
OFFICE OF GOVERNOR RONNIE MUSGROVE
INTEROFFICE MEMORANDUM

TO: BOYD
FROM: RILEY
SUBJECT: DONNA SANFORD, DFA: MDOT FUNDING
DATE: 8/9/2000
CC: FILE

Donna Sanford came up this morning to bring me the attached *Bond Buyer* article that ran Monday. Sanford said that the article didn't put any pressure on anyone to include highways in the special session, if that is what MDOT was trying to do, because only investors read the *Bond Buyer*. She said that MDOT put pressure on the investors because their comments make it look as if we are having housekeeping problems which will hinder investors and would likely raise interest rates. I explained that we were concerned at MDOT's providing inconsistent projected revenue numbers.

Regarding the Gaming Program, Sanford said that extending the repealer to 2018 (now expires 2012) could solve the Gaming funding crisis. The Bond Commission issued \$125 million in Gaming Bonds in 1998 and they were 20-year (2018) bonds. If the repealer were extended to 2018, the Bond Commission could request the rating agency to reclassify this \$125 in bonds as self-supported. They would remain GO bonds, but their being self-supported would also move \$125 million off of the state's bond debt ratio.

MDOT has requested \$200 million in additional bond authority for the Gaming Program. The Bond Commission could authorize \$100 million in 15-year (2015) GO bonds this year. These would also be self-supported so as to not go against the state's bond debt ratio. The Bond Commission could authorize another \$100 million from next year until 2013 (15-year bonds would mature in 2018). Sanford said that the Bond Commission could even wait and authorize 10-year bonds in 2005 if they wished.

Sanford said that these steps would be good for the state because the bonds would be self-supported and would move the \$125 million off of the state's bond debt ratio. Sanford said that the \$200 million in new bond authority would be AA bonds. She said that extending the repealer until 2018 would also serve as a compromise and offer a good faith effort. MDOT prefers to have 20-year bonds. Sanford said that 15-year bonds would only require 50% of the revenues for debt service as opposed to revenue for debt service on proposed 10-year bonds (10-year bonds were discussed in the meeting in the Treasurer's Office last week).

Sanford said that she doesn't think the 1987 Program needs any funding. She suggested that I request MDOT's revenues by program (1987, Gaming, Off-87) for FYs 1998-2000. She thinks MDOT has some beginning balances that they are not discussing. She said she thinks the picture will be much brighter when they provide these cash balance, especially given the fact that MDOT is underestimating flat revenue growth rate (MDOT provided us with flat \$190 million in estimated revenues through FY 2009).

Sanford also mentioned that if the Gaming repealer is extended until 2018, at which point the 1987 Program is expected to be completed, the Legislature could authorize the \$3 million/month Gaming revenue could be put in MDOT's general fund or into the 1987 Program fund if the program is not complete in 2018. Either way, it would boost MDOT's general fund or the 1987 Program by \$36 million annually without any new revenue mechanism.

Sanford also said that she understands Hugh Long's visit with Representative McCoy did not go well and that DFA does not anticipate McCoy letting any bonds out of committee.

Sanford and I discussed what information we need in order to have an accurate picture. I have prepared the attached information request for MDOT and will be sending it over per your approval.