
STATE OF MARYLAND

***COMMISSION
ON
STATE DEBT***

***Report to the Board of Public Works
April 30, 2008***

**State of Maryland
Commission on State Debt**

**Report to the
Board of Public Works**

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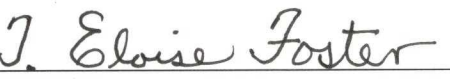
April 9, 2008

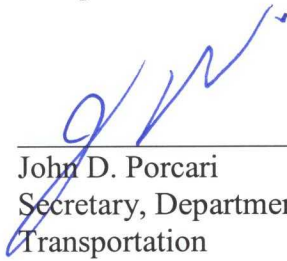
TO THE MEMBERS OF THE BOARD OF PUBLIC WORKS:

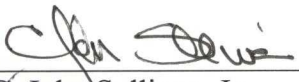
In accordance with Executive Order 01.01.1980.06, the Commission on State Debt recommends to the Board of Public Works that the State property tax rate for fiscal year 2009 be 11.2 cents (\$0.112) per \$100 of assessed value of real property other than that of public utilities and 28 cents (\$0.28) per \$100 of assessed value of real property of public utilities.

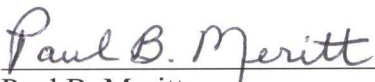

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T. Eloise Foster
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Budget and Management


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C. John Sullivan, Jr.
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Public Member

The chairmen of the Capital Budget Subcommittees in the House and Senate serve as ex-officio, non-voting members.

James E. DeGrange
Chairman, Capital Budget Subcommittee
Senate Committee on Budget and Taxation

Adrienne A. Jones
Chairman, Capital Budget Subcommittee
House Appropriations Committee

2008 REPORT OF THE COMMISSION ON STATE DEBT

Charge of the Commission

Executive Order 01.01.1980.06 created the Commission on State Debt as an advisory group to recommend to the Board of Public Works on an annual basis a State property tax rate sufficient to meet debt service requirements on outstanding general obligation bonds during the next fiscal year.

General Obligation Bonds

General obligation bonds are authorized and issued to provide funds for:

- general construction and capital improvements to State-owned facilities, including institutions of higher education;
- grants to local educational authorities for construction and capital improvements to public schools; and
- financial assistance in the form of loans or grants to local governments and the private sector for individual capital projects such as water quality improvements, jails and detention facilities, community colleges, economic development, community health facilities, historic preservation, private higher education, and other community projects.

Sources of Debt Service Funds

Beside the State property tax, several additional sources provide funds for general obligation debt service.

- (1) Under certain loan enabling acts, the State uses bond proceeds to make loans to local governments, private non-profit organizations, and other private entities. Under the terms of the loans, repayments are required and are credited to the Annuity Bond Fund. Some loan repayments, such as repayments of loans for sewerage facilities and hospitals, extend over a period of up to 40 years, exceeding the fifteen-year life of the bonds.
- (2) Periodically, grantees remit proceeds from the sale of capital assets.
- (3) The State deposits premiums from the sale of general obligation bonds into the Annuity Bond Fund.
- (4) From fiscal year 1972 through fiscal year 2003 and in fiscal year 2008, the State appropriated general funds to support debt service.

General Obligation Bonds Outstanding and Authorized

Schedule A (page 6) projects the amounts of general obligation bonds issued, redeemed, and outstanding for fiscal years 2008 and 2009. Sales of general obligation bonds in fiscal year 2008 totaled \$775,000,000 and the State expects to issue \$810,000,000 in fiscal year 2009. In addition, the State issued Qualified Zone Academy

Bonds (QZAB) in the amount of \$4,986,000 in Fiscal Year 2008 and expects to issue \$5,563,000 in Fiscal Year 2009.

Schedule B (page 7) arrays total unissued authorizations of general obligation bonds at June 30, 2008. In September 2007, the Capital Debt Affordability Committee recommended an authorization of \$935 million of general obligation bonds to support the Fiscal Year 2009 Capital Budget. The 2008 General Assembly approved general obligation bond authorizations effective June 1, 2008 in the net amount of \$935 million, including \$3 million authorized by separate legislation for the Tobacco Transition Program.

Annuity Bond Fund

Schedule C (page 8) reflects the effect of the continuation of the current rate of 11.2 cents per \$100 of assessed value on real property and 28 cents per \$100 of assessed value on operating real property of public utilities for fiscal years 2009 - 2013. In Fiscal Year 2009, no appropriations from the general fund are necessary to support debt service assuming that the Board of Public Works maintains the current tax rate.

Recommendation

The Commission on State Debt recommends to the Board of Public Works a State property tax rate of 11.2 cents per \$100 of assessed value on real property and 28 cents per \$100 of assessed value on operating real property of public utilities for fiscal year 2009.

SCHEDULE A
PROJECTED GENERAL OBLIGATION BONDS OUTSTANDING
JUNE 30, 2008 AND JUNE 30, 2009

	Bonds Outstanding
Bonds Outstanding - June 30, 2007	\$ 5,142,154,000
Issued Fiscal Year 2008 (A)	779,986,000
Redeemed Fiscal Year 2008	(428,310,000)
Bonds Outstanding - June 30, 2008	5,493,830,000
Issued Fiscal Year 2009 (B)	815,563,000
Redeemed Fiscal Year 2009	(464,725,000)
Bonds Outstanding - June 30, 2009	\$ 5,844,668,000

(A) Bonds Issued:

August-07	-	\$375,000,000	
December-07	-	\$4,986,000	QZAB
March-08	-	\$400,000,000	

(B) Projected Bond Issuances:

July-08	-	\$415,000,000	
November-08	-	\$5,563,000	QZAB
March-09	-	\$395,000,000	

**SCHEDULE B
BONDS AUTHORIZED BUT UNISSUED
June 30, 2008**

	Bonds Authorized but Unissued
Bonds Authorized but Unissued - June 30, 2007	\$ 1,911,587,495
Issued Fiscal Year 2008	(779,986,000)
Cancelled Fiscal Year 2008 (through 3/31/08)	(2,440,317) (A)
Net New Authorizations	935,000,000 (B)
Bonds Authorized but Unissued - June 30, 2008	\$ 2,064,161,178

(A) As of March 31, 2008

Authorizations have been cancelled as a result of the following:

Section 8-128 of the State Finance and Procurement Article	(2,440,317)
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(B) MCCBL of 2008

New General Obligation Bond Authorizations	\$ 937,644,000
De-authorizations of prior authorizations	\$ (2,644,000)
	\$ 935,000,000

SCHEDULE C - Effect of Tax Rate on Annuity Bond Fund

	2007	2008	2009	2010	2011	2012	2013	2009-2013 5 YEAR SUMMARY
	Actual	Appropriation	MAINTAIN THE RATE AT \$.112 per \$100 of ASSESSED VALUATION (A)					
Beginning Balance	\$ 102,578,785	\$ 38,747,779	\$ 59,973,690	\$ 23,293,886	\$ 1,033,093	\$ 1,046,500	\$ 1,114,370	\$ 59,973,690
Total Property Tax Collections	\$ 552,659,272	\$ 641,961,267	\$ 691,163,033	\$ 741,484,895	\$ 767,452,155	\$ 799,772,099	\$ 822,692,389	\$ 3,822,564,571
General Fund Appropriation	\$ -	\$ 29,349,121	\$ -	\$ 17,000,000	\$ 70,000,000	\$ 86,000,000	\$ 117,000,000	\$ 290,000,000
Bond Sale Premium	\$ 31,644,847	\$ 39,371,163	\$ 14,762,500	\$ -	\$ -	\$ -	\$ -	\$ 14,762,500
Other Cash Receipts	\$ 5,919,495	\$ 3,082,957	\$ 2,899,322	\$ 2,344,531	\$ 2,330,429	\$ 2,100,000	\$ 2,100,000	\$ 11,774,282
Debt Service	\$ (654,054,620)	\$ (692,538,598)	\$ (745,504,659)	\$ (783,090,219)	\$ (839,769,177)	\$ (887,804,229)	\$ (942,056,432)	\$ (4,198,224,717)
Ending Balance	<u>\$ 38,747,779</u>	<u>\$ 59,973,690</u>	<u>\$ 23,293,886</u>	<u>\$ 1,033,093</u>	<u>\$ 1,046,500</u>	<u>\$ 1,114,370</u>	<u>\$ 850,327</u>	<u>\$ 850,327</u>

(A) Rate is 11.2 cents (\$0.112) per \$100 of assessed value of real property other than that of public utilities and 28 cents (\$0.28) per \$100 of assessed value of real property of public utilities. This has been the rate for Fiscal Years 2007 and 2008.