

# **Capital Debt Affordability Committee**

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

## **Agenda**

**September 24, 2012**

**10:00 AM**

**Treasurer's Opening Comments**

**Projected Affordability Ratios**

### **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 Authorization:*  
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.

## Projected Affordability Ratios

## MARYLAND PERSONAL INCOME AND POPULATION

Historical Data through 2010  
Projections 2011-2022

<b>Calendar Year</b>	<b>Personal Income</b> <i>(\$ in millions)</i>	<b>% Change</b>	<b>Population</b> <i>(thousands)</i>	<b>% Change</b>
2008	\$ 277,793	4.91%	5,706	0.67%
2009	\$ 272,829	-1.79%	5,758	0.91%
2010	\$ 283,634	3.96%	5,810	0.91%
2011	\$ 296,965	4.70%	5,846	0.62%
2012	\$ 308,398	3.85%	5,882	0.61%
2013	\$ 318,637	3.32%	5,913	0.53%
2014	\$ 332,944	4.49%	5,944	0.52%
2015	\$ 349,890	5.09%	5,974	0.50%
2016	\$ 368,085	5.20%	6,004	0.50%
2017	\$ 385,385	4.70%	6,034	0.50%
2018	\$ 400,029	3.80%	6,063	0.49%
2019	\$ 415,790	3.94%	6,092	0.48%
2020	\$ 433,087	4.16%	6,121	0.47%
2021	\$ 451,753	4.31%	6,150	0.48%
2022	\$ 471,043	4.27%	6,180	0.48%

4.44% Average rate of personal income growth for 10 year period 2001 through 2010
4.90% Median rate of personal income growth for 10 year period 2001 through 2010

Sources: Personal Income  
2000-2010 Bureau of Economic Analysis, U.S. Dept. of Commerce  
2011-2022 Forecast: BRE March 2011 forecast

Population  
2000-2010 Census Bureau, U.S. Dept. of Commerce  
2011-2022 Forecast: Economy.com June 2012 forecast

**MARYLAND STATE REVENUE PROJECTIONS**  
 (\$ in millions)  
 Updated as of September 2012

Fiscal Year	General Funds	% Change	Property Taxes	% Change	Use of Premium and Misc. ABF Receipts	US Treasury Subsidy - Direct Subsidy Bonds	Educational Trust Fund (VLT revenues)	Transfer Taxes	Total	Transportation Revenues	Stadium Related Revenues	Garvee Revenues	Bay Restoration Fund	Total Revenues	% Change
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	\$12,900.5	-4.8%	\$698.6	11.6%	\$79.2				\$13,678.2	\$2,140.3	\$20.0	\$441.3	\$53.3	\$16,333.2	-2.40%
2010	\$12,587.1	-2.4%	\$742.9	6.3%	\$67.8	\$0.9	\$10.8		\$13,409.5	\$2,135.8	\$20.0	\$441.3	\$54.8	\$16,061.4	-1.66%
2011	\$13,537.4	7.5%	\$798.3	7.5%	\$83.0	\$9.2	\$82.8	\$113.8	\$14,624.4	\$2,282.4	\$23.7	\$540.2	\$54.6	\$17,525.3	9.11%
2012	\$14,257.8	5.3%	\$752.9	-5.7%	\$132.7	\$11.5	\$91.1	\$121.7	\$15,367.7	\$2,277.0	\$24.4	\$440.4	\$55.1	\$18,164.7	3.65%
2013	\$14,631.3	2.6%	\$728.5	-3.2%	\$76.5	\$12.2	\$286.1	\$131.3	\$15,865.8	\$2,454.0	\$24.6	\$440.4	\$99.0	\$18,883.8	3.96%
2014	\$15,317.5	4.7%	\$726.1	-0.3%	\$2.7	\$12.4	\$297.0	\$153.4	\$16,509.1	\$2,623.0	\$24.6	\$440.4	\$100.0	\$19,697.1	4.31%
2015	\$15,984.8	4.4%	\$720.1	-0.8%	\$2.7	\$12.4	\$483.4	\$179.6	\$17,383.0	\$2,700.0	\$23.3	\$440.4	\$101.0	\$20,647.7	4.83%
2016	\$16,740.0	4.7%	\$727.7	1.1%	\$2.7	\$12.4	\$514.7	\$196.8	\$18,194.3	\$2,763.0	\$23.3	\$440.4	\$102.0	\$21,523.0	4.24%
2017	\$17,568.4	4.9%	\$735.2	1.0%	\$2.7	\$12.4	\$523.6	\$206.7	\$19,048.9	\$2,806.0	\$23.4	\$440.4	\$103.0	\$22,421.7	4.18%
2018	\$18,358.9	4.5%	\$753.5	2.5%	\$2.7	\$12.4	\$539.3	\$210.8	\$19,877.6	\$2,856.0	\$23.3	\$440.4	\$104.1	\$23,301.4	3.92%
2019	\$19,185.1	4.5%	\$772.4	2.5%	\$2.7	\$12.4	\$555.5	\$215.0	\$20,743.1	\$2,868.0	\$22.8	\$440.4	\$105.1	\$24,179.5	3.77%
2020	\$20,048.4	4.5%	\$791.7	2.5%	\$2.7	\$11.6	\$572.2	\$219.3	\$21,646.0	\$2,913.0	\$22.8	\$440.4	\$106.2	\$25,128.3	3.92%
2021	\$20,950.6	4.5%	\$811.5	2.5%	\$2.7	\$10.9	\$589.3	\$223.7	\$22,588.7	\$2,959.0	\$8.7	n/a	\$107.2	\$25,663.6	2.13%
2022	\$21,893.4	4.5%	\$831.8	2.5%	\$2.7	\$10.1	\$607.0	\$228.2	\$23,573.1	\$3,003.0	\$8.7	n/a	\$108.3	\$26,693.1	4.01%

**Sources:**  
 General Fund: 2008 - 2022: Bureau of Revenue Estimates  
 Property Tax and Use of Premium Revenues: 2008 - 2011; State Budget Books; 2011 - 2022 Dept. of Budget and Management, STO, Department of Assessments and Taxation  
 US Treasury Subsidy - Direct Subsidy Bonds including Build America, Qualified School Construction, Qualified Zone Academy, and Qualified Energy Conservation Bonds  
 Educational Trust Fund (VLT revenues): 2010 - 2017 - Dept. of Budget and Management; 2017 through 2022, projected at 3% growth  
 Transfer Taxes: 2011 - 2017: Bureau of Revenue Estimates & DBM; 2018 - 2022: Projected at growth rate of 2.0%  
 Transportation Revenues: 2008-2022: Department of Transportation; Includes Taxes and Fees, Operating Revenue (including federal funds), Other Revenue (including investment revenue); MdTA transfers are deducted.  
 Garvee Revenues: 2008-2020; MdTA, Federal highway capital revenues; No debt service or revenues to be included after 2020  
 Stadium Revenues: Stadium's Lottery revenues net of debt service on the 2010 & 2011 Sports Facilities Revenue Bonds, Camden Yards revenues, and Hippodrome ticket surcharge revenues  
 Bay Restoration Fund Revenues: 2008-2022 total program revenues; Department of Environment - MWQFA

**STATE TAX SUPPORTED DEBT OUTSTANDING  
COMPONENTS AND RELATIONSHIP TO PERSONAL INCOME**  
FY 2008-2011 are final; FY 2012-2022 are projections and subject to change

**TABLE 1**

**State Tax Supported Debt Outstanding**  
(\$ in thousands)

Fiscal Year	General Obligation Bonds <sup>(a)</sup>	Consolidated Transportation Bonds	Capital Leases <sup>(b,c)</sup>	Stadium Authority	Bay Restoration Bonds	Garvee Bonds	Total Tax Supported Debt Outstanding	Fiscal Year
2008	\$5,493,830	\$1,268,815	\$247,427	\$271,570	\$50,000	\$300,655	\$7,632,297	2008
2009	\$5,873,643	\$1,582,605	\$266,757	\$256,013	\$46,825	\$704,365	\$8,730,208	2009
2010	\$6,523,222	\$1,645,010	\$242,636	\$243,557	\$44,185	\$651,795	\$9,350,406	2010
2011	\$6,982,846	\$1,561,840	\$166,551	\$225,743	\$41,560	\$596,915	\$9,575,456	2011
2012	\$7,541,102	\$1,562,630	\$310,464	\$217,891	\$38,820	\$539,355	\$10,210,262	2012
2013	\$8,009,372	\$1,803,000	\$289,182	\$194,830	\$85,995	\$479,035	\$10,861,414	2013
2014	\$8,325,393	\$2,048,000	\$295,433	\$170,823	\$230,738	\$415,775	\$11,486,161	2014
2015	\$8,577,688	\$2,110,000	\$298,436	\$147,047	\$378,279	\$349,440	\$11,860,890	2015
2016	\$8,724,603	\$2,194,000	\$273,878	\$127,211	\$457,806	\$279,780	\$12,057,278	2016
2017	\$8,876,830	\$2,275,000	\$252,828	\$107,848	\$451,726	\$206,590	\$12,170,822	2017
2018	\$9,027,516	\$2,410,000	\$232,653	\$87,631	\$423,455	\$129,680	\$12,310,935	2018
2019	\$9,251,010	\$2,518,000	\$212,078	\$66,892	\$393,813	\$48,865	\$12,490,658	2019
2020	\$9,512,470	\$2,555,000	\$190,812	\$45,225	\$362,613	\$0	\$12,666,120	2020
2021	\$9,841,241	\$2,561,000	\$175,176	\$36,840	\$329,858	\$0	\$12,944,115	2021
2022	\$10,199,357	\$2,551,000	\$158,875	\$27,945	\$295,471	\$0	\$13,232,648	2022

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

Fiscal Year	General Obligation Bonds	Consolidated Transportation Bonds	Capital Leases	Stadium Authority	Bay Restoration Bonds	Garvee Bonds	Total Tax Supported Debt Outstanding	Fiscal Year
2008	1.98%	0.46%	0.09%	0.10%	0.02%	0.11%	<b>2.75%</b>	2008
2009	2.15%	0.58%	0.10%	0.09%	0.02%	0.26%	<b>3.20%</b>	2009
2010	2.30%	0.58%	0.09%	0.09%	0.02%	0.23%	<b>3.30%</b>	2010
2011	2.35%	0.53%	0.06%	0.08%	0.01%	0.20%	<b>3.22%</b>	2011
2012	2.45%	0.51%	0.10%	0.07%	0.01%	0.17%	<b>3.31%</b>	2012
2013	2.51%	0.57%	0.09%	0.06%	0.03%	0.15%	<b>3.41%</b>	2013
2014	2.50%	0.62%	0.09%	0.05%	0.07%	0.12%	<b>3.45%</b>	2014
2015	2.45%	0.60%	0.09%	0.04%	0.11%	0.10%	<b>3.39%</b>	2015
2016	2.37%	0.60%	0.07%	0.03%	0.12%	0.08%	<b>3.28%</b>	2016
2017	2.30%	0.59%	0.07%	0.03%	0.12%	0.05%	<b>3.16%</b>	2017
2018	2.26%	0.60%	0.06%	0.02%	0.11%	0.03%	<b>3.08%</b>	2018
2019	2.22%	0.61%	0.05%	0.02%	0.09%	0.01%	<b>3.00%</b>	2019
2020	2.20%	0.59%	0.04%	0.01%	0.08%	0.00%	<b>2.92%</b>	2020
2021	2.18%	0.57%	0.04%	0.01%	0.07%	0.00%	<b>2.87%</b>	2021
2022	2.17%	0.56%	0.03%	0.01%	0.06%	0.00%	<b>2.81%</b>	2022

(a) Reflects presumed authorizations as follows:

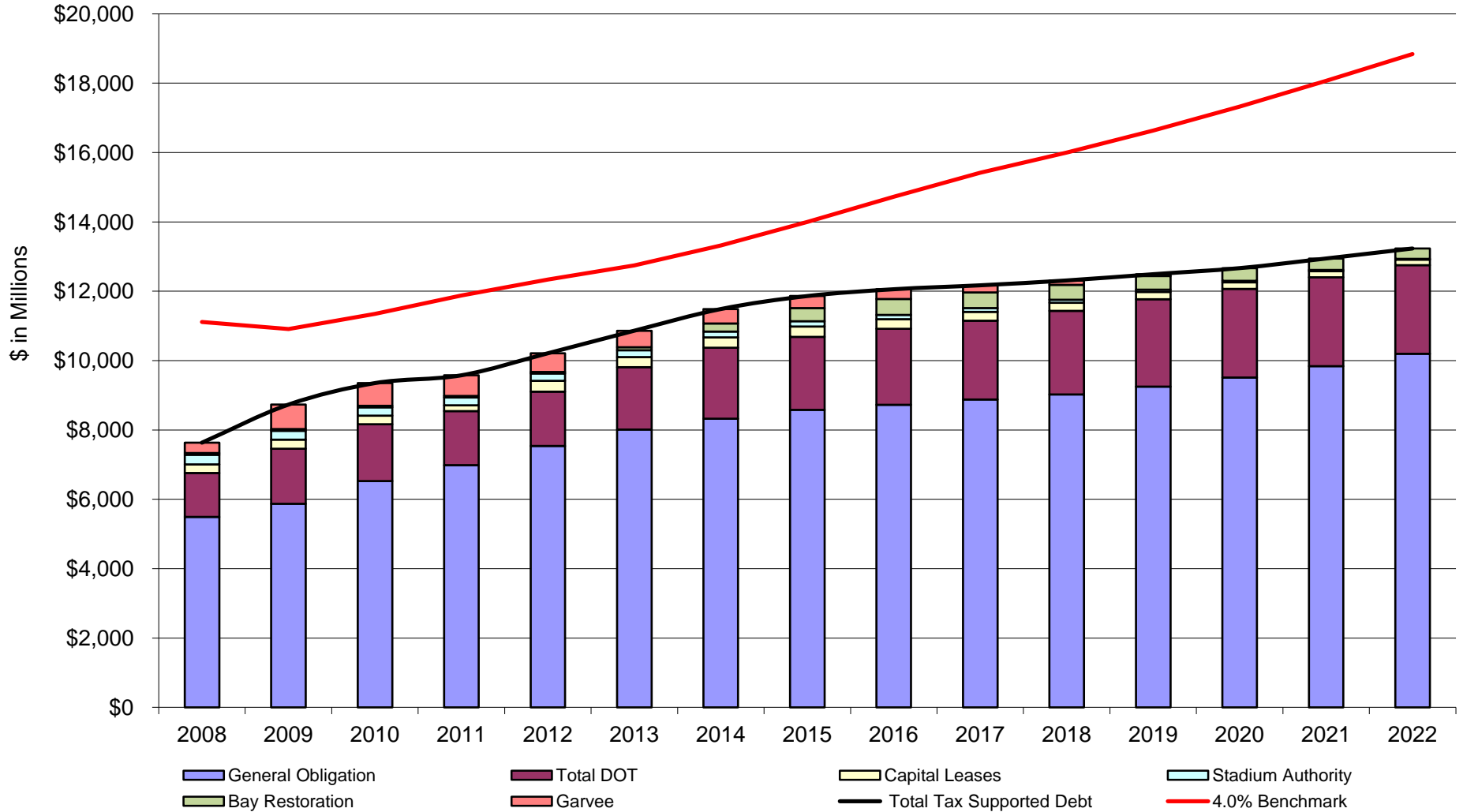
General Assembly Session:	2012	2013	2014	2015	2016
Fiscal Year/Capital Budget:	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
(in millions)	\$1,075	\$925	\$935	\$945	\$955

(b) Includes financings for a multi-agency office building in St. Mary's County, district court facilities in Prince George's County, a MDOT headquarters building, shuttle buses at BWI Airport, the DHMH public health lab and parking facilities at the Annapolis Office Complex and State Center.

(c) Leases include equipment, video lottery terminals and energy leases that do not have guaranteed energy savings = or > debt service.

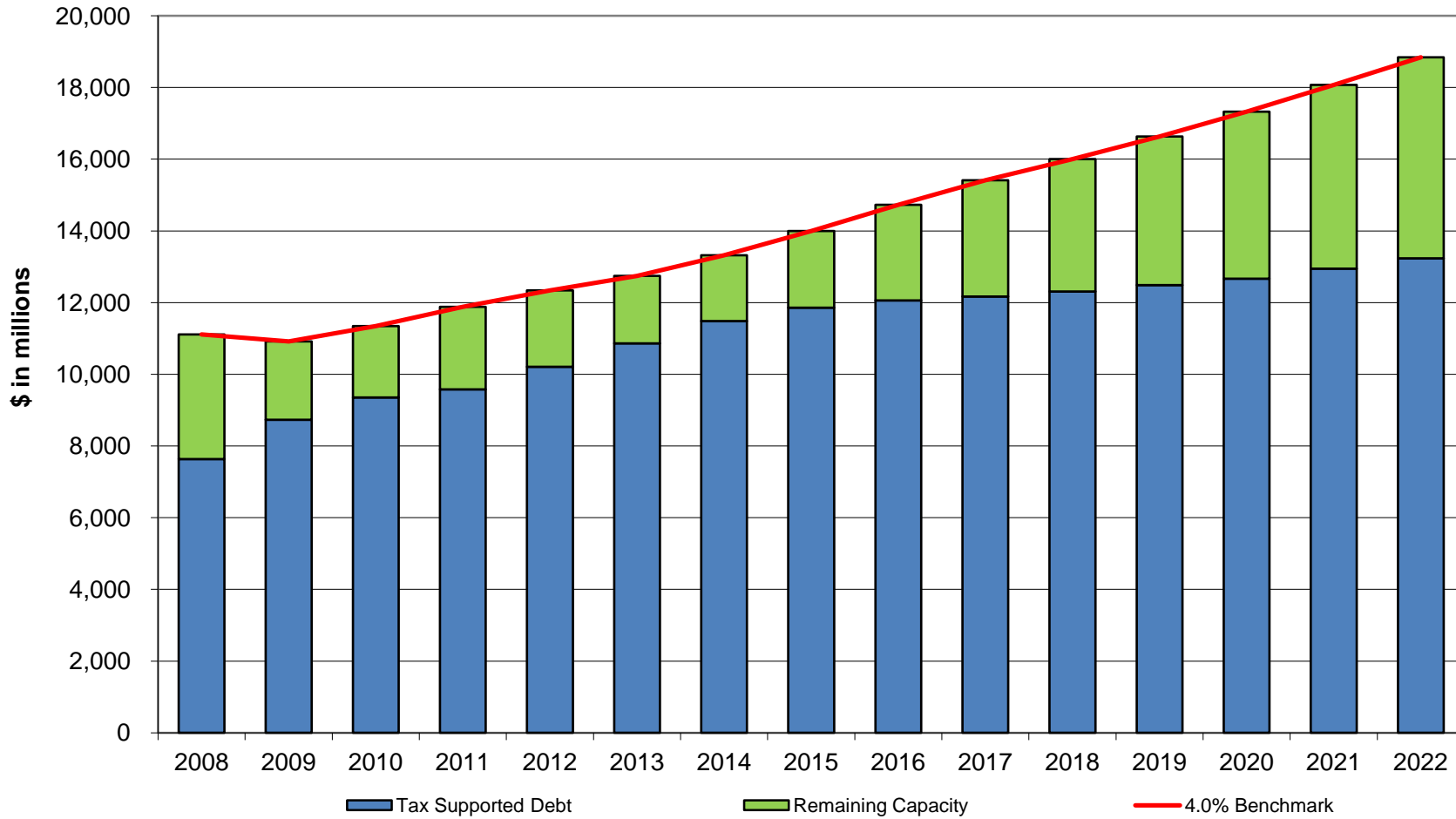
Issuance Assumptions: (\$ in millions)	2013	2014	2015	2016	2017
G.O. issues	\$1,028.0	\$930.0	\$910.0	\$900.0	\$931.0
DOT issues	\$350.0	\$375.0	\$215.0	\$250.0	\$270.0
Stadium Authority issues	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
New Capital Leases - Equip. & EPC	\$5.0	\$5.0	\$25.0	\$5.0	\$5.0
New Capital Leases - State Center Garage	\$0.0	\$32.5	\$0.0	\$0.0	\$0.0
Garvee Bond Issues	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Bay Bonds Issues	\$50.0	\$150.0	\$160.0	\$100.0	\$20.0
Total	<u>\$1,433.0</u>	<u>\$1,492.5</u>	<u>\$1,310.0</u>	<u>\$1,255.0</u>	<u>\$1,226.0</u>
Personal Income (billions) (Appendix A-1)	\$318.6	\$332.9	\$349.9	\$368.1	\$385.4

## Tax Supported Debt Outstanding to Personal Income FY 2008 - FY 2022



Source: Table 1 as of Septembert, 2012  
 FY 2008-2011 are final; FY 2012-2022 are projections and subject to change

## Tax Supported Debt Outstanding to Personal Income Available Debt Capacity using the 4.0% Benchmark FY 2008 - FY 2022



Source: Table 1 as of September, 2012  
FY 2008-2011 are final; FY 2012-2022 are projections and subject to change

TABLE 2A

## STATE TAX SUPPORTED DEBT SERVICE

FY 2008-2011 are final; FY 2012-2022 are projections and subject to change

## STATE TAX SUPPORTED DEBT SERVICE AS A PERCENT OF REVENUES

(\$ in thousands)

(Affordability criteria standard = 8% )

Fiscal Year	General Obligation Bonds <sup>(a)</sup>	DOT Consolidated Bonds <sup>(b)</sup>	Capital Leases <sup>(c,d)</sup>	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
2008	\$692,539	\$121,390	\$47,357	\$32,108		\$36,091	\$929,484	\$16,735,213	5.55%	2008
2009	\$744,799	\$142,355	\$50,783	\$31,935	\$4,655	\$40,364	\$1,014,892	\$16,333,158	6.21%	2009
2010	\$777,523	\$150,954	\$47,460	\$32,054	\$4,710	\$87,458	\$1,100,158	\$16,061,611	6.85%	2010
2011	\$834,833	\$158,662	\$34,331	\$32,464	\$4,616	\$87,455	\$1,152,361	\$17,525,280	6.58%	2011
2012	\$878,208	\$174,215	\$37,097	\$32,694	\$4,614	\$87,457	\$1,214,285	\$18,164,677	6.68%	2012
2013	\$915,982	\$183,000	\$30,922	\$33,223	\$4,617	\$87,451	\$1,255,195	\$18,883,840	6.65%	2013
2014	\$988,295	\$216,000	\$35,847	\$33,239	\$9,431	\$87,458	\$1,370,270	\$19,697,081	6.96%	2014
2015	\$1,048,843	\$243,000	\$39,999	\$31,942	\$23,884	\$87,454	\$1,475,122	\$20,647,735	7.14%	2015
2016	\$1,139,911	\$260,000	\$44,224	\$26,904	\$39,297	\$87,450	\$1,597,786	\$21,522,982	7.42%	2016
2017	\$1,190,954	\$288,000	\$37,432	\$25,563	\$48,902	\$87,452	\$1,678,302	\$22,421,742	7.49%	2017
2018	\$1,246,585	\$304,000	\$35,380	\$25,505	\$50,788	\$87,457	\$1,749,715	\$23,301,412	7.51%	2018
2019	\$1,268,083	\$292,000	\$34,874	\$25,067	\$50,746	\$87,452	\$1,758,221	\$24,179,459	7.27%	2019
2020	\$1,319,405	\$278,000	\$31,736	\$24,984	\$50,858	\$51,365	\$1,756,347	\$25,128,289	6.99%	2020
2021	\$1,353,091	\$318,000	\$28,382	\$10,952	\$50,859	\$0	\$1,761,285	\$25,663,602	6.86%	2021
2022	\$1,404,511	\$341,000	\$28,336	\$10,990	\$50,856	\$0	\$1,835,693	\$26,693,139	6.88%	2022

(a) Includes payments for Qualified Zone Academy Bonds (QZAB's).

(b) Does not include debt service on county transportation bonds. Highway user revenues from counties exceed debt service requirements.

(c) Includes financings for a multi-agency office building in St. Mary's County, district court facilities in Prince George's County, a MDOT headquarters building, shuttle buses at BWI Airport, the DHMH public health lab and parking facilities at the Annapolis Office Complex and State Center.

(d) Debt service on leases include equipment, video lottery terminals and energy leases that do not have guaranteed energy savings = or &gt; than debt service.

TABLE 2B

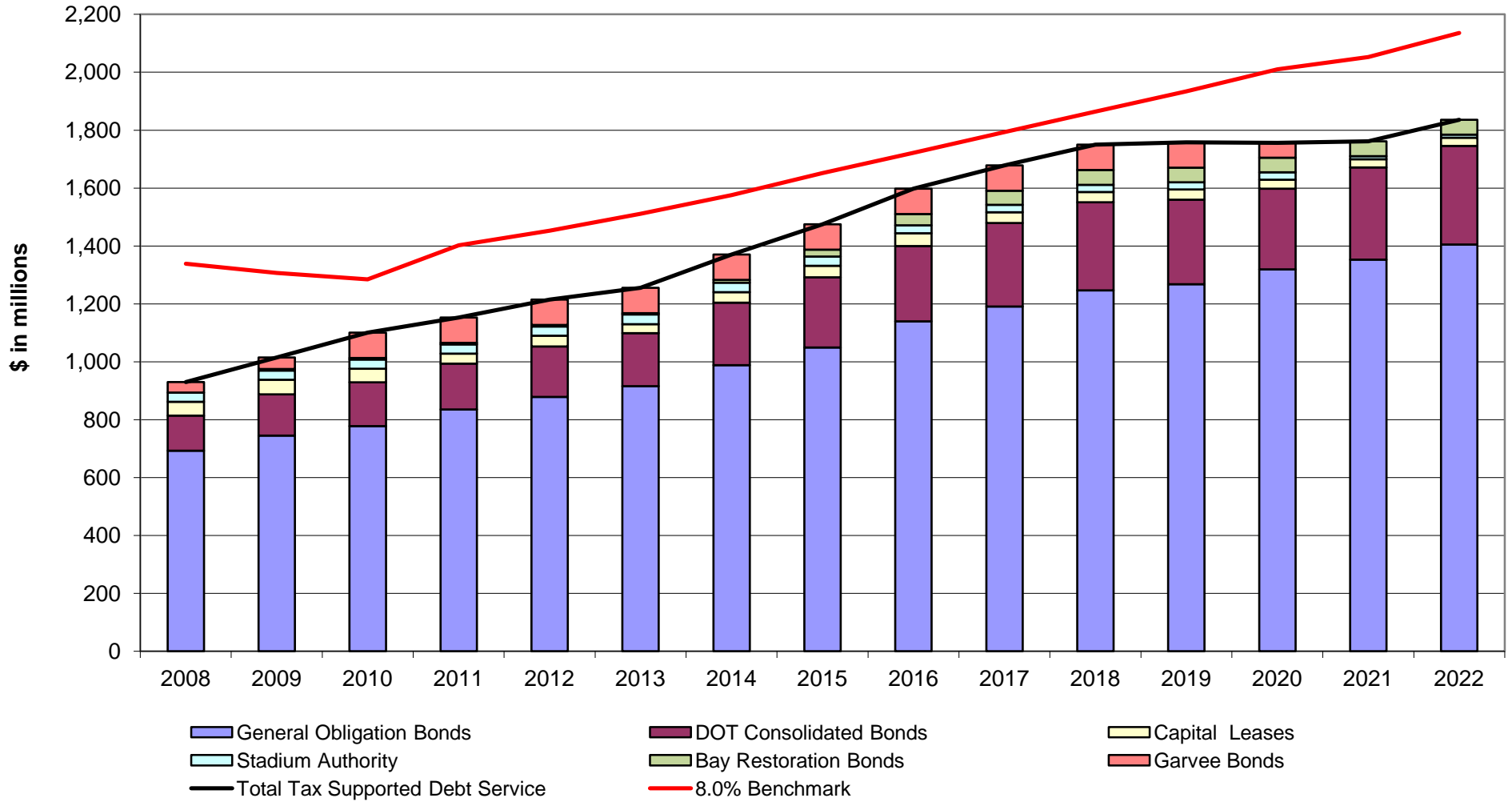
## STATE TAX SUPPORTED DEBT SERVICE AS A PERCENT OF DEDICATED REVENUES

Fiscal Year	General Obligation Bonds	DOT Consolidated Bonds	Capital Leases	Stadium Authority	Bay Restoration Bonds	Garvee Bonds
2008	4.9%	6.0%	0.3%	149.3%		8.2%
2009	5.4%	6.7%	0.4%	159.7%	8.7%	9.1%
2010	5.8%	7.1%	0.4%	160.3%	8.6%	19.8%
2011	5.7%	7.0%	0.3%	137.3%	8.5%	16.2%
2012	5.8%	7.8%	0.3%	133.8%	8.4%	19.9%
2013	5.8%	7.5%	0.2%	135.0%	4.7%	19.9%
2014	6.1%	8.2%	0.2%	135.1%	9.4%	19.9%
2015	6.1%	9.0%	0.3%	137.0%	23.6%	19.9%
2016	6.3%	9.3%	0.3%	115.4%	38.5%	19.9%
2017	6.3%	10.2%	0.2%	109.4%	47.5%	19.9%
2018	6.4%	10.7%	0.2%	109.5%	48.8%	19.9%
2019	6.2%	10.1%	0.2%	109.7%	48.3%	19.9%
2020	6.2%	9.5%	0.2%	109.8%	47.9%	11.7%
2021	6.1%	10.6%	0.1%	125.9%	47.4%	n/a
2022	6.0%	11.2%	0.1%	126.1%	47.0%	n/a

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."

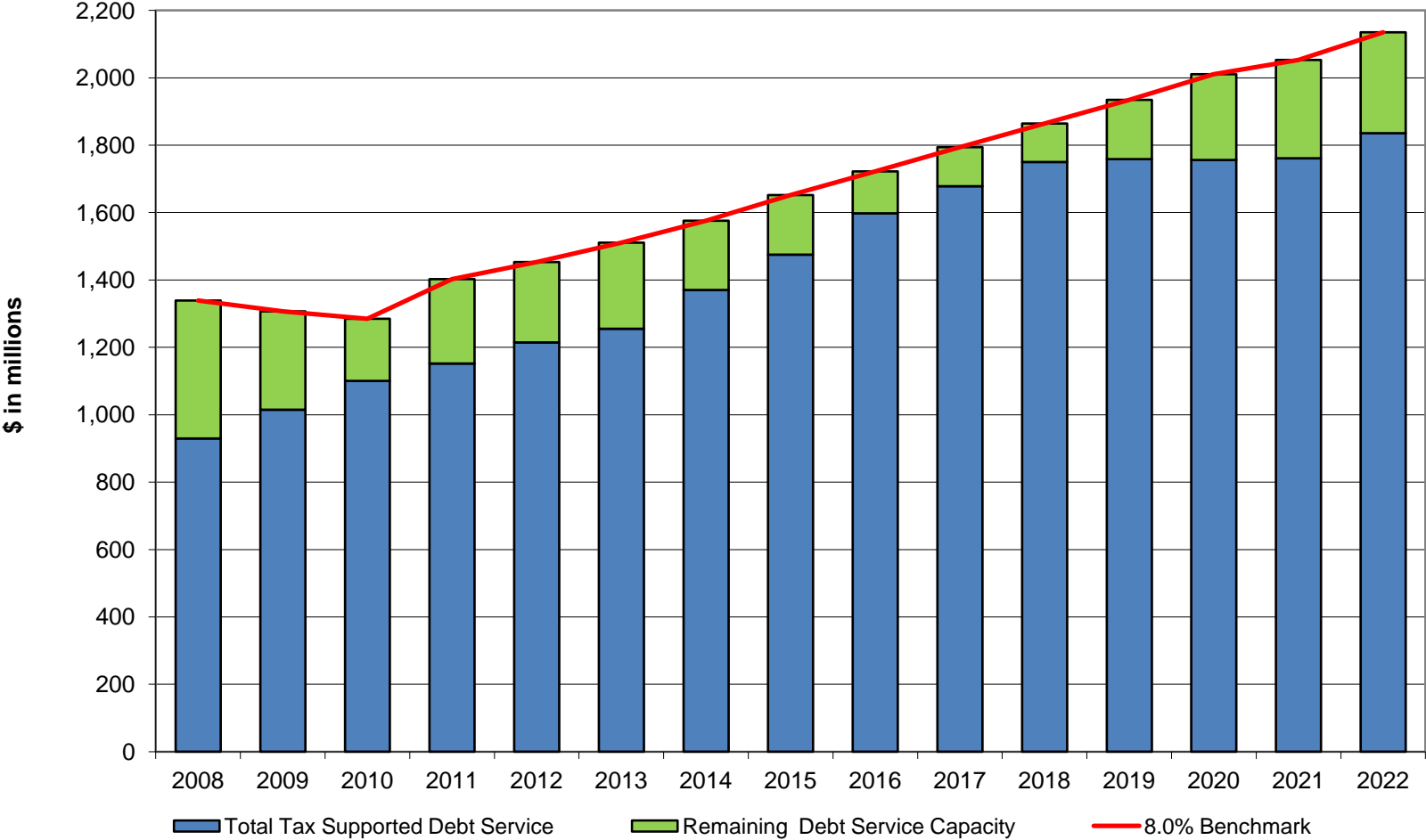


## Tax Supported Debt Service to Revenues FY 2008 - FY 2022



Source: Table 2A as of September, 2012  
 FY 2008-2011 are final; FY 2012-2022 are projections and subject to change

Tax Supported Debt Service to Revenues  
Available Capacity using the 8.0% Benchmark  
FY 2008 - FY 2022



Source: Table 2A as of September, 2012  
FY 2008-2011 are final; FY 2012-2022 are projections and subject to change

**General Obligation Authorizations and Affordability Ratios  
Comparison of September 2012 Baseline to Alternative Authorization**

Fiscal Year	General Obligation Authorizations (\$ in millions)		Debt Outstanding as a percent of Personal Income		Debt Service as a percent of Revenues	
	September Baseline	Alternative Authorization	September Baseline	Alternative Authorization	September Baseline	Alternative Authorization
2014	925	1075	3.45%	3.46%	6.96%	6.96%
2015	935	1085	3.39%	3.43%	7.14%	7.16%
2016	945	1095	3.28%	3.34%	7.42%	7.45%
2017	955	1105	3.16%	3.26%	7.49%	7.55%
2018	1050	1200	3.08%	3.21%	7.51%	7.62%
2019	1240	1240	3.00%	3.15%	7.27%	7.44%
2020	1280	1280	2.92%	3.08%	6.99%	7.20%
2021	1320	1320	2.87%	3.01%	6.86%	7.12%
2022	1360	1360	2.81%	2.94%	6.88%	7.15%