiling for toll revenue-backed debt is now $4.0 billion as of fiscal 2025, an increase from $3.0 billion previously. We expect that MDTA will continue to remain in compliance with its statutory debt limits.

Strong liquidity and financial flexibility, supported by board policy

We assess MDTA's liquidity and financial flexibility as strong. Over the last several years, MDTA has accumulated strong cash balances, with approximately $800 million in unrestricted cash and investments as of fiscal year-end 2024, which represented 727.8 days' cash on hand. Through the forecast period, MDTA projects maintaining available liquidity in excess of the level required as per internal policy ($400 million). Based on the forecast, we expect MDTA will maintain available liquidity sufficient to equate, on average, to between 400 and 600 days' operating expenses. We expect liquidity-to-debt will fall to 7.5%-20% as the authority adds debt beginning in fiscal 2026.

Table 1

Maryland Transportation Authority--Ratings score snapshot	
Enterprise risk profile	2
Economic fundamentals	1
Industry risk	2
Market position	2
Management and governance	1
Financial risk profile	3
Financial performance	3
Debt and liabilities	2
Liquidity and financial flexibility	3

Table 2

Maryland Transportation Authority, Maryland--Financial and operating data						
	--Fiscal year ended June 30--					
	Projected 2027	2024	2023	2022	2021	2020
Financial performance						
Total operating revenue ($000s)	813,350	912,828	875,837	856,064	741,538	747,285

Table 2

Maryland Transportation Authority, Maryland--Financial and operating data (cont.)

	--Fiscal year ended June 30--					
	Projected 2027	**2024**	**2023**	**2022**	**2021**	**2020**
Plus: other committed recurring revenue sources ($000s)	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Less: total O&M expenses and like transfers out, if any, net of noncash expenses	460,370	398,619	370,295	348,963	317,114	268,430
Numerator for S&P Global Ratings' coverage calculation ($000s)	365,780	514,209	505,542	507,101	424,424	478,855
Total debt service ($000s)	177,350	142,877	137,753	104,919	113,879	91,282
Denominator for S&P Global Ratings' coverage calculation ($000s)	177,350	153,432	151,757	119,018	128,121	105,494
S&P Global Ratings-calculated coverage (x)	2.06	3.35	3.33	4.26	3.31	4.54
Debt and liabilities						
Debt ($000s)	3,283,410	2,111,394	2,265,927	2,103,100	2,135,976	1,910,419
EBIDA ($000s)	352,980	514,209	505,542	507,101	424,424	478,855
S&P Global Ratings-calculated net revenue ($000s)	365,780	514,209	505,542	507,101	424,424	478,855
Debt to net revenue (x)	9.0	4.1	4.5	4.1	5.0	4.0
Debt to EBIDA (x)	9.3	4.1	4.5	4.1	5.0	4.0
Liquidity and financial flexibility						
Unrestricted cash and investments ($000s)	425,810	794,850	888,954	557,050	467,867	599,595
Available liquidity, net of contingent liabilities ($000s)	425,810	794,850	888,954	557,050	467,867	599,595
Unrestricted days' cash on hand	337.6	727.8	876.2	582.6	538.5	815.3
Available liquidity to debt (%)	13.0	37.6	39.2	26.5	21.9	31.4
Unrestricted days' cash on hand (excluding credit facilities)	337.6	727.8	876.2	582.6	538.5	815.3
Available liquidity to debt (%) (excluding credit facilities)	13.0	37.6	39.2	26.5	21.9	31.4
Operating metrics - toll road						
Total toll revenue ($000s)	766,100	761,200	755,701	702,659	646,934	584,618
Toll transactions (000s)	161,600	165,312	162,833	152,204	132,278	137,864

O&M--Operations and maintenance. EBIDA = Total operating revenue - total O&M expenses excl. noncash expenses. EPAX--Enplanements. PFC--Passenger facility charge. CFC--Customer facility charge. MADS--Maximum annual debt service. S&P Global Ratings-calculated net revenue = (Total operating revenue + other recurring nonoperating revenue committed to debt service) - total O&M expenses excl. noncash expenses. Available liquidity = unrestricted cash and investments + total contingent liquidity resources - contingent liabilities. Examples of total contingent liquidity resources include working capital line of credit and other available cash reserves not already included in unrestricted cash and investments. See "Global Not-For-Profit Transportation Infrastructure Enterprises: Methodologies And Assumptions" criteria for more S&P Global Ratings definitions and calculations. N.A.--Not available.

Credit Snapshot

- Organization description: Maryland Transportation Authority is an independent state agency responsible for financing, constructing, operating, and maintaining eight transportation facilities, currently consisting of two toll roads, two tunnels, and four bridges in Maryland. The authority board consists of nine members, the chairman of which is the state secretary of transportation; the other eight members are appointed by the governor of Maryland.
- Capital needs: MDTA's capital program totals $5.1 billion through fiscal year 2030, although we note that the authority typically spends 75%-80% of annual projections within the six-year CIP.
- Bond covenants: MDTA is required to maintain toll rates on pledged assets such that in each bond year, net revenue will exceed 1.2x annual debt service requirements and 100% of the amount set forth in the annual budget to be deposited to the credit of the Maintenance and Operations Reserve Account. The authority is subject to a statutory bond cap, with authorization required to exceed $4 billion of bonds outstanding at any time. We note the statutory bond cap was raised from $3.0 billion in 2024.
- Financial targets: To provide itself with greater financial flexibility, MDTA targets a debt service coverage ratio (DSCR) of at least 2.0x. Management also has a formal liquidity policy of maintaining no less than $400 million of unrestricted cash and investments.

Related Research

- Global Credit Conditions Special Update: Ongoing Reshuffling, April 11, 2025
- "Liberation Day" Tariff Announcements: First Take On What It Means For U.S. And Global Outlook, April 3, 2025
- 2025 U.S. Transportation Infrastructure Activity Estimates: Generally Steady Demand And Growth, Jan. 9, 2025
- U.S. Not-For-Profit Transportation Infrastructure 2023 Medians: Demand And Revenue Growth Improved Financial Medians To Post-Pandemic Highs, Nov. 12, 2024