

Department of Legislative Services
Maryland General Assembly
2005 Session

FISCAL AND POLICY NOTE

House Bill 1351
Appropriations

(Delegates Conway and James)

Maryland Transportation Authority - Revenue Bond Restrictions

This bill repeals a provision that prohibits the Maryland Transportation Authority (MdTA), beginning July 1, 2005, from issuing bonds to finance all or part of the cost of a transportation facility project until the General Assembly has approved by legislation the specific project and maximum principal amount of bonds to be issued.

Instead, the bill permits MdTA to issue revenue bonds in any amount as long as the outstanding principal on all bond issues does not exceed a permanent cap of \$1.9 billion or a more restrictive cap imposed by the General Assembly for the next fiscal year.

The bill takes effect July 1, 2005.

Fiscal Summary

State Effect: The proposed cap of \$1.9 billion in outstanding bonds will enable MdTA to complete its proposed capital projects in the Consolidated Transportation Program through FY 2010. Potential minimal decrease in nonbudgeted expenditures and revenues if the annual limit set by the General Assembly is lower than the proposed capital program.

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: Revenue bonds are defined as bonds issued by MdTA that are payable from toll revenues or other authority-sourced revenues and are not issued on behalf of any other public or private entity.

Subject to the \$1.9 billion cap, the General Assembly must determine each year the maximum amount of principal due on revenue bonds that can be outstanding on June 30 of the following fiscal year. MdTA can exceed this amount by \$25 million if it provides notice to both the Senate Budget and Taxation Committee and the House Appropriations Committee, explaining the need for additional debt and allowing the committees time to review and comment on the increase. Such notice must be provided at least 45 days before publication of a preliminary official statement regarding the proposed increase in debt.

Current Law/Background: Established in 1971 as an independent, nonbudgeted agency, MdTA is responsible for the operation of the State's seven existing toll facilities. MdTA has assumed an expanded role in financing non-tolled transportation facilities since the 1980s. MdTA has provided fund transfers and loans to the Maryland Department of Transportation's (MDOT) Transportation Trust Fund (TTF) and has assumed responsibility for building non-tolled facilities that could not be financed through the TTF. MdTA has also served as the conduit through which debt backed by a variety of revenue sources has been issued by several MDOT modal administrations.

In 2004, control over the construction of the proposed InterCounty Connector (ICC) highway was transferred from MDOT to MdTA. In addition to overseeing the project's design and implementation, MdTA is expected to provide the majority of the financing for the project through the issuance of: (1) revenue bonds backed by tolls on its existing facilities as well as tolls on the ICC; and (2) a form of debt called a Grant Anticipation Revenue Vehicle, which is a bond backed by a state's federal highway aid receipts. According to MdTA, another facility project that will require bonds to be issued in fiscal 2006 is the Annapolis Garage. The Governor's proposed capital budget for MdTA for fiscal 2006 totals approximately \$490 million in nonbudgeted funds. It assumes bond sales of \$440 million in fiscal 2006.

Under current statute, the General Assembly oversight of MdTA consists of:

- review of MdTA's operating and capital spending plans but does not appropriate MdTA's budget – the General Assembly has no authority to reduce MdTA's budget or restrict its expenditures;

- receipt of notice when MdTA enters into a contract for a new revenue-producing facility and may review and comment upon such notices but may not approve or disapprove of the contract; and
- receipt of notice of proposed increases in tolls.

During the 2004 session, however, the General Assembly expanded its oversight of MdTA by adopting provisions that prohibit MdTA from issuing bonds to finance a transportation facility until the General Assembly has approved the specific project and the maximum amount of bonds to finance the project. These provisions, which were part of the Budget Reconciliation and Financing Act of 2004 (Chapter 430), would have taken effect June 30, 2004, but were modified by the Maryland Consolidated Capital Bond Loan of 2004 (Chapter 432) to instead take effect on July 1, 2005.

MdTA advises that these restrictions limit its ability to remain responsive to the transportation needs of its citizens.

As **Exhibit 1** shows, the amount of MdTA bonds outstanding is expected to increase significantly over the next five years, while MdTA cash balances will drop from current levels but will rebound.

Exhibit 1
Projected MdTA Outstanding Bonds and Cash Balances
Fiscal 2004 – 2010
(\$ in Millions)

<u>Fiscal Year</u>	<u>Outstanding Bonds</u>	<u>Unencumbered Cash Balance</u>
2004	\$305.0	\$415.9
2005	285.6	356.6
2006	261.5	290.0
2007	511.7	319.6
2008	708.8	326.8
2009	1,373.7	335.8
2010	1,693.7	343.9

State Fiscal Effect: MdTA issues revenue bonds based on planned expenditures in the Consolidated Transportation Program (CTP). The current CTP encompasses fiscal 2006 through 2010. Based on the projects included in the current CTP, MdTA will not exceed the \$1.9 billion cap before fiscal 2011.

Revenues from new bond issues and planned expenditures could be affected by the annual General Assembly cap on the amount of bonds outstanding each year; however, MdTA has an unencumbered cash balance available to finance projects should the General Assembly impose a limit lower than the proposed capital program.

Legislative Services advises that, while the General Assembly must limit the amount of principal that may be outstanding every year, MdTA will have discretion to issue up to an additional \$25 million in revenue bonds in case there is an unanticipated event requiring emergency funding.

Additional Information

Prior Introductions: None.

Cross File: SB 255 (Senators DeGrange and Kasemeyer) – Budget and Taxation.

Information Source(s): Maryland Department of Transportation, Maryland Transportation Authority, Department of Legislative Services

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