



CAPITAL DEBT AFFORDABILITY COMMITTEE
Dereck E. Davis, Chair

October 16, 2023

The Honorable Wes Moore
Governor of Maryland
State House
Annapolis, Maryland 21401

The Honorable Bill Ferguson
President of the Senate
Maryland General Assembly
State House
Annapolis, Maryland 21401

The Honorable Adrienne A. Jones
Speaker of the House
Maryland General Assembly
State House
Annapolis, Maryland 21401

Governor Moore, President Ferguson, and Speaker Jones:

Section 8-104, *et seq.* of the State Finance and Procurement Article requires the Capital Debt Affordability Committee to submit to the Governor and the General Assembly an estimate of the maximum amount of new general obligation debt that may be prudently authorized for the next fiscal year. The statute also requires that the Committee submit an estimate of the amount of new academic revenue bonds that may be prudently authorized for academic facilities. As Chair of the Committee, I am submitting to you this letter which includes the Committee's recommendations pending completion of the official 2023 Capital Debt Affordability Committee Report.

The Committee met on October 16, 2023, to recommend the amount of new general obligation bonds to be authorized for the fiscal year 2025 capital program. The Committee also established planning assumptions for the Department of Budget and Management to use in its capital program planning process. After discussion, the Committee voted 4-0 to recommend \$1.750 billion as the maximum amount of general obligation bonds to be authorized for fiscal year 2025. For planning purposes, the Committee recommended level funding through fiscal year 2029.

Based on its review of the size and condition of the debt of State institutions of higher education, the Committee, after discussion, voted 4-0 to recommend a limit of \$30.0 million for new academic revenue bonds for the University System of Maryland for fiscal year 2025.

Though not statutorily required, the committee voted 4-0 to accept the recommendation of the 2023 Leases Working Group to maintain the current definitions for identifying Capital Leases when calculating debt affordability and not align with the GASB-87 rule change, which would have required the absorption

of significant amounts of additional debt for items not traditionally funded through the State's capital program.

The Committee is in the process of finalizing its full report for fiscal year 2025, which will be submitted as soon as possible.

Sincerely,

A handwritten signature in black ink that reads "Dereck E. Davis". The signature is written in a cursive style and is enclosed in a thin black rectangular border.

Dereck E. Davis
State Treasurer
Chair, Capital Debt Affordability Committee

DED:kjr

cc: The Honorable Brooke E. Lierman, State Comptroller
The Honorable Helene Grady, Secretary, Department of Budget and Management
The Honorable Paul J. Wiedefeld, Secretary, Department of Transportation
Mr. Paul B. Meritt
The Honorable Senator Craig Zucker, Chair, Capital Budget Subcommittee
The Honorable Delegate Mark Chang, Vice-Chair, Capital Budget Subcommittee