Debt Management

Under Sections 3.101 to 3.217, inclusive, of the Transportation Article of the Annotated Code of Maryland, the Maryland Department of Transportation (MDOT) is authorized to issue Consolidated Transportation Bonds (CTBs). CTBs are fixed rate bonds with maturities of up to 15 years. CTBs do not constitute a debt or a pledge of the faith and credit of the State of Maryland. The principal and interest are paid from the proceeds of certain pledged taxes, fees, and other revenues in the Transportation Trust Fund. The aggregate amount of the outstanding and unpaid principal balance for CTBs is restricted by statute and by annual limits in the budget bill.

MDOT may also issue Certificates of Participation (COPs) in which MDOT enters into a lease agreement with a third party to lease an asset over a specified period of time at a predetermined amount. The lease payments pay the debt service principal and interest on the leased assets. COPs are fixed rate issuances with maturities of up to 25 years and typically secured by a specific revenue source.

In 2014, the General Assembly enacted legislation allowing the Department to issue transportation revenue-backed bonds and pledge and use a dedicated revenue source, which may include revenues attributable to the facilities being financed, for the payment of the debt service on these bonds.

MDOT currently has authority to issue other debt instruments that are not Consolidated Transportation Bonds. Those debt instruments include Certificates of Participation, debt backed by customer facility charges, passenger facility charges and other revenues. Limits for non-traditional debt (MAA Special Transportation Project Revenue Bonds, COPs, and conduit issuances) are established each year by the General Assembly in the State budget. In the past, the Maryland Transportation Authority (MDTA) and the Maryland Economic Development Corporation (MEDCO) have issued debt on behalf of MDOT.

The Department manages its CTB debt outstanding by two coverage tests: pledged taxes and net revenues. The pledged taxes test captures MDOT's portion of the Maryland corporation income tax, motor fuel tax, motor vehicle titling tax, a portion of the State's sales and use tax on rental vehicles, sales tax on electricity sold for electric vehicles, and Transportation Network Company Fees as compared to maximum annual debt service. In 2025, there was an increase in vehicle excise tax. The net revenues test is a ratio of total receipts of the Department (excluding federal aid, bond proceeds, or other receipts not available for debt service less administration, operating and maintenance expenses) to maximum annual debt service.

MDOT will not issue new CTB bonds unless both the pledged taxes of the prior fiscal year and the net revenues for the prior fiscal year are each equal to at least two times maximum annual debt service. Although both tests require 2.0 times coverage, the Department's administrative policy is to provide 2.5 times coverage. The additional coverage acts as a cushion against revenue and expense variations and thus allows time to adjust the financial strategies while maintaining the capital program.

CTB Debt Ratings

The rating agencies have consistently assigned high ratings to MDOT debt. In the past, all three rating agencies (Standard and Poor's, Moody's, and Fitch) have cited MDOT's prudent management practices and strong coverage of debt service as major strengths. Standard and Poor's and Fitch note a stable outlook based on working cash levels and steady growth in revenues. In July 2024, Moody's US States and Territories changed the methodology for the CTB's to align with the State of Maryland General Obligation Bonds. Moody's downgraded the CTB's in May 2025, with a stable outlook.

MDOT's Outstanding Debt Issuances

MDOT issues bonds to provide a portion of the capital funds needed for the Consolidated Transportation Program which MDOT has developed to provide comprehensive planning and coordinated implementation for the highway, transit, port and aviation activities of the State. Below is a list of MDOT's outstanding debt issuances.

MDOT's Outstanding Debt Issuances

	Outstanding as of June 30, 2026	**Ratings S&P/Moody's/Fitch**	**Source of Payment**
Consolidated Transportation Bonds**			
Series 2016 RF	$40,015,000	AAA/Aa1/AA+	TTF
Series 2017 (2nd)	260,295,000	AAA/Aa1/AA+	TTF
Series 2018	80,000,000	AAA/Aa1/AA+	TTF
Series 2018 (2nd)	432,620,000	AAA/Aa1/AA+	TTF
Series 2019	367,335,000	AAA/Aa1/AA+	TTF
Series 2020	246,975,000	AAA/Aa1/AA+	TTF
Series 2021A	260,045,000	AAA/Aa1/AA+	TTF
Series 2021B RF	56,040,000	AAA/Aa1/AA+	TTF
Series 2022A Forward RF	25,525,000	AAA/Aa1/AA+	TTF
Series 2022B Forward RF	88,135,000	AAA/Aa1/AA+	TTF
Series 2025A	200,000,000	AAA/Aa1/AA+	TTF
Series 2025B	345,000,000	AAA/Aa1/AA+	TTF
Series 2025C RF	499,020,000	AAA/Aa1/AA+	TTF
Total Consolidated	**$2,901,005,000**		
Certificates of Participation****			
Series 2019 COPs BWI Airport Shuttle Buses	$14,365,000	AA+/Aa2/AA+	TTF
Total COPs	**$14,365,000**		
MAA Special Transportation Project Revenue Bonds***			
MAA Rev RF Series 2021A	$139,275,000	A1 (Moody's), A+ (Fitch)	Airport Revenues
MAA Rev Series 2021B	190,485,000	A1 (Moody's), A+ (Fitch)	Airport Revenues
MAA Rev Series 2024A*	219,755,000	A1 (Moody's), A+ (Fitch)	Airport Revenues
Total MAA Special Transportation Project Revenue Bonds	**$549,515,000**		

Outstanding Conduit Debt Issuances

	Outstanding as of June 30, 2026	Ratings S&P/Moody's/Fitch	Source of Payment
Conduit Issuers			
MDTA Series 2002 Rental Car Facility *	$49,490,000	A3 (Moody's)	Customer Fees
MDTA Series 2012 A PFC Bonds***	20,150,000	A+/A2/A	PFC Fees
MDTA Series 2012 B PFC Bonds***	7,765,000	A+/A2/A	PFC Fees
MDTA Series 2014 PFC Bonds***	20,045,000	A+/A1/A	PFC Fees
MDTA Series 2019 PFC Bonds***	84,090,000	A+/A2/A	PFC Fees
Total Conduit	**$181,540,000**		

TTF = Transportation Trust Fund
PFC = Passenger Facility Charge
* Insured Financings; however, the ratings reflected above are the underlying ratings (prior to insurance by the underwriters).
** Moody's credit rating for CTBs was upgraded to Aaa on September 12, 2024. Subsequently, on May 14, 2025, they downgraded the CTB credit rating to Aa1 stable outlook.
***Fitch credit rating for revenue bonds was upgraded to A+ in October 2024, and for PFCs was upgraded to A in December 2024.
****Moody's credit rating for COPs was downgraded to Aa2 on May 14, 2025, and on May 21, 2026, S&P Global Ratings revised the outlook to negative.

Debt Issuance Process

MDOT maintains a six-year financial plan, which contains a forecast of revenues and operating and capital expenditures. The forecast is a planning tool that enables MDOT to evaluate its long-term financial resources, identify projects to be funded, and develop a plan to cover required operating and capital expenditures. MDOT uses the forecast to plan debt issuances, ensuring that debt-financed projects do not exceed the permitted statutory level or internal debt controls. The Maryland Board of Public Works must approve all MDOT debt issuances.

The MDOT Office of Finance's Debt Management Department works with MDOT's municipal advisor, principal counsel and bond counsel to prepare for a debt issuance. This includes obtaining the rating from the rating agencies, preparing and publishing all required notices and advertisements, and preparing and distributing the Official Statement.

MDOT primarily uses an electronic bidding system for a competitive bid of the bonds. The award is granted to the bidder with the lowest true interest cost. MDOT may use a negotiated sale process for an issuance, as advised by the municipal advisor to the Department.