

MARYLAND'S CAPITAL BUDGET

States Debt Limit and Debt Service
On General Obligation Bonds Exceeds Ability to Pay

Criteria for G O Bond Authorization



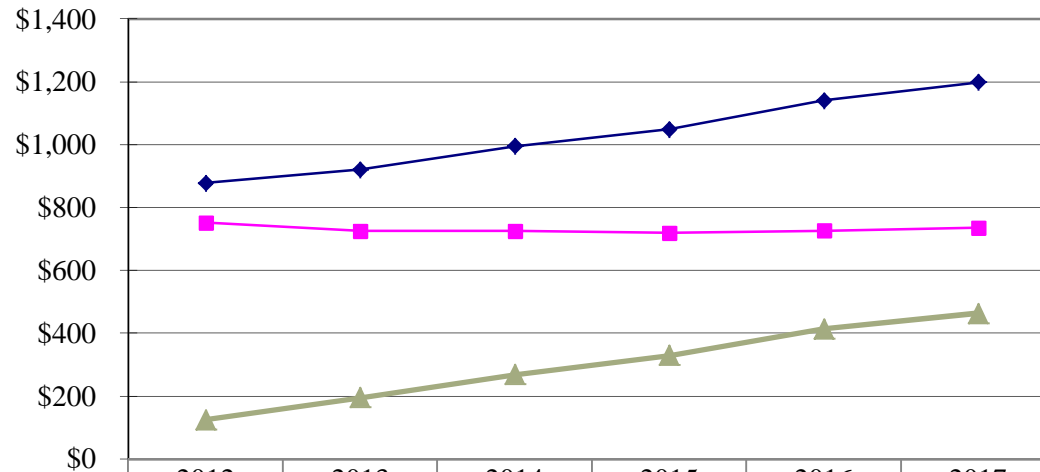
The Capital for Debt Affordability Committee (CDAC) has two criteria to limit debt and debt service for the Maryland Budget.

1. State tax supported debt service is not to exceed 8% of State revenues.
2. Debt outstanding is not to exceed 4% of personal income.

Debt service costs are expected to exceed State property tax receipts

- GO Bond Debt Service Costs Projected to Increase Faster than Revenues to the Annuity Bond Fund: The chart following shows the recent increased GO bond authorizations result in debt service costs increasing 6% annually between fiscal 2012 and 2017 while State property tax revenues which support most of the GO bond debt service from the Annuity Bond Fund are projected to decline through fiscal 2015 followed by very moderate growth through fiscal 2017 grow by just 1% annually over the same time period.
- GO Bond Debt Service Costs Exceed Annuity Bond Fund Revenues in fiscal years 2012-2017
- Reflects the projected shortfall in property tax receipt and current estimate of general fund contribution to debt service.

This chart reflects the projected shortfall in property tax receipt and current estimate of general fund contribution to debt service.



	2012	2013	2014	2015	2016	2017
■ State Property Tax Receipts	\$753	\$726	\$726	\$720	\$728	\$736
◆ GO Bond Debt Service Costs	\$879	\$922	\$996	\$1,050	\$1,142	\$1,199
▲ Property Tax*	\$126	\$196	\$269	\$330	\$414	\$463

General Fund Subsidy Required to Pay Debt Service

- Property Tax could (or should) be increased.

Debt service costs are expected to exceed State property tax receipts. This will require either an annual general fund subsidy or the State will be forced to increase state property tax rate – neither option reflects sound economic policy and will force general funds needed for other important programs to be redirected for debt service. In addition, it could place an additional tax burden on the States property owners to pay higher property tax rates to pay in order to control Government debt spending.

Estimated Annuity Bond Fund Activity With General Fund Subsidy to Fund Debt Service Fiscal 2011-2017 (\$ in Millions)

Source: State Department of Assessment and Taxation, Department of Budget and Management, January 2012

	2012	2013	2014	2015	2016	2017
Special Fund Revenues						
State Property Tax Receipts	\$753	\$726	\$726	\$720	\$728	\$736
Bond Sale Premiums	130	0	0	0	0	0
Other Revenues	3	3	3	3	3	3
Annuity Bond Fund Balance Transferred from Prior Year	162	183	3	0	0	0
Subtotal Special Fund Revenues Available	\$1,048	\$911	\$732	\$723	\$731	\$739
General Funds	0	0	246	309	393	442
Reimbursable Funds ¹	2	2	6	6	6	7
Federal Funds ²	11	12	12	12	12	12
Total Revenues	\$1,061	\$925	\$996	\$1,050	\$1,142	\$1,199
Projected Debt Service Expenditures	\$879	\$922	\$996	\$1,050	\$1,142	\$1,199
ABF End-of-year Fund Balance	\$183	\$3	\$0	\$0	\$0	\$0
Property Tax Rate per \$100 of Assessable Base	\$0.112	\$0.112	\$0.112	\$0.112	\$0.112	\$0.112
Property Tax Rate per \$100 of Assessable Base	\$0.112	\$0.112	\$0.151	\$0.160	\$0.175	\$0.179

O'Malley-Brown's financial freedom



Types of tax supported debt



The following types of debt are included as tax supported:

- ❖ Garvee
- ❖ Bay Restoration
- ❖ Stadium Authority
- ❖ Capital Leases
- ❖ Dept. of Transportation
- ❖ Certificate of Participation
- ❖ General Obligation Bonds

Total tax supported debt/debt service/8% of revenues

Year	Total debt (M)	Debt Service	8 % of Revenues
2010	9,350	1,100	6.85
2011	9,575	1,153	6.69
2012	10,327	1,226	6.88
2013	10,988	1,293	6.91
2014	11,474	1,425	7.28
2015	11,741	1,520	7.43
2016	11,820	1,626	7.63
2017	11,941	1,710	7.72
2018	12,185	1,758	7.65

Remedies For Our Future



- Reserve GO capacity for emergent needs.

- Reduce debt service costs.

Debt service costs primarily reflect past issuances the costs are fairly constant and reduce new authorization levels will only have a small effect on debt service costs in the forecast years.

- Reduce reliance on GF to subsidize state property tax revenues to pay debt service.

Current forecast state the need for \$246 million in GF in fiscal 2013 and increasing to \$442 million by 2017.



O'Malley-Brown

They Have Beaten Down Our
Dollars and Our Future

Delegate Susan L.M. Aumann