SB 71

Department of Legislative Services

Maryland General Assembly
2005 Session

FISCAL AND POLICY NOTE

Senate Bill 71 (Chairman, Budget and Taxation Committee)
(By Request – Departmental – Transportation)

Budget and Taxation

Maryland Transportation Authority - Project Financing Policy - Bonding Authority

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This departmental 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. The bill also repeals the provision authorizing MdTA to, without the approval of the General Assembly, issue bonds to refinance all or any part of the cost of a transportation facility project for which the authority previously issued bonds.

The bill takes effect July 1, 2005.

Fiscal Summary

State Effect: The bill would lift restrictions on MdTA's ability to issue bonds, which could expedite and increase, perhaps significantly, the amount of debt issued than would otherwise occur beginning July 1, 2005.

Local Effect: The bill would not directly affect local government operations or finances.

Small Business Effect: The Maryland Department of Transportation (MDOT) and MdTA have determined this bill has minimal or no impact on small business (attached). Legislative Services concurs with this assessment.

Analysis

Bill Summary: The bill also: (1) requires MdTA to provide specified information to specified committees of the Maryland General Assembly and the Department of Legislative Services regarding a proposed acquisition or construction of a revenue-producing transportation facilities project; and (2) provides for review and comment by those entities.

Current Law/Background: Established in 1971 as an independent, nonbudgeted State 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 MDOT's 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 that would be collected 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; however, 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 on June 1, 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. This bill is intended to restore MdTA's flexibility to issue revenue bonds when necessary.

State Fiscal Effect: MdTA issues revenue bonds based on planned expenditures in the Consolidated Transportation Program, which has already been established for fiscal 2006 through 2010. Because the provisions of Chapters 430 and 432 of 2004 have not yet taken effect, it is impossible to predict what impact they would have on actual MdTA bond issuances. However, by lifting restrictions on MdTA's ability to issue bonds, the bill could expedite and increase, perhaps significantly, the amount of debt issued by MdTA than would otherwise occur under the provisions of Chapters 430 and 432. MDOT advises that under Chapters 430 and 432, if a capital project is needed at a time outside of the General Assembly's legislative session, funding from other sources would be required, putting additional pressure on tolls. This bill would allow MdTA to maintain flexibility regarding the timing and amount of bond issues.

Additional Information

Prior Introductions: None.

Cross File: None.

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

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