Capital Debt Affordability Committee

Treasury Building Assembly Room
80 Calvert St.
Annapolis, MD

Agenda

May 26, 2009
2:00 PM

Treasurer’s Opening Comments

Background:

2009 Legislative Session General Assembly Actions
Patrick Frank, Manager - Debt Policy, Department of Legislative Services

Annuity Bond Fund Projections from the Commission on State Debt
Patti Konrad, Director of Debt Management, State Treasurer’s Office

Status of Affordability Ratios:
Updates from 2008 CDAC report
Patti Konrad, Director of Debt Management, State Treasurer’s Office

Report on April 29 MDOT Sale

Rating Agency Comments, Debt Ratios, Revenues, Other Related Topics
David Fleming, Director of Office of Finance, MDOT

Upcoming General Obligation Sale – July 31, August 3 and 5 (tentative)

Cindy Reese, Financial Analyst, State Treasurer’s Office

Capital Debt Affordability Committee

Treasury Building Assembly Room
80 Calvert St.
Annapolis, MD

Agenda (continued)

<u>May 26, 2009</u>
<u>2:00 PM</u>

Bonds Authorized by American Recovery and Reinvestment Act of 2009 (ARRA)

Characteristics of the Bonds, Allocations, Financial Incentive to the State, Projected Issuance and Effect on Affordability Ratios

Build America Bonds
Qualified School Construction Bonds
Qualified Zone Academy Bonds (QZABS)
Qualified Energy Conservation Bonds
Clean Renewable Energy Bonds (CREBS)
Recovery Zone Private Activity Bonds

Patti Konrad, Director of Debt Management, State Treasurer’s Office

Other Pending Federal Legislation

Patti Konrad, Director of Debt Management, State Treasurer’s Office

CDAC Summer Meeting Schedule and Proposed Agendas

Tuesday, July 14, 2:00 pm
Wednesday, August 5, 2:00 pm
Thursday, September 3, 2:00 pm

2009 Legislative Session
General Assembly Actions

2009 Legislative Session General Assembly Actions

Limiting State Debt

- ***Limited New General Obligation (GO) Bond Debt to $1,110 Million:*** The Capital Debt Affordability Committee (CDAC) and Spending Affordability Committee (SAC) recommended that net GO bond debt be limited to $1,110 million (including $5 million for the Southern Maryland Regional Strategy – Action Plan for Agricultural Loan of 2001). Consistent with recommendations, House Bill 102 (Chapter 485) authorized $1,110 million in net GO debt, $1,140.8 million in new GO debt offset by deauthorizing $30.8 million in previously authorized GO debt.

- ***New Academic Revenue Debt Limited to $27 Million:*** CDAC and SAC recommended that academic revenue bond debt issued in fiscal 2009 be limited to $27 million. House Bill 598 (Chapter 409) authorized $27 million in academic revenue bond debt, consistent with the SAC recommendation.

Authorizing New State Debt

- ***New Program Open Space Bonds Authorized:*** House Bill 783 (Chapter 419) authorized up to $70 million in bonds for the Department of Natural Resources' (DNR) land acquisition program and the transfer of up to $5 million of this amount for the Department of Agriculture's Maryland Land Preservation Fund. State property tax transfer revenues are to be used to support the bonds' debt service payments. The legislation offset the transfer of $70 million in transfer tax revenues to the general fund. DNR advises that the funds will support projects that are in the "pipeline" that have the highest ecological value.

- ***Sale of new federal stimulus bonds authorized:*** The American Recovery and Reinvestment Act of 2009 (ARRA) authorized states to issue new bonds, such as Qualified School Construction Bonds, tax credit bonds, and Recovery Zone Bonds. Senate Bill 1060 (Chapter 649) authorized the issuance of these bonds.

Amending Bond Sale Policies

- ***Enacted legislation allowing negotiated bond sales:*** Traditionally, GO bonds are sold through competitive sales. While competitive sales tend to reduce borrowing costs under most market conditions, the State may not be able to issue bonds competitively under all market conditions. To allow the sale of bonds under extraordinary market conditions, the General Assembly enacted legislation allowing the Board of Public Works to sell bonds in a negotiated sale if the terms of the negotiated sale are superior to the competitive sale.

Senate Bill 1011 (Chapter 641) allows the sale of transportation bonds and Senate Bill 1060 (Chapter 649) allows the sale of GO bonds through negotiated sales.

- ***Other Policy Changes:*** Senate Bill 517 (Chapter 273) authorized the use of Annuity Bond Fund proceeds to support remarketing agent and liquidity provider costs associated with the sale of variable rate demand bonds. House Bill 1081 (Chapter 707) expands the use of proceeds from Qualified Zone Academy Bonds (QZABs) proceeds to support equipment purchases.

CDAC Requirements

- ***Repealed statutory requirement that CDAC recommend level of GO debt supporting public school construction:*** Section 11 of Chapters 306 and 307, Acts of 2004, required that CDAC recommend how much of each year's GO bond authorization supports public school construction. In September 2008, CDAC recommended that the capital budget (House Bill 102) allocate at least $325 million for public school construction. The administration's bill, introduced in January 2009, provided $260 million. The bill's funding level was attributable to a change in the State's economic outlook; the September 2008 revenue forecast assumed slow growth while January 2009 forecast acknowledged that the State was in a deep recession. In response to the revised revenue forecast, the administration adjusted spending, including GO bond authorizations for public school construction. The legislature removed the requirement that the CDAC recommend the level of GO bonds supporting public school construction.

- ***Identifying Capital Leases:*** The State enters into leases for buildings and equipment. Generally Accepted Accounting Principles (GAAP) guidelines determine capital leases. Capital leases are considered State debt and are included in the State's affordability calculation. Because of the complicated financing supporting some projects, it is not always apparent if a project is a capital lease. The General Assembly asked that the State Treasurer's Office (STO) evaluate and determine if the financing for the two following capital projects, that the State is contemplating, are capital leases and should be considered State debt:

  - ***State Center:*** In Section 52 of the Budget Bill, House Bill 100 (Chapter 484), the General Assembly asked the STO to assess if the State Center Project's occupancy leases constitute capital leases. In a report released on May 15, 2009, the STO noted that until the lease is prepared, the Treasurer cannot conclusively determine if the leases are capital leases. "However, based on internal discussions and consultations with experts, the Treasurer's assessment is that the prudent approach at this time is to assume that the State Center Occupancy leases are, or will be capital leases and that they will impact debt affordability."

- ***Department of Health and Mental Hygiene's New Public Health Laboratory:*** The Capital Budget Bill, House Bill 102 (Chapter 485), includes GO bond funds for a new laboratory. The bill requires that, before the State enters into any ground or occupancy leases, CDAC is required to review the financing alternatives and ground and occupancy leases to evaluate the debt affordability impact.

Annuity Bond Fund Projections

Status of the Annuity Bond Fund

Debt service on General Obligation Bonds is paid from the Annuity Bond Fund (ABF) and the primary source of revenue for this fund is real property tax receipts. In fiscal year 2010, it is projected that there are sufficient property tax receipts to cover debt service without any general fund subsidies.

Assuming that the real property tax rate continues at the current level of 11.2¢ per $100 of assessed valuation, future debt is issued at the rates projected in the 2008 CDAC Report, and no further premiums are deposited to the Annuity Bond Fund after 2009, subsidies of general funds will be necessary to support the debt service on General Obligation (GO) Bonds in future years. As projected in the 2009 Commission on State Debt Report in April 2009, for the 4 year period beginning in FY 11 through FY 14, $421.0 million of general funds will need to be appropriated to the Annuity Bond Fund for the payment of debt service on GO Bonds.

Please refer to the following schedule that was included in the 2009 Report of the Commission on State Debt.

Commission on State Debt
April 13, 2009
SCHEDULE C - Effect of Tax Rate on Annuity Bond Fund

		2008 Actual	2009 Appropriation	2010	2011	2012	2013	2014	2010-2014 5 YEAR SUMMARY
				MAINTAIN THE RATE AT $.112 per $100 of ASSESSED VALUATION (A)					
Beginning Balance		$ 38,747,779	$ 38,332,780	$ 62,509,354	$ 35,385,049	$ 1,341,015	$ 856,978	$ 442,233	$ 62,509,354
Total Property Tax Collections	(B)	$ 625,709,718	$ 700,912,493	$ 751,214,511	$ 776,857,316	$ 796,803,641	$ 817,169,890	$ 837,978,372	$ 3,980,023,730
General Fund Appropriation		$ 29,349,121	$ -	$ -	$ 28,000,000	$ 96,000,000	$ 137,000,000	$ 160,000,000	$ 421,000,000
Bond Sale Premium	(C)	$ 32,667,936	$ 65,001,652	$ -	$ -	$ -	$ -	$ -	$ -
Other Cash Receipts	(D)	$ 4,396,825	$ 3,061,919	$ 2,372,778	$ 2,358,675	$ 2,209,895	$ 2,200,000	$ 2,200,000	$ 11,341,348
Debt Service	(E)	$ (692,538,598)	$ (744,799,492)	$ (780,711,593)	$ (841,260,026)	$ (895,497,573)	$ (956,784,635)	$ (1,000,284,083)	$ (4,474,537,909)
Ending Balance		$ 38,332,780	$ 62,509,354	$ 35,385,049	$ 1,341,015	$ 856,978	$ 442,233	$ 336,522	$ 336,522

(A) Rate is 11.2 cents ($0.112) per $100 of assessed value of real property other than that of public utilities and 28 cents ($0.28) per $100 of assessed value of real property of public utilities. This has also been the rate for Fiscal Years 2008 and 2009.

(B) Property Tax Collections are calculated from estimates of assessable base provided by DAT on 4/2/09.

(C) In FY 2009, total premium for Series 2008 2nd and Series 2009 1st after costs of issuance is $77.5 million. $12.5 million is allocated to Aging Schools and DHMH Lab. Balance of $65.0 million remains for Annuity Bond Fund.

(D) Other cash receipts include interest and penalties on property taxes, loan repayments and miscellaneous receipts.

(E) Debt service is calculated after the issuance of Series 2009 1st and is based on authorizations recommended by CDAC in September 2008.

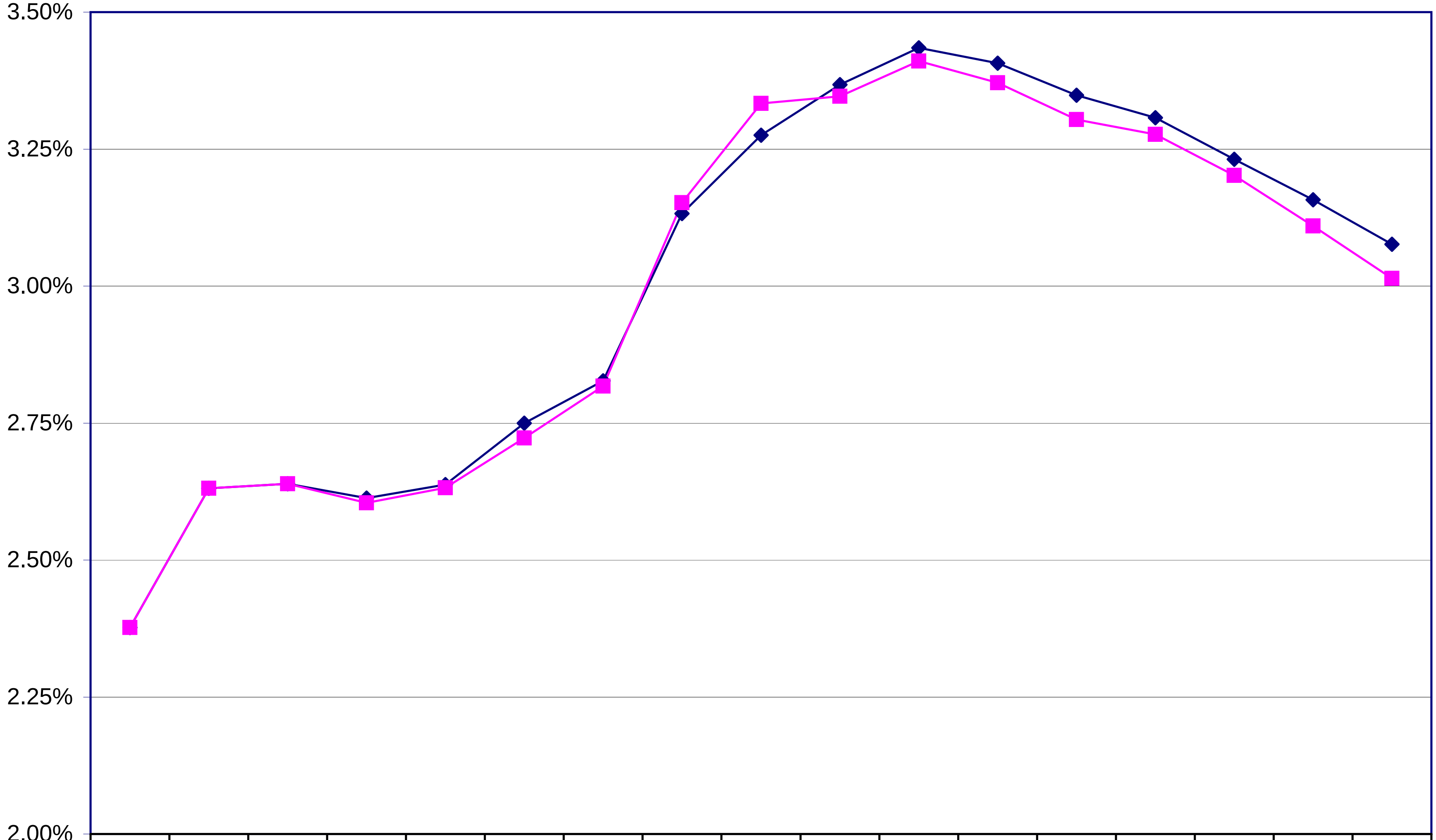
Status of Affordability Ratios: Updates from the 2008 CDAC Report

May 2009 Affordability Ratios are Preliminary

Over the summer, adjustments will be made for the following:

- Actual debt service for General Obligation Bonds, 2009 Second Series
- Projected Debt Service (sinking fund payments) for Qualified School Construction Bonds
- Updates to existing capital equipment and energy leases
- Department of Transportation's final CIP and debt projections
- ***Updated Revenue Estimates.***

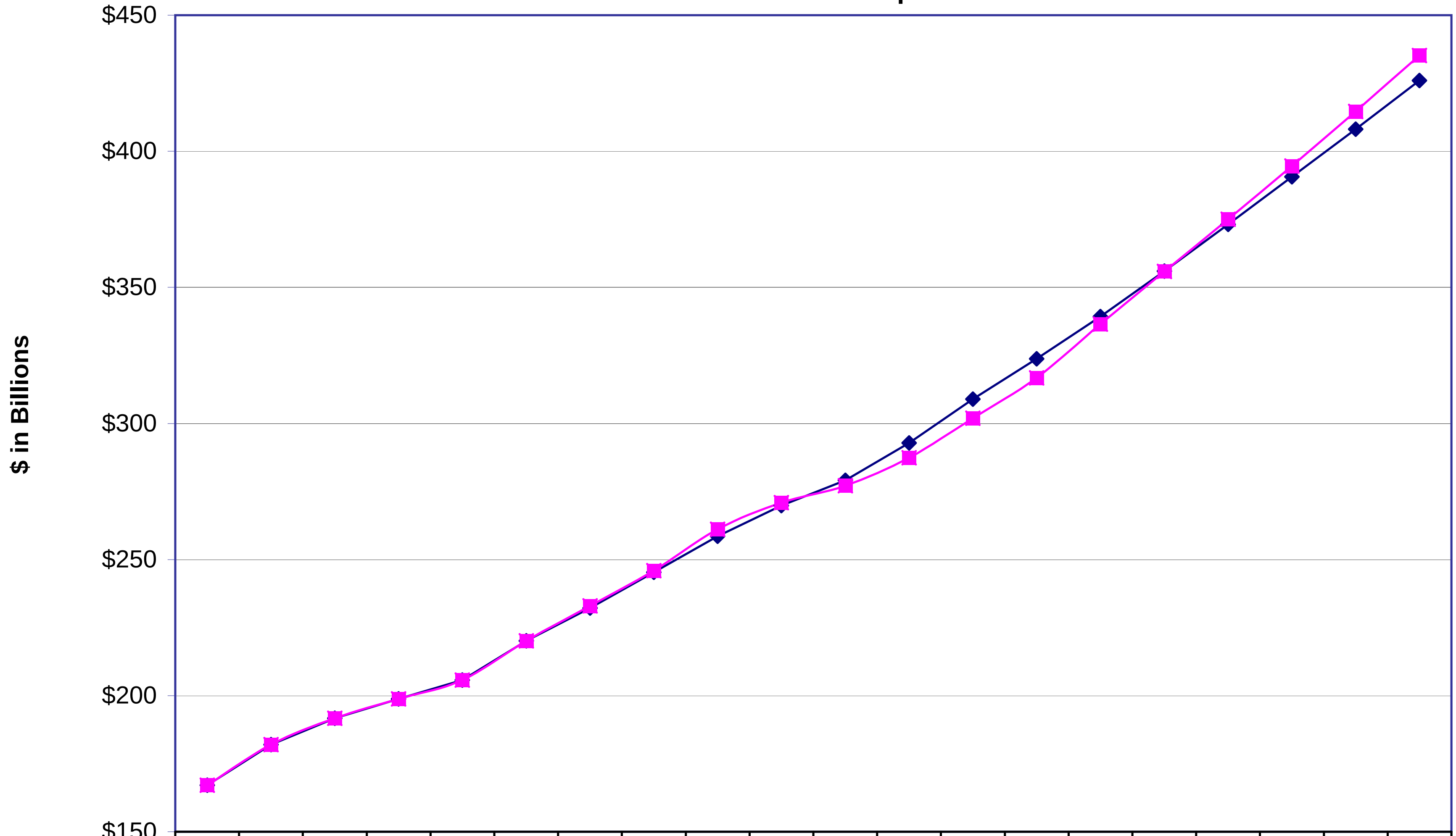
Comparison of Ratio
Total Debt Outstanding to Personal Income
CDAC 2008 and May 2009



	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
CDAC 2008	2.38%	2.63%	2.64%	2.61%	2.64%	2.75%	2.83%	3.13%	3.28%	3.37%	3.43%	3.41%	3.35%	3.31%	3.23%	3.16%	3.08%
May-09	2.38%	2.63%	2.64%	2.60%	2.63%	2.72%	2.82%	3.15%	3.33%	3.35%	3.41%	3.37%	3.30%	3.28%	3.20%	3.11%	3.01%

Source: Table 1 in the 2008 CDAC Report and Table 1 as of May 2009

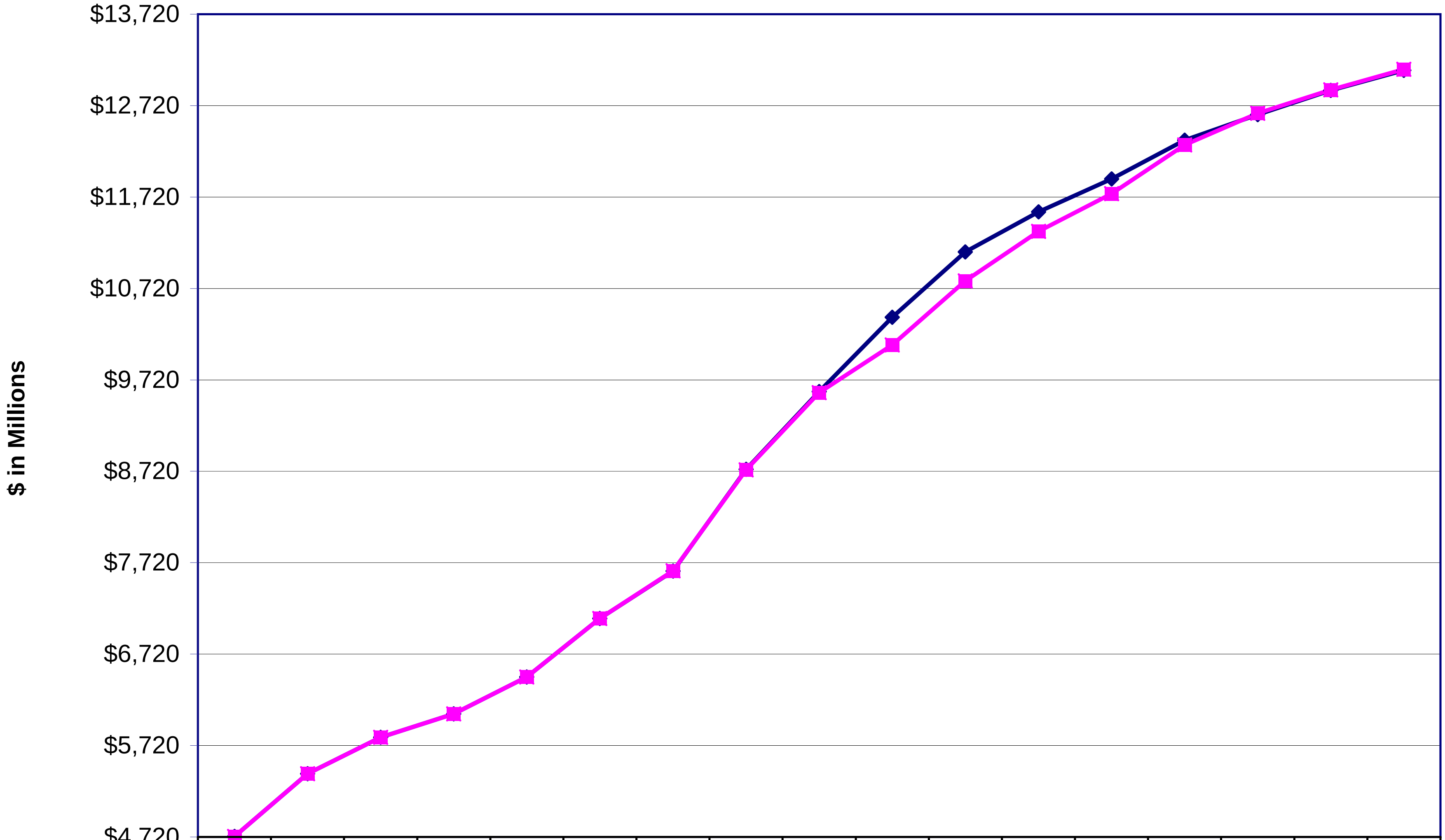
Personal Income Comparison
CDAC 2008 and April 2009



	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
CDAC 2008 Pers. Income	$167	$182	$192	$199	$206	$220	$232	$245	$259	$270	$279	$293	$309	$324	$339	$356	$373	$391	$408	$426
April 2009 Pers. Income	$167	$182	$192	$199	$206	$220	$233	$246	$261	$271	$277	$287	$302	$317	$337	$356	$375	$395	$415	$435

Source: Appendix A-1 in the 2008 CDAC Report and Appendix A-1 as of April 2009

Total Debt Outstanding
CDAC 2008 and May 2009

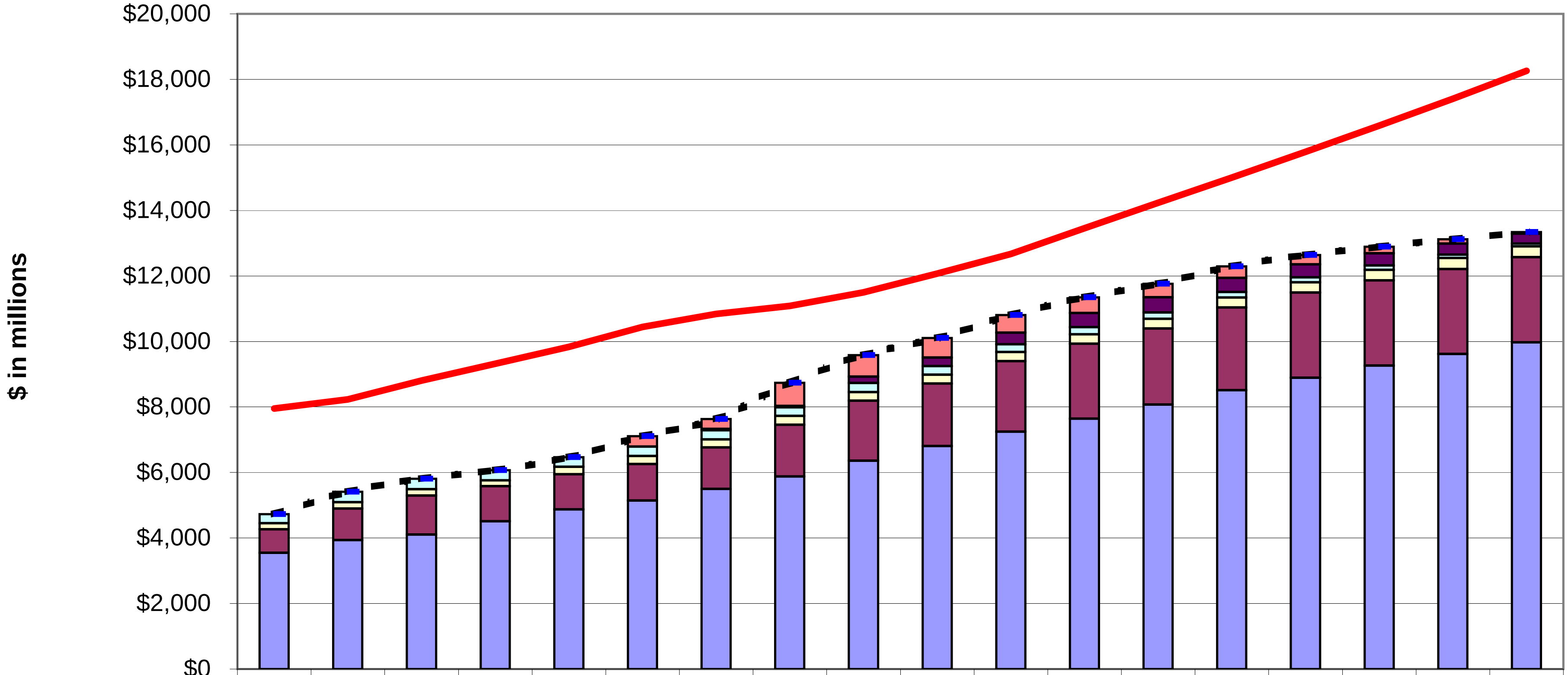


	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
CDAC 2008 Total Debt Outstanding	$4,726	$5,413	$5,809	$6,067	$6,471	$7,109	$7,629	$8,741	$9,591	$10,403	$11,121	$11,557	$11,918	$12,343	$12,622	$12,888	$13,107
May 2009 Total Debt Outstanding	$4,726	$5,413	$5,809	$6,067	$6,471	$7,109	$7,633	$8,735	$9,579	$10,103	$10,803	$11,343	$11,758	$12,291	$12,635	$12,893	$13,118

Source: Table 1 in the 2008 CDAC Report and Table 1 as of May 2009

Tax Supported Debt Outstanding to Personal Income
May 2009

Preliminary, Subject to Change



	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Garvee	$0	$0	$0	$0	$0	$325	$301	$704	$652	$597	$539	$479	$416	$349	$280	$207	$130	$49
Bay Restoration	$0	$0	$0	$0	$0	$0	$50	$47	$194	$265	$351	$433	$459	$432	$403	$372	$340	$306
Stadium Authority	$278	$323	$321	$309	$297	$283	$272	$256	$279	$260	$240	$219	$197	$172	$150	$129	$106	$81
Capital Leases	$186	$193	$199	$175	$227	$248	$248	$271	$268	$268	$273	$285	$295	$307	$316	$324	$332	$332
Total DOT	$717	$964	$1,187	$1,071	$1,078	$1,111	$1,269	$1,583	$1,830	$1,907	$2,159	$2,291	$2,318	$2,520	$2,598	$2,598	$2,596	$2,600
General Obligation	$3,544	$3,932	$4,102	$4,512	$4,868	$5,142	$5,494	$5,874	$6,356	$6,806	$7,239	$7,637	$8,074	$8,511	$8,888	$9,264	$9,615	$9,968
4.0% Benchmark	$7,953	$8,229	$8,805	$9,318	$9,835	$10,445	$10,837	$11,084	$11,495	$12,076	$12,670	$13,461	$14,235	$15,003	$15,784	$16,585	$17,409	$18,259
Total Tax Supported Debt	$4,726	$5,413	$5,809	$6,067	$6,471	$7,109	$7,633	$8,735	$9,579	$10,103	$10,803	$11,343	$11,758	$12,291	$12,635	$12,893	$13,118	$13,336

Source: Table 1 as of May 2009

TABLE 1

STATE TAX SUPPORTED DEBT OUTSTANDING
COMPONENTS AND RELATIONSHIP TO PERSONAL INCOME
($ in thousands)
May-09

Fiscal Year	General Obligation Bonds	Department of Transportation			Capital Leases	Stadium Authority	Bay Restoration Bonds	Garvee Bonds	Total Tax Supported Debt Outstanding	Fiscal Year
		Consolidated Transportation Bonds	**County Transportation Bonds (b)**	**Total DOT**						
	(a)				(c) (d)					
2002	$3,544,178	$714,150	$3,155	$717,305	$186,238	$277,995			$4,725,716	2002
2003	$3,932,493	$961,245	$2,440	$963,685	$193,136	$323,240			$5,412,554	2003
2004	$4,102,278	$1,185,650	$1,675	$1,187,325	$198,585	$320,955			$5,809,143	2004
2005	$4,511,826	$1,069,945	$865	$1,070,810	$175,062	$309,195			$6,066,893	2005
2006	$4,868,471	$1,078,475	$0	$1,078,475	$226,898	$296,820			$6,470,664	2006
2007	$5,142,154	$1,111,050	$0	$1,111,050	$247,939	$283,090		$325,000	$7,109,233	2007
2008	$5,493,830	$1,268,815	$0	$1,268,815	$247,700	$271,570	$50,000	$300,655	$7,632,570	2008
2009	$5,873,643	$1,583,000	$0	$1,583,000	$271,189	$256,013	$46,825	$704,365	$8,735,035	2009
2010	$6,356,452	$1,830,000	$0	$1,830,000	$268,233	$278,545	$194,185	$651,795	$9,579,211	2010
2011	$6,806,166	$1,907,000	$0	$1,907,000	$267,851	$259,956	$264,866	$596,915	$10,102,753	2011
2012	$7,239,357	$2,159,000	$0	$2,159,000	$273,219	$240,144	$351,494	$539,355	$10,802,569	2012
2013	$7,636,506	$2,291,000	$0	$2,291,000	$284,880	$219,021	$432,989	$479,035	$11,343,432	2013
2014	$8,073,558	$2,318,000	$0	$2,318,000	$295,362	$196,509	$459,045	$415,775	$11,758,249	2014
2015	$8,511,223	$2,520,000	$0	$2,520,000	$306,734	$172,059	$431,579	$349,440	$12,291,035	2015
2016	$8,888,474	$2,598,000	$0	$2,598,000	$315,648	$150,231	$402,640	$279,780	$12,634,772	2016
2017	$9,264,218	$2,598,000	$0	$2,598,000	$323,705	$128,688	$372,176	$206,590	$12,893,376	2017
2018	$9,614,640	$2,596,000	$0	$2,596,000	$331,545	$105,915	$340,094	$129,680	$13,117,875	2018
2019	$9,967,940	$2,600,000	$0	$2,600,000	$331,545	$81,265	$306,307	$48,865	$13,335,923	2019

State Tax Supported Debt Outstanding as a Percent of Personal Income
(Affordability criteria standard = 4.0%)

Fiscal Year	General Obligation Bonds	Consolidated Transportation Bonds	County Transportation Bonds (b)	Total DOT	Capital Leases	Stadium Authority	Bay Restoration Bonds	Garvee Bonds	Total Tax Supported Debt Outstanding	Fiscal Year
2002	1.78%	0.36%	0.00%	0.36%	0.09%	0.14%			**2.38%**	2002
2003	1.91%	0.47%	0.00%	0.47%	0.09%	0.16%			**2.63%**	2003
2004	1.86%	0.54%	0.00%	0.54%	0.09%	0.15%			**2.64%**	2004
2005	1.94%	0.46%	0.00%	0.46%	0.08%	0.13%			**2.60%**	2005
2006	1.98%	0.44%	0.00%	0.44%	0.09%	0.12%			**2.63%**	2006
2007	1.97%	0.43%	0.00%	0.43%	0.09%	0.11%		0.12%	**2.72%**	2007
2008	2.03%	0.47%	0.00%	0.47%	0.09%	0.10%	0.02%	0.11%	**2.82%**	2008
2009	2.12%	0.57%	0.00%	0.57%	0.10%	0.09%	0.02%	0.25%	**3.15%**	2009
2010	2.21%	0.64%	0.00%	0.64%	0.09%	0.10%	0.07%	0.23%	**3.33%**	2010
2011	2.25%	0.63%	0.00%	0.63%	0.09%	0.09%	0.09%	0.20%	**3.35%**	2011
2012	2.29%	0.68%	0.00%	0.68%	0.09%	0.08%	0.11%	0.17%	**3.41%**	2012
2013	2.27%	0.68%	0.00%	0.68%	0.08%	0.07%	0.13%	0.14%	**3.37%**	2013
2014	2.27%	0.65%	0.00%	0.65%	0.08%	0.06%	0.13%	0.12%	**3.30%**	2014
2015	2.27%	0.67%	0.00%	0.67%	0.08%	0.05%	0.12%	0.09%	**3.28%**	2015
2016	2.25%	0.66%	0.00%	0.66%	0.08%	0.04%	0.10%	0.07%	**3.20%**	2016
2017	2.23%	0.63%	0.00%	0.63%	0.08%	0.03%	0.09%	0.05%	**3.11%**	2017
2018	2.21%	0.60%	0.00%	0.60%	0.08%	0.02%	0.08%	0.03%	**3.01%**	2018
2019	2.18%	0.57%	0.00%	0.57%	0.07%	0.02%	0.07%	0.01%	**2.92%**	2019

(a) Reflects presumed authorizations as follows:

General Assembly Session:	2009	2010	2011	2012	2012
For Capital Program in Fiscal Year:	**2010**	**2011**	**2012**	**2013**	**2013**
(millions)	$1,110	$990	$1,020	$1,050	$1,080

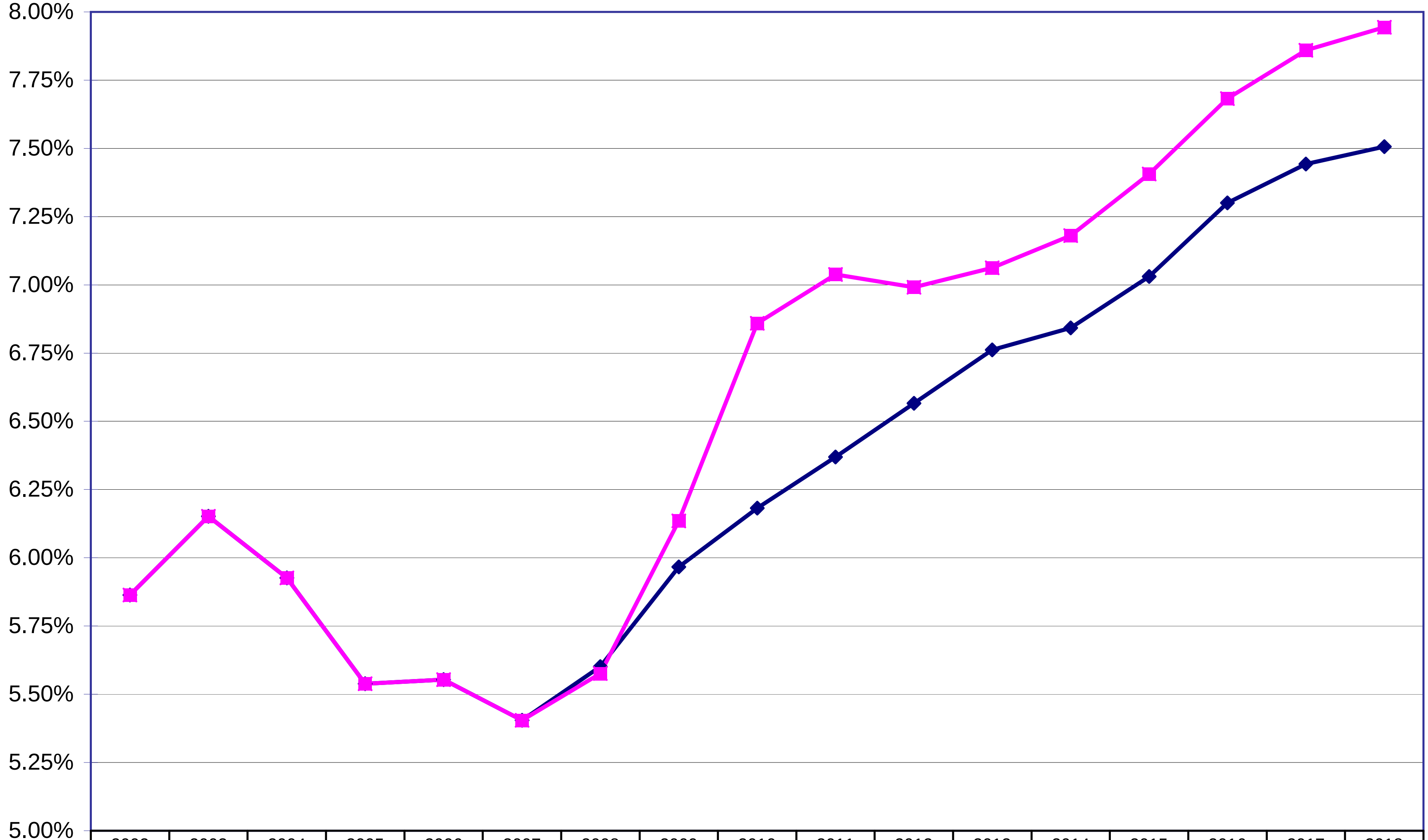
(b) Net of sinking funds or debt service reserve funds.

(c) Includes financings for multi-agency office buildings in St. Mary's and Calvert Counties, district court facilities in Baltimore and Prince George's Counties, headquarters building for MDOT, shuttle buses at BWI, water and waste water facility at ECI, and the state office parking facility.

(d) Includes equipment and energy leases.

Issuance Assumptions: ($ in millions)	**2010**	**2011**	**2012**	**2013**	**2014**
G.O. issues (Includes Tobacco buyout)	$960.0	$970.0	$975.0	$975.0	$1,035.0
Qualified Zone Academy Bonds (QZAB's)	$5.6				
DOT issues	$325.0	$160.0	$355.0	$245.0	$165.0
Stadium Authority issues	$40.0	$0.0	$0.0	$0.0	$0.0
New Capital Leases - Equip. & EPC	$71.0	$49.0	$49.0	$49.0	$49.0
Garvee Bond Sales	$0.0	$0.0	$0.0	$0.0	$0.0
Bay Bonds Issued	$150.0	$80.0	$100.0	$100.0	$50.0
Personal Income (billions) (Appendix A-1)	$287.4	$301.9	$316.7	$336.5	$355.9

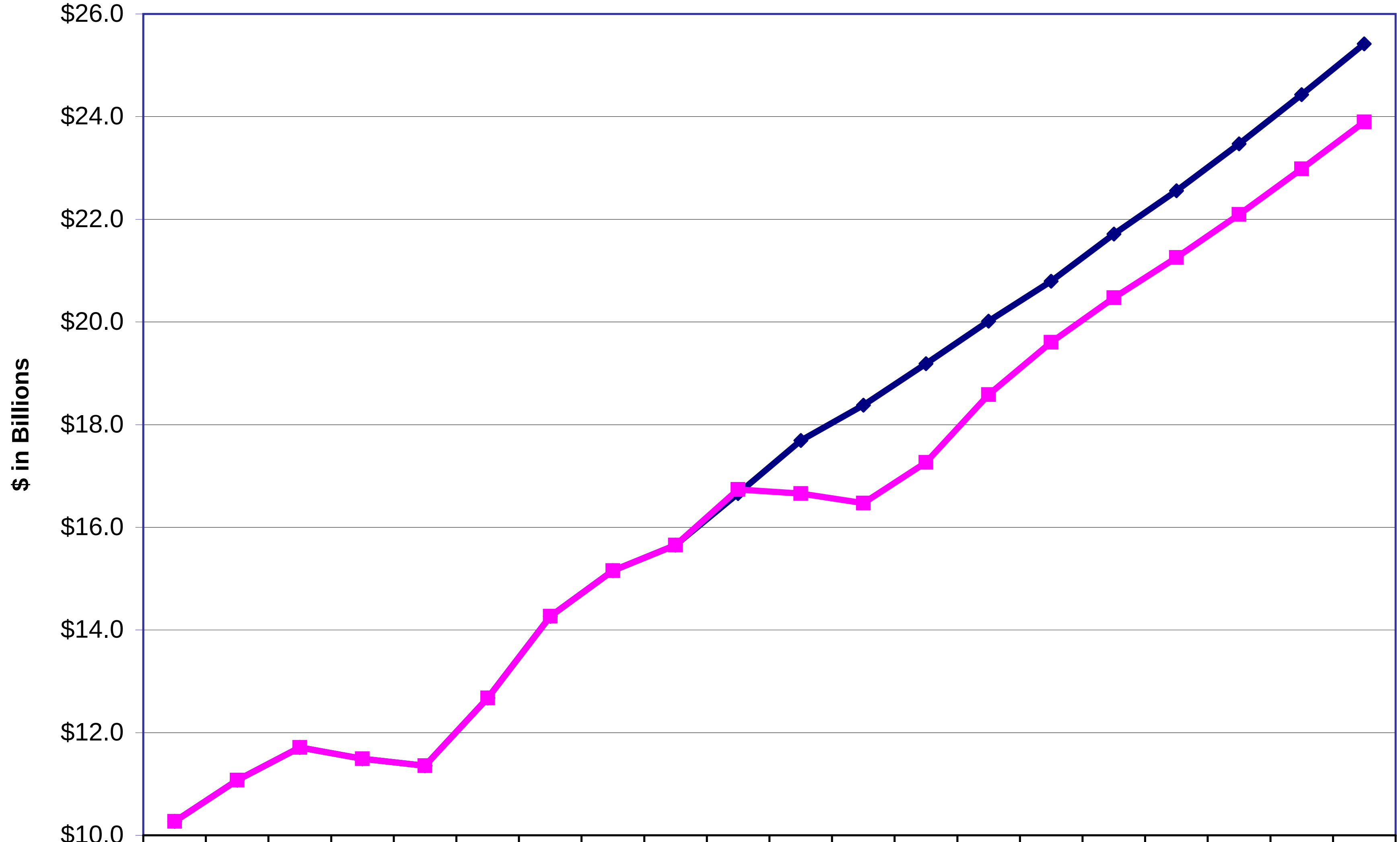
Comparison of Ratio
Total Debt Service to Total Revenues
CDAC 2008 and May 2009



	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
CDAC 2008	5.86%	6.15%	5.93%	5.54%	5.55%	5.40%	5.60%	5.97%	6.18%	6.37%	6.57%	6.76%	6.84%	7.03%	7.30%	7.44%	7.51%
May-09	5.86%	6.15%	5.93%	5.54%	5.55%	5.40%	5.58%	6.14%	6.86%	7.04%	6.99%	7.06%	7.18%	7.41%	7.68%	7.86%	7.94%

Source: Table 2A in the 2008 CDAC Report and Table 2A as of May 2009

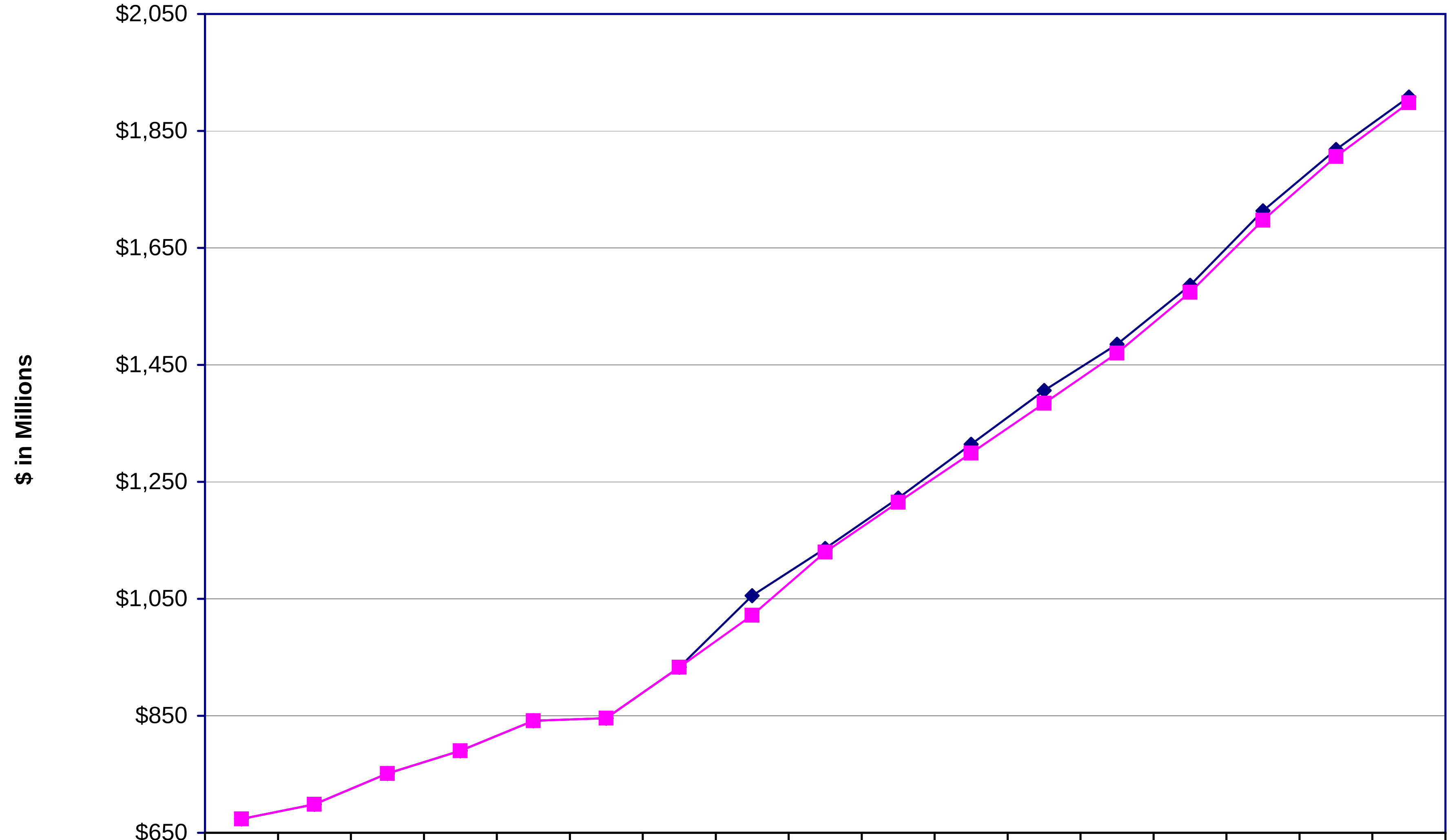
Revenue Comparisons
CDAC 2008 and April 2009
(2009 estimates include slots revenues)



	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
CDAC 2008 Total Revenues	$10.3	$11.1	$11.7	$11.5	$11.4	$12.7	$14.3	$15.2	$15.7	$16.7	$17.7	$18.4	$19.2	$20.0	$20.8	$21.7	$22.6	$23.5	$24.4	$25.4
April 2009 Total Revenues	$10.3	$11.1	$11.7	$11.5	$11.4	$12.7	$14.3	$15.2	$15.7	$16.7	$16.7	$16.5	$17.3	$18.6	$19.6	$20.5	$21.3	$22.1	$23.0	$23.9

Source: Appendix A-2 from 2008 CDAC Report and Appendix A-2 as of April 2009

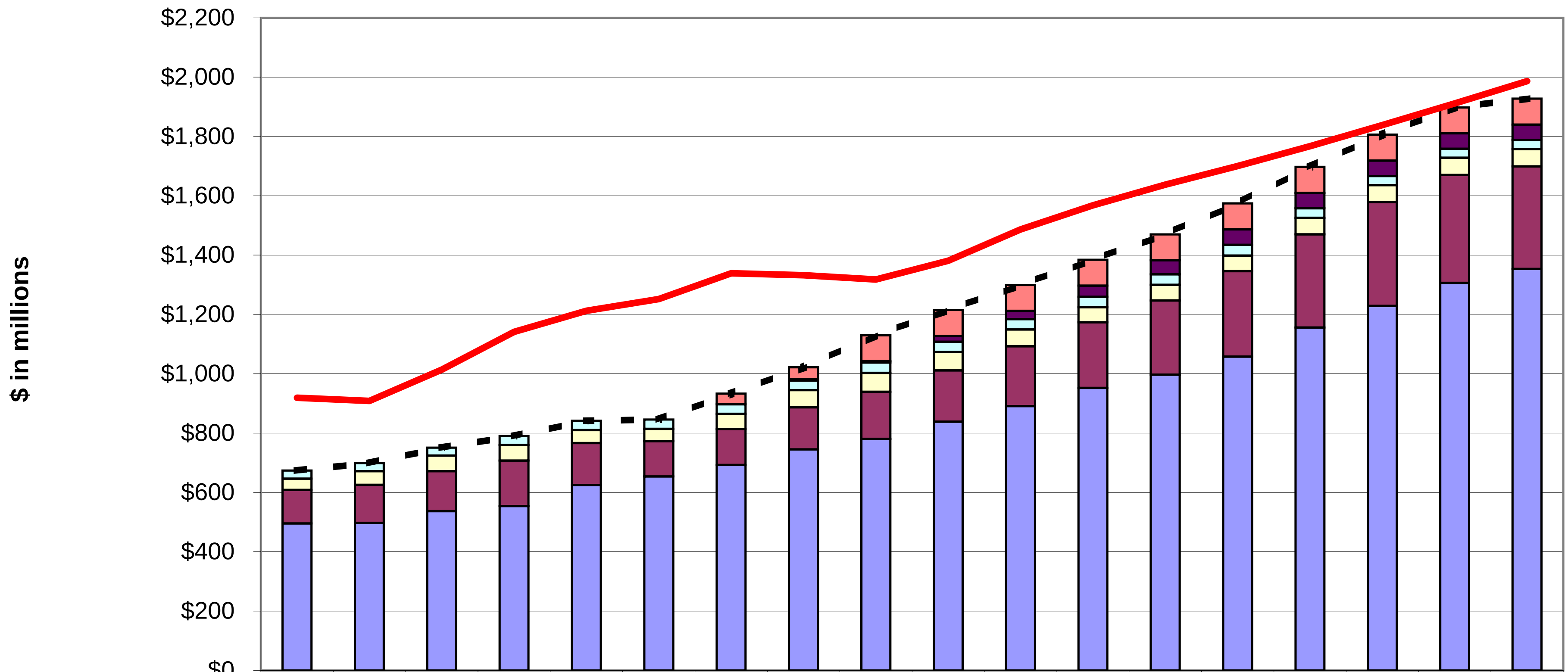
Debt Service Comparison
CDAC 2008 and May 2009



	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
CDAC 2008 Total Debt Service	$674	$699	$751	$790	$842	$846	$933	$1,055	$1,136	$1,222	$1,314	$1,406	$1,485	$1,586	$1,713	$1,818	$1,908
May 2009 Total Debt Service	$674	$699	$751	$790	$842	$846	$933	$1,022	$1,130	$1,215	$1,299	$1,384	$1,470	$1,574	$1,697	$1,806	$1,898

Source: Table 2A in the 2008 CDAC Report and Table 2A as of May 2009

Tax Supported Debt Service to Revenues
May 2009
Preliminary, Subject to Change



	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Garvee Bonds							$36	$40	$87	$87	$87	$87	$87	$87	$87	$87	$87	$87
Bay Restoration Bonds								$5	$5	$20	$28	$37	$47	$52	$52	$52	$52	$52
Stadium Authority	$27	$27	$27	$30	$32	$32	$32	$32	$35	$35	$35	$35	$35	$36	$32	$30	$30	$31
Capital Leases	$38	$46	$52	$52	$44	$42	$51	$58	$64	$62	$56	$51	$53	$53	$56	$57	$58	$58
DOT Consolidated Bonds	$113	$129	$135	$154	$141	$118	$121	$142	$159	$173	$202	$221	$250	$288	$314	$350	$364	$346
General Obligation Bonds	$495	$497	$537	$554	$625	$654	$693	$745	$780	$838	$891	$952	$997	$1,058	$1,156	$1,229	$1,306	$1,353
8.0% Benchmark	$919	$909	$1,014	$1,141	$1,212	$1,252	$1,339	$1,332	$1,318	$1,381	$1,487	$1,568	$1,638	$1,700	$1,768	$1,839	$1,912	$1,987
Total Tax Supported Debt Service	$674	$699	$751	$790	$842	$846	$933	$1,022	$1,130	$1,215	$1,299	$1,384	$1,470	$1,574	$1,697	$1,806	$1,898	$1,927

Source: Table 2A as of May 2009

TABLE 2A

STATE TAX SUPPORTED DEBT SERVICE
STATE TAX SUPPORTED DEBT SERVICE AS A PERCENT OF REVENUES
(Affordability criteria standard = 8%)
($ in thousands)
May-09

Fiscal Year	General Obligation Bonds	DOT Consolidated Bonds	Capital Leases	Stadium Authority	Bay Restoration Bonds	Garvee Bonds	Total Tax Supported Debt Service	Total Revenues	Total Tax Supported Debt Service as a % of Revenues	Fiscal Year
	(a)	(b)	(c) (d)					*(Appendix A-2)*		
2002	$495,217	$113,178	$37,979	$27,383			$673,757	$11,489,682	**5.86%**	2002
2003	$496,870	$128,694	$46,152	$27,035			$698,751	$11,357,434	**6.15%**	2003
2004	$536,819	$134,910	$52,117	$27,333			$751,179	$12,676,056	**5.93%**	2004
2005	$553,783	$153,655	$52,239	$30,480			$790,157	$14,265,771	**5.54%**	2005
2006	$625,208	$141,172	$43,532	$31,713			$841,625	$15,155,236	**5.55%**	2006
2007	$654,055	$118,424	$41,636	$31,725			$845,840	$15,651,623	**5.40%**	2007
2008	$692,539	$121,390	$50,967	$32,108		$36,091	$933,094	$16,735,213	**5.58%**	2008
2009	$744,799	$142,000	$58,070	$31,935	$4,655	$40,364	$1,021,823	$16,654,839	**6.14%**	2009
2010	$780,105	$159,000	$63,552	$34,968	$4,710	$87,458	$1,129,794	$16,472,173	**6.86%**	2010
2011	$838,241	$173,000	$61,711	$35,056	$19,560	$87,455	$1,215,024	$17,263,887	**7.04%**	2011
2012	$890,673	$202,000	$56,437	$35,225	$27,528	$87,457	$1,299,320	$18,585,644	**6.99%**	2012
2013	$952,426	$221,000	$50,870	$35,229	$37,494	$87,451	$1,384,471	$19,602,529	**7.06%**	2013
2014	$996,804	$250,000	$52,796	$35,466	$47,454	$87,458	$1,469,978	$20,471,450	**7.18%**	2014
2015	$1,057,704	$288,000	$52,573	$36,118	$52,437	$87,454	$1,574,287	$21,255,463	**7.41%**	2015
2016	$1,155,881	$314,000	$55,717	$31,951	$52,435	$87,450	$1,697,434	$22,093,810	**7.68%**	2016
2017	$1,228,842	$350,000	$57,145	$30,378	$52,406	$87,452	$1,806,223	$22,981,260	**7.86%**	2017
2018	$1,306,196	$364,000	$57,927	$30,185	$52,365	$87,457	$1,898,129	$23,894,328	**7.94%**	2018
2019	$1,353,187	$346,000	$57,927	$30,579	$52,323	$87,452	$1,927,467	$24,835,600	**7.76%**	2019

Assumptions: See Table 1

(a) Payments for 2001, 2004, 2006 and 2007, 2008 and projected 2009 Qualified Zone Academy Bonds (QZAB's) have been included for fiscal years 2002 through 2019.
(b) Does not include debt service on county transportation bonds. Highway user revenues from counties exceed debt service requirements.
(c) Includes debt service on financings for multi-agency office buildings in St. Mary's and Calvert Counties, district court facilities in Baltimore and Prince George's Counties, headquarters building for MDOT, shuttle buses at BWI, water and waster water facility at ECI, and the state office parking facility.
(d) Includes debt service on equipment and energy leases.

TABLE 2B

STATE TAX SUPPORTED DEBT SERVICE AS A PERCENT OF DEDICATED REVENUES

Fiscal Year	General Obligation Bonds	DOT Consolidated Bonds	Capital Leases	Stadium Authority	Bay Restoration Bonds	Garvee Bonds
2002	5.05%	6.81%	0.40%	100.56%		
2003	5.11%	8.03%	0.49%	123.17%		
2004	4.98%	7.16%	0.51%	122.93%		
2005	4.55%	7.37%	0.45%	140.40%		
2006	4.80%	6.65%	0.35%	147.99%		
2007	4.83%	5.64%	0.32%	149.65%		
2008	4.87%	6.04%	0.38%	149.34%		8.18%
2009	5.32%	6.65%	0.44%	159.68%	8.38%	9.15%
2010	5.65%	7.43%	0.49%	180.25%	8.40%	19.82%
2011	5.81%	7.50%	0.45%	146.07%	34.52%	19.82%
2012	5.70%	8.30%	0.39%	146.77%	48.10%	19.82%
2013	5.77%	8.59%	0.34%	146.79%	64.86%	19.82%
2014	5.78%	9.21%	0.34%	147.78%	81.28%	19.82%
2015	5.88%	10.46%	0.32%	150.49%	88.93%	19.82%
2016	6.16%	11.15%	0.32%	133.13%	88.04%	19.82%
2017	6.28%	12.09%	0.32%	126.58%	87.12%	19.82%
2018	6.40%	12.28%	0.31%	125.77%	86.19%	19.82%
2019	6.36%	11.45%	0.30%	127.41%	85.27%	19.82%

Note: Unlike Table 2A, Table 2B ratios are serviced by separate and specific revenue sources and have different denominators; therefore, ratios cannot be added across to provide a sum of combined ratio totals. Refer to "Appendix A-2, Revenue Projections."

APPENDIX A - 1

MARYLAND PERSONAL INCOME AND POPULATION

Historical Data through 2008
Projections 2009-2019

Updated April 2009

Calendar Year	Personal Income ($ in millions)	% Change	Population (thousands)	% Change
1999	$ 167,075	5.89%	5,255	0.98%
2000	$ 181,958	8.91%	5,311	1.06%
2001	$ 191,657	5.33%	5,375	1.21%
2002	$ 198,824	3.74%	5,434	1.10%
2003	$ 205,737	3.48%	5,494	1.11%
2004	$ 220,127	6.99%	5,538	0.79%
2005	$ 232,951	5.83%	5,573	0.64%
2006	$ 245,879	5.55%	5,602	0.52%
2007	$ 261,115	6.20%	5,618	0.29%
2008	$ 270,924	3.76%	5,634	0.28%
2009	$ 277,098	2.28%	5,660	0.46%
2010	$ 287,371	3.71%	5,720	1.08%
2011	$ 301,893	5.05%	5,776	0.97%
2012	$ 316,748	4.92%	5,812	0.64%
2013	$ 336,515	6.24%	5,844	0.55%
2014	$ 355,883	5.76%	5,875	0.53%
2015	$ 375,071	5.39%	5,906	0.51%
2016	$ 394,607	5.21%	5,935	0.49%
2017	$ 414,636	5.08%	5,964	0.50%
2018	$ 435,224	4.97%	5,994	0.50%
2019	$ 456,467	4.88%	6,024	0.49%

5.57% Average rate of personal income growth for 10 year period 1999 through 2008
5.69% Median rate of personal income growth for 10 year period 1999 through 2008

Sources: Personal Income
1998-2008 Bureau of Economic Analysis, U.S. Dept. of Commerce
2009-2019 Economy.com April 2009 forecast

Population
1998-2008 Census Bureau, U.S. Dept. of Commerce
2009-2019 Forecast: Economy.com April 2009

APPENDIX A - 2

MARYLAND STATE REVENUE PROJECTIONS
($ in millions)

Fiscal Year	General Fund Revenue	% Growth of GF	Property Taxes	% Growth of Prop. Taxes	Use of Premium and Misc. ABF Receipts	Educational Trust Fund (slots revenues)	Total	Transportation Revenues	Stadium Related Revenues	Garvee Bonds	Bay Restoration Fund	Total Revenues	Percent Change of Total Revenues
1999	$8,524.0	5.9%	$246.9		$11.0		$8,781.9	$1,462.6	$24.5			$10,269.0	6.11%
2000	$9,220.0	8.2%	$250.8		$12.6		$9,483.4	$1,568.4	$21.2			$11,073.0	7.83%
2001	$9,802.0	6.3%	$257.1		$11.4		$10,070.5	$1,615.0	$27.6			$11,713.1	5.78%
2002	$9,504.0	-3.0%	$270.0		$25.5		$9,799.5	$1,663.0	$27.2			$11,489.7	-1.91%
2003	$9,409.8	-1.0%	$286.0		$36.7		$9,732.5	$1,603.0	$21.9			$11,357.4	-1.15%
2004	$10,204.3	8.4%	$468.4		$97.2		$10,769.8	$1,884.0	$22.2			$12,676.1	11.61%
2005	$11,548.0	13.2%	$516.5	10.3%	$94.5		$12,159.1	$2,085.0	$21.7			$14,265.8	12.54%
2006	$12,390.3	7.3%	$575.1	11.3%	$46.4		$13,011.8	$2,122.0	$21.4			$15,155.2	6.23%
2007	$12,940.2	4.4%	$552.7	-3.9%	$37.6		$13,530.4	$2,100.0	$21.2			$15,651.6	3.28%
2008	$13,545.6	4.7%	$625.7	13.2%	$37.1		$14,208.4	$2,009.0	$21.5	$441.3	$55.0	$16,735.2	6.92%
2009	$13,220.5	-2.4%	$700.9	12.0%	$80.6		$14,002.0	$2,136.0	$20.0	$441.3	$55.6	$16,654.8	-0.48%
2010	$13,021.8	-1.5%	$751.2	7.2%	$2.4	$39.0	$13,814.4	$2,141.0	$19.4	$441.3	$56.1	$16,472.2	-1.10%
2011	$13,642.7	4.8%	$776.9	3.4%	$2.4	$13.0	$14,434.9	$2,307.0	$24.0	$441.3	$56.7	$17,263.9	4.81%
2012	$14,463.1	6.0%	$796.8	2.6%	$2.2	$366.0	$15,628.1	$2,435.0	$24.0	$441.3	$57.2	$18,585.6	7.66%
2013	$15,072.1	4.2%	$817.2	2.6%	$2.2	$614.0	$16,505.4	$2,574.0	$24.0	$441.3	$57.8	$19,602.5	5.47%
2014	$15,730.6	4.4%	$838.0	2.5%	$2.2	$664.0	$17,234.8	$2,713.0	$24.0	$441.3	$58.4	$20,471.5	4.43%
2015	$16,438.5	4.5%	$859.3	2.5%	$2.2	$677.3	$17,977.2	$2,754.0	$24.0	$441.3	$59.0	$21,255.5	3.83%
2016	$17,178.2	4.5%	$880.7	2.5%	$2.2	$690.8	$18,752.0	$2,817.0	$24.0	$441.3	$59.6	$22,093.8	3.94%
2017	$17,951.2	4.5%	$902.7	2.5%	$2.2	$704.6	$19,560.8	$2,895.0	$24.0	$441.3	$60.2	$22,981.3	4.02%
2018	$18,759.0	4.5%	$925.3	2.5%	$2.2	$718.7	$20,405.3	$2,963.0	$24.0	$441.3	$60.8	$23,894.3	3.97%
2019	$19,603.2	4.5%	$948.5	2.5%	$2.2	$733.1	$21,286.9	$3,022.0	$24.0	$441.3	$61.4	$24,835.6	3.94%

General Fund:
1999 -2019: Bureau of Revenue Estimates, updated April 2009
Property Tax and Use of Premium Revenues:
1999 - 2008: State Budget Books
2009 - 2019 : Dept. of Budget and Management, STO, Department of Budget and Taxation
Transportation Revenues:
1999-2019: Department of Transportation, Office of Finance
Revenues consist of Taxes and Fees, Operating Revenue, Other Revenue, (including investment revenue) and federal funds for operations; MdTA transfers are deducted.
Garvee Bond Revenues:
2008-2019: Federal highway capital revenues; source MDOT
Stadium Revenues:
represent only lottery revenues transferred to the Stadium Authority
Bay Restoration Fund Revenues:
2009-2019 total program revenues; source MDE, MWQFA

Report on April 29, 2009 MDOT Sale

Department of Transportation of Maryland
$110,000,000
Consolidated Transportation Bonds, Series 2009

Sale Date: April 29, 2009
Closing Date: May 20, 2009

- 7 bidders in a competitive sale
- 3.377 lowest TIC – Barclay's Capital
- 3.668 highest TIC
- $5.4 million premium
- 3-4% coupons
- final maturity 2024

Ratings:

AAA Standard and Poor's Corporation
AA Fitch Ratings
Aa2 Moody's Investor Service

Rating Agency Comments
April 2009

- Standard & Poor's AAA
  - MDOT maintains one of the most comprehensive state transportation programs in the U.S.
  - Transportation revenues, while not historically recession sensitive, have been affected by declining fuel consumption and reduced auto sales. However, revenues available to pay debt service have remained sound in S & P's opinion. The rating reflects prudent management practices and sound legal provisions.

- Moody's Aa2
  - The rating reflects a diverse stream of Transportation Trust Fund tax revenue pledged on a first lien basis to the bonds, an additional bonds test of two times maximum annual debt service, good debt service coverage levels and the state's recent expansion of the pledged taxes.

Upcoming General Obligation Sale
July 31, August 3 and 5 (tentative)

Maryland STATE TREASURER
Investing for Maryland's future.

$435,000,000
Upcoming 2009 Second Series General Obligation Sale

July 31, August 3 and 5 (tentative)

2009 Second Series General Obligation Bonds

Goals

- Give **MARYLAND CITIZENS FIRST PRIORITY** in a general obligation bond sale
- Access the retail market, where there has been significant demand for high quality municipal bonds
- Achieve a low cost of debt and achieve refunding savings if available
- Make the negotiated sale process transparent for all stakeholders
- Ensure a fair allocation of orders to underwriting firms

2009 Second Series General Obligation Bonds

Method of Sale

- **First Series A – Negotiated Sale**
  - Up to $335,000,000 of bonds will be sold to retail customers with first priority to Maryland residents (<u>Final allocation between retail and competitive to be determined closer to the sale date</u>.)
  - Refunding potential still being analyzed.
  - Maryland's strong AAA credit history is attractive to investors in their "Flight to Quality".
- **First Series B – Competitive Sale**
  - A minimum of $100,000,000 will be offered to bidders on August 5 at BPW meeting.
  - Bonds sold at competitive sale go primarily to institutional owners.

2009 Second Series General Obligation Bonds

Sizing

Projections were for an issuance of $485 million of general obligation bonds in the summer of 2009.

This will be allocated as follows:

- $435 million in 2009 Second Series
- $ 50 million (approximately) in a projected Fall 2009 issue of Qualified School Construction Bonds

Terms

- Tax-Exempt
- Fixed Rate
- Maturities from 2012 to 2024

2009 Second Series General Obligation Bonds

Process to Sell Bonds in a Negotiated Sale to Retail Investors

- Define retail as an order placed on behalf of individual, bank trust department or investment advisor and gave first priority to Maryland retail.
- Use 11 underwriters, that were selected in a competitive procurement, as senior and co-managers.
- Include additional firms as part of the syndicate as selling group members.
- Update the website, www.buymarylandbonds.com which generated 6,600 hits in about 10 days during last sale.
- Announce the sale to citizens who have contacted the Treasurer's Office in the past few months using a listserve.
- Advertise the sale. Under consideration are print ads in newspapers and radio spots.
- Open retail order period on Friday afternoon, July 31 and continue sale on Monday, August 3, 2009 (tentative).
- Finalize retail orders on Tuesday, August 4 and determine size of competitive sale.

Bonds Authorized by
American Recovery and Reinvestments Act of 2009 (ARRA)

The American Recovery and Reinvestment Act of 2009

The Stimulus Legislation has provisions that will enhance financing for Maryland.

	Type	% of Tax Credit/Subsidy	Issuance Time Limit	Purpose	Maryland Authorizations	Issuers	Financial Benefits to Maryland	Further Considerations
Build America Bonds (BAB) Taxable Bonds	Direct Subsidy from US Treasury to issuer at time of debt service	35%	2009-2010	New Money **Capital** Expenditures	Unlimited	University of VA, University of MN, States of CA and LA, NJ Turnpike Authority	Financial benefit is in maturities of 15-30 years. MD is considering a hybrid issue with a 15 year BAB and serial bonds for years 1-14 that are tax-exempt.	Call options may be limited. Must be sold with de minimus amount of premium.Issuance of taxable bonds has improved T/E market.
Build America Bonds (BAB) Tax Credit Bonds	Tax Credit Against bondholder's Federal income tax liability. Tax credit can be separately securitized	35%	2009-2010	New Money **Capital** Expenditures, refundings, working capital	Unlimited	Investors have shown little interest in this structure.	Savings for issuer not as great as in Direct Subsidy BAB	Must be sold with de minimus amount of premium
Qualified School Construction Bonds (QSCB)	Tax Credit	100%	2009-2010	New construction, rehabilitation or land acquisitions	**In both 2009 and 2010.In millions**, State $50.4; Baltimore City - $58.1; Baltimore Co. - $19.4; PG Co. - $25.1	San Diego Unified School District	Using rates as of 5/20, compared toT/E issue of $50 million, QSCB saves $16 million in debt service; $13.1 million PV See following schedule	Is there a market for tax credit bonds? Must spend proceeds within 3 years
Qualified Zone Academy Bond (QZAB)	Tax Credit	100%	QZABs authorized for 2009 and 2010 must be issued by the end of the 2nd following year.	Only renovations and equipment in MD. Fed'l also allows course material & teacher training.	Authorizations increased as a result of ARRA. 2008 - $4.5 million. 2009 and 2010 - $15.9 million each year	Maryland has been issuing QZABs since 2001 but has had difficulty in spending proceeds timely.	Similar to QSCB; 2008 tax law expanded the universe of eligible purchasers. Sale can be done in conjunction with QSCBs	35% of students must be eligible for free or reduced lunch. Private match required Must spend proceeds within 3 years
Qualified Energy Conservation Bonds (QECB)	Tax Credit	70%	No Change	Building retrofits to achieve energy saings of at least 20%, green community programs, renewable energy facilities, mass communting facilities ETC	$58 million volume cap to Maryland. Sub-allocation to "large local governments" w/ population of 100,000 or more. 70% of volume cap must be used for gov't purpose.		QECBs may get lower rates than energy lease program. Can carryover unused allocation to next year.	Needs Legislative Authorization.
Clean Renewable Energy Bonds (CREB)	Tax Credit	70%	Expiration date for new CREB applications is August 4, 2009.	Wind power, geothermal, hydropower, landfill gas, marine renewable and trash combustion facilities, closed and open loop biomass	Allocated by Treasury to successful applicants		1/3 of volume cap goes to state and local governments	Bonds must be issued within 3 years after the applicant receives notification of an approved allocation
Recovery Zone Economic Development Bonds (RZEDB)	Direct Subsidy	45%	2009-2010	Must be in designated recovery zone for qualified economic development purposes for both capital expenditures and job training	Based on rise in 2008 unemployment compared to nat'l avg but no less than .9% of nat'l limit. Sub-allocation to counties/locals w/ population >100,000			Amount of allocation is not known at this time. Governmental purpose, no private activity Must be sold with de minimus amount of premium
Recovery Zone Economic Development Bonds (RZEDB)	Tax Credit	45%	2009-2010	Must be in designated recovery zone for qualified economic development purposes for both capital expenditures and job training	Based on rise in 2008 unemployment compared to nat'l avg but no less than .9% of nat'l limit. Sub-allocation to counties/locals w/ population >100,000			Amount of allocation is not known at this time. Governmental purpose, no private activity Must be sold with de minimus amount of premium
Recovery Zone Facility Bonds (RZFB)	Tax-Exempt, Private-Activity Bonds	Tax-Exempt, Not Subject to the AMT	2009-2010	Must be depreciable property.	Based on rise in 2008 unemployment compared to nat'l avg but no less than .9% of nat'l limit. Sub-allocation to counties/locals w/ population >100,000			eligible for Private activity

State of Maryland, $50,000,000 Bond Issue
Comparison of Tax-Exempt Bonds vs. Qualified School Construction Bonds

Tax-Exempt Bonds			
Period Ending	Principal	Interest	[A] Debt Service
3/1/2010	-	649,089.75	649,089.75
9/1/2010	-	649,089.75	649,089.75
3/1/2011	-	649,089.75	649,089.75
9/1/2011	-	649,089.75	649,089.75
3/1/2012	-	649,089.75	649,089.75
9/1/2012	3,385,000.00	649,089.75	4,034,089.75
3/1/2013	-	628,441.25	628,441.25
9/1/2013	3,425,000.00	628,441.25	4,053,441.25
3/1/2014	-	603,610.00	603,610.00
9/1/2014	3,475,000.00	603,610.00	4,078,610.00
3/1/2015	-	571,987.50	571,987.50
9/1/2015	3,535,000.00	571,987.50	4,106,987.50
3/1/2016	-	535,930.50	535,930.50
9/1/2016	3,610,000.00	535,930.50	4,145,930.50
3/1/2017	-	495,679.00	495,679.00
9/1/2017	3,690,000.00	495,679.00	4,185,679.00
3/1/2018	-	450,845.50	450,845.50
9/1/2018	3,780,000.00	450,845.50	4,230,845.50
3/1/2019	-	401,327.50	401,327.50
9/1/2019	3,880,000.00	401,327.50	4,281,327.50
3/1/2020	-	346,813.50	346,813.50
9/1/2020	3,990,000.00	346,813.50	4,336,813.50
3/1/2021	-	287,362.50	287,362.50
9/1/2021	4,105,000.00	287,362.50	4,392,362.50
3/1/2022	-	223,324.50	223,324.50
9/1/2022	4,235,000.00	223,324.50	4,458,324.50
3/1/2023	-	154,294.00	154,294.00
9/1/2023	4,370,000.00	154,294.00	4,524,294.00
3/1/2024	-	80,004.00	80,004.00
9/1/2024	4,520,000.00	80,004.00	4,600,004.00
Total	**50,000,000.00**	**13,453,778.00**	**63,453,778.00**

Qualified School Construction Bonds					
Period Ending	Principal	Interest	Debt Service	Sinking Fund Interest Earned at 1.00%	[B] Net Debt Service
3/1/2010	-	-	-	-	-
9/1/2010	-	-	-	-	-
3/1/2011	-	-	-	-	-
9/1/2011	-	-	-	-	-
3/1/2012	-	-	-	-	-
9/1/2012	3,845,000.00	-	3,845,000.00	-	3,845,000.00
3/1/2013	-	-	-	19,225.00	(19,225.00)
9/1/2013	3,845,000.00	-	3,845,000.00	19,225.00	3,825,775.00
3/1/2014	-	-	-	38,450.00	(38,450.00)
9/1/2014	3,845,000.00	-	3,845,000.00	38,450.00	3,806,550.00
3/1/2015	-	-	-	57,675.00	(57,675.00)
9/1/2015	3,845,000.00	-	3,845,000.00	57,675.00	3,787,325.00
3/1/2016	-	-	-	76,900.00	(76,900.00)
9/1/2016	3,845,000.00	-	3,845,000.00	76,900.00	3,768,100.00
3/1/2017	-	-	-	96,125.00	(96,125.00)
9/1/2017	3,845,000.00	-	3,845,000.00	96,125.00	3,748,875.00
3/1/2018	-	-	-	115,350.00	(115,350.00)
9/1/2018	3,845,000.00	-	3,845,000.00	115,350.00	3,729,650.00
3/1/2019	-	-	-	134,575.00	(134,575.00)
9/1/2019	3,845,000.00	-	3,845,000.00	134,575.00	3,710,425.00
3/1/2020	-	-	-	153,800.00	(153,800.00)
9/1/2020	3,845,000.00	-	3,845,000.00	153,800.00	3,691,200.00
3/1/2021	-	-	-	173,025.00	(173,025.00)
9/1/2021	3,845,000.00	-	3,845,000.00	173,025.00	3,671,975.00
3/1/2022	-	-	-	192,250.00	(192,250.00)
9/1/2022	3,850,000.00	-	3,850,000.00	192,250.00	3,657,750.00
3/1/2023	-	-	-	211,500.00	(211,500.00)
9/1/2023	3,850,000.00	-	3,850,000.00	211,500.00	3,638,500.00
3/1/2024	-	-	-	230,750.00	(230,750.00)
9/1/2024	3,850,000.00	-	3,850,000.00	230,750.00	3,619,250.00
Total	**50,000,000.00**	-	**50,000,000.00**	**2,999,250.00**	**47,000,750.00**

Savings	
[A] - [B] Actual Debt Service Savings	Present Value Debt Service Savings (1)
649,089.75	639,686.36
649,089.75	630,419.20
649,089.75	621,286.29
649,089.75	612,285.69
649,089.75	603,415.48
189,089.75	173,237.55
647,666.25	584,773.45
227,666.25	202,580.38
642,060.00	563,036.66
272,060.00	235,119.20
629,662.50	536,282.43
319,662.50	268,311.80
612,830.50	506,933.26
377,830.50	308,013.51
591,804.00	475,458.91
436,804.00	345,847.02
566,195.50	441,800.48
501,195.50	385,415.59
535,902.50	406,134.83
570,902.50	426,391.70
500,613.50	368,478.11
645,613.50	468,321.48
460,387.50	329,122.32
720,387.50	507,530.70
415,574.50	288,540.90
800,574.50	547,800.70
365,794.00	246,671.94
885,794.00	588,678.59
310,754.00	203,528.19
980,754.00	633,038.72
16,453,028.00	**13,148,141.42**

(1) Present value savings are calculated using a discount rate of 2.9418% which is equal to the All-In TIC of the Tax-Exempt Bonds.

As [illegible] 5/20/09

Overview of
Build America Bonds

The PFM Group
Public Financial Management, Inc.
PFM Asset Management LLC
PFM Advisors

March 19, 2009

Introduction

- The $787 billion American Recovery and Reinvestment Act of 2009 (the "Act") was signed into law on February 17, 2009.
- The Act is intended to stimulate economic growth through federal spending in areas of education, health care, housing, and transportation.
- The Act includes various spending initiatives for State and Local governments, as well as provisions and enhancements related to municipal bond issuance and the laws governing their type and use.
- The Act creates a new type of direct subsidy municipal bond called **Build America Bonds** ("BABs").

Build America Bonds
Program Overview

- The Build America Bond Program creates two new types of tax subsidy/credit bonds that may be used by municipal issuers as an option for accessing the capital markets.
  - **Issuer Subsidy BABs:** Municipal issuers may sell taxable bonds and *receive a direct tax subsidy* from the U.S. Treasury equaling 35% of the interest on the bonds.
  - **Investor Subsidy BABs:** Municipal issuers may sell taxable bonds and the *investor receives a tax credit* equaling 35% of the interest on the bonds. This credit is transferable from the investor to a third party.
- BAB issuance is limited to calendar years 2009 and 2010.
- BABs may be issued to fund non-private activity, governmental purposes.
- **The intent of the BAB program is to expand municipal issuer reach into the global taxable bond market, enhancing market access and potentially lowering overall borrowing costs versus traditional tax-exempt debt.**

Build America Bonds

Subsidy Type Comparison

- At issuance, the issuer must elect that the bonds being issued are BABs and must also elect the type of BAB – Issuer Subsidy or Investor Subsidy.

Build America Bond Program		
	Issuer Subsidy	**Investor Subsidy**
Use of Proceeds		
New Money		
Capital Expenditures	Yes	Yes
Working Capital	No	Yes
Refundings		
Current	No	Yes
Advance	No	Yes
Subsidy		
Paid To	Issuer	Investor
Amount	35% of interest	35% of interest
Form	Direct Subsidy	Tax Credit
Paid On	Interest Payment Dates	Interest Payment Dates
Paid Through	Final Maturity	Final Maturity
Transferrable?	No	Yes
Securitization Potential	Yes	Yes
Limitations		
Par Amount	No Limit	No Limit
Final Maturity	No Limit	No Limit
Type of Bonds		
Fixed Rate	Allowed	Allowed
Variable Rate	Allowed	Allowed
Notes	Allowed	Allowed
Zero Coupons	Allowed	Allowed

- BABs must follow the same tax regulations as traditional tax-exempt bonds.
  - Premiums are limited under the program – 0.25% multiplied by number of years to maturity.

Build America Bonds
Considerations

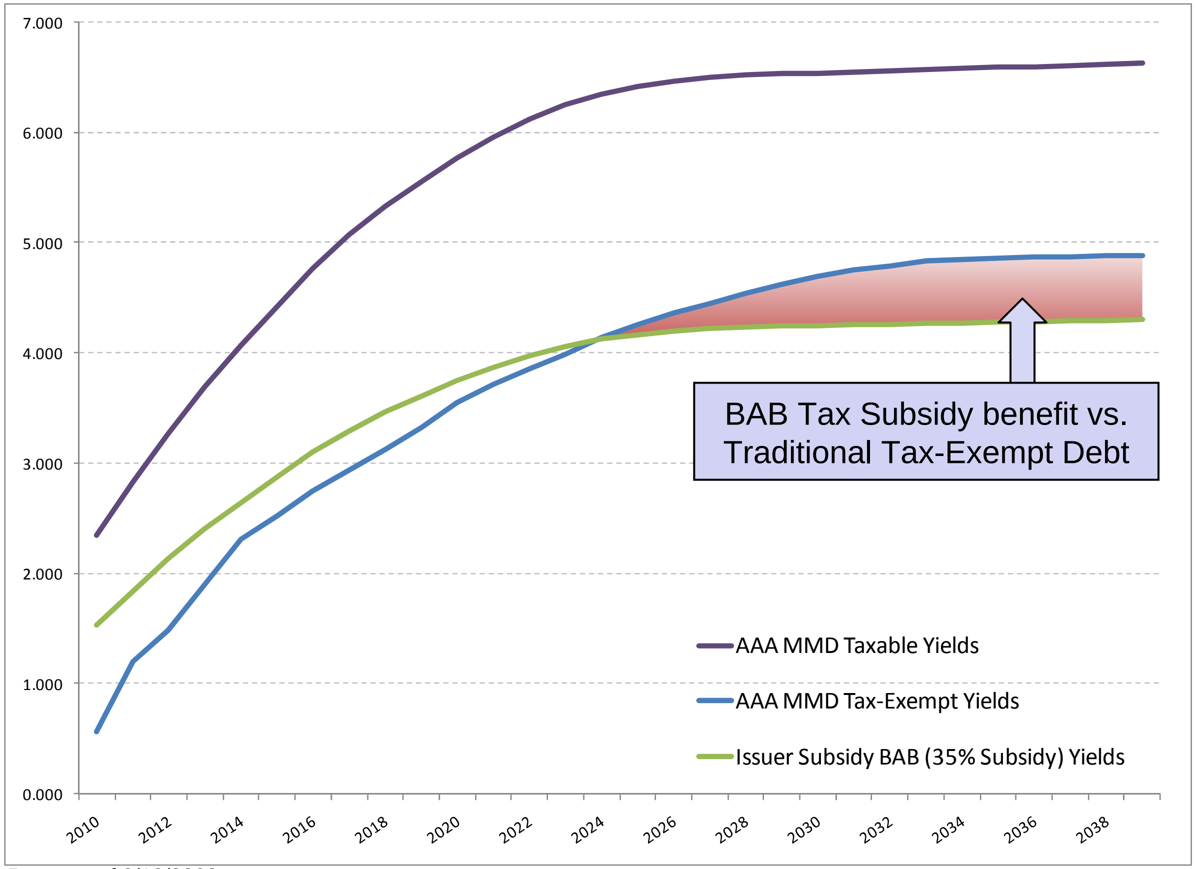
- While the Act allows for flexibility on the size and structure of BABs, there are *market-driven limitations* regarding size, amortization and call provisions.
  - **Size:** The taxable market has a strong preference for large transactions. This facilitates liquidity in this market. *Issues smaller than $250-500 million may be subject to pricing penalties, if able to be sold at all.*
  - **Amortization:** The taxable market has a strong preference for short, bullet maturities. *Issues that amortize par throughout the curve may be subject to pricing penalties, if able to be sold at all.*
    - Considerations must be made as to how bullet maturity structures will impact the Additional Bonds Test, the calculation of debt service for a Rate Covenant, and Debt Service Reserve Fund requirements.
  - **Call Provisions:** Taxable bonds are typically sold as non-callable, or with a make-whole call provision. *Issues structured with a typical municipal call option may be subject to pricing penalties.*
    - A make-whole call provision allows for restructuring, but prevents an issuer from refunding for savings if borrowing rates decrease.
    - The Act does not discuss whether refundings of BABs would benefit from the same interest subsidy, however, it does appear that BABs may be refunded with traditional tax-exempt bonds.

Build America Bonds
Considerations (continued)

- **Derivatives:** The Act is silent in regards to the use of derivative products.
  - Fixed-Receiver Swaps may provide issuers with a way to achieve cost-effective variable rate exposure when combined with Fixed Rate Issuer Subsidy BABs.
- **Currency:** Certain foreign buyers (Europe) will prefer that the bonds are denominated in local currency.
- **Ratings:** Foreign investors will require a global rating in the A or better category.
  - While the switch to a global ratings system is currently on hold at the Rating Agencies, BAB issuance may inform Rating Agencies in their decisions regarding this.
- **Marketing:** In order to attract foreign investors, a global marketing strategy must be devised.
  - Credit education is crucial to a successful marketing campaign, as foreign investors are not familiar with U.S. municipal credits.
  - Underwriting syndicate must have global reach.

Build America Bonds
Pricing

- Issuer Subsidy BABs that are structured according to taxable market preferences (see page 5) may achieve savings versus traditional tax-exempt debt.



Rates as of 3/13/2009

- Issuers may "wrap" BABs around traditional tax-exempt bonds in order to take advantage of the pricing differential on the long end of the yield curve.

Build America Bonds

Deal Comparison

- As an example, we have sized a $500 million issue utilizing BABs from 2025 to 2039 and compared this issuance to a traditional $500 million, 30 year tax-exempt issuance.

Build America Bond vs. Tax-Exempt Bond		
Issuance Comparison		
	Traditional Tax-Exempt Bonds	**Build America Bonds**
Total Par	$500mm	$500mm
Term	30 years	30 years
Issuer Subsidy	None	35% Tax Credit
Structure	Level Debt Service	Tax-Exempt Level DS: 2010-2024 Taxable $100mm Bullets: 2025, 2029, 2034, 2039
Scale	Tax-Exempt AAA MMD (3/16/09)	Tax-Exempt AAA MMD until 2024 (3/16/09) Taxable AAA MMD x 65% from 2025-2039 (3/16/09)
Avg. Life	19.03 years	20.93 years
TIC	4.54%	4.34%
Total Debt Service	975,774,250	965,023,750
Present Value of Debt Service[1]	540,216,813	507,838,610

(1) Debt Service present valued at 4.34%(TIC of Build America Bonds)

***The BAB structure used above is preliminary and has not been market tested. This comparison is meant for illustrative purposes only.**

Build America Bonds
Conclusion

- As evident, it is necessary for this market to continue to evolve so as to be amenable to more traditional municipal issuers, structures, and terms.
- For issuers able to meet the current demands of taxable investors, Build America Bonds may provide access to a more liquid market, taking advantage of better pricing performance versus traditional tax-exempt debt.
  - Issues must be large and structured as bullets to appeal to foreign investors.
  - Pricing benefits exist on the long end of the yield curve (2025 and out).
  - Proceeds must fund non-private activity, governmental purposes.
  - Bonds must be non-callable or have a make-whole call provision.
  - Marketing effort must target global investor community.
- It is expected that the Treasury will be providing further guidance in the near future regarding technical aspects of the program.

Overview of Qualified School Construction Bonds

The PFM Group

Public Financial Management, Inc.
PFM Asset Management LLC
PFM Advisors

April 10, 2009

Introduction

- The $787 billion American Recovery and Reinvestment Act of 2009 (the “Act”) was signed into law on February 17, 2009.
- The Act is intended to stimulate economic growth through federal spending in areas of education, health care, housing, and transportation.
- The Act includes various spending initiatives for State and local governments, as well as provisions and enhancements related to municipal bond issuance and the laws governing their type and use.
- The Act creates a new type of investor tax credit municipal bond called **Qualified School Construction Bonds** (“QSCBs”).

Qualified School Construction Bonds
Program Overview

- The QSCB program was created to finance the construction, rehabilitation or repair of public school facilities.
  - This includes existing schools as well as new construction.
  - Proceeds may be used to acquire land on which a facility is to be constructed and funded by proceeds of the QSCBs.
  - Proceeds must be spent within 3 years unless an extension is granted.
- QSCBs may be issued by a State or local government within the jurisdiction of where the school is located.
- The national limit set by the Act includes $11 billion for 2009 and $11 billion for 2010.
  - 60% of the limit is allocated to States.
  - 40% of the limit is allocated directly to large Local Educational Agencies ("LEAs").
- Unused allocations to the State may be carried forward to the next calendar year.

Qualified School Construction Bonds
Bond Mechanics

- QSCBs are tax credit bonds entitling the holder of the bond to a tax credit for federal income purposes in lieu of receiving current interest on the bonds.
  - The tax credit rate on QSCBs is set by the U.S. Treasury in order to allow for issuance of QSCBs at par and with no interest costs to the issuer.
  - Unused credits may be carried forward to succeeding taxable years.
  - Tax credits may be stripped from bonds and sold separately.
- The maturity date of QSCBs is set by the U.S. Treasury such that the present value of the principal payment obligation is equal to 50% of the face amount of the bonds.
- QSCB rates and maturities can be found on the U.S. Treasury website.
  - https://www.treasurydirect.gov/govt/rates/irs/rates_qtcb.htm
- QSCBs are subject to regular tax-exempt arbitrage rules, however, construction proceeds spent within 3 years are not subject to yield restriction and are exempt from rebate.

Qualified School Construction Bonds

Considerations

- It remains to be seen if investors will accept the U.S. Treasury-set tax credit amount or if supplemental current interest will be required to be added to the QSCB structure by the issuers.
  - Another potential option to attract investors would be to offer the bonds at an initial discounted price to investors.
- Issuers may amortize the bonds through the creation of a voluntary, internal sinking fund.
  - The sinking fund may be invested up to a Permitted Sinking Fund Yield (“PSFY”), which is set by the U.S. Treasury on a daily basis.
  - The sinking fund may not be funded at a rate more rapid than equal annual payments.
  - The sinking fund must be funded in a manner that is reasonably expected to result in an amount not greater than the amount necessary to repay the bonds.

U.S. Treasury QSCB Maturity & Rate Table			
Date	Rate	Maturity	PSFY
4/10/2009	7.75%	14 yrs	5.02%

Other Pending Federal Legislation

Other Pending Federal Legislation

In the week ending May 15, the House Financial Services Committee released four draft bills that would increase the inclusion of municipal bonds in the economic recovery programs. The four bills focused on:

- Reinsurance by the Treasury Department of up to $50 billion of credit-enhanced municipal securities in fiscal years 2011 through 2015
- Special-purpose entity to provide liquidity facilities for variable rate demand obligations that have been issued prior to enactment or for the purpose of restructuring auction rate securities
- Making it unlawful for municipal financial advisors to use any form of interstate commerce unless they are registered with the SEC
- Requiring credit rating agencies to rate municipal and other securities only on the basis of ability to repay its obligations

CDAC Summer Meeting Schedule and Proposed Agendas

Tuesday, July 14, 2:00 pm
Wednesday, August 5, 2:00 pm
Thursday, September 3, 2:00 pm

Capital Debt Affordability Committee

Treasury Building Assembly Room
80 Calvert St.
Annapolis, MD

Agenda

July 14, 2009
2:00 PM

Review of the Size and Condition of Tax Supported Debt:

- Amount issued in prior five fiscal years
- Amount outstanding
- Amount authorized but unissued
- Debt service projections for the next 10 fiscal years
- Status of refunding potential
- Current projections for new issuances
- Rating Agency Updates

General Obligation Bonds
Patti Konrad, Director of Debt Management, State Treasurer's Office

Consolidated Transportation Bonds
David Fleming, Director of Finance, Maryland Department of Transportation

Garvee Bonds
Alison Williams, Director of Finance, Maryland Transportation Authority

Maryland Stadium Authority
David Raith, Chief Financial Officer, Maryland Stadium Authority

Capital Leases
Kina Johnson-Malcolm, Debt and Lease Administrator, State Treasurer's Office

Bay Restoration Bonds
Jag Khuman, Director, Maryland Water Quality Financing Administration

Discussion on Public-Private Partnerships

Joint Chairmen's Report – Capital Budget 2009: Review Of DHMH Lab's Proposed Financing Alternatives and Ground and Occupancy Leases Presented By DHMH And DBM for the Potential Debt Affordability Impact on the State

Michael Gaines, Betsy Barnard, Patti Konrad, Matt Klein

Capital Debt Affordability Committee

Treasurer Nancy K. Kopp, Chair
Treasury Building Assembly Room
80 Calvert St.
Annapolis, MD

August 5, 2009
2:00 PM

Treasurer's Opening Comments

Review of Capital Programs:

Capital Program – DBM

Chad Clapsaddle, Executive Director, Office of Capital Budgeting, Department of Budget and Management

Capital Improvement and School Construction Needs during the Next 5 Fiscal Years

Dr. David Lever, Executive Director - Interagency Committee on School Construction

Review of Size and Condition of Debt of Higher Education Institutions:

- Amount Issued in prior five fiscal years
- Amount outstanding
- Amount authorized but unissued
- Debt service projections for the next 10 fiscal years
- Status of refunding potential
- Current projections for new issuances
- Rating Agency Updates
- 5 year Capital Improvement Plan

University System of Maryland
Jim Sansbury, Associate Vice Chancellor Administration and Finance

Morgan State University
Abraham Moore, Vice President for Finance and Management

St. Mary's College
Chip Jackson, Associate Vice President of Planning and Facilities
Chris True, Assistant Vice President for Finance

Baltimore City Community College
Kim James, Interim Vice President for Business and Finance

Discussion of General Obligation Bonds 2009 Second Series

Analysis of Different Authorization Levels (if needed)

Patti Konrad, Director of Debt Management, State Treasurer's Office

Capital Debt Affordability Committee

Treasurer Nancy K. Kopp, Chair
Treasury Building Assembly Room
80 Calvert St.
Annapolis, MD

September 3, 2009
2:00 PM

Assumptions for Property Tax Growth

TBD

Rating Agency Reports

Proposed Edits to CDAC Report

Section I, Introduction
Section II, Tax-Supported Debt – Trends and Outlook
Section III, Capital Programs
Section IV, Criteria Used by Rating Agencies
Section VI, Higher Education Debt
Patti Konrad, Director of Debt Management, State Treasurer's Office

Discussion of Recommendations:

General Obligation Bond Authorization

- Recommendation of total amount of new State debt that prudently may be authorized for the next fiscal year and the annual increase for future years.

Academic Facilities Bonds

- Recommendation of amount of new bonds for academic facilities for the next fiscal year by the University System of Maryland, Morgan State University, St. Mary's College of Maryland and the Baltimore City Community College.