

**MDOT RESPONSE TO DLS ANALYSIS**

***DLS Budget Analysis Issues***

---

- 1. No Additional Debt Affordability Criteria Needed for Transportation Debt According to MDOT. (Page 14)**

*The Secretary should explain to the committees how the level of projected debt can be considered affordable if it prevents moving forward with the stated priority of the Administration to increase the share of HUR going to local governments.*

**MDOT Response:**

Improving Maryland's transportation infrastructure has been a priority of this Administration. Increasing revenues to the local jurisdictions to support this purpose has been accomplished through capital grants since FY 2014. The local jurisdictions have become dependent upon these grants to help maintain their existing infrastructure and support improvements.

The Administration is committed to continue funding these grants as planned. MDOT is able to provide the increased funding while maintaining its bond covenants and staying within its debt service coverage parameters.

- 2. Fully Leveraged Capital Program Magnifies Revenue Reductions (Page 14)**

*MDOT should provide the committees with a list of the capital projects that would be canceled or delayed in order to implement the Administration's goal of increasing the share of HUR going to local governments.*

**MDOT Response:**

As stated in the MDOT response to Issue 1, the Administration is achieving its goal of increasing much needed funding to the local jurisdictions for their transportation programs through the use of capital grants. Funds for this purpose have been reserved in the Transportation Trust Fund Six-year Financial Plan.

**MDOT RESPONSE TO DLS ANALYSIS**

***Operating Budget Recommended Actions (Page 15)***

---

1. Add the following language:

Consolidated Transportation Bonds may be issued in any amount provided that the aggregate outstanding and unpaid balance of these bonds and bonds of prior issues may not exceed \$3,021,675,000 as of June 30, 2018. Further provided that the amount paid for debt service shall be reduced by any proceeds generated from net bond sale premiums, provided that those revenues are recognized by the department and reflected in the Transportation Trust Fund forecast. Further provided that the appropriation for debt service shall be reduced by any proceeds generated from net bond sale premiums. To achieve this reduction, the Maryland Department of Transportation (MDOT) may either use the proceeds from the net premium to reduce the size of the bond issuance and/or apply the proceeds from the net premium to eligible debt service.

**MDOT Response:**

The Department concurs with the recommended language.

**MDOT RESPONSE TO DLS ANALYSIS**

**Operating Budget Recommended Actions (Continued)(Page 15)**

2. Add the following language:

MDOT shall submit with its annual September and January financial forecasts information on:

- (1) anticipated and actual nontraditional debt outstanding as of June 30 of each year; and
- (2) anticipated and actual debt service payments for each outstanding nontraditional debt issuance from fiscal 2017 through 2027.

Nontraditional debt is defined as any debt instrument that is not a Consolidated Transportation Bond or a Grant Anticipation Revenue Vehicle bond; such debt includes, but is not limited to, Certificates of Participation, debt backed by customer facility charges, passenger facility charges, or other revenues, and debt issued by the Maryland Economic Development Corporation or any other third party on behalf of MDOT.

**MDOT Response:**

The Department concurs with the recommended language.

**MDOT RESPONSE TO DLS ANALYSIS**

***Operating Budget Recommended Actions (Continued)(Page 16)***

3. Add the following language:

The total aggregate outstanding and unpaid principal balance of nontraditional debt, defined as any debt instrument that is not a Consolidated Transportation Bond or a Grant Anticipation Revenue Vehicle bond issued by MDOT, may not exceed \$880,930,000 as of June 30, 2018. Provided, however, that in addition to the limit established under this provision, MDOT may increase the aggregate outstanding unpaid and principal balance of nontraditional debt so long as:

- (1) MDOT provides notice to the Senate Budget and Taxation Committee and the House Appropriations Committee stating the specific reason for the additional issuance and providing specific information regarding the proposed issuance, including information specifying the total amount of nontraditional debt that would be outstanding on June 30, 2018, and the total amount by which the fiscal 2018 debt service payment for all nontraditional debt would increase following the additional issuance; and
- (2) the Senate Budget and Taxation Committee and the House Appropriations Committee have 45 days to review and comment on the proposed additional issuance before the publication of a preliminary official statement. The Senate Budget and Taxation Committee and the House Appropriations Committee may hold a public hearing to discuss the proposed increase and shall signal their intent to hold a hearing within 45 days of receiving notice from MDOT.

**MDOT Response:**

The Department concurs with the recommended language.