

**Sen.McCray\_SB24.pdf**

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CORY V. McCRAY  
Legislative District 45  
Baltimore City

DEPUTY MAJORITY WHIP

Budget and Taxation Committee

*Subcommittees*

Vice Chair, Capital Budget

Pensions

Chair, Public Safety, Transportation,  
and Environment



James Senate Office Building  
11 Bladen Street, Room 221  
Annapolis, Maryland 21401  
410-841-3165 · 301-858-3165  
800-492-7122 Ext. 3165  
Cory.Mccray@senate.state.md.us

THE SENATE OF MARYLAND  
ANNAPOLIS, MARYLAND 21401

## Vote Yes on Senate Bill 24

**Bill Title: Department of Transportation-Consolidated Transportation Program and debt limit of Grant Anticipation Revenue Vehicle Bonds Committee: Budget and Taxation Hearing Date: January 19, 2023**

Dear Chair, Vice Chair, and members of the committee:

I am before you today to request your support for the State and Federal Transportation Funding Act (Senate Bill 24). For members that have been members of the Budget and Taxation committee within the past two years, this is a bill that has been discussed and proposed by the Hogan administration to gain approval for the utilization of Grant Anticipation Revenue Vehicles (GARVEE) bonds to leverage our resources for large projects.

It is important to recognize that twenty-plus states have utilized GARVEE bonds in the past, and Maryland is one of those leaders. Maryland utilized GARVEE bonds to construct the Intercountry Connector. Working with my cross-file Delegate Korman, we have identified six proposed purposes for use with GARVEE bonds which have a regional approach, environmental consideration, and economic gains for the State of Maryland:

- Designing and Construction the Baltimore Red Line
- Procuring Electric Buses and Constructing Related Infrastructure
- Rehabilitating or Replacing the Susquehanna River Rail Bridge
- Replacing The Baltimore and Potomac Tunnel with The Frederick Douglass Tunnel
- Developing and Constructing The Southern Maryland Rapid Transit Corridor
- Improving Capacity on the Brunswick, Camden, or Penn Lines of the MARC Rail System

For the aforementioned reasons we ask for your favorable support for Senate Bill 24 to provide long-term sustainable funding options to ensure Maryland's growth moving forward.

Respectfully,

A handwritten signature in blue ink, appearing to read "Cory V. McCray".

Cory V. McCray  
State Senator

**SB0024 - TSO - GARVEE Bonds\_LOI\_.pdf**

Uploaded by: Patricia Westervelt

Position: INFO

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January 19, 2023

The Honorable Guy Guzzone  
Chairman, Senate Budget and Taxation Committee  
3 East Miller Senate Office Building  
Annapolis MD 21401

***Re: Letter of Information – Senate Bill 24 – Department of Transportation – Consolidated Transportation Program and Debt Limit of Grant Anticipation Revenue Vehicle Bonds***

Dear Chairman Guzzone and Committee Members:

The Maryland Department of Transportation (MDOT) takes no position on Senate Bill 24 but offers the following information for the Committee’s consideration.

Senate Bill 24 modifies the existing Grant Anticipation Revenue Vehicle (GARVEE) bond program and requires MDOT to maintain a \$30 million revenue contingency in every year of its financial plan. The MDOT supports having multiple funding and financing options available to continue its investments in Maryland’s multi-modal transportation system; however, it is necessary that these be done in a way that assures the effectiveness of the program. Constraints placed on the GARVEE bond program in Senate Bill 24 reduce the likelihood that MDOT would be able to utilize the program. Without the ability to utilize the program, credit rating agencies will still take into consideration the available debt authorization when making credit decisions, even if there are no planned debt issuances.

Senate Bill 24 establishes six transit projects that bond proceeds may be issued for. Three of the projects identified involve facilities not owned by the MDOT, thus ineligible for this type of financing per federal law (Susquehanna River Rail Bridge; Baltimore and Potomac Tunnel; Brunswick, Penn, and Camden Lines). These facilities are owned by private entities (Amtrak and CSX) and as such, would be ineligible for tax-exempt financing by MDOT.

Under federal law, projects financed by future transit funding must be eligible for funding under Title 49 of the Code of Federal Regulations. Generally, eligibility is limited to facilities owned and operated by an eligible recipient of grant funding (i.e., MDOT Maryland Transit Administration) and federal requirements for project planning, development, and procurement must be followed. Even if the projects were eligible for financing, there is greater value in using Maryland’s federal funds and tax-supported debt to maintain its own infrastructure rather than funding improvements to privately-owned assets.

Bonds backed by future federal aid allow MDOT to accelerate the delivery of capital projects rather than delaying projects until sufficient pay-as-you-go funding is available. This allows MDOT to better match the timing of available funding for a project with the future benefits of the project. Bonds backed by future federal aid are referred to as GARVEEs when used for highway projects and secured by federal highway funds or Grant Anticipation Notes (GANs) when used for transit projects and secured by federal transit funds.

Under current law, a maximum one-time issuance of \$750 million of GARVEE bonds may take place. This authorization was previously exhausted in 2008 with the issuance of \$750 million in GARVEE bonds for construction of the Intercounty Connector (MD 200). Senate Bill 24 establishes \$750 million as a debt outstanding limit, rather than an issuance limit, thus allowing additional issuances so long as the total amount of bonds outstanding remains below the limit.

Senate Bill 24 allows for additional issuances of GARVEE bonds and continues the current secondary pledge (backstop) of the Transportation Trust Fund. This may be viewed as a credit negative by credit rating agencies for MDOT's Consolidated Transportation Bonds (CTBs). The CTBs help to fund MDOT's six-year capital program. Currently, rating agencies cite in their ratings reports that although the Transportation Trust Fund is a backstop to Maryland's GARVEE bond program, no additional GARVEEs may be issued under current law.

A change in law that authorizes additional GARVEE issuances, whether the issuances take place or not, would be factored in when rating MDOT's CTBs and may have a negative impact on MDOT's credit profile. Utilizing the Transportation Trust Fund as a backstop to the bonds also requires that GARVEE bond debt be included in State debt affordability calculations made by the Capital Debt Affordability Committee.

Senate Bill 24 also requires MDOT to maintain a revenue contingency of \$30 million in each year of its financial plan. There are already multiple levels of conservatism built into MDOT's financial plan. Establishing the revenue contingency would reduce funds available for the capital program by \$115 million over the six-year period and thus would require a reduction to the capital program or an increase in CTB issuances by a like amount to offset the impact of the revenue reduction.

The Maryland Department of Transportation respectfully requests the Committee consider this information when deliberating Senate Bill 24.

Respectfully submitted,

Jaclyn Hartman  
Chief Financial Officer  
Maryland Department of Transportation  
410-865-1035

Pilar Helm  
Director of Government Affairs  
Maryland Department of Transportation  
410-865-1090