

**J00A04**  
**Debt Service Requirements**  
**Maryland Department of Transportation**

**Program Description**

**Consolidated Transportation Bonds**

The Maryland Department of Transportation (MDOT) issues 15-year Consolidated Transportation Bonds (CTB), which are tax-supported debt. Bond proceeds are dedicated for construction projects. Revenues from taxes and fees and other funding sources are combined in the Transportation Trust Fund (TTF) to pay debt service and operating budget requirements and to support the capital program. Debt service on CTBs is payable solely from the TTF.

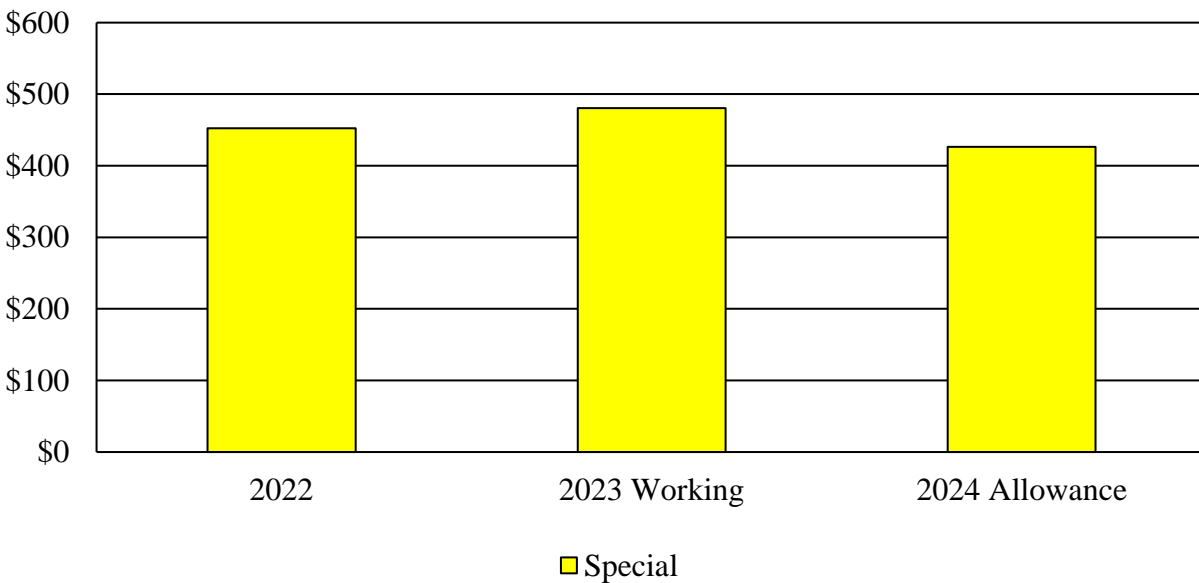
**Nontraditional Debt**

MDOT also uses nontraditional debt, which is any debt instrument that is not a CTB or a Grant Anticipation Revenue Vehicle (GARVEE) bond. This includes, but is not limited to, Certificates of Participation (COP); debt backed by customer facility charges, passenger facility charges, or other revenues; and debt issued by the Maryland Economic Development Corporation, the Maryland Transportation Authority, or any other third party on behalf of MDOT.

***Operating Budget Summary***

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**Fiscal 2024 Budget Decreases \$54 Million, or 11.2%, to \$426.5 Million**  
**(\$ in Millions)**



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## **Fiscal 2024 Overview of Agency Spending**

The fiscal 2024 allowance for debt service on CTB debt decreases by \$54.0 million (11.2%) from the current year working appropriation. The allowance provides for debt service on currently outstanding debt and the planned bond issuance of \$110 million in fiscal 2024.

### **Debt Service Coverage Ratios Remain above Minimum Acceptable Level**

State law, bond covenants, and agency debt practices limit CTB issuances with three criteria – a debt outstanding limit and two debt service coverage tests. The debt outstanding limit is set in statute at \$4.5 billion. Within this limit, statute further requires the General Assembly to establish in the budget for each fiscal year the maximum outstanding aggregate amount of these bonds at the end of the fiscal year. The statutory CTB limit is periodically increased to reflect revenue growth, which increases the capacity of the TTF to support additional debt. The CTB debt limit was last increased during the 2013 session. CTBs are included within the State debt affordability limits, and the level of debt service and debt outstanding are therefore evaluated annually by the Capital Debt Affordability Committee.

The two debt service coverage tests are established in the department’s bond resolutions and require that annual net income and pledged taxes from the prior year each equal at least 2.0 times the maximum level of future debt service payments on all CTBs outstanding and to be issued. The department has adopted a management practice that requires a minimum coverage of 2.5 times the maximum future debt service.

The net income coverage test is the ratio of all the prior year’s income (excluding federal capital contributions, bond proceeds, and third-party reimbursements) minus prior year operating expenses, debt service payments, and deductions for nontransportation agencies to maximum future debt service. The net income coverage test is typically the limiting coverage ratio.

The pledged taxes coverage test is the ratio of prior year net revenues from vehicle excise, motor fuel, rental car sales, and corporate income taxes (excluding refunds and all statutory deductions) to maximum future debt service. If either of these coverage ratios fall below the 2.0 times level, the department is prohibited under its bond covenants from issuing additional debt until the ratios are once again at or above the minimum 2.0 times level.

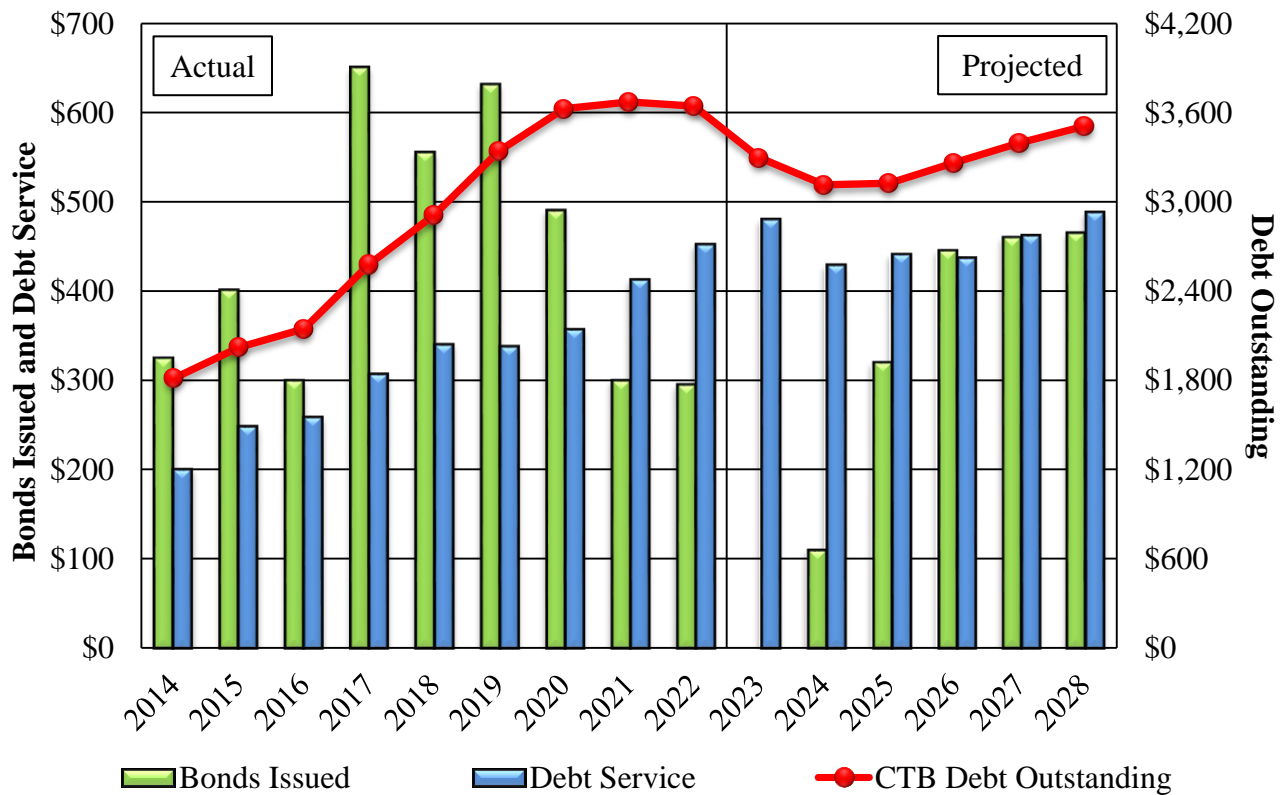
With no planned CTB issuances for fiscal 2023, the total amount of debt outstanding declines to \$3.3 billion, and the debt service coverage ratios in fiscal 2023 are estimated at 5.1 times for pledged taxes and 4.1 times for the net income test. In fiscal 2024, the level of debt outstanding is projected to further decrease to \$3.1 billion with the net income to debt service ratio projected to decrease to 3.9 times.

Based on current revenue and debt issuance projections, CTB debt levels meet both the statutory limit on maximum debt outstanding and the pledged taxes and net income coverage ratios set forth in bond resolutions for the entire six-year forecast period.

## Consolidated Transportation Bond Debt Trends

**Exhibit 1** shows annual new CTB issuances, debt service, and net debt outstanding from fiscal 2014 to 2028. Increased debt issuances following the 2013 motor fuel tax increase peaked in fiscal 2017, with the issuance of \$650 million. The increase in debt service resulting from the high level of debt issuance led to a downward trend in issuances, as debt service coverage ratios approached minimum acceptable levels. No CTB debt issuance is planned for fiscal 2023. Projected debt issuances beyond fiscal 2023 increase from \$110 million in fiscal 2024 to \$465 million in fiscal 2028. **Appendix 2** shows debt service and debt outstanding by fiscal year for current CTB debt.

**Exhibit 1**  
**Bond Issuances, Debt Service, and Debt Outstanding**  
 Fiscal 2014-2028  
 (\$ in Millions)



CTB: Consolidated Transportation Bond

Source: Maryland Department of Transportation; Department of Legislative Services

## Nontraditional Debt

In addition to CTBs, MDOT uses nontraditional debt. Nontraditional debt is any debt other than a CTB or a GARVEE bond. Most nontraditional debt issuances are direct debt of the department – either revenue debt or debt issued by a conduit agency on behalf of the department. Debt issued by a concessionaire as part of a public-private partnership (P3) and repaid through availability payments (AP), is debt of the concessionaire; however, since the source of funds for repayment of that debt are payments made by the department, it is included in this analysis as indirect nontraditional debt. **Exhibit 2** shows that the department currently has 11 direct nontraditional debt issuances outstanding with one pending issuance, and there are 2 indirect AP issuances outstanding. The issued and pending direct nontraditional debt is projected to have \$748.9 million in unpaid principal at the end of fiscal 2024, and the AP indirect debt is projected to have unpaid principal of almost \$1.6 billion. **Appendix 3** shows debt service and debt outstanding by fiscal year for current nontraditional debt.

**Exhibit 2**  
**Nontraditional Debt Outstanding and Debt Service**  
(\$ in Thousands)

<u>Year Issued and Maturity</u>	<u>Principal Outstanding (06/30/24)</u>	<u>Fiscal 2024 Debt Service Payment</u>	<u>Purpose</u>
<b>Maryland Department of Transportation – Direct Debt</b>			
<b>Certificates of Participation (COP)</b>			
2010-2025	\$1,650	\$1,710	Expand Pier B and a de-icing facility at the Baltimore/Washington International Thurgood Marshall Airport (BWI Marshall Airport).
2010-2025	2,235	1,157	Construction of a parking garage at the Maryland Area Regional Commuter Amtrak station near BWI Marshall Airport.
2016-2024	0	2,410	Refunding of 2006 COP used for construction of a paper shed at South Locust Point.
2019-2034	17,275	2,058	Acquisition of 25 40-foot and 15 60-foot clean diesel buses for parking shuttle services at BWI Marshall Airport.
<b>Subtotal</b>	<b>\$21,160</b>	<b>\$7,335</b>	

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<u>Year Issued and Maturity</u>	<u>Principal Outstanding (06/30/24)</u>	<u>Fiscal 2024 Debt Service Payment</u>	<u>Purpose</u>
<b>Maryland Transportation Authority (MDTA) Revenue Bonds</b>			
2002-2032	\$59,990	\$8,913	Construction of a consolidated rental car facility at BWI Marshall Airport. Bonds backed by customer facility charge of \$3.75 per vehicle rental per day.
2012-2032	25,660	3,839	Passenger Facility Charge revenue bonds to construct the B/C concourse connector.
2012-2027/32	66,130	10,139	Passenger Facility Charge revenue bonds to complete Runway Safety Area and Pavement Management Program improvements.
2014-2034	24,270	2,955	Passenger Facility Charge revenue bonds to construct the D/E concourse connector.
2019-2039	93,105	8,471	Passenger Facility Charge revenue bonds for various improvements at BWI Marshall Airport, including modifications to concourses A/B, restroom improvements, Federal Inspection Hall reconfiguration, and concourse D HVAC replacement.
<i>Subtotal</i>	<i>\$269,155</i>	<i>\$34,317</i>	
<b>Maryland Department of Transportation Special Transportation Project Revenue Bonds</b>			
2021-2030	\$193,125	\$29,059	Refunding of 2012 MDTA Parking Revenue Bonds used for the construction of the Elm Road parking garage and associated improvements near BWI Marshall Airport and refunding of Maryland Economic Development Corporation Lease Revenue bonds used for construction of a new 11-gate concourse A and reconstruction of a portion of concourse B at BWI Marshall Airport.

*J00A04 – MDOT – Debt Service Requirements*

<u>Year Issued and Maturity</u>	<u>Principal Outstanding (06/30/24)</u>	<u>Fiscal 2024 Debt Service Payment</u>	<u>Purpose</u>
2021-2051	190,485	8,612	Concourse A/B Connector and Baggage Handling System at BWI Marshall Airport.
<i>Subtotal</i>	<i>\$386,610</i>	<i>\$37,671</i>	
<b>Total Issued – Direct</b>	<b>\$673,925</b>	<b>\$79,323</b>	
<b>Pending – Direct</b>			
2023-TBD	\$75,000	TBD	Maryland Transit Administration Fare System
<b>Total Issued and Pending – Direct</b>	<b>\$748,925</b>	<b>TBD</b>	
<b>Public-private Partnership Availability Payment – Indirect Debt</b>			
<b>Purple Line Transit Partners LLC Debt</b>			
2022-2055	\$643,455	\$33,272	Private activity bonds for construction of the Purple Line Light Rail Transit project.
2022-2054	\$952,207*	\$0	Federal Transportation Infrastructure Finance and Innovation Act loan for construction of the Purple Line Light Rail Transit project.
<b>Total Issued – Indirect</b>	<b>\$1,595,662</b>	<b>\$33,272</b>	

\*Amount outstanding is preliminary and will vary on actual loan disbursements by fiscal year.

TBD: to be determined

Source: Maryland Department of Transportation; Department of Legislative Services

*J00A04 – MDOT – Debt Service Requirements*

The General Assembly began placing limits on COPs in fiscal 2002 and then all of the MDOT nontraditional debt in fiscal 2005. The limits on nontraditional debt are established in the same manner as the limits placed on CTBs – the General Assembly limits the amount of nontraditional debt to the amount already issued plus any additional nontraditional debt proposed by MDOT in its January nontraditional debt report. If MDOT finds that circumstances warrant additional issuances, it must report to the budget committees on the proposed additional debt and allow 45 days for the committees to review and comment on the proposal. **The Department of Legislative Services (DLS) recommends that the General Assembly continue the policy of limiting total nontraditional debt outstanding and that the amount of debt outstanding at the end of fiscal 2024 be limited to \$748.9 million for direct nontraditional debt and that indirect P3 debt be limited to \$2.5 billion.**

The General Assembly annually requires that MDOT report to the budget committees on nontraditional debt when it releases its September and January forecasts. Specifically, the language requires that MDOT report on the outstanding and proposed issuances, debt service costs, and annual debt outstanding. The report should cover the current fiscal year and the following 10 fiscal years. **DLS recommends that the General Assembly again require that the department report this information on its nontraditional debt when it releases its September and January forecasts.**

## Operating Budget Recommended Actions

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1. Add the following language:

Consolidated Transportation Bonds may be issued in any amount, provided that the aggregate outstanding and unpaid balance of these bonds and bonds of prior issues may not exceed \$3,114,910,000 as of June 30, 2024.

**Explanation:** Section 3-202 of the Transportation Article requires the General Assembly to establish the maximum debt outstanding each year in the budget bill. The level is based on the outstanding debt as of June 30, 2022, plus projected debt to be issued during fiscal 2024 in support of the transportation capital program. No debt issuance is planned for fiscal 2023.

2. Add the following language:

The Maryland Department of Transportation (MDOT) shall submit with its annual September and January financial forecasts information on:

- (1) anticipated and actual nontraditional debt outstanding as of June 30 of each year; and
- (2) anticipated and actual debt service payments for each outstanding nontraditional debt issuance from fiscal 2023 through 2033.

Nontraditional debt is defined as any debt instrument that is not a Consolidated Transportation Bond or a Grant Anticipation Revenue Vehicle bond; such debt includes, but is not limited to, Certificates of Participation; debt backed by customer facility charges, passenger facility charges or other revenues; and debt issued by the Maryland Economic Development Corporation or any other third party on behalf of MDOT.

**Explanation:** The General Assembly is interested in monitoring the use of nontraditional debt by MDOT. The information requested provides the budget committees with additional information on the usage and annual costs of nontraditional debt.

<b>Information Request</b>	<b>Author</b>	<b>Due Date</b>
Nontraditional debt outstanding and anticipated debt service payments	MDOT	With the September forecast
Nontraditional debt outstanding and anticipated debt service payments	MDOT	With the January forecast



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3. Add the following language:

The total aggregate outstanding and unpaid principal balance of nontraditional debt, defined as any debt instrument that is not a Consolidated Transportation Bond or a Grant Anticipation Revenue Vehicle bond issued by the Maryland Department of Transportation (MDOT), exclusive of debt for the Purple Line Light Rail Project, may not exceed \$748,925,000 as of June 30, 2024. The total aggregate outstanding and unpaid principal balance on debt for the Purple Line may not exceed \$2,522,912,000 as of June 30, 2024. Provided, however, that in addition to the limits established under this provision, MDOT may increase the aggregate outstanding unpaid and principal balance of nontraditional debt so long as:

- (1) MDOT provides notice to the Senate Budget and Taxation Committee and the House Appropriations Committee stating the specific reason for the additional issuance and providing specific information regarding the proposed issuance, including information specifying the total amount of nontraditional debt that would be outstanding on June 30, 2024, and the total amount by which the fiscal 2024 debt service payment for all nontraditional debt would increase following the additional issuance; and
- (2) the Senate Budget and Taxation Committee and the House Appropriations Committee have 45 days to review and comment on the proposed additional issuance before the publication of a preliminary official statement. The Senate Budget and Taxation Committee and the House Appropriations Committee may hold a public hearing to discuss the proposed increase and shall signal their intent to hold a hearing within 45 days of receiving notice from MDOT.

**Explanation:** This language limits the amount of nontraditional debt outstanding at the end of fiscal 2024, exclusive of debt issued for the Purple Line Light Rail Transit project, to the total amount that was outstanding from all previous nontraditional debt issuances as of December 31, 2022, plus an anticipated issuance of \$75 million for a new fare collection system for the Maryland Transit Administration. Debt outstanding for the Purple Line Project is capped at the projected maximum debt outstanding level that will occur during the construction phase of the Purple Line Project. The language allows MDOT to increase the amount of nontraditional debt outstanding in fiscal 2024 by providing notification to the budget committees regarding the reason that the additional debt is required.

<b>Information Request</b>	<b>Author</b>	<b>Due Date</b>
Justification for increasing nontraditional debt outstanding	MDOT	45 days prior to publication of a preliminary official statement

**Appendix 1**  
**2022 Joint Chairmen’s Report Responses from Agency**

The 2022 *Joint Chairmen’s Report* (JCR) requested that MDOT prepare two debt-related reports. Electronic copies of the full JCR responses can be found on the DLS Library website.

- ***Nontraditional Debt Outstanding and Anticipated Debt Service Payments:*** The 2022 JCR requested two reports on anticipated and actual debt outstanding and debt service payments for nontraditional debt. One report was submitted in September 2022 along with the draft TTF forecast, and the other was submitted in January 2023 with the final TTF forecast. A listing of nontraditional debt issuances can be found in Exhibit 2 of this analysis.

**Appendix 2**  
**Consolidated Transportation Bonds**  
**Debt Service and Debt Outstanding as of December 31, 2022**

<u>Fiscal Year</u>	<u>Debt Service</u>	<u>Debt Outstanding on June 30</u>
2023	\$478,426,119	\$3,297,030,000
2024	426,453,639	3,004,910,000
2025	429,706,489	2,695,050,000
2026	410,970,439	2,388,795,000
2027	411,242,639	2,067,485,000
2028	400,387,939	1,741,750,000
2029	385,328,489	1,416,015,000
2030	355,635,664	1,105,790,000
2031	317,907,598	821,290,000
2032	289,166,632	556,255,000
2033	224,653,231	347,320,000
2034	168,748,269	187,600,000
2035	106,259,594	85,970,000
2036	59,646,294	28,095,000
2037	28,393,509	0

Source: Maryland Department of Transportation; Department of Legislative Service

**Appendix 3**  
**Nontraditional Debt**  
**Debt Service and Debt Outstanding as of December 31, 2022**

<u>Fiscal Year</u>	<u>Debt Service</u>	<u>Debt Outstanding on June 30</u>
2023	\$85,159,814	\$1,627,235,177
2024	112,595,679	2,269,587,080
2025	110,178,474	2,840,638,067
2026	108,396,349	3,076,729,436
2027	148,045,045	3,035,761,626
2028	169,262,357	2,972,096,626
2029	297,528,307	2,774,516,626
2030	200,634,270	2,668,941,626
2031	204,379,599	2,556,186,626
2032	174,208,118	2,470,261,626
2033	163,690,776	2,391,416,626
2034	153,459,061	2,320,386,626
2035	151,900,497	2,248,651,626
2036	151,678,347	2,174,976,626
2037	167,533,567	2,082,886,626
2038	167,584,159	1,987,681,626
2039	167,552,596	1,889,296,626
2040	159,042,466	1,796,186,626
2041	159,001,188	1,699,951,626
2042	158,965,507	1,600,656,626
2043	158,883,444	1,498,136,626
2044	158,840,447	1,392,236,626
2045	158,792,989	1,282,696,626
2046	158,747,749	1,169,521,626
2047	158,810,105	1,052,406,626
2048	158,860,867	931,321,626
2049	158,817,289	806,171,626
2050	158,767,404	676,911,626
2051	158,723,428	543,331,626
2052	158,667,111	405,321,626
2053	146,403,208	275,116,626
2054	146,372,841	140,615,000
2055	146,168,975	0

Source: Maryland Department of Transportation; Department of Legislative Services

**Appendix 4**  
**Object/Fund Difference Report**  
**Maryland Department of Transportation – Debt Service Requirements**

<u>Object/Fund</u>	<u>FY 22</u> <u>Actual</u>	<u>FY 23</u> <u>Working</u> <u>Appropriation</u>	<u>FY 24</u> <u>Allowance</u>	<u>FY 23 - FY 24</u> <u>Amount Change</u>	<u>Percent</u> <u>Change</u>
<b>Objects</b>					
13 Fixed Charges	\$ 452,267,873	\$ 480,461,159	\$ 426,453,650	-\$ 54,007,509	-11.2%
<b>Total Objects</b>	<b>\$ 452,267,873</b>	<b>\$ 480,461,159</b>	<b>\$ 426,453,650</b>	<b>-\$ 54,007,509</b>	<b>-11.2%</b>
<b>Funds</b>					
03 Special Fund	\$ 452,267,873	\$ 480,461,159	\$ 426,453,650	-\$ 54,007,509	-11.2%
<b>Total Funds</b>	<b>\$ 452,267,873</b>	<b>\$ 480,461,159</b>	<b>\$ 426,453,650</b>	<b>-\$ 54,007,509</b>	<b>-11.2%</b>