

Capital Debt Affordability Committee

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

Agenda

October 17, 2012

3:00 PM

Opening comments

Discussion and clarification of projected FY 2015 – FY 2018 general obligation authorization assumptions to be included in the Committee’s 2012 Annual Report.

Background: At its October 1st meeting the Committee considered a proposal to increase the State’s general obligation bond authorization levels for FY 2014 – FY 2018 by \$150 million each year over the amounts projected last year for planning assumptions. The Committee’s legal charge is limited to approving the new debt authorization for the next fiscal year and therefore the Committee only approved the \$1,075 million recommendation for FY 2014. It was the Department of Budget and Management’s belief that the additional \$150 million over the baseline amounts would be included for planning purposes for FY 2015 – FY 2018. Thus, the Committee’s 2012 Annual Report would project \$1,085 million for FY 2015, \$1,095 million for FY 2016, \$1,105 million for FY 2017, and \$1,200 million for FY 2018, with the understanding that the actual CDAC authorizations for these years would be considered at the appropriate meeting each year. However, it later appeared that there may be confusion about what the Committee intended for these planning assumptions for FY 2015 – FY 2018. The Department of Budget and Management has requested and the purpose of this meeting is for the Committee to clarify the projected FY 2015 – FY 2018 general obligation authorization assumptions to be included in the Committee’s 2012 Annual Report. Clarifying the projections for planning purposes will allow the Department to develop a stable capital expenditure funding plan for the next fiscal year and beyond, as has been done in prior years.

General Obligation Authorizations and Affordability Ratios
Comparison of Outyear Projection Scenarios
Projections and Subject to Change

FY	General Obligation Authorizations (\$ in millions)		Debt Outstanding as a percent of Personal Income		Debt Service as a percent of Revenues	
	Scenario A	Scenario B	Scenario A	Scenario B	Scenario A	Scenario B
2014	1,075	1,075	3.46%	3.46%	6.96%	6.96%
2015	935	1,085	3.41%	3.43%	7.16%	7.16%
2016	945	1,095	3.31%	3.34%	7.44%	7.45%
2017	955	1,105	3.19%	3.26%	7.52%	7.55%
2018	1,050	1,200	3.11%	3.21%	7.56%	7.62%
2019	1,240	1,240	3.04%	3.15%	7.33%	7.44%
2020	1,280	1,280	2.95%	3.08%	7.05%	7.20%
2021	1,320	1,320	2.89%	3.01%	6.93%	7.12%
2022	1,360	1,360	2.83%	2.94%	6.94%	7.15%

Notes: **General Obligation Authorizations:** Reflects FY 2014 authorization approved by the CDAC on 10/1/2012. All other authorization levels are projections for internal planning purposes and are subject to revision at least annually by CDAC.

Debt Outstanding as a percent of Personal Income: Ratios are projections and subject to change. The calculations reflect data as presented to the CDAC on 9/24/12 including debt outstanding as estimated by debt issuing agencies and personal income as estimated by the Bureau of Revenue Estimates. Affordability benchmark = 4%.

Debt Service as a percent of Revenues: Ratios are projections and subject to change. The calculations reflect data as presented to the CDAC on 9/24/12 including debt service as estimated by debt issuing agencies (GO interest rates estimated at 5%) and revenues as estimated by the Bureau of Revenue Estimates and other revenue collecting agencies. Affordability benchmark = 8%.