

Department of Legislative Services
Maryland General Assembly
2022 Session

FISCAL AND POLICY NOTE
First Reader - Revised

Senate Bill 187

(Chair, Budget and Taxation Committee)(By Request -
Departmental - Transportation)

Budget and Taxation

Department of Transportation – Grant Anticipation Revenue Vehicle Bonds

This departmental bill expands the authority of the Maryland Department of Transportation (MDOT) to issue additional Grant Anticipation Revenue Vehicle (GARVEE) bonds backed by future federal aid and modifies the process governing the issuance and repayment of those bonds. **The bill takes effect July 1, 2022.**

Fiscal Summary

State Effect: No immediate effect on Transportation Trust Fund (TTF) revenues and expenditures; however, the bill grants MDOT additional flexibility to fund its capital program in future years. To the extent additional GARVEE bonds are issued, additional funding is available for authorized projects at the time the bonds are issued; these bonds (and associated debt service) are then repaid from future federal aid.

Local Effect: The bill does not directly affect local government operations or finances.

Small Business Effect: MDOT has determined that this bill has minimal or no impact on small business (attached). The Department of Legislative Services concurs with this assessment.

Analysis

Bill Summary/Current Law: MDOT and MDTA have the authority to borrow money and issue debt to finance the cost of transportation facilities projects. The Transportation Article includes numerous procedures and requirements regarding the borrowing of money, issuance of debt, and payments on the corresponding debt service.

Chapters 471 and 472 of 2005 authorized MDOT and MDTA to issue a maximum of \$750 million in GARVEE bonds backed by future federal aid. Under this authority, \$750 million in bonds were issued in 2007 and 2008 as part of the financing plan for the Intercounty Connector; these bonds have since been fully paid off. Due to the \$750 million limit, MDOT has not been able to finance any other transportation projects using GARVEE bonds backed by future federal aid. The bill alters the limitation on the issuance of GARVEE bonds in the following three ways.

- First, the bill modifies the limit on GARVEE bonds from a one-time issuance of \$750 million to a debt outstanding limit of \$750 million. Specifically, the aggregate outstanding and unpaid principal amount of this debt issued may not exceed \$750 million as of June 30 of any year.
- Second, the maturity date for GARVEE bonds is increased from 12 to 15 years after the date of the bond issuance.
- Third, the requirement that TTF revenues be used to provide a backstop for the GARVEE bonds is repealed. As a result, the bonds are no longer backed by State taxes and fees and, therefore, no longer required to be reviewed by the Capital Debt Affordability Committee. Other related existing requirements that are generally related to bond repayment deficiency procedures using TTF are repealed.

Existing requirements for transportation capital projects apply to projects funded through GARVEE bonds as well. As such, capital projects funded under the bill must be included in the Consolidated Transportation Program (CTP), or certain notification requirements must be met before those projects are funded. In addition, prior to the issuance of the bonds, MDOT must (1) provide notification to the Legislative Policy Committee 45 days prior to the issuance; (2) receive approval for the issuance by the Board of Public Works; and (3) receive approval from the Secretary of Transportation in an approving resolution that establishes the parameters of the bond sale.

Background: MDOT advises that nationwide, GARVEE bonds have been used to finance transit and highway projects. MDOT further advises that allowing the issuance of additional GARVEE bonds (1) provides an additional tool in the tool belt to finance transportation projects at competitive rates and (2) offers an important source of financial

flexibility to respond to revenue losses, such as those resulting from the coronavirus pandemic.

Specific to the bill's changes to the GARVEE program, MDOT advises that a 15-year maturity is more common for State debt. Moreover, MDOT advises that since the GARVEE bond program is 20 years old and a well-established program, GARVEE bonds without a backstop are readily accepted in the bond market, meaning that using TTF as a backstop and having the GARVEE bonds count as State debt is unnecessary.

Additional Information

Prior Introductions: SB 259 of 2021, a similar bill, passed the Senate with amendments and passed the House with amendments; however, the appointed conference committee was unable to reconcile the differences between the two versions of the bill.

Designated Cross File: None.

Information Source(s): Maryland Department of Transportation; Department of Legislative Services

Fiscal Note History: First Reader - January 14, 2022
rh/lgc Revised - Correction - January 19, 2022

Analysis by: Richard L. Duncan

Direct Inquiries to:
(410) 946-5510
(301) 970-5510

ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Department of Transportation – Grant Anticipation Revenue Vehicle Bonds

BILL NUMBER: SB 187

PREPARED BY: Maryland Department of Transportation
(Dept./Agency)

PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

 X WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND SMALL BUSINESS

OR

 WILL HAVE MEANINGFUL ECONOMIC IMPACT ON MARYLAND SMALL BUSINESSES

PART B. ECONOMIC IMPACT ANALYSIS