STANDARD & POOR'S

PUBLIC FINANCE

Maryland Transportation Authority

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RatingsDirect
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Credit Profile		
$300. mil toll revenue bonds series 2010 due 07/01/2041		
Long Term Rating	AA-/Stable	New
Maryland Transportation Authority toll revenue bonds ser ies2009		
Long Term Rating	AA-/Stable	Affirmed
Maryland Transportation Authority, capital appreciation, series 92 dated 9-9-92 due 7-1-2004 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 2010 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 $1.12 billion in parity revenue debt through fiscal 2016, including this issue.

More specifically, we believe the rating reflects what we view as 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);

- Strong liquidity, with about 735 days' cash on hand as of March 31, 2010, based on $375 million in unrestricted cash against expected fiscal 2010 expenses;
- Willingness and ability to raise tolls, highlighted by a 50% increase in commercial vehicle toll rates in May 2009, and use other revenue-enhancing measures; and
- Very strong historical debt service coverage (DSC) of 4.29x-6.04x from 2005-2009, and estimated at 3.87x for 2010. We expect this to decline to what we consider to be strong 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 is MTA's debt issuance program, which, as expected, is continuing to increase its medium-term debt profile. The authority's remaining capital improvement plan (CIP) through fiscal 2016 totals $2.64 billion, of which approximately $1.22 billion will require debt issues, including this one. Overall funding sources include series 2010 proceeds, an additional $420 million in revenue bonds, $516 million in federal highway trust fund loans (as parity debt), $157 million in state and federal funds, and $1.26 billion in authority cash.

MTA's current unrestricted cash and investments position is a significant improvement 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. Furthermore, in 2009, the authority modified its reserve policy to be the lesser of 100% of toll revenue or $350 million in unrestricted cash; we consider this policy to be an additional credit benefit. It has no variable-rate revenue bonds or 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 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. There have been some slight delays associated with ICC construction, with officials now expecting the first portion to open in late 2010 or early 2011. We do not consider this delay to be significant, nor for it to have a material effect on the authority's finances. 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 MTA reclassified the ICC as a TFP, 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 parity Transportation Infrastructure Finance and Innovation Act bonds, projected DSC will not reach the highs of the past few years. Projected net revenues demonstrate DSC to decrease steadily to 1.93x in 2013, then remaining at about 2.00x through 2016. 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.

The system further benefits from the state's economy, which we consider to be broad-based and diverse, reflecting a mature infrastructure and a well-educated labor force. The economy, which historically outperforms that of the nation, continues to demonstrate strong wealth and income levels, coupled with unemployment that remains below the national average through economic cycles. Maryland's population is an estimated 5.7 million, and net immigration has been steady in the past five years due to the state's relative economic strength. Overall, we believe the economic slowdown will continue to affect Maryland's economy, but to a lesser extent during this year.

Outlook

The stable outlook reflects our expectation that in the next two years the system will reach traffic and revenue forecasts, resulting in good financial margins. 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 opening of the revenue-generating ICC is significantly delayed, as projected financial results assume the ICC opening and begin generating collecting tolls in fiscal 2011. Given the capital plan's large scale and associated additional debt needs, we do not expect to raise the rating during the outlook period.

Related Criteria And Research

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

Ratings Detail (As Of 06-Jul-2010)		
Maryland Transportation Authority		
Long Term Rating	AA-/Stable	Affirmed
Maryland Transportation Authority		
Unenhanced Rating	AA-(SPUR)/Stable	Affirmed