HB 949

Department of Legislative Services

Maryland General Assembly
2009 Session

FISCAL AND POLICY NOTE

House Bill 949 (Delegate Sossi, *et al.*)
Appropriations

Maryland Transportation Authority - Bonding Authority

This bill decreases the limit on the aggregate outstanding and unpaid principal balance of revenue bonds issued by the Maryland Transportation Authority (MDTA) from $3.0 billion to a maximum of $1.9 billion.

The bill takes effect July 1, 2009.

Fiscal Summary

State Effect: The bill decreases bond revenues by limiting MDTA's ability to issue bonds from $3.0 billion to a maximum of $1.9 billion. Nonbudgeted revenues, primarily from toll increases, increase to help offset the loss of bond revenues. Nonbudgeted expenditures decrease due to necessary deferral of capital projects.

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

Small Business Effect: Minimal.

Analysis

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 nontolled 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 revenue-generating transportation facilities in lieu of financing by 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.

Chapter 567 of 2008 increased the limit on the aggregate outstanding and unpaid principal balance of revenue bonds issued by MDTA from $1.9 billion to a maximum of $3.0 billion. This law also required MDTA's maximum aggregate amount of revenue bonds that may be outstanding and unpaid to be reduced by the amount of (1) any loan extended to the State under the federal Transportation Infrastructure Finance and Innovation Act (TIFIA); and (2) any line of credit extended to the State under TIFIA, to the extent the State draws on the line of credit.

Primarily the increase in the cap was prompted by the simultaneous construction of two large capital projects: the InterCounty Connector (ICC) and the Express Toll Lanes on I-95 north of Baltimore. In total, these two projects account for $2.8 billion in MDTA's total six-year $3.8 billion capital program. Other major projects include redecking and painting the Bay Bridge and improvements to the Hatem Bridge and Baltimore tunnels.

Revenue bonds issued by MDTA are backed by toll revenues and do not count against State debt limits.

State Fiscal Effect: Decreasing MDTA's bond cap from $3.0 billion to a maximum of $1.9 billion (by 37% or $1.1 billion) significantly decreases the amount of debt issued by MDTA that would otherwise occur under current law. A reduction in debt results in less annual revenue for debt service and more annual revenue for capital costs. However, decreasing the cap places additional pressure on MDTA to reduce its capital programs and/or increase tolls earlier and to a greater extent to produce adequate cash to pay for projects on a pay-as-you-go (PAYGO) basis.

MDTA's financial forecast currently reflects the following expected bond issuances: $656 million in fiscal 2010, $555 million in fiscal 2011, $135 million in fiscal 2012, $55 million in fiscal 2013, and $130 million in fiscal 2014. To put these amounts in perspective, fiscal 2010 toll revenues are forecast at $338 million. If MDTA is required to use PAYGO cash instead of revenue bonds, substantial toll increases are required. However, since even doubling the tolls does not produce enough revenue to move forward on current capital projects, project deferrals are required.

Since MDTA's six-year financial forecast is predicated on the issuance of debt beyond the proposed $1.9 billion, reducing the debt limit affects MDTA in fiscal 2011 and beyond. In fiscal 2013 and 2014, the only projects in MDTA's capital program are the ICC, I-95 express toll lanes, and system preservation, so these projects must be deferred. Changing the bond limit prevents construction of new projects and affects ongoing construction.

Additional Information

Prior Introductions: None.

Cross File: SB 479 (Senators Pipkin and Jacobs) - Budget and Taxation.

Information Source(s): Maryland Department of Transportation, State Treasurer's Office, Department of Legislative Services

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