

Department of Legislative Services
Maryland General Assembly
2021 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

Senate Bill 259

(Chair, Budget and Taxation Committee)(By Request -
Departmental - Transportation)

Budget and Taxation

Appropriations

**Department of Transportation - Grant Anticipation Revenue Vehicle Bonds -
Calculation of Debt Limit**

This departmental bill expands the authority of the Maryland Department of Transportation (MDOT) and the Maryland Transportation Authority (MDTA) to issue additional Grant Anticipation Revenue Vehicle (GARVEE) bonds backed by future federal aid. Specifically, the bill authorizes MDOT and MDTA to issue such debt as long as the aggregate outstanding and unpaid principal amount of the debt does not exceed \$750 million as of June 30 of any year. Proceeds from the issuance of GARVEE bonds may only be used for specified projects. **The bill takes effect July 1, 2021.**

Fiscal Summary

State Effect: No immediate effect on Transportation Trust Fund (TTF) revenues and expenditures or MDTA's nonbudgeted revenues and expenditures; however, the bill grants MDOT and MDTA additional flexibility to fund its capital program in future years. To the extent additional GARVEE bonds are issued, additional funding is available for authorized projects at the time the bonds are issued; these bonds are then repaid from future federal aid. Because GARVEE bonds are considered tax-supported debt, any issuance of GARVEE bonds impacts the State's overall debt capacity.

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

Small Business Effect: MDOT has determined that this bill has minimal or no impact on small business (attached). The Department of Legislative Services concurs with this assessment. (The attached assessment does not reflect amendments to the bill.)

Analysis

Bill Summary/Current Law/Background: MDOT and MDTA have the authority to borrow money and issue debt to finance the cost of transportation facilities projects. The Transportation Article includes numerous procedures and requirements regarding the borrowing of money, issuance of debt, and payments on the corresponding debt service.

Chapters 471 and 472 of 2005 authorized MDOT and MDTA to issue a maximum of \$750 million in GARVEE bonds backed by future federal aid. Under this authority, \$750 million in bonds were issued in 2007 and 2008 as part of the financing plan for the Intercounty Connector; these bonds have since been fully paid off. Due to the \$750 million limit, MDOT and MDTA have not been able to finance any other transportation projects or their capital program using GARVEE bonds backed by future federal aid.

The bill alters the limitation on the issuance of GARVEE bonds by authorizing MDOT and MDTA to issue GARVEE bonds as long as the aggregate outstanding and unpaid principal amount of debt issued does not exceed \$750 million as of June 30 of any year. Existing requirements that govern the issuance and repayment of the bonds apply, including that the date of maturity may not be later than 12 years after the date of the bond issuance. Under the bill, proceeds from the issuance of these bonds may only be used for:

- designing and constructing the Penn-Camden connector;
- procuring electric buses and constructing related infrastructure;
- developing and constructing the Southern Maryland Transportation Corridor, including routes 2, 4, 5, 228, and 301, the Governor Harry W. Nice Memorial/Senator Thomas “Mac” Middleton Bridge, and the Governor Thomas Johnson Memorial Bridge;
- improving Maryland Route 210;
- the Baltimore and Potomac Tunney expansion; or
- the Interstate 81 Phase 2 Corridor expansion.

MDOT advises that nationwide, GARVEE bonds have been used to finance transit and highway projects. MDOT further advises that allowing it and MDTA to issue additional GARVEE bonds (1) provides an additional tool in the tool belt to finance transportation projects at competitive rates and (2) offers an important source of financial flexibility to respond to revenue losses, such as those resulting from the coronavirus pandemic.

GARVEE bonds are considered tax-supported debt and are, therefore, included in the Capital Debt Affordability Committee’s calculations of tax-supported debt when determining the State’s overall debt capacity.

Additional Information

Prior Introductions: None.

Designated Cross File: None.

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

Fiscal Note History: First Reader - January 21, 2021
rh/lgc Third Reader - March 23, 2021
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ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Department of Transportation - Grant Anticipation Revenue Vehicle Bonds - Calculation of Debt Limit

BILL NUMBER: SB 259

PREPARED BY: Maryland Department of Transportation
(Dept./Agency)

PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

 X WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON
MARYLAND SMALL BUSINESS

OR

 WILL HAVE MEANINGFUL ECONOMIC IMPACT ON MARYLAND
SMALL BUSINESSES

PART B. ECONOMIC IMPACT ANALYSIS