



Larry Hogan
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Secretary

March 24, 2021

The Honorable Maggie McIntosh
Chair, House Appropriations Committee
Room 121 House Office Building
Annapolis MD 21401

Re: Letter of Support – Senate Bill 259 – Department of Transportation – Grant Anticipation Revenue Vehicle Bonds – Calculation of Debt Limit

Dear Chair McIntosh and Committee Members:

The Maryland Department of Transportation (MDOT) supports Senate Bill 259, which would allow MDOT to issue additional Grant Anticipation Revenue Vehicle (GARVEE) bonds to support its capital program. The availability of GARVEE bonds provides an important alternative financing tool to fund critical highway and transit projects, which are specified in the bill.

GARVEE bonds are a form of debt that are repaid from future federal aid. GARVEE bonds allow MDOT to accelerate funding on projects where sufficient pay-as-you-go financing may not be available and allow MDOT to spread the cost of a project over the useful life of the project. Current Maryland law allows for a one-time issuance of GARVEE bonds for up to \$750 million. In 2007 and 2008, the Maryland Transportation Authority issued a total of \$750 million in GARVEE bonds as part of the financing plan for the Intercounty Connector. These bonds were fully repaid in March 2020. Senate Bill 259 would establish the \$750 million as a debt outstanding limit, rather than an issuance limit amount, thus allowing MDOT to issue additional GARVEE bonds to help fund additional capital projects.

Nationwide, GARVEE bonds have been used for transit and highway projects. Senate Bill 259 provides an additional tool for MDOT to use to finance the projects specified at competitive rates and is an important source of financial flexibility so the Department can continue to fund critical transportation infrastructure despite the revenue losses associated with the COVID-19 pandemic.

Under Senate Bill 259, the projects that GARVEE bonds are allowed to be used for are designing and constructing the Penn-Camden Connector; procuring electric buses and constructing related infrastructure; developing and constructing the Southern Maryland Transportation Corridor; improving Maryland Route 210; expanding the Baltimore and Potomac Tunnel; or expanding the Interstate 81 Phase 2 Corridor.

For these reasons, the Maryland Department of Transportation respectfully requests the Committee grant Senate Bill 259 a favorable report.

Respectfully submitted,

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