
STATE OF MARYLAND

***COMMISSION
ON
STATE DEBT***

***Report to the Board of Public Works
April 13, 2009***

**State of Maryland
Commission on State Debt**

**Report to the
Board of Public Works**

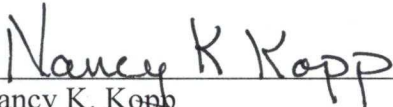
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April 13, 2009

TO THE MEMBERS OF THE BOARD OF PUBLIC WORKS:

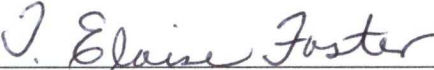
In accordance with Executive Order 01.01.1980.06, the Commission on State Debt recommends to the Board of Public Works that the State property tax rate for fiscal year 2010 be 11.2 cents (\$0.112) per \$100 of assessed value of real property other than that of public utilities and 28 cents (\$0.28) per \$100 of assessed value of real property of public utilities.



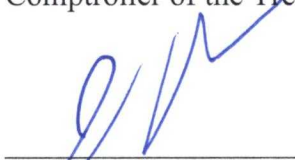
Nancy K. Kopp
State Treasurer, Chairman



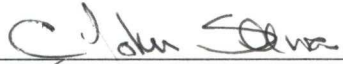
Peter Franchot
Comptroller of the Treasury



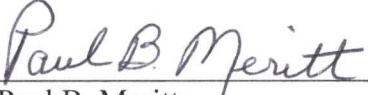
T. Eloise Foster
Secretary, Department of
Budget and Management



John D. Porcari
Secretary, Department of
Transportation



C. John Sullivan, Jr.
Director, Department of
Assessments and Taxation



Paul B. Meritt
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

2009 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 2009 and 2010. Sales of general obligation bonds in fiscal year 2009 totaled \$840,000,000 to finance capital projects and \$65,800,000 to refund prior series of bonds. The State expects to issue \$960,000,000 to finance capital projects in fiscal year 2010. In addition, the State issued Qualified Zone

Academy Bonds (QZAB) in the amount of \$5,563,000 in Fiscal Year 2009 and expects to issue an additional \$5,563,000 in Fiscal Year 2010.

Schedule B (page 7) arrays total unissued authorizations of general obligation bonds at June 30, 2009. In September 2008, the Capital Debt Affordability Committee recommended an authorization of \$1,110 million of general obligation bonds to support the Fiscal Year 2010 Capital Budget. The 2009 General Assembly approved general obligation bond authorizations effective June 1, 2009 in the net amount of \$1,110 million, including \$5 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 2010 - 2014. In Fiscal Year 2010, 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 2010.

**SCHEDULE A
PROJECTED GENERAL OBLIGATION BONDS OUTSTANDING
JUNE 30, 2009 AND JUNE 30, 2010**

	Bonds Outstanding
Bonds Outstanding - June 30, 2008	\$ 5,493,830,000
Issued Fiscal Year 2009 (A)	911,363,000
Redeemed Fiscal Year 2009	(464,725,000)
Refunded Bonds Defeased	(66,825,000)
Bonds Outstanding - June 30, 2009	5,873,643,000
Projected Issuance FY 2010 (B)	965,563,000
Redeemed Fiscal Year 2010	(482,753,583)
Bonds Outstanding - June 30, 2010	<u><u>\$ 6,356,452,417</u></u>

(A) Bonds Issued:

July-08 -	\$415,000,000	
December-08 -	\$5,563,000	QZAB
March-09 -	\$425,000,000	
March-09 -	\$65,800,000	Refunding Bonds

(B) Projected Bond Issuances:

July-09 -	\$485,000,000	
November-09 -	\$5,563,000	QZAB
March-10 -	\$475,000,000	

SCHEDULE B
BONDS AUTHORIZED BUT UNISSUED
June 30, 2009

	Bonds Authorized but Unissued
Bonds Authorized but Unissued - June 30, 2008	\$ 2,063,852,644
Issued Fiscal Year 2009	(845,563,000)
Cancelled Fiscal Year 2009 (through 3/31/09)	1,939,135 ^(A)
Net New Authorizations effective June 1, 2009	1,110,000,000 ^(B)
Bonds Authorized but Unissued - June 30, 2009	<u><u>\$ 2,330,228,778</u></u>

(A) As of March 31, 2009

Authorizations have been cancelled as a result of the following:

Section 8-128 of the State Finance and Procurement Article	(1,939,135)
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(B) MCCBL of 2009

New General Obligation Bond Authorizations	\$ 1,146,504,235
De-authorizations of prior authorizations	<u>\$ (36,504,235)</u>
	<u><u>\$ 1,110,000,000</u></u>

SCHEDULE C - Effect of Tax Rate on Annuity Bond Fund

	2008	2009	2010	2011	2012	2013	2014	2010-2014
	Actual	Appropriation	MAINTAIN THE RATE AT \$.112 per \$100 of ASSESSED VALUATION (A)					5 YEAR SUMMARY
Beginning Balance	\$ 38,747,779	\$ 38,332,780	\$ 62,509,354	\$ 35,385,049	\$ 1,341,015	\$ 856,978	\$ 442,233	\$ 62,509,354
Total Property Tax Collections	(B) \$ 625,709,718	\$ 700,912,493	\$ 751,214,511	\$ 776,857,316	\$ 796,803,641	\$ 817,169,890	\$ 837,978,372	\$ 3,980,023,730
General Fund Appropriation	\$ 29,349,121	\$ -	\$ -	\$ 28,000,000	\$ 96,000,000	\$ 137,000,000	\$ 160,000,000	\$ 421,000,000
Bond Sale Premium	(C) \$ 32,667,936	\$ 65,001,652	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other Cash Receipts	(D) \$ 4,396,825	\$ 3,061,919	\$ 2,372,778	\$ 2,358,675	\$ 2,209,895	\$ 2,200,000	\$ 2,200,000	\$ 11,341,348
Debt Service	(E) \$ (692,538,598)	\$ (744,799,492)	\$ (780,711,593)	\$ (841,260,026)	\$ (895,497,573)	\$ (956,784,635)	\$ (1,000,284,083)	\$ (4,474,537,909)
Ending Balance	<u>\$ 38,332,780</u>	<u>\$ 62,509,354</u>	<u>\$ 35,385,049</u>	<u>\$ 1,341,015</u>	<u>\$ 856,978</u>	<u>\$ 442,233</u>	<u>\$ 336,522</u>	<u>\$ 336,522</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 also been the rate for Fiscal Years 2008 and 2009.
- (B) Property Tax Collections are calculated from estimates of assessable base provided by DAT on 4/2/09.
- (C) In FY 2009, total premium for Series 2008 2nd and Series 2009 1st after costs of issuance is \$77.5 million. \$12.5 million is allocated to Aging Schools and DHMH Lab. Balance of \$65.0 million remains for Annuity Bond Fund.
- (D) Other cash receipts include interest and penalties on property taxes, loan repayments and miscellaneous receipts.
- (E) Debt service is calculated after the issuance of Series 2009 1st and is based on authorizations recommended by CDAC in September 2008.