
Maryland Department of Transportation

Fiscal Year 2021 Operating Budget
Response to Department of Legislative Services Budget Analysis

Senate Budget and Taxation Committee
Public Safety, Transportation and Environment Subcommittee
Senator Guy Guzzone, Chair
January 24, 2020

House Appropriations Committee
Transportation and Environment Subcommittee
Delegate Marc Korman
January 30, 2020

DLS Budget Analysis Issues

1. Maryland Aviation Administration Issuing New Type of Revenue Bonds (Page 7)

MDOT should brief the committees on the planned MAA revenue bond issuance including:

- ***the likely maximum future debt service that will be reached for bonds supporting the A/B connector and baggage handling system;***
- ***whether it anticipates the use of this financing structure for future projects; and***
- ***how it intends to ensure that the TTF forecast accurately reflects the revenues accruing to the TTF.***

MDOT Response:

In 2014, the legislature provided MDOT with authority to issue revenue bonds. The airport revenue bonds currently under consideration will be MDOT's first issuance of revenue bonds under this new authority. Proceeds from the bonds will be used to fund an approximately \$500 million project at BWI Marshall Airport for the construction of a Concourse A/B connector, baggage handling system replacement, expanded hold rooms, additional restrooms, and additional concessions space. This project is included in the FY 2020-2025 Consolidated Transportation Program.

Although many details of the new revenue bond issuance are still being worked out, MDOT expects to issue the first tranche of bonds, up to \$350 million, in late fiscal 2020. A second issuance for this same project is expected in 2022. The bonds will be backed by net airport revenues and will be repaid over a 30-year term. Maximum annual debt service on the Series 2020 bonds is currently estimated at \$21 million, but this amount may change based on the final structure of the bonds and market conditions. MDOT is also considering refunding the existing parking revenue and MEDCO lease revenue bonds to back all bonds by the same net revenue pledge.

The revenues included in MDOT's current six-year financial plan fairly reflect the revenues that are expected to be available to the TTF. MDOT agrees that the revenue needed for debt service for the revenue bonds cannot be used to calculate the debt service coverage test on MDOT's existing Consolidated Transportation Bonds. As the structure of the bonds is better defined, MDOT will work with DLS to develop an agreed upon methodology for how the revenues and debt service associated with the airport revenue bonds will be reflected in the financial plan.

Operating Budget Recommended Actions

1. Add the following language (Page 8):

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 \$3,877,330,000 as of June 30, 2021.

MDOT Response:

The Department concurs with the DLS recommendation.

2. Add the following language (Page 8):

The Maryland Department of Transportation (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 2020 through 2030.

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 DLS recommendation.

Operating Budget Recommended Actions (Continued)

3. Add the following language (Page 9):

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 the Maryland Department of Transportation (MDOT), exclusive of any draws on the federal Transportation Infrastructure Finance and Innovation Act (TIFIA) loan for the Purple Line Light Rail Project, may not exceed \$1,226,530,000 as of June 30, 2021. The total aggregate outstanding and unpaid principal balance on the Purple Line TIFIA loan may not exceed \$925,315,170 as of June 30, 2021. Provided, however, that in addition to the limits 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, 2021, and the total amount by which the fiscal 2020 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 DLS recommendation.