
STATE OF MARYLAND

***COMMISSION
ON
STATE DEBT***

***Report to the Board of Public Works
April 11, 2025***

**State of Maryland
Commission on State Debt**

**Report to the
Board of Public Works**

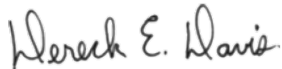
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April 11, 2025

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 2026 be 11.2 cents (\$0.112) per \$100 of assessed value of real property other than that of public utilities and 28.0 cents (\$0.28) per \$100 of assessed value of real property of public utilities.



Dereck E. Davis
State Treasurer, Chair

On behalf of the members of the Commission on State Debt:

Brooke E. Lierman
Comptroller of the Treasury

Helene T. Grady
Secretary, Department of Budget and Management

Paul J Wiedefeld
Secretary, Department of Transportation

Daniel K. Phillips
Director, Department of Assessments & Taxation

Paul B. Meritt
Public Member

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

Craig Zucker
Chair, Capital Budget Subcommittee
Senate Committee on Budget and Taxation

Mark Chang
Chair, Capital Budget Subcommittee
House Appropriations Committee

2025 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

Several sources provide funds for general obligation debt service in addition to the State property tax:

- (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 has historically deposited premiums from the sale of general obligation bonds into the Annuity Bond Fund to be used for the payment of debt service. However, in the 2021 session, the General Assembly amended Section 8-132 of the State Finance and Procurement Article to permit premium to be used to pay for capital projects;

- (4) From fiscal year 1972 through fiscal year 2003 and in fiscal year 2008 the State appropriated general funds to support debt service. General fund appropriations have been made annually since fiscal year 2014.
- (5) Beginning in fiscal year 2010, and continuing through fiscal year 2013, the State issued approximately \$720.0 million of taxable general obligation bonds with an interest subsidy from the US Treasury; and
- (6) Chapter 419 Acts of 2009 authorized \$70.0 million in bond funds for the Department of Natural Resource's Program Open Space (POS) land acquisition program and the use of property transfer tax revenue to pay principal and interest on these POS bonds. This authorization was issued in July 2010 in the 2010 Second Series and transfer taxes were credited to the Annuity Bond Fund beginning in fiscal year 2011.

General Obligation Bonds Outstanding

The amount of general obligation bonds issued, redeemed, and outstanding for fiscal years 2025 and 2026 is shown on Schedule A (page 5). General obligation bonds outstanding are projected to total \$9.1 billion on June 30, 2025. The State is expected to issue approximately \$900 million in new money general obligation bonds in fiscal year 2025, with slightly more than \$1.1 billion in general obligation bonds redeemed throughout the year and nearly \$900 million in bonds refunded.

General obligation bonds outstanding are projected to total \$9.6 billion on June 30, 2026. In fiscal year 2026, general obligation bond issuances are expected to total \$1.5 billion and general obligation bond redemptions are estimated to total \$1.0 billion.

General Obligation Bonds Authorized But Unissued

Bonds are not issued immediately following an authorization but rather are issued as funds are required to make payment on authorized capital projects. The amount authorized but unissued is allocated and dedicated to the specified project authorized. Schedule B (page 6) estimates total unissued authorizations of general obligation bonds on June 30, 2025. General obligation bonds authorized but unissued are projected to total \$4.6 billion on June 30, 2025. This amount includes nearly \$1.8 billion in net new authorizations approved during the 2025 session of the Maryland General Assembly and effective on June 1, 2025 to support the fiscal year 2026 capital budget.

Annuity Bond Fund

Debt service for general obligation bonds is paid from the Annuity Bond Fund. Schedule C (page 7), making certain assumptions regarding future bond issuances, interest rates, and increasing property tax income, forecasts the health of the Annuity Bond Fund through fiscal 2030 under the assumption that the current rate of 11.2 cents per \$100 of assessed value on real property and 28.0 cents per \$100 of assessed value on operating real property of public utilities is maintained. The fiscal 2026 budget provides a general fund appropriation of \$154.7 million consistent with this assumption. Despite assumed growth in property tax revenue collections, general fund appropriations will be

required in each year of the forecasted period. No premium generated is included in the estimates for fiscal years 2026 - 2030 because premium is volatile and difficult to project.

History of Property Tax Rates

Property Tax Rates

Between fiscal years 1983 through 2001, the property tax rate on real property was 21 cents per \$100 of assessed valuation. Also during this time period, real property was assessed at only 40% of full cash value. In fiscal year 2002, the assessment process was reformed to become more transparent and real property began to be assessed at 100% of full cash value. The rate was, therefore, adjusted to 8.4 cents per \$100 of valuation (8.4 cents is 40% of 21.0 cents so there was no change to the overall tax burden). Tax rates increased to 13.2 cents per \$100 of assessed valuation in fiscal years 2004 – 2006. In fiscal year 2007, the rate was reduced to 11.2 cents per \$100 of assessed valuation and has remained at that reduced level since that time. Schedule D (page 8) provides the property tax rates for fiscal years 2003 – 2025 and the recommended rate for fiscal year 2026.

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 28.0 cents per \$100 of assessed value on operating real property of public utilities for fiscal year 2026.

SCHEDULE A
PROJECTED GENERAL OBLIGATION BONDS
OUTSTANDING
JUNE 30, 2025 AND JUNE 30, 2026

	<u>Bonds Outstanding</u>
Bonds Outstanding - June 30, 2024	\$ 10,195,238,064
Projected Issuance Fiscal Year 2025 ^{*(a)}	900,000,000
Redeemed Fiscal Year 2025	(1,112,034,332)
Refunded Fiscal Year 2025*	(890,120,000)
 Bonds Outstanding - June 30, 2025	 9,093,083,732
Projected Issuance Fiscal Year 2026 ^{*(b)}	1,535,000,000
Redeemed Fiscal Year 2026	(1,049,696,466)
 Bonds Outstanding - June 30, 2026	 <u>\$ 9,578,387,266</u>

* Preliminary, subject to change

^(a) Projected Bond Issuance in Fiscal Year 2025:

June-25	-	<u>\$900,000,000</u>	2025 First Series
		<u>\$900,000,000</u>	

^(b) Projected Bond Issuances in Fiscal Year 2026:

June-26	-	<u>\$1,535,000,000</u>	2026 First Series
		<u>\$1,535,000,000</u>	

SCHEDULE B
GENERAL OBLIGATION BONDS AUTHORIZED
BUT UNISSUED
JUNE 30, 2025 – PROJECTED

	Bonds Authorized but Unissued
Bonds Authorized but Unissued - June 30, 2024	\$ 3,703,461,186
Issued Fiscal Year 2025 (projected new money bonds)	(900,000,000)
Cancelled Fiscal Year 2025 ^(a)	-
Net New Authorizations Effective June 1, 2025 ^(b)	<u>1,750,000,000</u>
 Bonds Authorized but Unissued - June 30, 2025	 <u><u>\$ 4,553,461,186</u></u>

^(a) As of March 31, 2025
Authorizations have been cancelled as a result of the following:
Section 8-128 of the State Finance and Procurement Article

^(b) MCCBL of 2025

New General Obligation Bond Authorizations	\$ 1,814,825,000
De-authorizations of prior authorizations	<u>\$ (64,825,000)</u>
	<u><u>\$ 1,750,000,000</u></u>

SCHEDULE C - Effect of Tax Rate on Annuity Bond Fund

		FISCAL YEARS						
		2024	2025	2026	2027	2028	2029	2030
		Actual	Estimated	MAINTAIN THE RATE AT \$.112 per \$100 of ASSESSED VALUATION (A)				
Beginning Balance		\$ 71,258,611	\$ 200,884,898	\$ 293,164,443	\$ 18,243,621	\$ 10,000,000	\$ 10,000,000	\$ 10,000,000
Total Property Tax Collections	(B)	\$ 985,274,725	\$ 1,049,701,880	\$ 1,115,584,629	\$ 1,136,107,807	\$ 1,158,829,963	\$ 1,182,006,562	\$ 1,205,646,694
General Fund Appropriation		\$ 425,100,000	\$ 397,100,000	\$ 154,700,000	\$ 391,281,007	\$ 399,552,104	\$ 450,151,897	\$ 517,654,629
Bond Sale Premium	(C)	\$ 139,549,843	\$ 140,134,000	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Subsidy for ARRA Bonds	(D)	\$ 6,369,404	\$ 4,948,977	\$ 2,564,502	\$ 873,528	\$ 213,220	\$ -	\$ -
Transfer Tax	(E)	\$ 6,979,887	\$ 6,985,606	\$ 1,654,047	\$ -	\$ -	\$ -	\$ -
Other Cash Receipts	(F)	\$ (993,494)	\$ 2,110,000	\$ 2,110,000	\$ 2,110,000	\$ 2,110,000	\$ 2,110,000	\$ 2,110,000
Capital Projects	(G)		\$ (5,000,000)	\$ (140,134,000)				
Debt Service	(H)	\$ (1,432,654,078)	\$ (1,503,700,918)	\$ (1,411,400,000)	\$ (1,538,615,963)	\$ (1,560,705,287)	\$ (1,634,268,459)	\$ (1,725,411,323)
Ending Balance		\$ 200,884,898	\$ 293,164,443	\$ 18,243,621	\$ 10,000,000	\$ 10,000,000	\$ 10,000,000	\$ 10,000,000

THESE ARE PROJECTIONS AS OF APRIL 11, 2025. ALL ESTIMATES FROM 2025 THROUGH 2030 CAN AND WILL CHANGE.

THE PROJECTIONS ARE DEPENDENT ON EACH OF THE FOLLOWING VARIABLES: PROPERTY VALUES, COLLECTIONS, BOND PREMIUM AND INTEREST RATES.

(A) Rate is projected at 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 since fiscal year 2007.

(B) For fiscal years 2025 - 2026, property tax collections are calculated from estimates of assessable base provided by SDAT on March 29, 2025. For fiscal year 2027-2030, an estimate of 2.0% annual growth in collections is assumed.

(C) Bond premiums are volatile and difficult to forecast so no premium is assumed for fiscal years 2026 - 2030. Fiscal 2025 estimate is based on the amount authorized in the fiscal 2026 budget.

(D) Federal Subsidies from US Treasury are for Build America Bonds, Qualified School Construction Bonds, and certain Qualified Zone Academy Bonds.

(E) A portion of the Transfer Tax covers debt service for \$70 million of Program Open Space Bonds authorized in 2009 and issued in 2010.

(F) Other cash receipts include interest and penalties on property taxes, loan repayments and miscellaneous receipts.

(G) Capital projects anticipated to be funded with bond premium at the time of authorization.

(H) Debt service is based on the amount authorized for fiscal year 2026 and authorizations projected in the Governor's Capital Improvement Plan for fiscal years 2027 - 2030.

SCHEDULE D
COMMISSION ON STATE DEBT

**HISTORY OF PROPERTY TAX RATES AND
GENERAL FUND APPROPRIATIONS**

Real Property Tax Rates			General Fund Appropriations	
per \$100 of assessed valuation				
Fiscal Year	Other Than Utilities	Public Utilities	Fiscal Year	Amount
2003	8.4 cents	21.0 cents	2003	\$ 90,500,000
2004	13.2 cents	33.0 cents	2004	-
2005	13.2 cents	33.0 cents	2005	-
2006	13.2 cents	33.0 cents	2006	-
2007	11.2 cents	28.0 cents	2007	-
2008	11.2 cents	28.0 cents	2008	\$29,349,121
2009	11.2 cents	28.0 cents	2009	-
2010	11.2 cents	28.0 cents	2010	-
2011	11.2 cents	28.0 cents	2011	-
2012	11.2 cents	28.0 cents	2012	-
2013	11.2 cents	28.0 cents	2013	-
2014	11.2 cents	28.0 cents	2014	\$83,000,000
2015	11.2 cents	28.0 cents	2015	\$140,000,000
2016	11.2 cents	28.0 cents	2016	\$252,400,000
2017	11.2 cents	28.0 cents	2017	\$259,395,129
2018	11.2 cents	28.0 cents	2018	\$259,648,777
2019	11.2 cents	28.0 cents	2019	\$286,000,000
2020	11.2 cents	28.0 cents	2020	\$287,000,000
2021	11.2 cents	28.0 cents	2021	\$131,000,000
2022	11.2 cents	28.0 cents	2022	\$260,000,000
2023 ⁽¹⁾	11.2 cents	28.0 cents	2023	\$430,000,000
2024	11.2 cents	28.0 cents	2024	\$425,100,000
2025 ⁽²⁾	11.2 cents	28.0 cents	2025	\$376,100,000
2026 ⁽³⁾	11.2 cents	28.0 cents	2026	\$154,700,000

⁽¹⁾ General Fund appropriation excludes \$219.0 million in general funds deposited into the Annuity Bond Fund for projects authorized in fiscal 2023.

⁽²⁾ General Fund appropriation excludes \$21.0 million in general funds deposited into the Annuity Bond Fund for projects authorized in fiscal 2024.

⁽³⁾ Reflects the rates as recommended by the Commission on State Debt to the Board of Public Works.