

Capital Debt Affordability Committee
Treasurer Dereck E. Davis, Chair

Agenda

October 19, 2022
10 AM

- 1) Treasurer's Opening Comments**
- 2) GASB Lease Sensitivity Discussion**
Kristen Robinson, Deputy Director of Debt Management, and Tanya Mekeal,
Lease Administrator, State Treasurer's Office
- 3) Affordability Analysis**
Kristen Robinson, Deputy Director of Debt Management, State Treasurer's Office
- 4) Committee Discussion and Voting Session on the 2022 Capital Debt Affordability Committee Recommendations**
 - *General Obligation Bond Authorization and Planning Assumptions:*
Recommendation of the amount of new State debt that may prudently be authorized for fiscal year 2024, and planning assumptions for the total amount of new State debt for future fiscal years.
 - *Academic Facilities Bonds Authorization:*
Recommendation of the amount of new bonds for academic facilities for fiscal year 2024 by the University System of Maryland, Morgan State University, St. Mary's College of Maryland and the Baltimore City Community College.

GASB Lease Sensitivity Discussion

GASB 87 Lease Guidance Sensitivity Analysis

Presented by
Kristen Robinson, Deputy Director of Debt Management
Tanya Mekeal, Lease Administrator
Maryland State Treasurer's Office

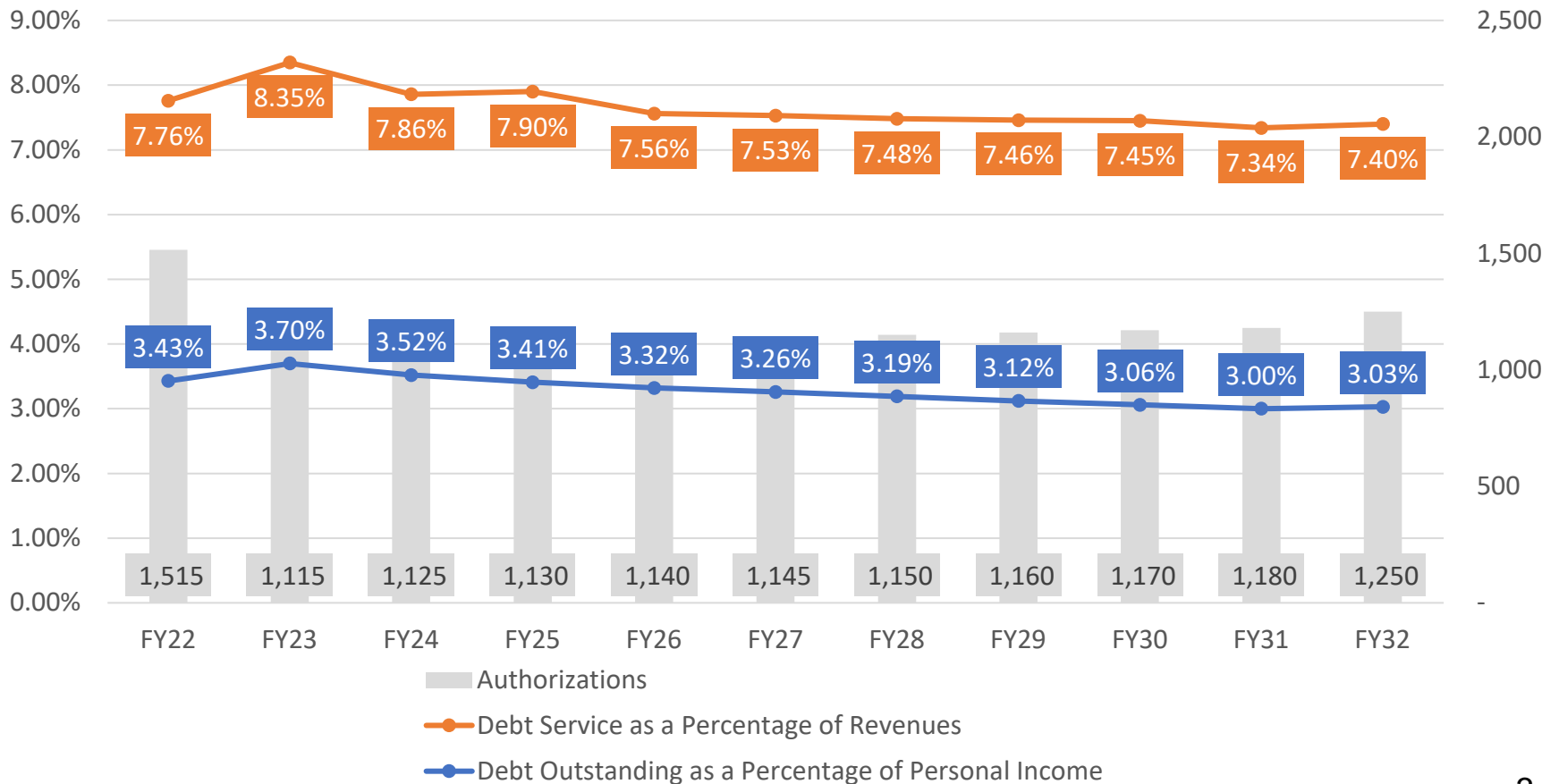
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Government Accounting Standards Board (GASB) 87 Overview

- Capital leases supported by tax revenue are defined by State law as tax-supported debt and CDAC has historically followed GASB guidance to determine which leases should be considered capital.
- Effective fiscal year 2022, GASB is recommending classifying all leases lasting twelve months or more to be reported on financial statements as capital leases.

Sensitivity Analysis Ratios

Adding \$2 billion in outstanding capital leases with debt service of \$500 million annually.



All \$ millions. Estimates as of 10/17/2022 using the Governor's Capital Plan. Tentative and subject to change. Assumptions are conservative, including all 5% coupons, no refundings, and no bond premium after FY23.

Sensitivity Analysis Cont.

- The following State Agencies have indicated they will have no additional capital leases to report:
 - Maryland Stadium Authority
 - Department of the Environment
 - Department of Budget and Management
- The following State agencies are still determining how the leases will be reported:
 - Comptroller's General Accounting Division
 - Department of Transportation

Options for CDAC to Consider

The CDAC has three options to choose from:

1. **Remove leases from CDAC consideration.** This would likely require a statutory change to implement.
2. **Follow GASB guidance and consider all 13+ month leases as capital.** The effect on the CDAC affordability benchmarks cannot be determined until the State has completed the accounting of operating leases.
3. **Maintain current practice.** CDAC's treatment of leases would not match the GASB guidance.

Future Work Group

Before the next CDAC Meeting in 2023, the Treasurer's Office will organize and convene a workgroup that will most likely consist of:

- State Treasurer's Office
- Comptroller of Maryland
- Department of Legislative Services
- Department of Budget and Management
- Maryland Department of Transportation
- Department of General Services

The purpose of this workgroup will be to make a final recommendation to the Committee before or during next year's meetings.

Affordability Analysis

2022 Affordability Analysis

Capital Debt Affordability Committee

Presented by
Kristen Robinson, Deputy Director of Debt Management
Maryland State Treasurer's Office

October 19, 2022

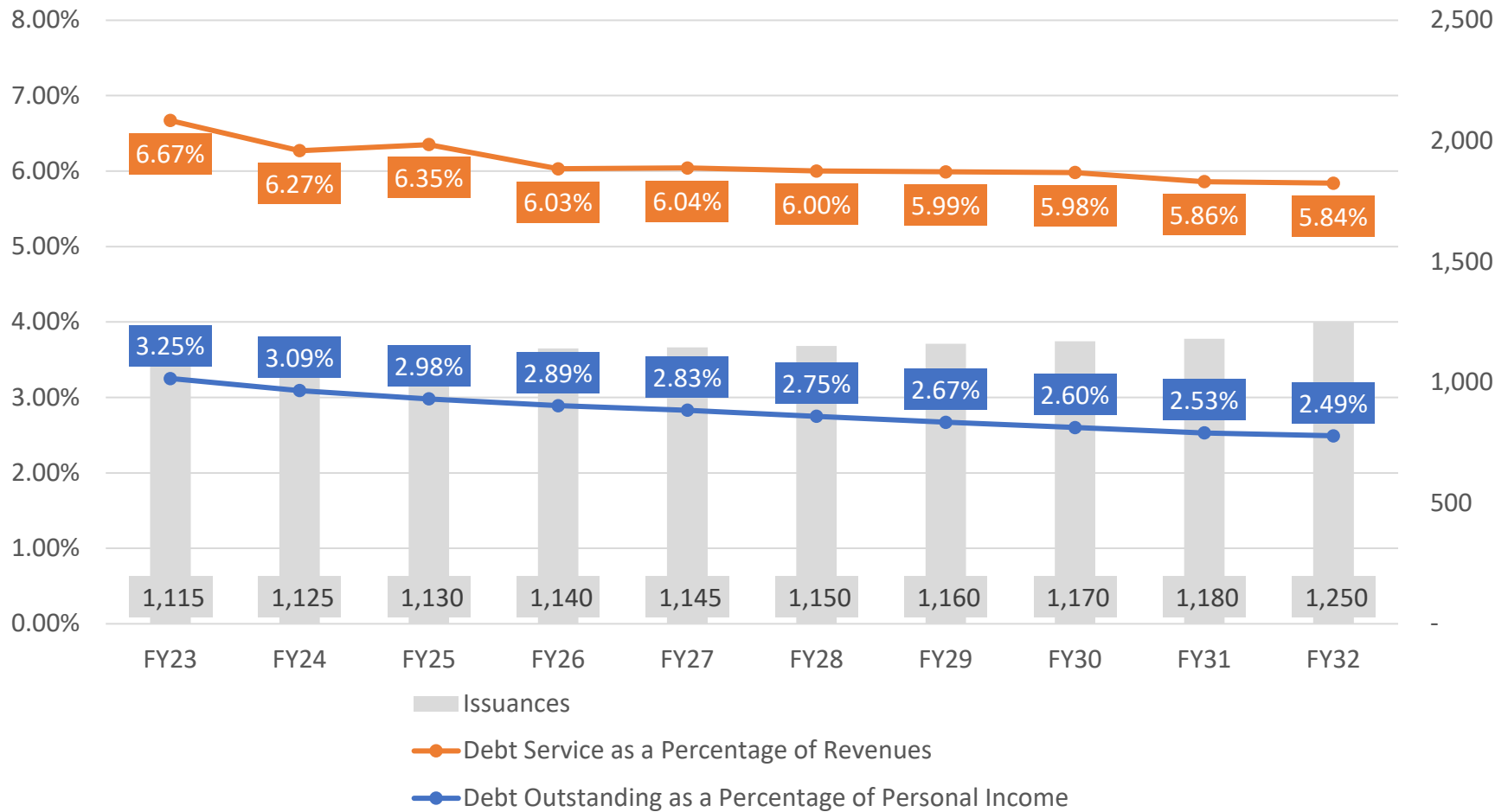
CDAC Authorization Scenarios

(\$ in millions)

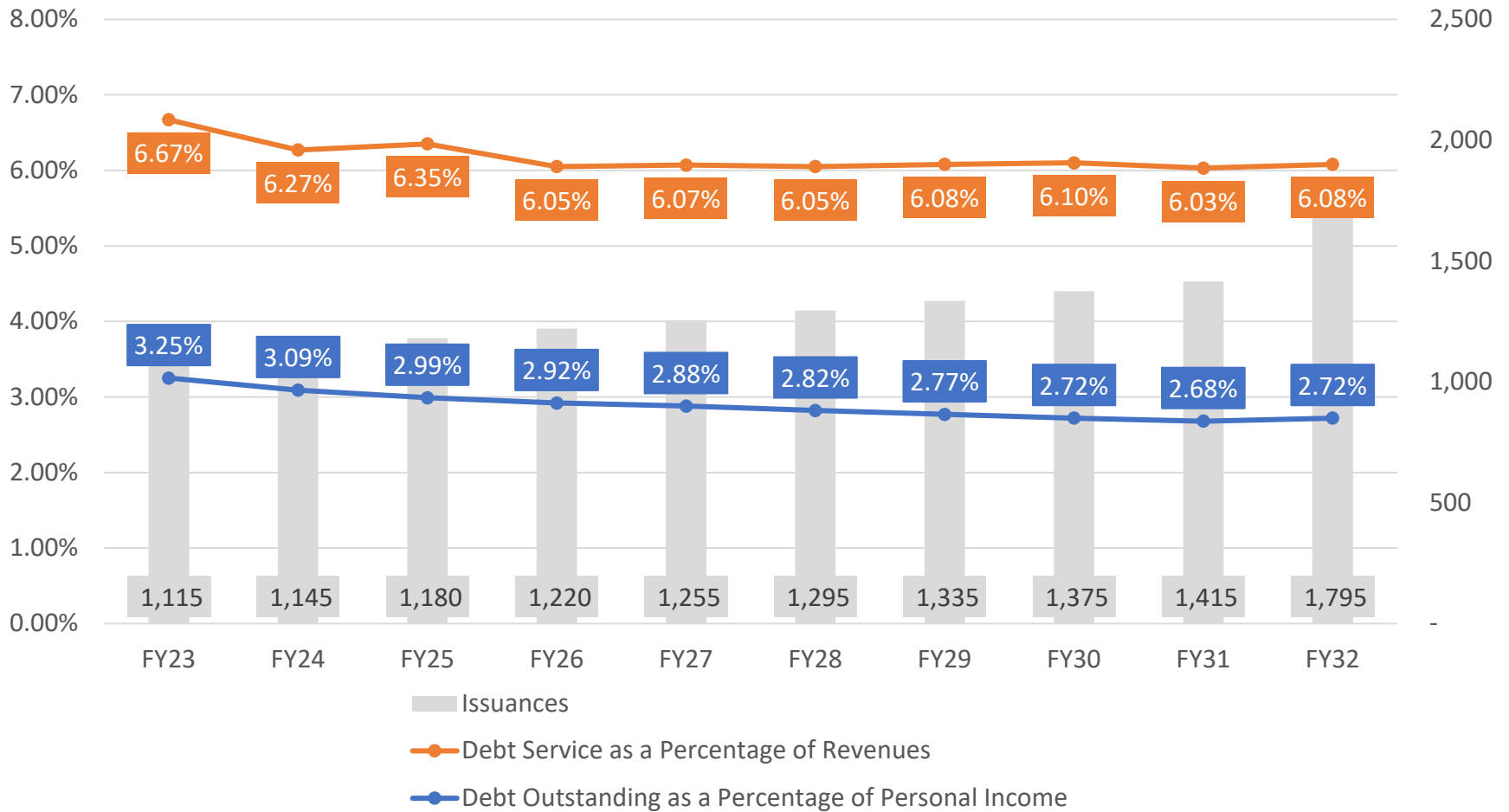
	Scenario 1: Governor's Capital Program	Scenario 2: Traditional CDAC
FY	Authorization	Authorization
2023 (actual)	1,165	1,165
2024	1,125	1,200
2025	1,135	1,235
2026	1,145	1,275
2027	1,155	1,310
2028	1,165	1,350
2029	1,175	1,390
2030	1,185	1,435
2031	1,195	1,475
2032	1,205	1,520

*The Traditional CDAC scenario was developed by calculating what authorizations would be in FY24 if the traditional practice of 3% annual growth had been maintained. It then continues 3% annual growth into the out years.

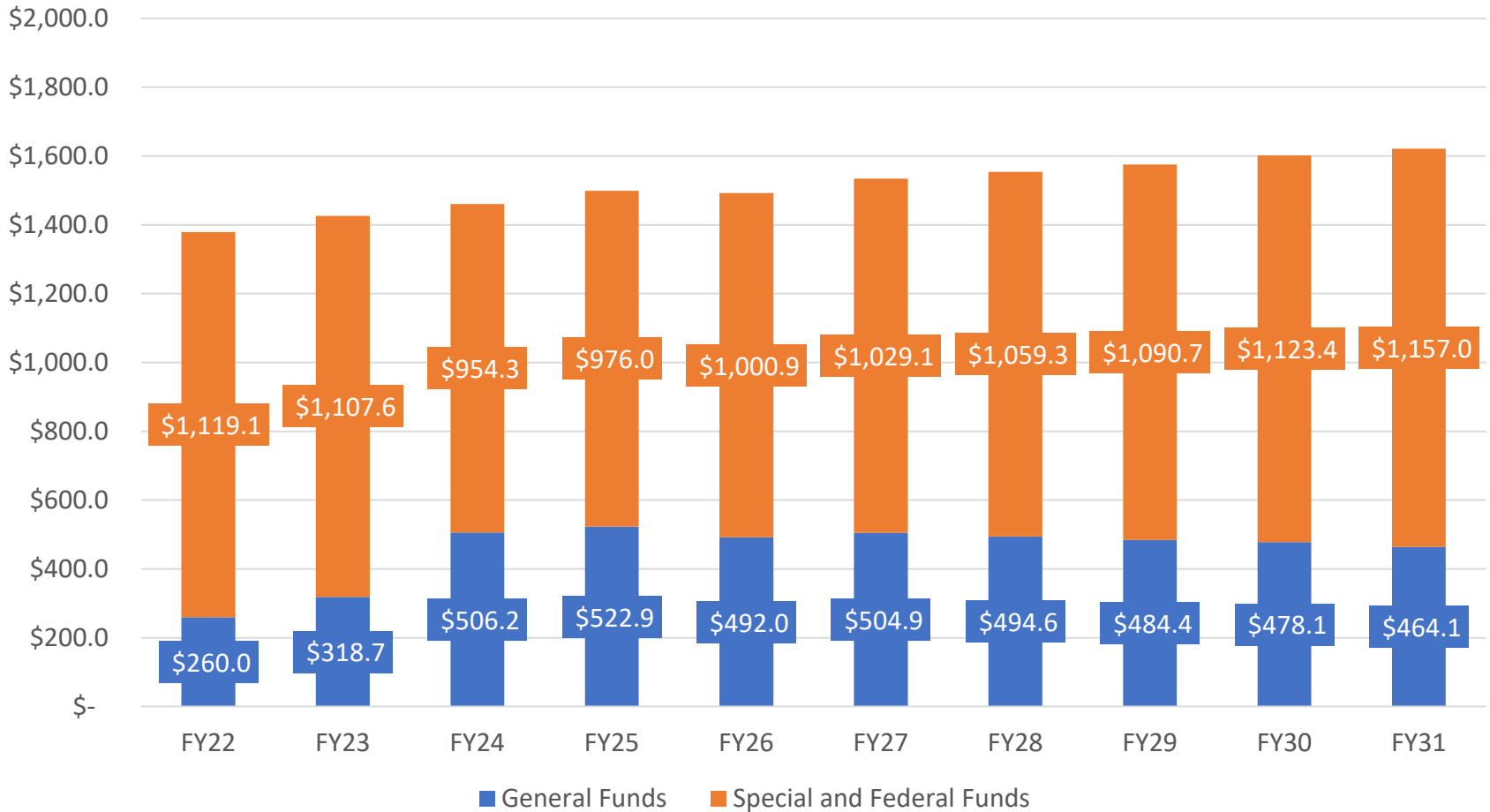
Benchmarks: Governor's Capital Plan



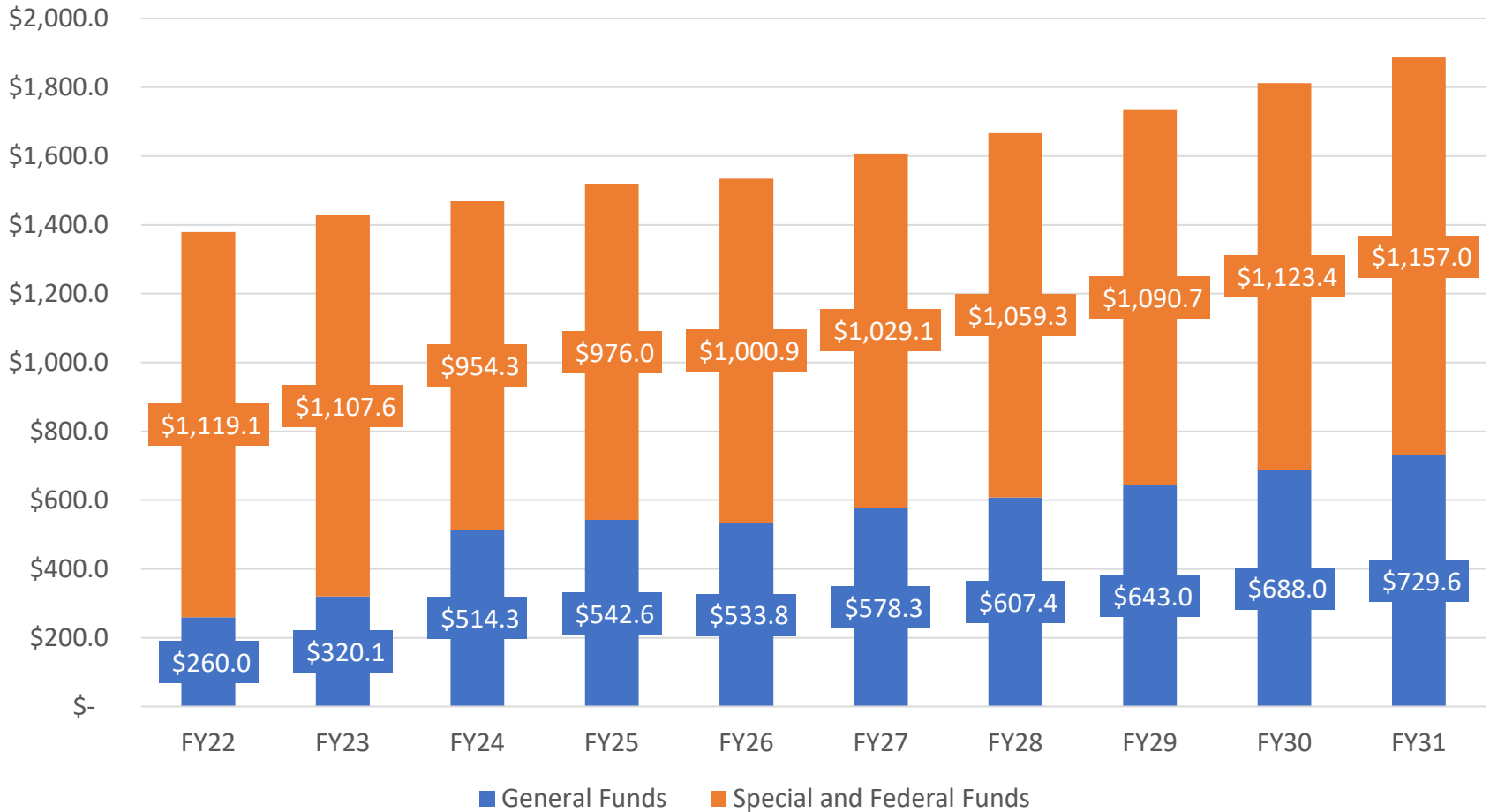
Benchmarks: Traditional CDAC



Debt Service Projection: Governor's Capital Plan



Debt Service Projection: Traditional CDAC



CDAC General Obligation Bond Authorization

- CDAC needs to vote on its recommendation for a General Obligation Bond authorization for FY 2024.
- CDAC only votes on the upcoming fiscal year's authorization (FY 2024). Assumed authorizations for FY 2025 – 2028 are for planning purposes only and subject to change.



Recommendation of Amount of New Bonds for Academic Facilities for Fiscal Year 2024

Amount of new bonds for academic facilities for fiscal year 2024 requested by institution:

University System of Maryland:	\$25,000,000
Morgan State University:	\$0
Baltimore City Community College:	\$0
St. Mary's College of Maryland:	<u>\$0</u>
Total Requested	\$25.0 million