

**Justification for Increasing Nontraditional Debt
Outstanding**

(2021 JCR, pgs. 70 - 71)

**A Report to the Maryland General Assembly
Senate Budget and Taxation
and
House Appropriations Committee**

April 2022

Maryland Department of Transportation

The Maryland Department of Transportation submits the following report in response to budget bill language contained in the 2021 Joint Chairmen’s Report (JCR). The language states:

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 any draws on the federal Transportation Infrastructure Finance and Innovation Act (TIFIA) loan for the Purple Line Light Rail Project, may not exceed \$1,171,210,000 as of June 30, 2022. The total aggregate outstanding and unpaid principal balance on the Purple Line TIFIA loan may not exceed \$925,315,170 as of June 30, 2022. 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, 2022, and the total amount by which the fiscal 2022 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.*

In accordance with budget bill language as contained in the 2021 *Joint Chairmen’s Report*, each year, the General Assembly sets a limit on the amount of nontraditional debt that may be outstanding as of June 30. Nontraditional debt is defined as any debt instrument that is not a Consolidated Transportation Bond or a Grant Anticipation Revenue Vehicle bond. Although debt to fund construction of the Purple Line is non-recourse to the State of Maryland and to MDOT, the General Assembly includes debt issued by the concessionaire to fund construction of the Purple Line project in the limits placed on MDOT’s nontraditional debt. For fiscal year 2022, the amount of nontraditional debt that may be outstanding as of June 30, 2022, is limited to \$1,171,210,000, exclusive of a Transportation Infrastructure Finance and Innovation Act (TIFIA) loan for the Purple Line.

As separately required by the 2021 *Joint Chairmen’s Report*, on January 12, 2022, MDOT submitted a report to the budget committees on the status of the Purple Line. The report included information about the selected replacement design-build contractor, the revised project cost and schedule, and the revised financing plan for the project. Specifically, the report provided notification that the previous TIFIA loan for the project would be replaced by a new \$1.7 billion TIFIA loan. Additionally, the report noted that the previous issuance of private activity bonds

(PABs) had been fully repaid and a new issuance of approximately \$700 million would take place as part of the new financial close in early 2022. On January 26, 2022, the restructured Purple Line project was presented to the Board of Public Works and unanimously approved.

In January 2022, the Department of Legislative Services (DLS) published its budget analysis for MDOT entitled “Maryland Department of Transportation Fiscal 2023 Budget Overview”. The analysis included a discussion of the Purple Line, including the updated project cost and financing plan. Page 34 of the analysis noted that the revised project financing includes a \$1.7 billion TIFIA loan and a new PABs issuance of approximately \$700 million. On February 3, 2022, the Senate Budget and Taxation Subcommittee on Public Safety, Transportation, and Environment was briefed by DLS on this issue during the MDOT Overview budget hearing. On February 11, 2022, the House Appropriations Subcommittee on Transportation and Environment received a briefing specific to the Purple Line that included this same information.

The restructuring plan for the Purple Line, which includes an updated project cost, project schedule, and financing plan has been discussed in multiple venues since mid-January; however; for the avoidance of doubt that the budget committees were appropriately notified of an increase in nontraditional debt outstanding, this notification is being submitted. Although the amount of the PABs issuance is not yet final, the amount of all of MDOT’s nontraditional debt outstanding, exclusive of TIFIA, is expected not to exceed \$1,421,000,000 as of June 30, 2022. This is a \$250,000,000 increase from the current nontraditional debt outstanding limit. The amount of fiscal 2022 debt service is not expected to change as a result of this issuance.