



CAPITAL DEBT AFFORDABILITY COMMITTEE
Nancy K. Kopp, Chair

December 19, 2011

The Honorable Martin J. O'Malley
Governor of Maryland
State House
Annapolis, Maryland 21401

The Honorable Thomas V. M. Miller, Jr.
President of the Senate
Maryland General Assembly
State House
Annapolis, Maryland 21401

The Honorable Michael E. Busch
Speaker of the House
Maryland General Assembly
State House
Annapolis, Maryland 21401

Re: Revised 2011 Capital Debt Affordability Recommendation

Gentlemen:

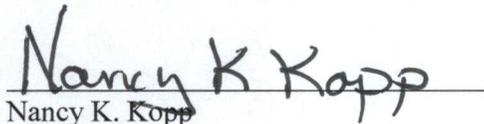
The Capital Debt Affordability Committee (CDAC), created pursuant to Section 8-104, *et seq.*, of the State Finance and Procurement Article, is required to submit to the Governor and the General Assembly each year an estimate of the maximum amount of new general obligation debt that prudently may be authorized for the next fiscal year.

The Chair of CDAC sent a \$925 million conditional recommendation to you in a letter dated September 23, 2011. The letter noted that the motion to adopt this level specifically recognized that authorization levels proposed in the Governor's 2013 capital budget could be adjusted to reflect up-to-date economic and fiscal information, as well as the Board of Revenue Estimate's December revenue estimates. The letter further stated that the CDAC might review its authorization in December 2011 and make any necessary modifications to its recommendation.

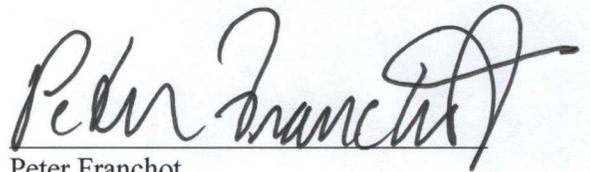
The Committee did meet on December 19, 2011, and considered a proposed increase of \$150 million to its original authorization to provide funding for projects that are "shovel-ready" and that will stimulate immediate job creation. After extensive discussion, the Committee's revised recommendation is a \$1,075 million limit for new general obligation authorizations by the 2012 General Assembly to support the 2013 capital program. The assumptions presented at the meeting also include, for illustrative purposes, a \$150 million reduction in the projected authorization by the 2017 Session from \$1,200 million to \$1,050 million. Other out-year authorization patterns could also be used to constrain debt within the CDAC guidelines. With these authorization levels, the debt affordability ratios remain within the CDAC benchmarks of 4% debt outstanding to personal income and 8% debt service to revenues from 2012 to 2021.

The Committee discussion again reflected its clear intent that future year recommendations continue to maintain debt within the adopted affordability benchmarks of 8% debt service to revenues and 4% debt outstanding to personal income. The Committee recognizes that there are multiple annual authorization levels and patterns that would result in adherence to the benchmarks, depending on future levels of personal income and state revenue. The Committee's projections for future authorizations will reflect updated revenue and personal income projections and authorization levels to adhere to these affordability benchmarks.

The vote for the revised recommendation was 4-1, with the Comptroller voting against the proposed amount and advocating no change to the original \$925 million recommendation.



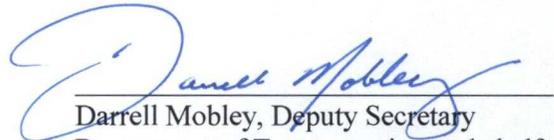
Nancy K. Kopp
State Treasurer
Chair



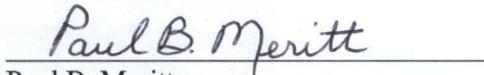
Peter Franchot
State Comptroller



T. Eloise Foster, Secretary
Budget and Management



Darrell Mobley, Deputy Secretary
Department of Transportation on behalf
of Beverley Swaim-Staley, Secretary
Department of Transportation



Paul B. Meritt
Public Member