

J00A04
Debt Service Requirements
Maryland Department of Transportation

Program Description

Consolidated Transportation Bonds

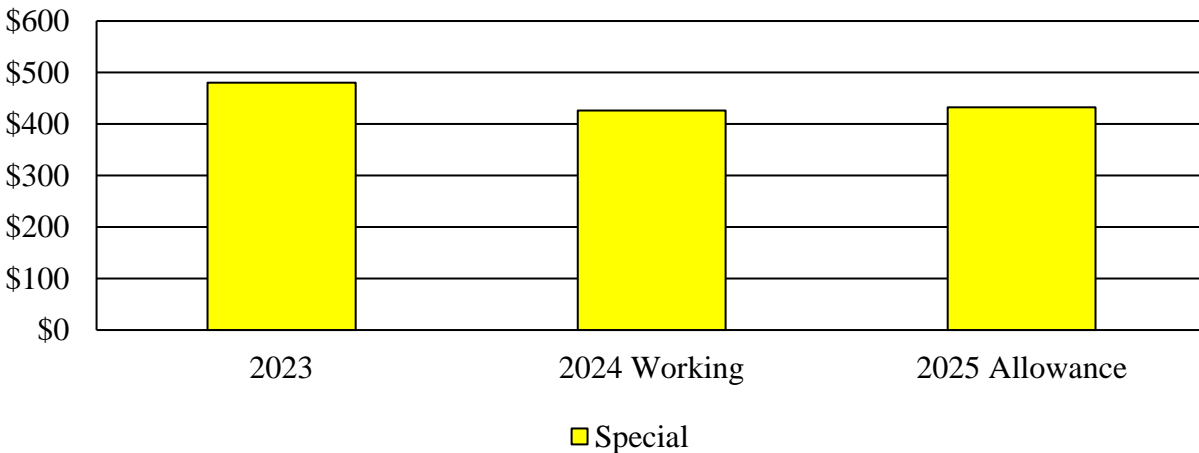
The Maryland Department of Transportation (MDOT) issues 15-year Consolidated Transportation Bonds (CTB), which are tax-supported debt. Bond proceeds are dedicated for construction projects. Revenues from taxes and fees and other funding sources are combined in the Transportation Trust Fund (TTF) to pay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

Fiscal 2025 Budget Increases \$5.7 Million, or 1.3%, to \$432.2 Million
(\$ in Millions)



Note: Governor’s Fiscal 2025 Budget Books; Department of Legislative Services

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Fiscal 2025 Overview of Agency Spending

The fiscal 2025 allowance for debt service on CTB debt increases by \$5.7 million (1.3%) from the current year working appropriation. The allowance provides for debt service on current outstanding debt and the planned bond issuance of \$155 million in fiscal 2025.

Debt Service Coverage Ratios Remain above Minimum Acceptable Level but Breach Management Practice Level in Final Year of Forecast

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 CTB issuances in fiscal 2023 and none planned for fiscal 2024, the total amount of debt outstanding declines to just over \$3 billion by the end of fiscal 2024, and the debt service coverage ratios in fiscal 2024 are estimated at 6.2 times for pledged taxes and 4.2 times for the net income test. In fiscal 2025, more principal will be retired than issued. Consequently, the level of debt outstanding is projected to further decrease to \$2.9 billion in fiscal 2025, while the net income to debt service ratio is projected to decrease to 3.5 times due to a decrease in net income.

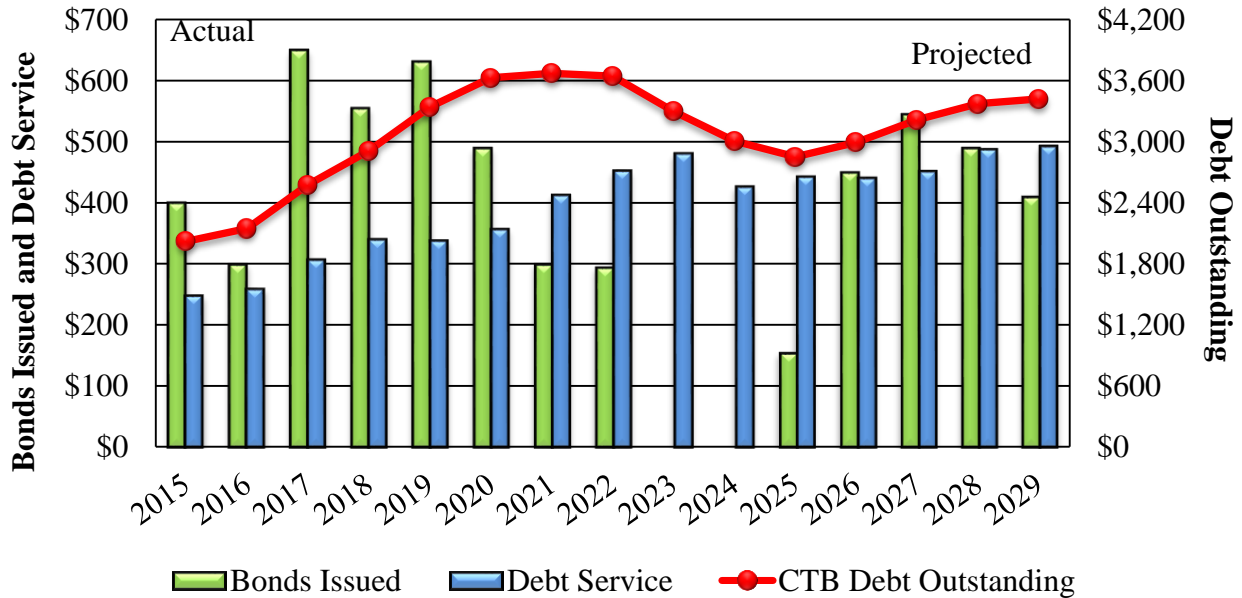
Based on current revenue and debt issuance projections, CTB debt levels meet both the statutory limit on maximum debt outstanding and the pledged taxes and net income coverage ratios

set forth in bond resolutions for the entire six-year forecast period. The net income ratio, however, drops to 2.2 times in fiscal 2029, which is lower than the 2.5 times MDOT maintains as a management practice.

Consolidated Transportation Bond Debt Trends

Exhibit 1 shows annual new CTB issuances, debt service, and net debt outstanding from fiscal 2015 to 2029. 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 was issued in fiscal 2023, and no issuance is planned for fiscal 2024. Projected debt issuances beyond fiscal 2024 increase from \$155 million in fiscal 2025 to \$545 million in fiscal 2027 and decline the remaining two years of the forecast. In total, \$2.05 billion in issuances are planned for the six-year forecast. **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 2015-2029
(\$ 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 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 currently has nine direct nontraditional debt issuances outstanding and two pending issuances, and there are two indirect AP issuances outstanding. The issued and pending direct nontraditional debt is projected to have \$877.9 million in unpaid principal at the end of fiscal 2025, and the AP indirect debt is projected to have unpaid principal of just over \$2.2 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 (06/30/25)</u>	<u>Fiscal 2025 Debt Service Payment</u>	<u>Purpose</u>
Maryland Department of Transportation – Direct Debt			
Certificates of Participation			
2010-2025	\$0	\$1,720	Expand Pier B and a de-icing facility at the BWI Marshall Airport.
2010-2025	1,140	1,168	Construction of a parking garage at the Maryland Area Regional Commuter Amtrak station near BWI Marshall Airport.
2019-2034	15,855	2,061	Acquisition of 25 40-foot and 15 60-foot clean diesel buses for parking shuttle services at BWI Marshall Airport.
<i>Subtotal</i>	<i>\$16,995</i>	<i>\$4,949</i>	

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<u>Year Issued and Maturity</u>	<u>Principal Outstanding (06/30/25)</u>	<u>Fiscal 2025 Debt Service Payment</u>	<u>Purpose</u>
Maryland Transportation Authority (MDTA) Revenue Bonds			
2002-2032	\$54,910	\$8,900	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	22,970	3,841	Passenger Facility Charge revenue bonds to construct the B/C concourse connector.
2012-2027	15,340	7,968	Passenger Facility Charge revenue bonds to complete Runway Safety Area and Pavement Management Program improvements.
2014-2034	22,190	2,955	Passenger Facility Charge revenue bonds to construct the D/E concourse connector.
2019-2039	88,705	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>	\$204,115	\$32,135	
Maryland Department of Transportation Special Transportation Project Revenue Bonds			
2021-2030	\$166,270	\$29,040	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.
2021-2051	\$190,485	\$8,612	Concourse A/B connector and baggage handling system at BWI Marshall Airport.
<i>Subtotal</i>	\$356,755	\$37,652	

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<u>Year Issued and Maturity</u>	<u>Principal Outstanding (06/30/25)</u>	<u>Fiscal 2025 Debt Service Payment</u>	<u>Purpose</u>
Total Issued – Direct	\$577,865	\$74,736	
Pending – Direct			
2024-TBD	\$75,000	TBD	Maryland Transit Administration Fare System
2024-TBD	\$235,000	TBD	Concourse A/B connector and baggage handling system at BWI Marshall Airport.
Total Issued and Pending – Direct	\$887,865	TBD	
Public-private Partnership Availability Payment – Indirect Debt			
Purple Line Transit Partners LLC Debt			
2022-2055	\$643,455	\$33,272	Private activity bonds for construction of the Purple Line Light Rail Transit project.
2022-2054	1,575,918*	0	Federal Transportation Infrastructure Finance and Innovation Act loan for construction of the Purple Line Light Rail Transit project.
Total Issued – Indirect	\$2,219,374	\$33,272	

BWI Marshall Airport: Baltimore/Washington International Thurgood Marshall Airport
TBD: to be determined

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

Source: Maryland Department of Transportation; Department of Legislative Services

Operating Budget Recommended Actions

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 \$2,850,050,000 as of June 30, 2025. 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 \$887,865,000 as of June 30, 2025. The total aggregate outstanding and unpaid principal balance on debt for the Purple Line may not exceed \$2,219,374,000 as of June 30, 2025. Provided, however, that in addition to the limits established under this provision, MDOT may increase the aggregate outstanding unpaid and principal balance of Consolidated Transportation Bond 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 Consolidated Transportation Bond debt or nontraditional debt that would be outstanding on June 30, 2025, and the total amount by which the fiscal 2025 debt service payment for all Consolidated Transportation Bond 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 Consolidated Transportation Bonds each year in the budget bill. The level is based on the outstanding debt as of June 30, 2023, plus projected debt to be issued during fiscal 2025 in support of the transportation capital program. No Consolidated Transportation Bond debt issuance is planned for fiscal 2024. For nontraditional debt, this language limits the amount of debt outstanding at the end of fiscal 2025, 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, 2023, plus anticipated issuances of \$75 million for a new fare collection system for the Maryland Transit Administration and \$235 million for the Concourse A/B Connector and Baggage Handling System Replacement project at Baltimore/Washington

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International Thurgood Marshall Airport. 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 Consolidated Transportation Bond debt or nontraditional debt outstanding in fiscal 2025 by providing notification to the budget committees regarding the reason that the additional debt is required.

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

2. Add the following language:

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 2024 through 2034.

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 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 forecast With the January forecast

Appendix 1
2023 Joint Chairmen’s Report Responses from Agency

The 2023 *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 Department of Legislative Services Library website.

- ***Nontraditional Debt Outstanding and Anticipated Debt Service Payments:*** The 2023 JCR requested two reports on anticipated and actual debt outstanding and debt service payments for nontraditional debt. One report was submitted in September 2023 along with the draft TTF forecast, and the other was submitted in January 2024 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, 2023

<u>Fiscal Year</u>	<u>Debt Service</u>	<u>Debt Outstanding on June 30</u>
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 Services

Appendix 3
Nontraditional Debt
Debt Service and Debt Outstanding as of December 31, 2023

<u>Fiscal Year</u>	<u>Debt Service</u>	<u>Debt Outstanding on June 30th</u>
2024	\$154,297,514	\$2,226,187,080
2025	108,008,474	2,797,238,067
2026	106,226,349	3,033,329,436
2027	145,875,045	2,992,361,626
2028	159,237,357	2,936,551,626
2029	287,506,057	2,747,216,626
2030	190,609,270	2,650,301,626
2031	194,352,599	2,546,641,626
2032	164,185,868	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
2056		

Source: Maryland Department of Transportation; Department of Legislative Services

**Appendix 4
Object/Fund Difference Report
MDOT – Debt Service Requirements**

<u>Object/Fund</u>	<u>FY 23 Actual</u>	<u>FY 24 Working Appropriation</u>	<u>FY 25 Allowance</u>	<u>FY 24 - FY 25 Amount Change</u>	<u>Percent Change</u>
Objects					
13 Fixed Charges	\$480,461,159	\$426,453,650	\$432,150,500	\$5,696,850	1.3%
Total Objects	\$480,461,159	\$426,453,650	\$432,150,500	\$5,696,850	1.3%
Funds					
03 Special Fund	\$480,461,159	\$426,453,650	\$432,150,500	\$5,696,850	1.3%
Total Funds	\$480,461,159	\$426,453,650	\$432,150,500	\$5,696,850	1.3%