

J00A04
Debt Service Requirements
Maryland Department of Transportation

Program Description

Consolidated Transportation Bonds

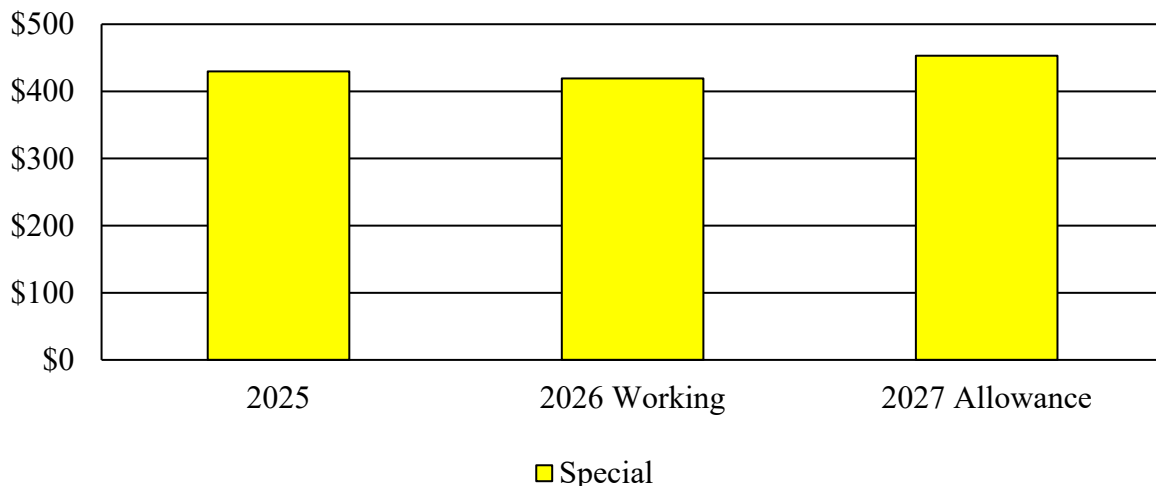
The Maryland Department of Transportation (MDOT) issues 15-year Consolidated Transportation Bonds (CTB), which are tax-supported debts. Bond proceeds are dedicated for capital projects. Revenues from taxes and fees and other funding sources are combined in the Transportation Trust Fund (TTF) to pay debt 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; 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

Fiscal 2027 Budget Increases \$33.7 Million, or 8.0%, to \$452.9 Million
(\$ in Thousands)



Note: The fiscal 2026 working appropriation accounts for deficiencies.

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Fiscal 2026

Proposed Deficiency

The fiscal 2027 Budget Bill contains a proposed deficiency appropriation that reduces the fiscal 2026 appropriation for debt service costs by \$8.2 million to reflect lower actual debt service payments required for the fiscal year. Of this savings, \$6.6 million is attributable to the refunding of previously issued debt, and \$1.6 million is attributable to the difference between estimated and actual costs for new issuances sold in fiscal 2025 and 2026. In its most recent bond sale held in October 2025, MDOT refunded approximately \$500 million in previously issued debt, resulting in lower debt service costs for these bonds. Additionally, the initial debt service payments in fiscal 2026 on the new issuances of \$200 million sold at the June 2025 sale, and the \$345 million sold at the October 2025 sale, were lower than were projected during the 2025 session.

Fiscal 2027 Overview of Agency Spending

The fiscal 2027 allowance for debt service on CTB debt increases by \$33.7 million (8.0%) from the current year working appropriation. The allowance provides for debt service on current outstanding debt, which includes the debt issuances from MDOT's most recent bond sales in fiscal 2025 and 2026 (\$200 million issued in June 2025 and \$345 million in new money bonds and \$500 million in refundings issued in October 2025), and the planned bond issuance of \$785 million in fiscal 2027. MDOT does not project any additional bond sales occurring in the remainder of fiscal 2026.

Debt Service Coverage Ratios Remain Above Minimum Acceptable Level for the Forecast Period

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 current debt outstanding limit is set in statute at \$5.0 billion, increased from \$4.5 billion by Chapter 604 of 2025 (Budget Reconciliation and Financing Act (BRFA)). The statutory CTB limit is periodically increased to reflect TTF revenue growth, which increases the capacity of the TTF to support additional debt. During the 2024 and 2025 sessions, significant revenue increases to the TTF were enacted, thus increasing MDOT's debt capacity due to increases in revenues pledged to debt service payments.

Within the statutory debt outstanding 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. During the 2025 session, the debt outstanding limit as of June 30, 2026, was set at \$2.86 billion, based on debt outstanding at the conclusion of fiscal 2024 and accounting for projected debt to be issued during fiscal 2025 and 2026. Annual language in the budget bill allows MDOT to increase the amount of outstanding CTB debt above the limit that it sets for the fiscal year, however, by providing justification to the budget committees and allowing

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for their review and approval. In addition to review by the budget committees, 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.

On September 3, 2025, MDOT provided notification to the budget committees that it intended to issue more debt than what was anticipated during the 2025 session, due to updated projections for revenues and expenditures accounting for new TTF revenues enacted during the 2025 session, and that it sought an increase in the annual debt outstanding limit for fiscal 2026 from \$2.86 billion to \$2.93 billion. Based on the availability of new TTF revenues, the Department of Legislative Services (DLS) projected that under the increased annual debt outstanding limit, MDOT would continue to meet all debt coverage requirements, and no additional funds will be required for debt service in fiscal 2026 beyond what was included in the MDOT operating budget as enacted.

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, sales tax on rental cars and electricity used to charge electric vehicles, transportation network company fees, 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.

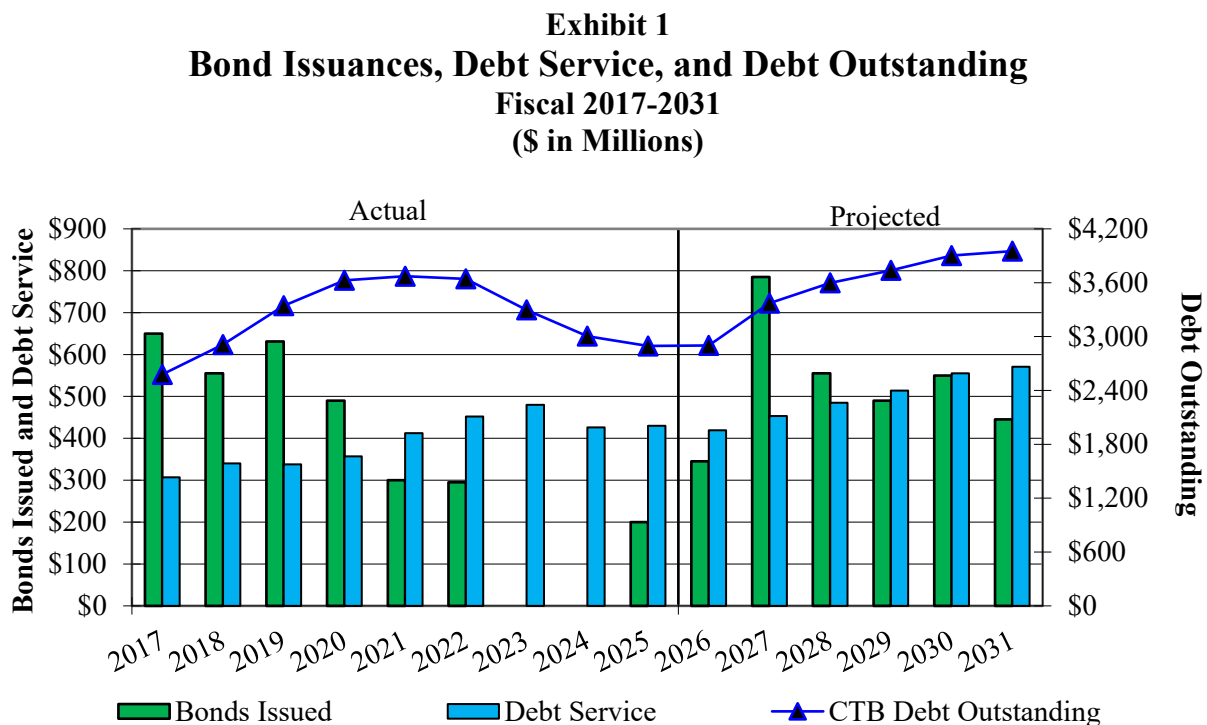
CTB issuances in fiscal 2025 were the first new issuances by MDOT since fiscal 2022. The total amount of debt outstanding increases slightly to just over \$2.9 billion by the end of fiscal 2026, and the debt service coverage ratios in fiscal 2026 are estimated at 6.8 times for pledged taxes and 3.1 times for the net income test. In fiscal 2027, more principal will be issued than retired. Consequently, the level of debt outstanding is projected to increase to nearly \$3.4 billion by the end of fiscal 2027. The net income to debt service ratio is projected to increase from 3.1 to 3.6 times in fiscal 2027 due to an increase in net income but declines each year thereafter due to increased debt issuances.

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. However, by fiscal 2031, the net income ratio declines to 2.5 times, which is equal to the ratio MDOT maintains as a

management practice. Should additional debt issuances beyond fiscal 2031 occur, the net income ratio would likely decline below the 2.5 times MDOT management target.

Consolidated Transportation Bond Debt Trends

Exhibit 1 shows annual new CTB issuances, debt service, and net debt outstanding from fiscal 2017 to 2031. 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. New CTB issuances of \$200 million in fiscal 2025 and \$345 million in fiscal 2026 were the first new CTB issuances since fiscal 2022. Projected issuances for fiscal 2027 are \$785 million, which would be the largest amount ever issued by MDOT in a single fiscal year, surpassing the previous peak of \$650 million issued in fiscal 2017. Projected debt issuances for fiscal 2028 through 2031 range between \$445 million and \$555 million annually. As a result of these new issuances, total debt outstanding increases to nearly \$4 billion by fiscal 2031. In comparison, the highest total debt outstanding at the end of a single fiscal year in prior years was just under \$3.7 billion in fiscal 2021. **Appendix 2** shows debt service and debt outstanding by fiscal year for current CTB debt.



CTB: Consolidated Transportation Bond

Source: Maryland Department of Transportation; Department of Legislative Services

Grant Anticipation Revenue Vehicles

GARVEEs are transportation bonds that are issued by states and public authorities that are backed by future federal aid highway and transit appropriations. The use of GARVEE debt increases the size of the capital program immediately at the expense of future federal funding, which otherwise would be available to support the capital program as federal pay-as-you-go. Repayment of these GARVEEs would come from federal formula funding for transit and/or from federal funds received by the State Highway Administration that are eligible to be flexed to transit uses. While the source of funds used to repay GARVEE issuances originates with the federal government, the federal government's agreement to the use of its funds in this manner does not constitute any obligation on the part of the federal government to make these funds available. If for any reason federal appropriations are not made as anticipated, the obligation to repay GARVEEs falls entirely to the State agency or authority that issued them.

The State has used GARVEEs once in the past. Chapter 471 and 472 of 2005 authorized the use of GARVEE bonds for the Intercounty Connector (ICC) project, and \$750 million was issued in two tranches in fiscal 2007 and 2009 with 12-year maturities (the maximum then allowed by statute). The last debt service payment for the ICC GARVEEs was made in fiscal 2020, and no further issuances have occurred. Statute allows the use of GARVEEs with maturities of up to 15 years for a specified list of transportation projects and stipulates that GARVEE debt outstanding may not exceed \$1 billion at the end of any fiscal year. Payment of debt service for GARVEEs may not be supported directly or indirectly by State tax revenues pledged to meet debt service on CTB debt.

Chapter 604 (BRFA) most recently expanded the list of allowable uses of GARVEEs to add major rehabilitation of the existing Maryland Transit Administration (MTA) light rail system as an eligible use. The 2026 *Consolidated Transportation Program* includes the Light Rail Modernization Program in the Primary Construction Program for MTA and projects that of the total estimated project cost of \$1.4 billion, approximately \$643 million will be funded through GARVEE bonds, with the remaining project costs split between federal and TTF funding sources. MDOT has indicated that absent the availability of GARVEEs for this project, sufficient funding would not be available for it to proceed. Under the spending plan for this project, MDOT indicates that it will issue the preliminary tranche of GARVEEs of \$275 million in fiscal 2027 followed by a second issuance of \$368 million in fiscal 2031.

Nontraditional Debt

In addition to CTBs, MDOT uses nontraditional debt. Nontraditional debt is any debt other than a CTB or GARVEE bond. Most nontraditional debt issuances are direct debt of the department – either a 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 and repaid through availability payments (AP) is debt of the concessionaire; however, since the funds used to repay that debt are payments made by the department, it is included in this analysis as indirect nontraditional debt. **Exhibit 2** shows that the department has nine direct nontraditional debt

issuances that it will make debt service payments on in fiscal 2027, of which eight will be outstanding at the end of fiscal 2027, and one pending issuance. There are two indirect AP issuances outstanding.

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

	<u>Year Issued and Maturity</u>	<u>Principal Outstanding (6/30/27)</u>	<u>Fiscal 2027 Debt Service Payment</u>	<u>Purpose</u>
MDOT – Direct Debt Certificates of Participation				
MAA – BWI Marshall Airport Series 2019 – Shuttle Bus Fleet	2019-2034	\$12,800,000	\$2,060,150	Acquisition of 25 40-foot and 15 60-foot clean diesel buses for parking shuttle services at BWI Marshall Airport
<i>Subtotal</i>		<i>\$12,800,000</i>	<i>\$2,060,150</i>	
MDTA Revenue Bonds				
Customer Facility Charge Revenue Bonds – BWI Marshall Airport Consolidated Car Rental Facility Taxable Series 2002	2002-2032	\$43,710,000	\$8,878,900	Construction of a consolidated rental car facility at BWI Marshall Airport. Bonds backed by customer facility charge of \$5.75 per vehicle rental per day
Passenger Facility Charge Revenue Bonds – BWI Marshall Airport Facilities Series 2012A B/C Connector	2012-2032	17,185,000	3,840,975	Passenger Facility Charge revenue bonds to construct the B/C concourse connector
Passenger Facilities Charge Revenue Bonds – BWI Marshall Airport Facilities Series 2012B Runway Safety	2012-2027	0	7,968,831	Passenger Facility Charge revenue bonds to complete Runway Safety Area and Pavement

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	<u>Year Issued and Maturity</u>	<u>Principal Outstanding (6/30/27)</u>	<u>Fiscal 2027 Debt Service Payment</u>	<u>Purpose</u>
				Management Program improvements
Passenger Facility Charge Revenue Bonds – BWI Marshall Airport Facilities Series 2014 D/E Connector	2014-2034	17,830,000	2,955,181	Passenger Facility Charge revenue bonds to construct the D/E concourse connector
Passenger Facility Charge Revenue Bonds – BWI Marshall Airport Series 2019 – Various	2019-2039	79,240,000	8,470,350	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>\$157,965,000</i>	<i>\$32,114,237</i>	
MDOT Special Transportation Project Revenue Bonds				
MDOT Special Transportation Project Ref Revenue Bonds – BWI Marshall Airport Series 2021A	2021-2030	\$112,060,000	28,988,138	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

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	<u>Year Issued and Maturity</u>	<u>Principal Outstanding (6/30/27)</u>	<u>Fiscal 2027 Debt Service Payment</u>	<u>Purpose</u>
				Revenue bonds used for construction of a new 11-gate concourse A and reconstruction of a portion of concourse B at BWI Marshall Airport
MDOT Special Transportation Project Revenue Bonds – BWI Marshall Airport Series 2021B	2021-2051	186,625,000	12,375,100	Concourse A/B connector and baggage handling system at BWI Marshall Airport
MDOT Special Transportation Project Revenue Bonds – BWI Marshall Airport Series 2024A	2024-2054	219,755,000	11,372,688	Concourse A/B connector and baggage handling system at BWI Marshall Airport
<i>Subtotal</i>		<i>\$518,440,000</i>	<i>\$52,735,926</i>	
Total Issued Direct		\$689,205,000	\$86,910,313	
Pending – Direct¹				
Passenger Facility Charge Revenue Bonds – BWI Marshall Airport Facilities Series 2026 Various	2026-TBD	\$130,000,000	TBD	Passenger Facility Charge bonds for various improvements at BWI Marshall Airport, including design for a new air traffic control tower, concourse D/E bag claim expansion, concourse C/D connector and baggage handling system, and concourse B projects

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	<u>Year Issued and Maturity</u>	<u>Principal Outstanding (6/30/27)</u>	<u>Fiscal 2027 Debt Service Payment</u>	<u>Purpose</u>
				including roof replacement and passenger movement modernization
<i>Subtotal</i>		\$130,000,000	TBD	
Total Issued and Pending – Direct		\$819,205,000	\$86,910,313	
Public-private Partnership Availability Payment Indirect Debt				
Purple Line Transit Partners LLC Debt				
Purple Line Private Activity Bonds Series 2022 A and B	2022-2055	\$643,455,000	\$33,272,475	Private activity bonds for construction of the Purple Line Light Rail Transit project
Purple Line TIFIA ²	2022-2054	1,863,076,397	36,583,055	Federal TIFIA loan for construction of the Purple Line Light Rail Transit project
Total Issued Indirect		\$2,506,531,397	\$69,855,530	

BWI Marshall Airport: Baltimore/Washington International Thurgood Marshall Airport

LLC: limited liability corporation

MAA: Maryland Aviation Administration

MDOT: Maryland Department of Transportation

MDTA: Maryland Transportation Authority

TBD: to be determined

TIFIA: Transportation Infrastructure Finance and Innovation Act

¹Previously pending issuance of a Certificate of Participation for the Maryland Transit Administration Fare Box System Replacement project planned for fiscal 2027 has been postponed.

²Amount outstanding is preliminary and will vary on actual loan disbursements by fiscal year.

Source: Maryland Aviation Administration; Maryland Department of Transportation; Department of Legislative Services

Operating Budget Recommended Actions

1. Add the following language:

Provided that Consolidated Transportation Bonds (CTB) may be issued in any amount, provided that the aggregate outstanding and unpaid balance of these bonds and bond of prior issuances may not exceed \$3,372,325,000 as of June 30, 2027. The total aggregate outstanding and unpaid principal balance of nontraditional debt, defined as any debt instrument that is not a CTB 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 \$819,205,000 as of June 30, 2027. The total aggregate outstanding and unpaid principal balance on debt for the Purple Line Light Rail project may not exceed \$2,506,531,397 as of June 30, 2027. Provided, however, that in addition to the limits established under this provision, MDOT may increase the aggregate outstanding unpaid and principal balance of CTB debt or 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 CTB debt or nontraditional debt that would be outstanding on June 30, 2027, and the total amount by which the fiscal 2027 debt service payment for all CTB debt or 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: Section 3-202 of the Transportation Article requires the General Assembly to establish the maximum debt outstanding for CTB each year in the budget bill. The level is based on the outstanding debt as of June 30, 2025, plus projected debt to be issued during fiscal 2026 and 2027 in support of MDOT capital program. For nontraditional debt, this language limits the amount of debt outstanding at the end of fiscal 2027, exclusive of debt issued for the Purple Line Light Rail project, to the total amount that was outstanding from all previous nontraditional debt issuances as of December 31, 2025, plus anticipated issuances of \$130 million in new Baltimore/Washington International Thurgood Marshall Airport Passenger Facility Charge Revenue Bonds in July 2026. Debt outstanding for the Purple Line Light Rail project is capped at the projected maximum debt outstanding level that will occur during the construction phase of the project. The language allows MDOT to increase the amount of CTB debt or nontraditional debt outstanding in fiscal 2027 by

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providing notification to the budget committees regarding the reason that the additional debt is required.

Information Request	Author	Due Date
Justification for increasing CTB debt or nontraditional debt outstanding	MDOT	45 days prior to publication of a preliminary official statement

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 2026 through 2036.

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 budget committees are interested in monitoring the use of nontraditional debt by MDOT. The information provides the budget committees with additional information on the usage and annual costs of nontraditional debt.

Information Request	Author	Due Date
Nontraditional debt outstanding and anticipated debt service payments	MDOT	With the September financial forecast With the January financial forecast

Appendix 1
2025 Joint Chairman's Report Responses from Agency

The 2025 *Joint Chairmen's Report* (JCR) requested that MDOT prepare three reports. Electronic copies of the full JCR responses can be found on the DLS Library website.

- ***Justification for Increasing CTB Debt or Nontraditional Debt Outstanding:*** The 2025 JCR requested notification be provided to the budget committees providing justification for increasing the level of outstanding CTB debt or nontraditional debt, in the event that outstanding debt levels were increased above the maximum debt outstanding for the current fiscal year as established by the General Assembly in the budget bill. MDOT submitted notification in September 2025 that it intended to issue more debt than was anticipated during the 2025 session, due to updated projections for revenues and expenditures accounting for new TTF revenues enacted during the 2025 session.
- ***Nontraditional Debt Outstanding and Anticipated Debt Service Payments:*** The 2025 JCR requested two reports on anticipated and actual debt outstanding, and debt service payments for nontraditional debt. One report was submitted in September 2025 along with the draft TTF forecast, and the other was submitted in January 2026 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, 2025

<u>Fiscal Year</u>	<u>Debt Outstanding on June 30</u>	<u>Debt Service</u>
2025	\$2,895,000,000	\$429,706,489
2026	2,901,005,000	419,251,126
2027	2,587,325,000	434,347,426
2028	2,257,580,000	434,822,251
2029	1,907,120,000	438,634,526
2030	1,569,580,000	408,941,901
2031	1,254,565,000	371,623,998
2032	955,085,000	343,683,994
2033	708,055,000	280,841,506
2034	508,300,000	224,941,419
2035	364,605,000	162,449,119
2036	262,530,000	115,834,194
2037	187,990,000	84,581,159
2038	139,185,000	56,188,400
2039	88,085,000	56,188,600
2040	34,750,000	56,190,700
2041		35,445,000

Source: Maryland Department of Transportation; Department of Legislative Services

Appendix 3
Object/Fund Difference Report
Maryland Department of Transportation – Debt Service Requirements

<u>Object/Fund</u>	<u>FY 25 Actual</u>	<u>FY 26 Work Approp.</u>	<u>FY 27 Allowance</u>	<u>FY 26-27 \$ Change</u>	<u>% Change</u>
Positions					
01 Regular	0.00	0.00	0.00	0.00	N/A
02 Contractual	0.00	0.00	0.00	0.00	N/A
Total Positions	0.00	0.00	0.00	0.00	N/A
Objects					
13 Fixed Charges	\$429,706,489	\$419,250,634	\$452,991,426	\$33,740,792	8.0%
Total Objects	\$429,706,489	\$419,250,634	\$452,991,426	\$33,740,792	8.0%
Funds					
03 Special Funds	\$429,706,489	\$419,250,634	\$452,991,426	\$33,740,792	8.0%
Total Funds	\$429,706,489	\$419,250,634	\$452,991,426	\$33,740,792	8.0%

Note: The fiscal 2026 appropriation includes proposed deficiency appropriations.