



MARYLAND STATE TREASURER
Nancy K. Kopp

September 22, 2010

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

The Honorable Thomas V. Mike 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

Gentlemen:

The Capital Debt Affordability Committee, 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 Committee is also required to submit an estimate of the amount of new academic facilities bonds that prudently may be authorized.

In light of the statutory deadline of October 1, I, as Chair of the Committee, am submitting to you this letter including the Committee's recommendations, pending completion of the official 2010 Capital Debt Affordability Report.

At this time, the Committee recommends a \$925 million limit for new general obligation authorizations by the 2011 General Assembly to support the 2012 capital program. The Committee's projections for future authorizations assume level authorizations through 2016 of between \$925 million and \$955 million. In 2017 the projected authorization is \$1,200 million and it increases by approximately 3% through 2020. 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.

The motion to adopt this level specifically recognized that authorization levels proposed in the Governor's 2012 capital budget could be adjusted to reflect up-to-date economic and fiscal information and the Board of Revenue Estimate's December revenue estimates. Accordingly, the Capital Debt Affordability Committee will review its authorization in December 2010 and make any necessary modifications to its recommendation.

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Based on its review of the condition of State debt in light of the debt affordability guidelines, the Committee recommends a limit of \$27 million for new academic facilities bonds for the University System of Maryland for fiscal year 2011.

The Committee is in the process of finalizing its complete Annual Report, which will be submitted as soon as possible.

Sincerely,

A handwritten signature in black ink that reads "Nancy K Kopp". The signature is written in a cursive, slightly slanted style.

Nancy K. Kopp

State Treasurer

Chair, Capital Debt Affordability Committee

Cc: The Honorable Peter Franchot, State Comptroller
The Honorable T. Eloise Foster, Secy. Dept. of Budget and Management
The Honorable Beverley Swaim-Staley, Secy. Dept. of Transportation
Mr. Paul B. Merritt