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Prices Are Stable on Maryland Bridge and Tunnel Bonds: WSJ

Bond prices remained stable Tuesday on municipal debt issued by the Maryland Transportation Authority, the state agency that financed the Francis Scott Key Bridge, which collapsed after a collision overnight.

That's likely because the authority also collects tolls on the Baltimore Harbor Tunnel and the Fort McHenry Tunnel, two other main routes for drivers crossing Baltimore Harbor, according to Moody's Ratings.

Moody's analyst Cintia Nazima said the Francis Scott Key Bridge accounted for approximately 7% of the authority's $755 million in toll revenue in 2023 and projected that the collapse would have a negative, but limited, credit impact. The authority has a fairly high investment grade rating from multiple firms.

Bondholders are further insulated by a pledge laid out in borrowing documents, according to an analysis by Bloomberg Intelligence. The Maryland Transportation Authority promised bondholders it would increase fees and tolls if necessary in order to ensure it collects at least 120% of the revenue needed to make debt payments. Even early in the Covid-19 pandemic, the analysts pointed out, the agency was more than able to pay its debt.

Price moves can be slow for municipal bonds since they can go weeks or months without trading.

The fact that the authority collects revenues from a range of transit projects means "the bonds reasonably aren't in much jeopardy," said Matt Fabian, a partner at bond research firm Municipal Market Analytics. "On the other hand, it's still early."

by Heather Gillers

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