



MARYLAND STATE TREASURER
Dereck E. Davis

Testimony of the Maryland State Treasurer's Office

Senate Bill 187 - Department of Transportation – Grant Anticipation Revenue Vehicle Bonds

Position: Informational

January 19, 2022

Senate Bill 187 specifies that if the Maryland Department of Transportation (MDOT) intends to pledge any future federal aid from any source as the sole source of repayment for bonds issued, the aggregate amount of debt that is outstanding and unpaid and that is secured solely by a pledge of federal aid may not exceed \$750 million as of June 30 of any year. Among other changes, the bill also repeals a statutory requirement that the Capital Debt Affordability Committee (CDAC) include Grant Anticipation Revenue Vehicle (GARVEE) bonds in its calculation of tax-supported debt.

In 2007, Maryland issued its first and only GARVEE bond to fund the Intercounty Connector. At the time of Maryland's initial issuance, policymakers determined that the Transportation Trust Fund (TTF) should be used as a backstop to pay debt service on the bonds in the event that the federal grant revenue was not received. In the intervening years, however, many GARVEE issuances in other states have been successfully brought to market while backed only by anticipated federal grant revenue, allowing transportation departments around the country to undertake large-scale, transformative projects with no risk to tax dollars.

The State Treasurer's Office does not take an official position on SB 187, but recommends that if the General Assembly authorizes MDOT to issue additional GARVEEs, it retains the provision in the bill that repeals the requirement that CDAC include GARVEEs in its calculation of tax-supported debt. MDOT has informed the State Treasurer's Office that it does not intend to use TTF as a backstop for any future GARVEE issuances. Since the debt would be secured solely by federal grant revenue, the bonds should not be considered tax-supported debt. If State funds (TTF or otherwise) were subsequently used as a backstop, CDAC would still retain the authority to vote to classify those bonds as tax-supported debt in spite of this statutory change.

Thank you for the opportunity to provide information on SB 187. Please feel free to contact Laura Atas, Deputy Treasurer for Public Policy (latas@treasurer.state.md.us), with any questions.