

Capital Debt Affordability Committee

Treasurer Dereck E. Davis, Chair

Agenda

October 9, 2025

2:00 p.m. to 4:00 p.m.

1) Treasurer's Opening Comments

2) General Fund Estimate

David Farkas, Deputy Director, Bureau of Revenue Estimates, State Comptroller's Office

3) Assessable Base Estimate

Adam Lewis, State Supervisor of Assessments, State Department of Assessments and Taxation

4) Review of Capital Program Needs:

Capital Program Overview

Christina Perrotti, Executive Director, Office of Capital Budgeting, Department of Budget and Management

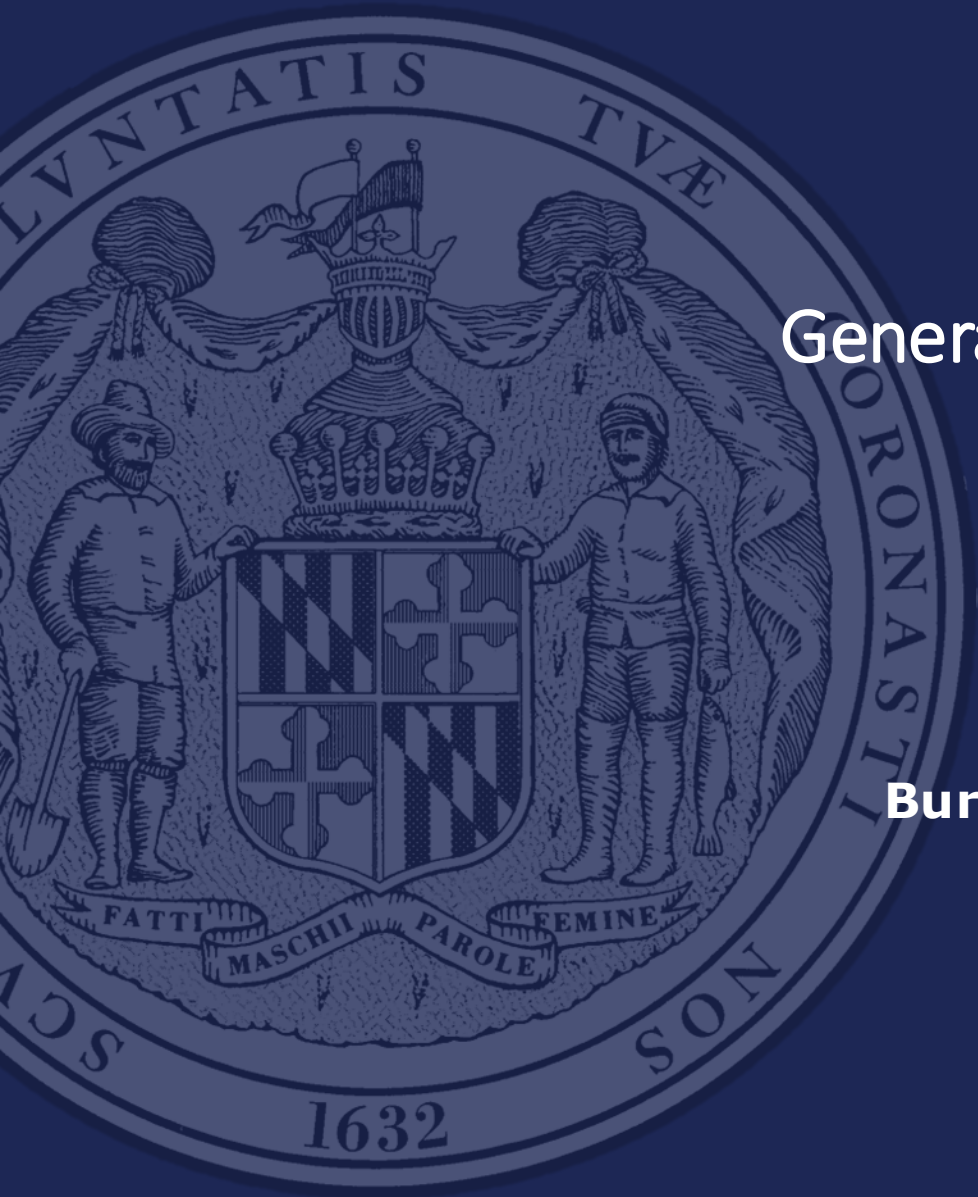
Public School Construction Program

Alex Donahue, Executive Director, Interagency Commission on School Construction

5) CDAC Affordability Analysis and Update on State Credit Ratings

Rebecca Ruff, Director of Debt Management, State Treasurer's Office

The final CDAC meeting will be held on Thursday, October 16th at 2pm to review and discuss the recommendation of general obligation and academic revenue bond authorizations for fiscal 2027.



General Fund Revenue Estimate

October 9, 2025

David Farkas
Deputy Director

Bureau of Revenue Estimates

Summary of September Changes

Revenue Source	Fiscal Year 2025		Fiscal Year 2026		Fiscal Year 2027
	Actual		Forecast		Forecast
	\$ Difference From Estimate	% Growth	\$ Change From Estimate	% Growth	% Growth
Personal Income Tax	\$263.7	7.0%	\$36.1	5.3%	2.2%
Corporate Income Tax	(\$46.9)	-1.4%	(\$146.6)	-4.5%	-2.4%
Sales Tax	\$72.4	2.6%	(\$34.7)	9.8%	4.7%
Other	\$231.4	-2.1%	\$126.2	-10.9%	-5.1%
Total- Ongoing Revenues	\$520.7	4.1%	(\$19.1)	3.6%	1.7%
Notes: dollars in millions; amounts may not sum from rounding					

Maryland General Fund Revenues
Fiscal Years 2025 - 2027
(\$ in thousands)

	FY 2025			FY 2026				FY 2027	
	Official Estimate ¹	Actual	Difference	Current Estimate ¹	September Revision	Difference	% Growth	September Estimate	% Growth
INCOME TAXES									
Individual	14,301,498	14,565,248	263,750	15,306,239	15,342,329	36,090	5.3%	15,679,126	2.2%
Corporations	1,923,632	1,876,709	(46,923)	1,937,968	1,791,400	(146,569)	-4.5%	1,747,904	-2.4%
Total	16,225,130	16,441,957	216,827	17,244,207	17,133,729	(110,479)	4.2%	17,427,030	1.7%
SALES AND USE TAXES	5,976,155	6,048,565	72,410	6,673,955	6,639,208	(34,747)	9.8%	6,948,990	4.7%
STATE LOTTERY RECEIPTS	522,944	518,990	(3,954)	521,029	531,852	10,823	2.5%	475,238	-10.6%
OTHER REVENUES									
Business Franchise Taxes	280,769	306,208	25,439	285,222	285,637	415	-6.7%	290,666	1.8%
Insurance Premium Tax	749,039	789,799	40,760	737,345	795,980	58,635	0.8%	792,151	-0.5%
Estate & Inheritance Taxes	217,016	227,265	10,248	232,404	236,732	4,328	4.2%	247,960	4.7%
Tobacco Taxes	363,385	369,956	6,571	293,071	273,398	(19,674)	-26.1%	262,399	-4.0%
Alcoholic Beverages Excises	34,455	39,202	4,747	34,284	39,555	5,272	0.9%	39,909	0.9%
District Courts	35,602	38,873	3,271	34,027	37,861	3,834	-2.6%	36,931	-2.5%
Clerks of Court	27,193	28,115	922	28,006	27,166	(840)	-3.4%	27,690	1.9%
Hospital Patient Recoveries	84,259	91,972	7,713	76,935	80,935	4,000	-12.0%	80,935	0.0%
Interest on Investments	335,000	358,663	23,663	155,000	155,000	-	-56.8%	70,000	-54.8%
Miscellaneous	344,082	456,121	112,039	318,898	383,815	64,918	-15.9%	375,196	-2.2%
Sports Wagering	-	-	-	31,811	26,262	(5,549)		27,691	5.4%
Total	2,470,800	2,706,172	235,372	2,227,003	2,342,341	115,337	-13.4%	2,251,527	-3.9%
TOTAL CURRENT REVENUES	25,195,029	25,715,684	520,656	26,666,195	26,647,129	(19,066)	3.6%	27,102,784	1.7%
Extraordinary Revenues	-	-	-	-	-	-		-	
Transfer Tax	-	-	-	25,000	25,000	-		25,000	0.0%
Revenue Volatility Cap	-	-	-	-	-	-		-	
GRAND TOTAL ²	25,195,029	25,715,684	520,656	26,691,195	26,672,129	(19,066)	3.7%	27,127,784	1.7%

¹ The 2025 Legislative Session resulted in an additional \$50.1 million in estimated revenues beyond the March 2025 official estimate; this table has been adjusted accordingly

² In FY 2025, \$382.3 million was transferred to the Rainy Day Fund and Fiscal Responsibility Fund per the requirements of the Revenue Volatility Cap.

What Has Changed Since March Estimate

- FY 2025 revenues were above expectations
 - Better than expected capital gains for tax year 2024
 - Volatile from year-to-year
 - Other revenues not connected to the economy over-attained
 - Withholding and sales tax did not fall below the estimate
- Federal and State tax law changes have a large impact on the forecast
 - 2025 Budget Reconciliation and Financing Act (State)
 - One Big Beautiful Bill (Federal)
- Revenues have outperformed relative to the economic data
 - Given recent slowing in labor market and significant loss of high-paying federal jobs our forecast expects conditions to weaken through calendar 2026
- Two tax law changes plus significant shifts in federal policies create multiple vectors of uncertainty



2025 State Tax Legislation

- 2025 Session tax and revenue legislation is estimated to increase ongoing revenues by about \$1.3 billion annually beginning in FY 2026
- Personal income tax changes
 - Modest increase in standard deduction
 - Limitation of itemized deductions that applies to taxpayers with income greater than \$200,000 (\$100,000 if married filing separately)
 - Capital gains surcharge of 2%, with a portion dedicated to transportation funding
 - New tax rates and brackets and including an increase in the top marginal rate from 5.75% to 6.5%
- Increased sales tax revenues including an expansion to data and information technology services
 - New or expanded taxes are often difficult to estimate initially
- The March Board forecast was adjusted to reflect the revenue impact of these State tax law changes

Federal Tax Legislation – Overview

- One Big Beautiful Bill (OB3) permanently extends temporary federal income tax reductions for individuals enacted by Tax Cuts and Jobs Act (TCJA)
 - Increases SALT deduction to \$40,000 in tax years 2025 through 2029
 - Value phases down beginning at \$500,000 for most taxpayers
 - PIT revenues decrease modestly in FY 2026 but increase in the out-years as the Board forecast assumed TCJA's expiration
- OB3 modifies key federal corporate income tax provisions and creates new benefits
 - State temporarily decouples from three business income tax provisions
 - State corporate income tax revenues decrease in the near term due to an acceleration of deductions



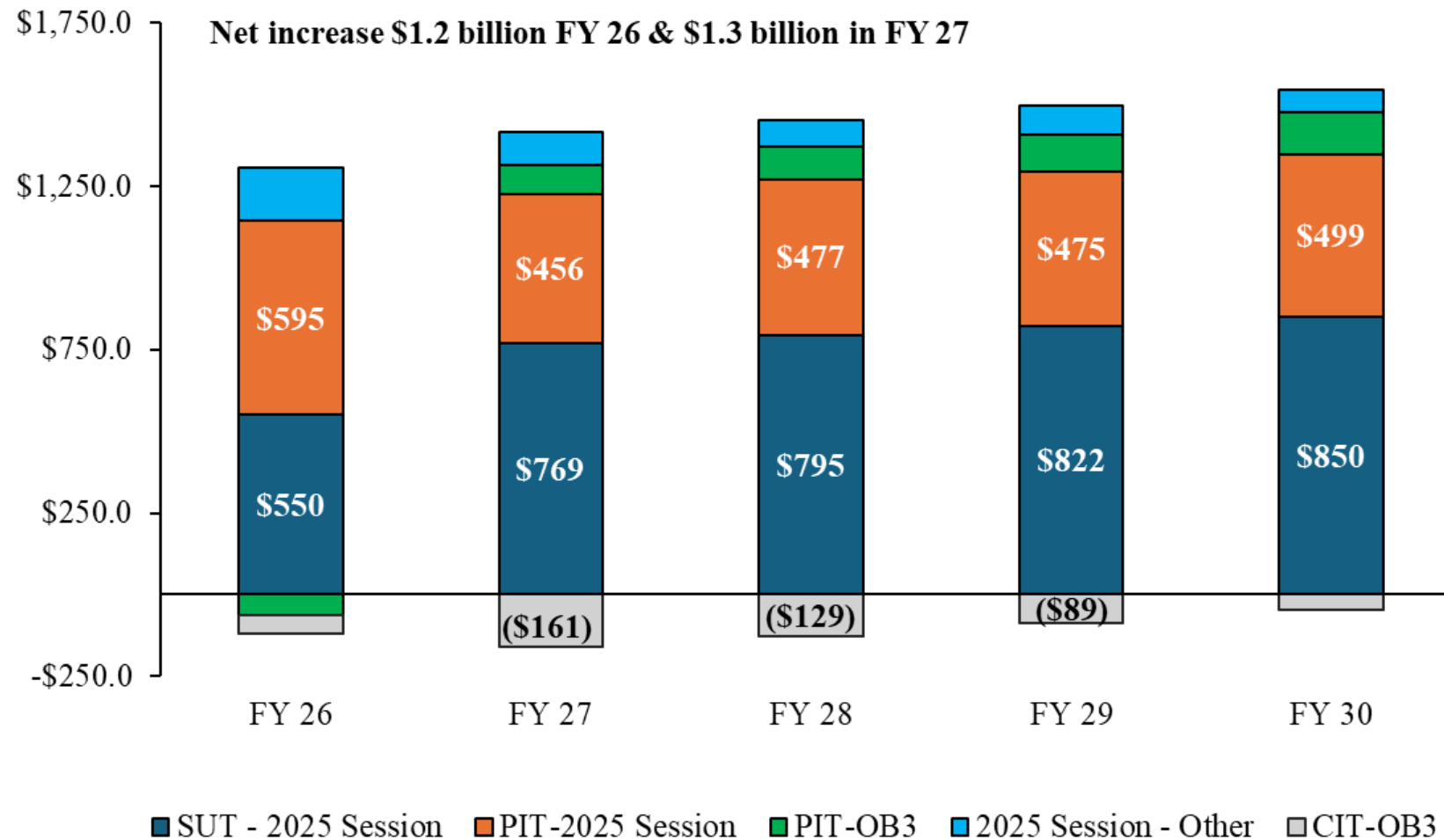
Federal Tax Legislation – GF Impacts

\$ in Millions	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Corporate Income Tax	(\$56.9)	(\$161.0)	(\$129.0)	(\$88.6)	(\$48.7)	(\$19.9)
Personal Income Tax	(61.0)	89.5	99.3	110.3	128.9	151.9
OB3 Impact	(\$117.9)	(\$71.4)	(\$29.7)	\$21.8	\$80.2	\$132.1

- Legislation was enacted after the March Board estimate and is incorporated for the first time in the proposed September forecast
 - The September forecast would have been a writeup
- Full details can be found in the “60-Day Report” Analysis on the Comptroller’s Office and Board of Revenue Estimates websites

Estimated Impact of Tax Law Changes

FY 2026 – FY 2030

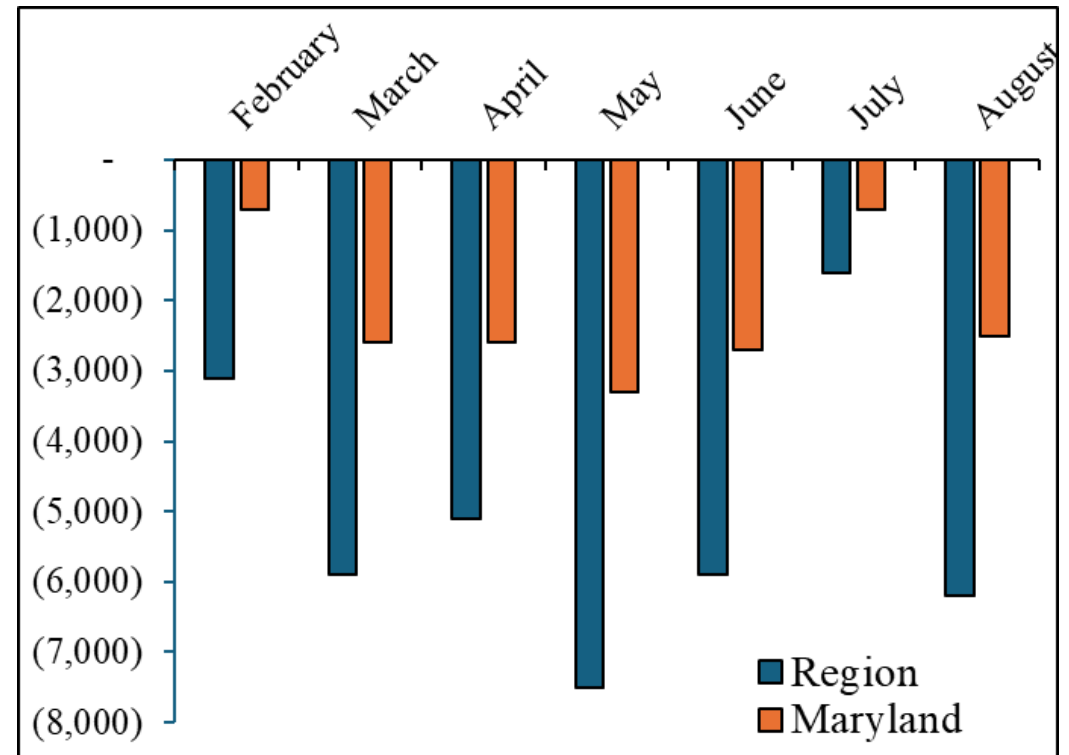


Federal Job Losses

Cumulative Employment Losses

Federal Employment Losses				
Region	January	August	Cumulative Difference	% Difference
Maryland	163,100	148,000	-15,100	-9.3%
DC	192,800	184,100	-8,700	-4.5%
Virginia	196,700	185,200	-11,500	-5.8%
Region	552,600	517,300	-35,300	-6.4%
US	3,015,000	2,918,000	-97,000	-3.2%

Monthly Employment Losses



Federal Job Losses (cont.)

- Federal employment has decreased in Maryland by at least 2,500 in five of the last six months
- Maryland accounts for one out of every six job losses
 - Job losses do not reflect Deferred Resignation Program which generally pays employees through September 30, 2025
 - According to OPM there will be a reduction of 300,000 federal jobs in all of calendar 2025
 - Those that did not secure employment will face a challenging labor market
 - Average federal wage in Maryland is higher than the average private sector job
- DoD employment has fallen by about 10,000 jobs in total, but national reductions have been concentrated in civilian agencies



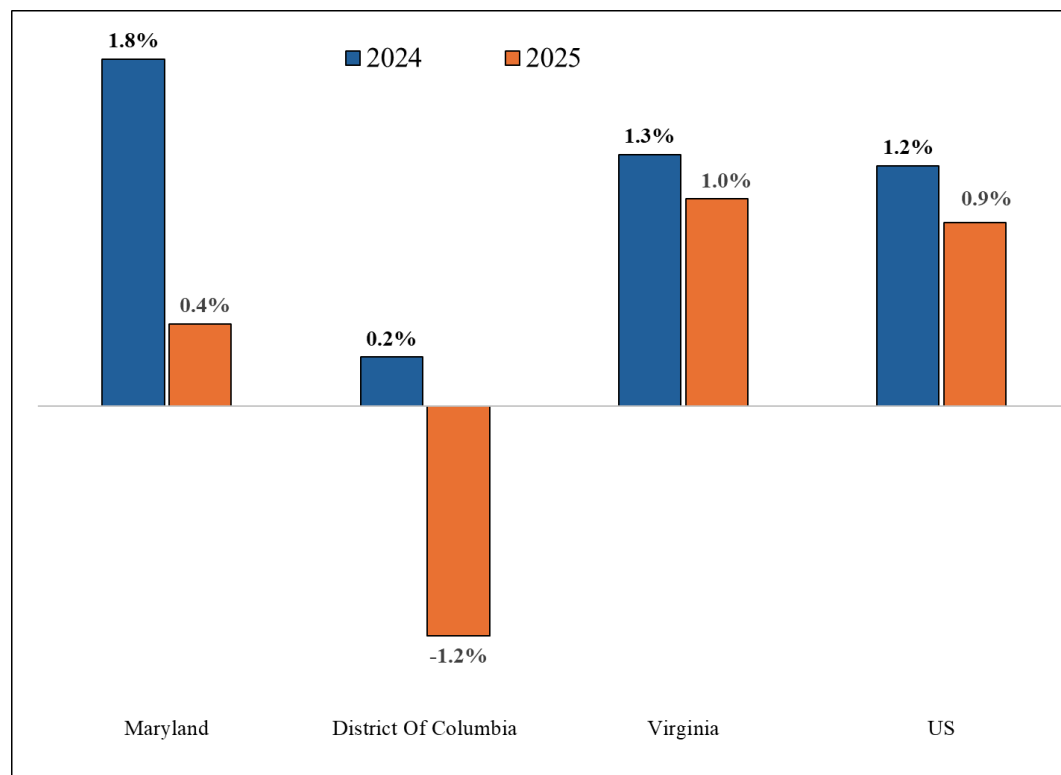
US and Maryland Labor Market

- US labor market growth has slowed – “low hiring and low firing”
 - Maryland growth is slowing but was recently revised upwards for calendar 2024 and earlier
- UI claims and layoff data has not increased significantly
- Maryland has heightened risks but less direct exposure to tariff uncertainty
 - National slowing will filter down to Maryland
 - Tariffs will eventually impact consumers and businesses
- Change in federal policies may impact Maryland labor market



State and Metro Area Employment Growth Has Slowed

Employment Growth YoY as of August
Calendar 2024 & 2025

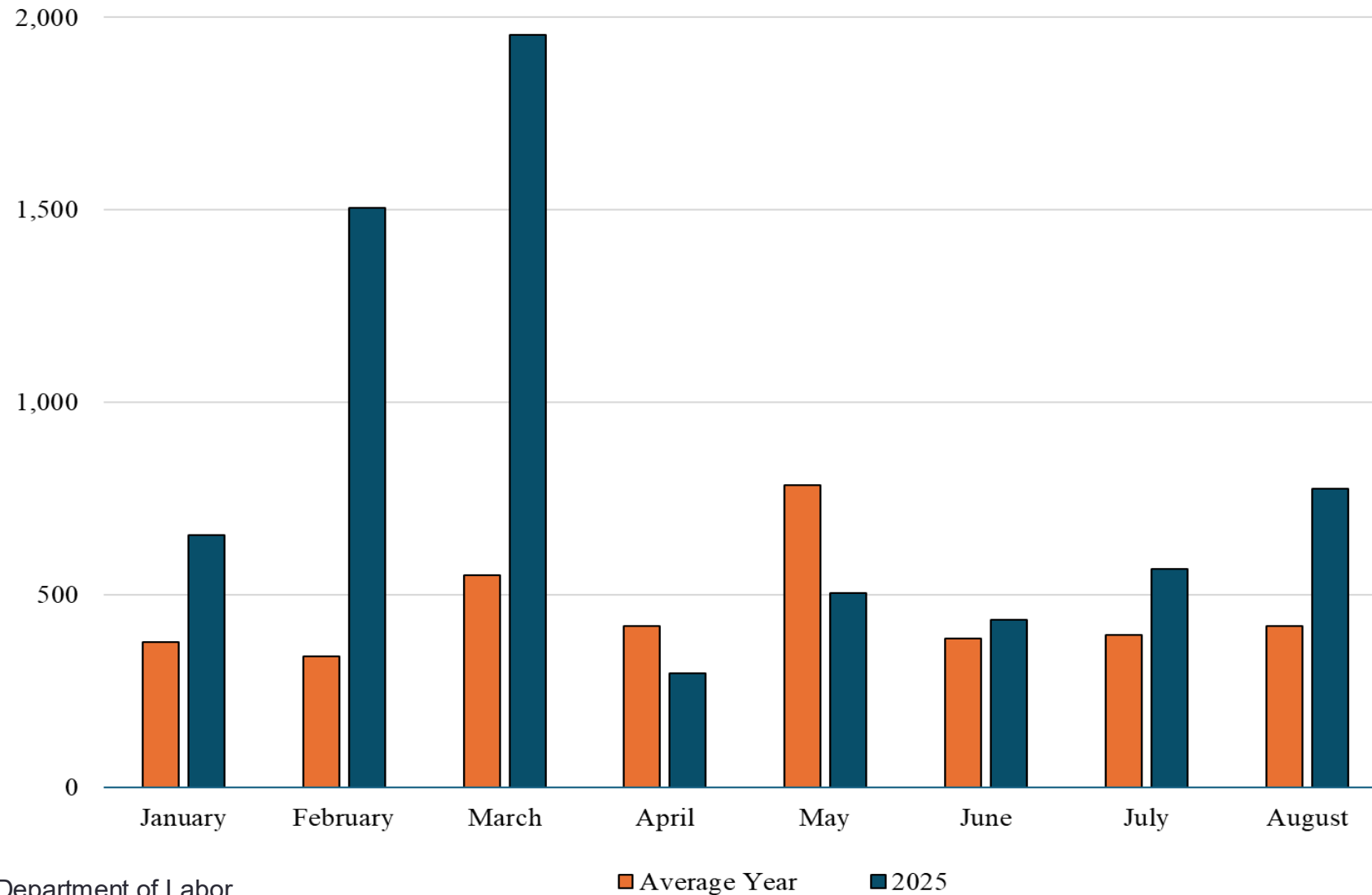


Source: U.S. Bureau of Labor Statistics

Metropolitan Areas
Labor Force and Unemployment YoY as of July

Metro Area	Labor Force		Unemployment Rate Change	
	% Growth	Rank	Percentage Points	Rank
Washington Metro	-1.2%	352	0.6%	346
Baltimore Metro	-0.6%	297	0.2%	224
Hagerstown-Martinsburg	-0.8%	311	0.1%	202
Lexington Park	-1.6%	366	0.2%	231
Salisbury	-0.1%	252	0.0%	175
US Metro Area Median	0.3%		0.0%	

Maryland Private Sector Layoff Notices by Month



Source: Maryland Department of Labor

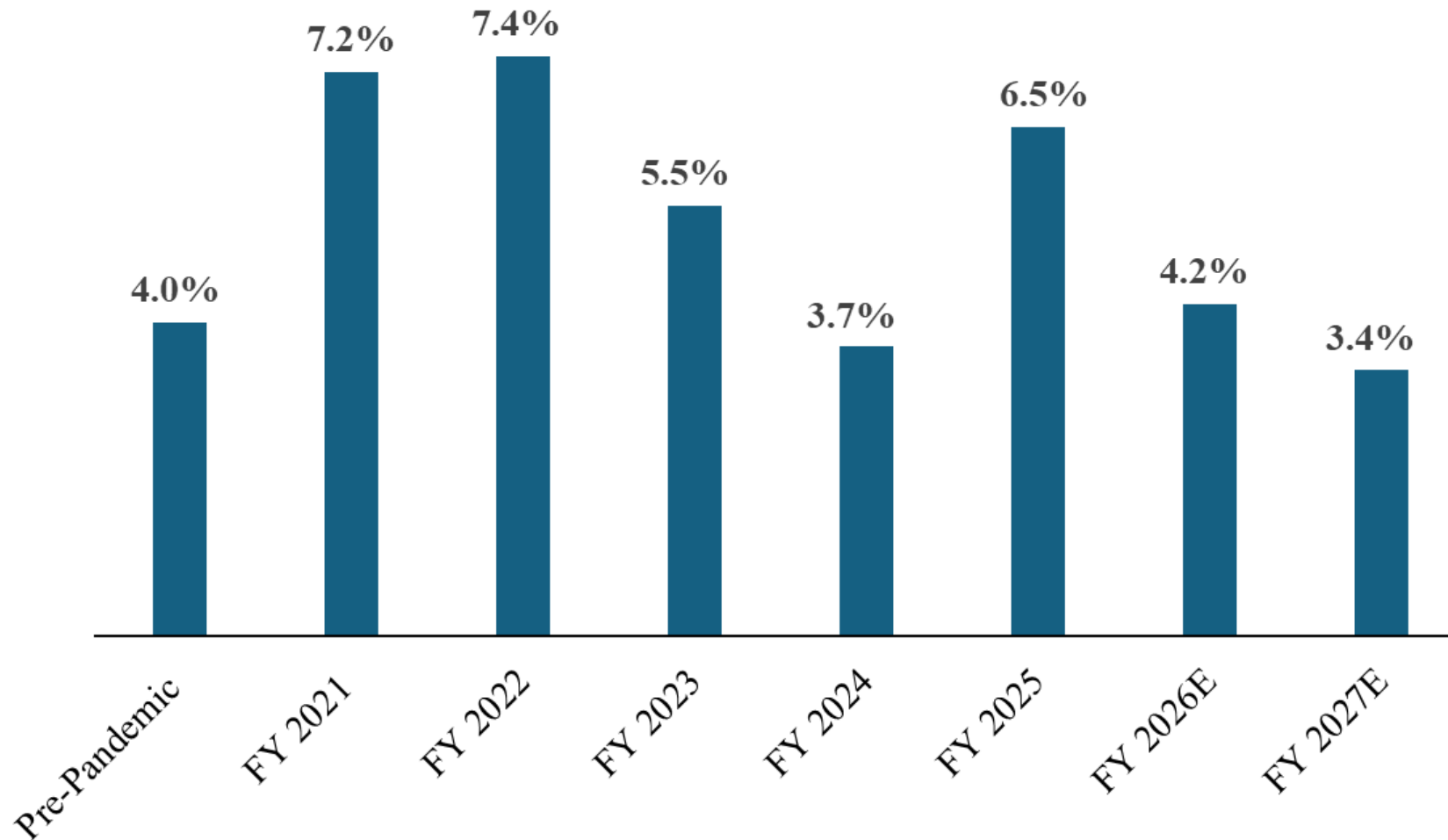
Revenues are Outperforming the Economic Data

- Maryland's withholding and sales tax collections are most tied to the economy and have not slowed recently
 - Two large components of Maryland's revenue base
- Withholding continues to outperform the economic data
 - Fiscal 2025 growth was well above typical
 - Tax Year 2025 is growing faster than expected
- Sales and Use Tax has not slowed despite consumer and business uncertainty
 - Fiscal 2025 collections increased by over 3%
- Similar patterns occurred in both VA and DC
 - Virginia closed out \$500M above forecast
 - DC raised its FY 2025 forecast by \$235M
 - All regions experienced surges of capital gains realizations while slowdown from federal policies have not been greater than anticipated



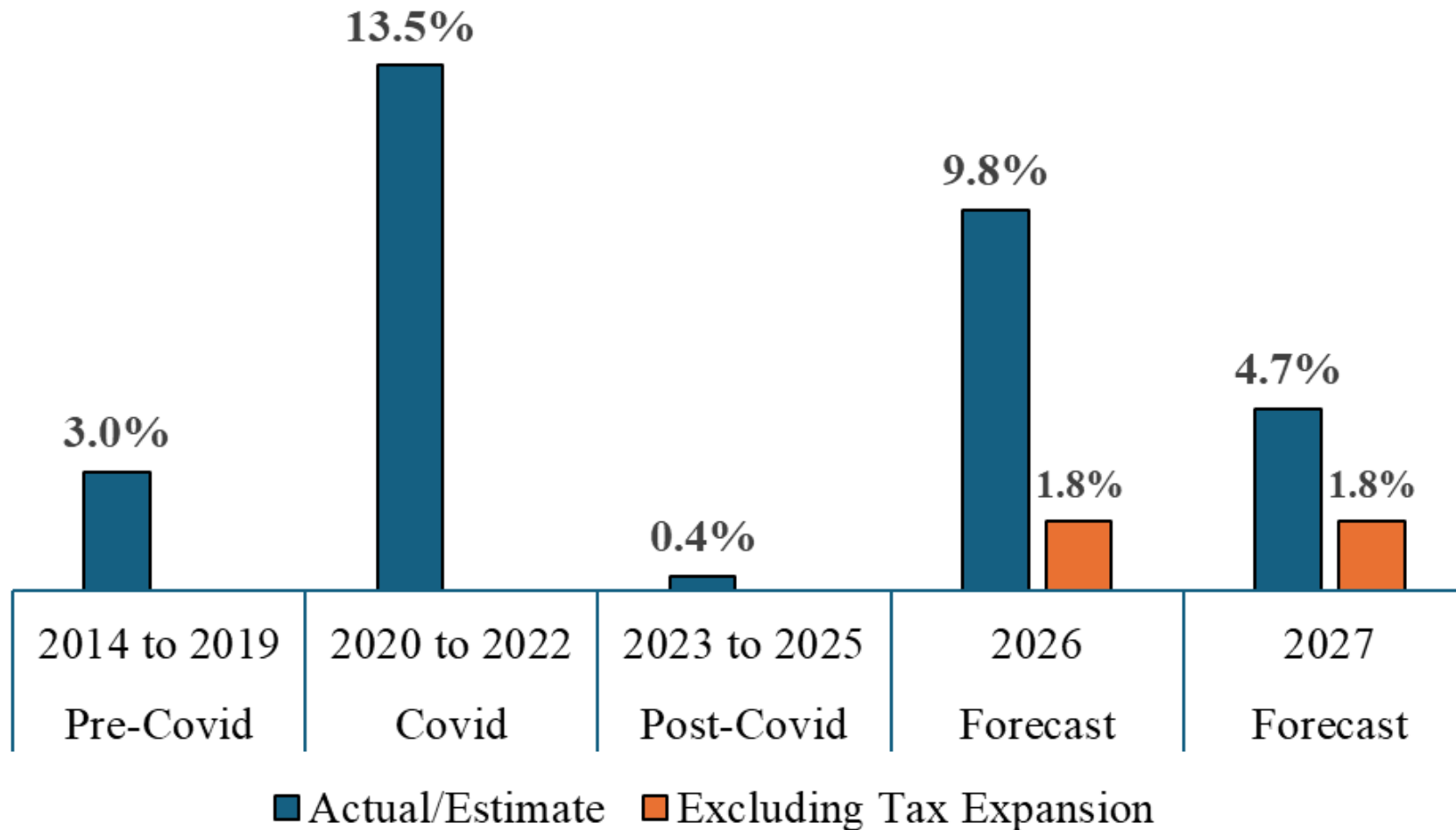
Withholding Income Tax Revenues

Actual and Estimated



Sales Tax GF Revenues

Forecasted Growth and Tax Law Expansion Impact



Forecast Summary and Risks

- Federal spending and employment reductions continue to impact Maryland and the region
- Federal and State tax legislation enacted in calendar 2025 increase uncertainty
 - Personal income tax is impacted by both
 - State legislation expanded the sales tax
 - New or expanded taxes are particularly difficult to estimate



The seal of the State of Maryland is partially visible on the left side of the slide. It features a shield with a cross and four quadrants, a crest with a crown and a banner, and a figure of a man holding a staff. The text "SEAL OF THE STATE OF MARYLAND" is visible at the top, and "1632" is at the bottom.

Thank You

Robert J. Rehrmann
Director, Bureau of Revenue Estimates
Comptroller of Maryland
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Base Estimates

Capital Debt Affordability Committee – October 9, 2025

Overview

- The assessable base estimates are provided by SDAT in November and March.
 - The November assessable base estimate reflects the recently completed reassessment.
 - The March assessable base estimate reflects new construction additions and appeal adjustments.
- Estimates represent the taxable assessable base.
- It is important to always remember that base estimates ARE A SNAPSHOT in time.

The Estimated Taxable Assessable Base at the State Level

For the tax year beginning July 1, 2024

Base Estimate Date: March 31, 2025

(figures expressed in thousands)

County	Real Property Full Year	Real Property Half-Year New Construction	Railroad Operating Real Property	Total Assessable Base Subject to the Real Property State Tax Rate	Loss Due to Homestead Tax Credit	State Homestead Tax Credit Percentage	Net Assessable Base Subject to the Real Property State Tax Rate	Utility Operating Real Property Subject to the Utility Property State Tax Rate
Allegany	4,260,241	3,606	24,942	4,288,789	15,404	10%	4,273,385	9,259
Anne Arundel	107,545,630	132,094	1,256	107,678,979	227,033	10%	107,451,946	79,792
Baltimore City	48,687,425	314,684	324,357	49,326,466	272,981	10%	49,053,485	222,488
Baltimore	103,802,966	177,978	30,216	104,011,160	228,499	10%	103,782,660	202,409
Calvert	14,516,375	11,278	0	14,527,653	18,426	10%	14,509,227	416,787
Caroline	3,337,356	3,820	0	3,341,176	25,210	10%	3,315,966	7,380
Carroll	24,692,137	25,961	12,482	24,730,580	68,360	10%	24,662,220	16,741
Cecil	12,876,477	18,472	10,578	12,905,527	6,722	10%	12,898,805	26,258
Charles	24,241,391	109,454	1,826	24,352,671	94,248	10%	24,258,424	36,263
Dorchester	3,554,188	10,887	0	3,565,075	10,268	10%	3,554,807	3,052
Frederick	45,003,489	166,861	20,125	45,190,476	198,517	10%	44,991,959	30,625
Garrett	6,092,571	23,795	1,525	6,117,891	53,384	10%	6,064,507	39,236
Harford	33,967,410	108,157	3,697	34,079,264	18,020	10%	34,061,244	65,418
Howard	65,505,477	103,869	41,134	65,650,480	122,906	10%	65,527,573	54,659
Kent	3,348,245	6,445	0	3,354,690	5,893	10%	3,348,797	2,326
Montgomery	231,175,907	645,290	17,177	231,838,373	612,385	10%	231,225,989	136,327
Prince George's	127,327,178	506,895	11,918	127,845,991	429,511	10%	127,416,480	88,131
Queen Anne's	10,546,569	54,957	0	10,601,527	22,671	10%	10,578,856	9,728
St. Mary's	15,350,525	41,322	0	15,391,847	18,869	10%	15,372,978	15,398
Somerset	1,702,746	4,174	4,674	1,711,594	26,579	10%	1,685,015	2,034
Talbot	9,849,908	19,401	0	9,869,309	7,767	10%	9,861,541	3,983
Washington	16,662,160	62,402	54,904	16,779,466	146,050	10%	16,633,415	12,093
Wicomico	8,358,724	19,728	5,920	8,384,371	55,364	10%	8,329,008	25,754
Worcester	20,159,233	35,327	295	20,194,854	139,144	10%	20,055,711	8,594
TOTAL	942,564,325	2,606,859	567,025	945,738,209	2,824,209		942,913,999	1,514,732

Full year column includes new construction added for the full year (July 1).

New construction is property added for partial year levy (January 1).

Utility operating real property is taxed at a different rate than other real property.

State Department of Assessments and Taxation

- March 2025 Base Estimate for FY2025

The Estimated Taxable Assessable Base at the State Level

For the tax year beginning July 1, 2025

Base Estimate Date: March 31, 2025

(figures expressed in thousands)

County	Real Property Full Year	Real Property Half-Year New Construction	Railroad Operating Real Property	Total Assessable Base Subject to the Real Property State Tax Rate	Loss Due to Homestead Tax Credit	State Homestead Tax Credit Percentage	Net Assessable Base Subject to the Real Property State Tax Rate	Utility Operating Real Property Subject to the Utility Property State Tax Rate
Allegany	4,612,291	500	25,316	4,638,108	23,563	10%	4,614,544	9,398
Anne Arundel	114,317,373	162,500	1,274	114,481,147	451,818	10%	114,029,329	80,988
Baltimore City	52,203,402	50,000	329,222	52,582,624	355,384	10%	52,227,240	220,263
Baltimore	110,354,018	100,000	30,669	110,484,686	395,329	10%	110,089,358	205,445
Calvert	15,027,085	12,500	0	15,039,585	28,440	10%	15,011,145	408,451
Caroline	3,590,075	2,500	0	3,592,575	33,448	10%	3,559,127	7,307
Carroll	26,515,987	30,000	12,669	26,558,657	104,993	10%	26,453,663	16,824
Cecil	13,884,908	15,000	10,737	13,910,645	14,084	10%	13,896,561	26,651
Charles	26,025,461	93,500	1,854	26,120,815	111,758	10%	26,009,057	35,537
Dorchester	3,822,365	2,500	0	3,824,865	16,027	10%	3,808,838	3,098
Frederick	49,246,694	125,000	20,427	49,392,121	290,079	10%	49,102,042	30,778
Garrett	6,928,993	14,350	1,540	6,944,883	81,512	10%	6,863,372	39,628
Harford	36,123,675	45,000	3,752	36,172,427	32,450	10%	36,139,977	64,110
Howard	69,727,085	110,000	41,751	69,878,835	175,045	10%	69,703,790	55,479
Kent	3,556,975	2,540	0	3,559,515	10,654	10%	3,548,861	2,280
Montgomery	242,695,616	275,000	17,434	242,988,050	921,478	10%	242,066,572	138,372
Prince George's	135,854,635	435,000	12,097	136,301,732	502,237	10%	135,799,495	89,453
Queen Anne's	11,425,152	25,000	0	11,450,152	34,604	10%	11,415,548	9,874
St. Mary's	16,384,404	26,000	0	16,410,404	28,351	10%	16,382,052	14,782
Somerset	1,905,994	2,000	4,744	1,912,737	45,701	10%	1,867,036	1,993
Talbot	10,396,973	5,000	0	10,401,973	24,889	10%	10,377,084	4,042
Washington	18,269,309	12,500	55,727	18,337,536	265,478	10%	18,072,057	11,851
Wicomico	9,084,307	18,000	6,008	9,108,316	84,891	10%	9,023,425	25,883
Worcester	22,486,710	17,000	299	22,504,009	223,100	10%	22,280,909	8,636
TOTAL	1,004,439,486	1,581,390	575,522	1,006,596,398	4,255,315		1,002,341,082	1,511,124

Full year column includes new construction added for the full year (July 1).

New construction is property added for partial year levy (January 1).

Utility operating real property is taxed at a different rate than other real property.

State Department of Assessments and Taxation

- March 2025 Base Estimate for FY2026

**Taxable Assessable Base Projections
at the State Level**

	FY2025	FY2026	FY2027	FY2028
	7/1/2024	7/1/2025	7/1/2026	7/1/2027
Real Property Base	945,171,183	1,006,020,876	1,046,784,020	1,081,000,000
Operating Real Property Railroads	567,025	575,522	579,000	583,000
Less: Homestead Credit	2,824,209	4,255,315	4,279,397	4,279,397
Base Subject to Real Property Rate	942,913,999	1,002,341,083	1,043,083,623	1,077,303,603
Operating Real Property Public Utilities (Subject to Separate Tax Rate)	1,514,732	1,511,124	1,510,000	1,510,000

All figures expressed in thousands

Estimate date: March 31, 2025

- Taxable Assessable Base Projections

Questions

Review of Capital Improvement Program and Funding Demands

Presentation to

Capital Debt Affordability Committee

by

Christina Perrotti

Maryland Department of Budget & Management

October 9, 2025

Presentation Summary

- FY 2026 – 2030 Capital Improvement Program (CIP)
 - GO bond and general fund levels
 - Planned CIP by program area

- Requests by Fiscal Year: FY 2027 – 2031
 - Overview of capital funding requests
 - Requests by program area

FY 2026 – 2030 Capital Improvement Program

- The CIP plans approximately \$1.7 billion in GO bonds and \$168 million in general funds annually.
 - General funds meet the State's \$167 million contribution to WMATA in FY 2027-2030.
 - The FY 2026-2030 CIP does not fully utilize \$1.75B in out-year GO bond capacity in FY 2030. Though CDAC voted only on the FY 2026 debt limit last year, \$1.75B was also utilized in the out-years for planning purposes.

Planned Capital Improvement Program						
	<i>Enacted</i>	FY 2027-2030 Planned CIP				
<i>\$ in '000s</i>	<i>FY 2026</i>	<i>FY 2027</i>	<i>FY 2028</i>	<i>FY 2029</i>	<i>FY 2030</i>	<i>Total</i>
GO Bonds	1,975,187	1,750,000	1,750,000	1,750,000	1,748,484	6,998,484
General Funds	62,375	167,650	167,750	167,750	167,850	671,000
Subtotal	2,037,562	1,917,650	1,917,750	1,917,750	1,916,334	7,669,484
Federal Funds	223,526	301,037	101,708	91,911	109,430	604,086
Other Funds*	856,787	879,892	619,252	628,314	638,608	2,766,066
Grand Total	3,117,875	3,098,579	2,638,710	2,637,975	2,664,372	11,039,636

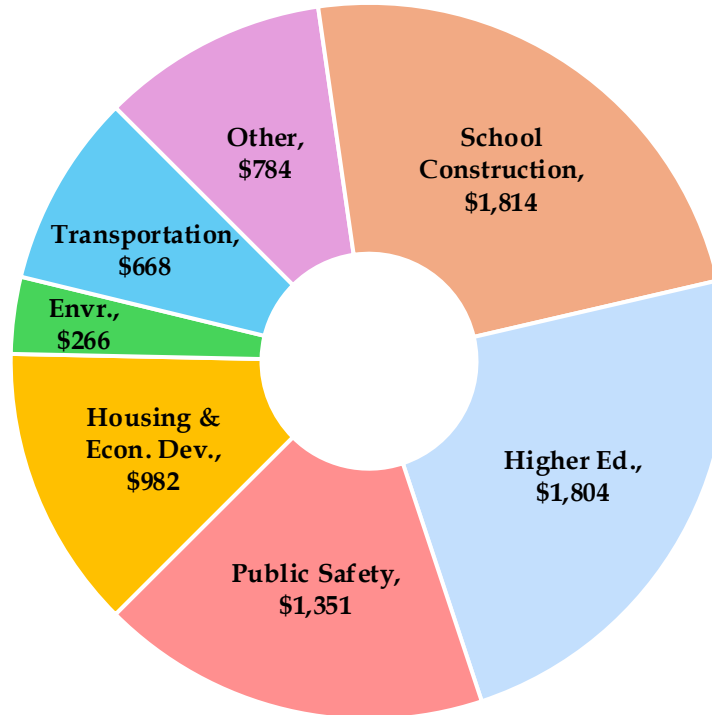
*Other funds include special funds and revenue bonds.



Planned CIP by Program Area

GO Bonds and General Funds Planned for FY 2027 – 2030

*\$ in
millions*



GO/GF

FY 2027: **\$1.918 b**

FY 2028: **\$1.918 b**

FY 2029: **\$1.918 b**

FY 2030: **\$1.916 b**

Total: \$7.669 b

Requests for Capital Funding (GO and GF) FY 2027 – FY 2031

<i>\$ in thousands</i>	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	Totals
State-Owned Facilities	1,010,915	1,207,196	1,281,521	1,102,401	952,465	5,554,498
Capital Grant Programs	1,389,499	1,403,177	1,465,771	1,340,296	1,383,413	6,982,156
Estimated Request Total	2,400,414	2,610,373	2,747,292	2,442,697	2,335,878	12,536,654
Planned CIP - GO/GF	1,917,650	1,917,750	1,917,750	1,916,334	N/A	7,669,484
Requests over CIP	482,764	692,623	829,542	526,363	N/A	2,531,292

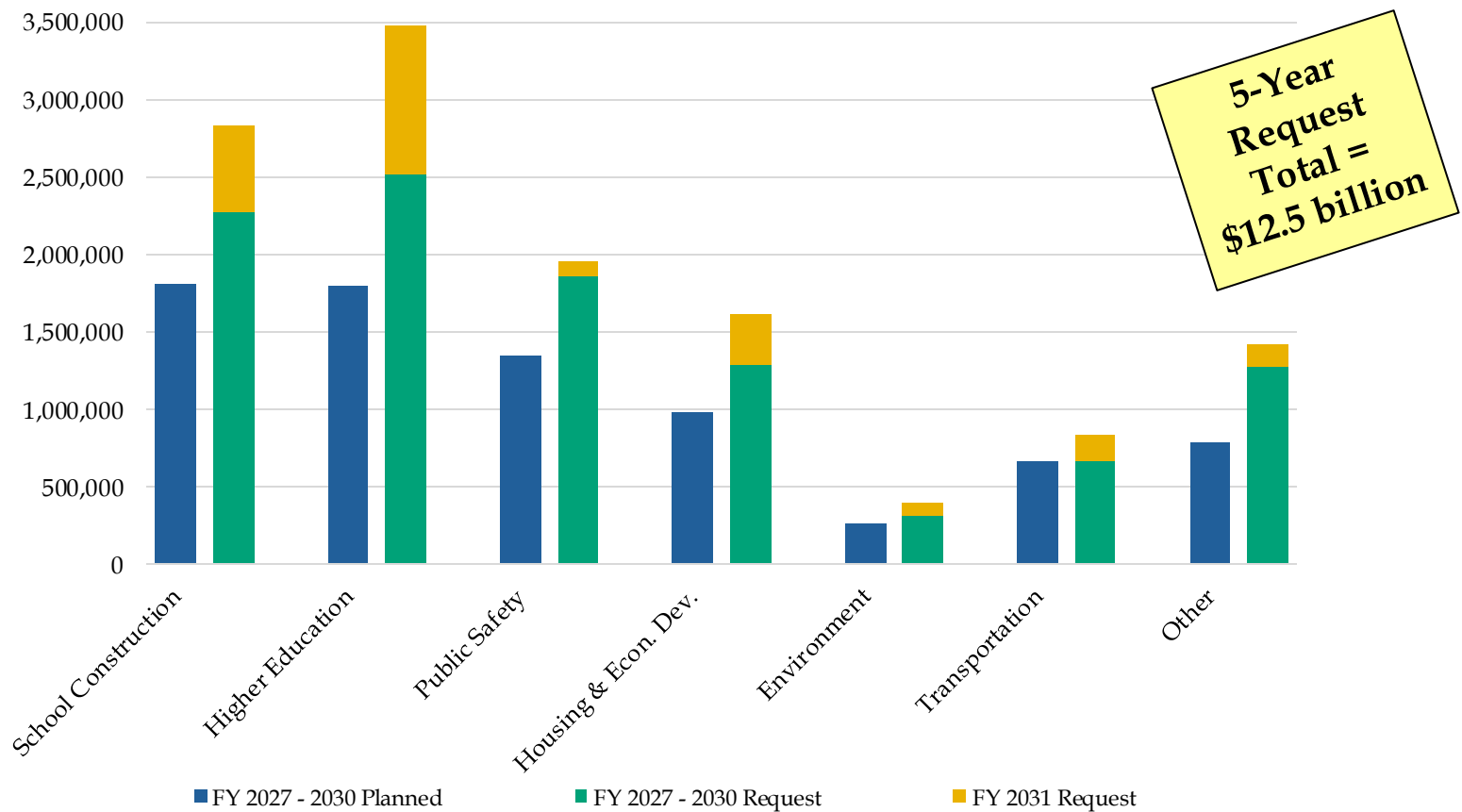
- Requests do not necessarily reflect annual funding demand – DBM analyzes spending capacity by project to determine how much can realistically be spent each year.

The above totals do not include miscellaneous requests to the Governor or the Legislature:

Misc. Capital Grant Requests: FY 2022 to FY 2026 Annual Average <i>\$ in thousands</i>	
Requests to Governor	1,171,606
Legislative Initiatives	387,064



Planned Funds and Sources of Demand (GO/GF - \$ in '000s)



Interagency Commission on School Construction

Report to the Capital Debt Affordability Committee



Photo: Grimm + Parker Architecture

Old Mill Middle School South, Anne Arundel County
Completed for School Year 2024-2025

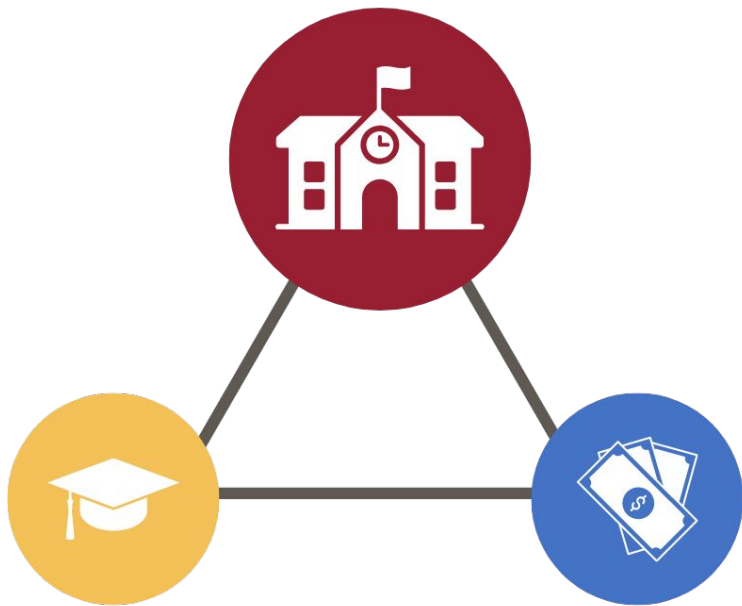
October 9, 2025

Educationally Effective + Fiscally Sustainable

School Facilities Portfolio

Educationally Effective

- **Design** (including configuration and equipment)
- **Size**
- **Level of maintenance**



Fiscally Sustainable

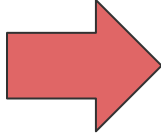
- **Total cost of ownership**, including
 - Construction
 - Operation
 - Maintenance
 - Capital Renewal and Replacement
- **Resources** (funding) available now and in the future

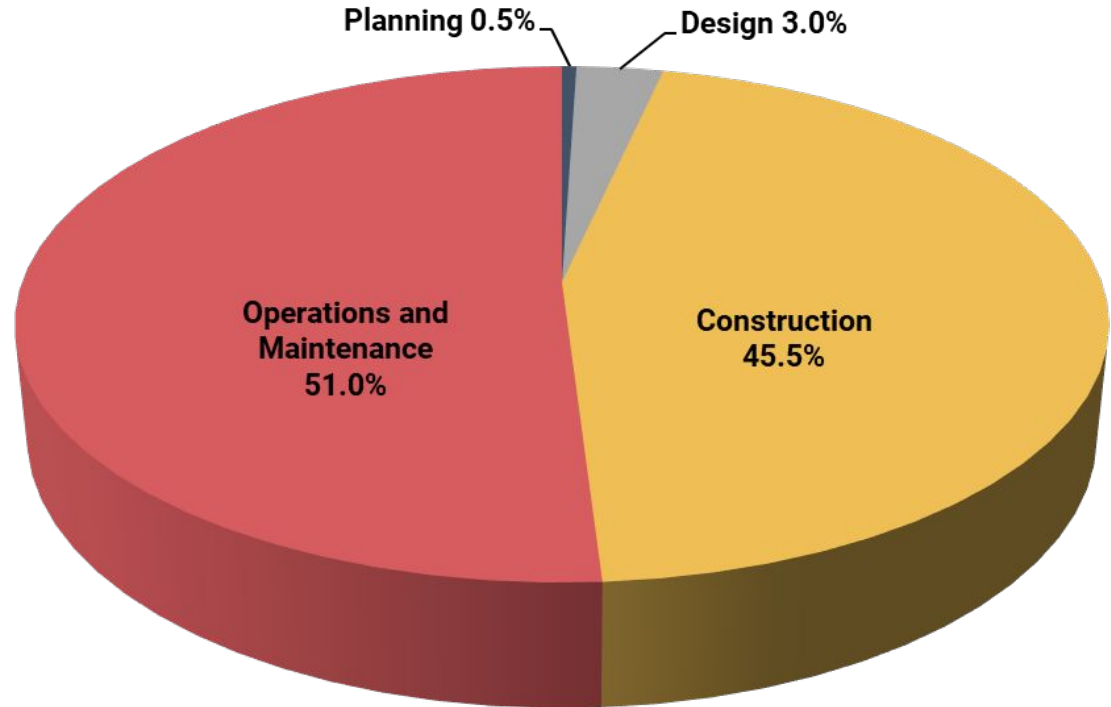
Pre-K-12 Public School Facilities Quick Facts

- 1. Number of FTE students (9/30/2024): 885,316**
- 2. Number of school facilities: 1,362**
- 3. Gross square feet (GSF) within schools: More than 142.3 million**
- 4. Average gross square feet (GSF) per student: 161**
- 5. Average age of GSF: 32 years (increase of 8 years since 2005)**
- 6. Replacement Value \approx \$70.4 B (@ \$495/GSF incl. site development)**

Total Cost of A Facility

Average Percentage over 30 Years

- 1) Custodial
 - 2) Routine & Preventive Maintenance
 - 3) Capital Maintenance (system replacements)
- 



Five Areas of School Facilities Need

Areas of Need	Drivers/Requirements
---------------	----------------------

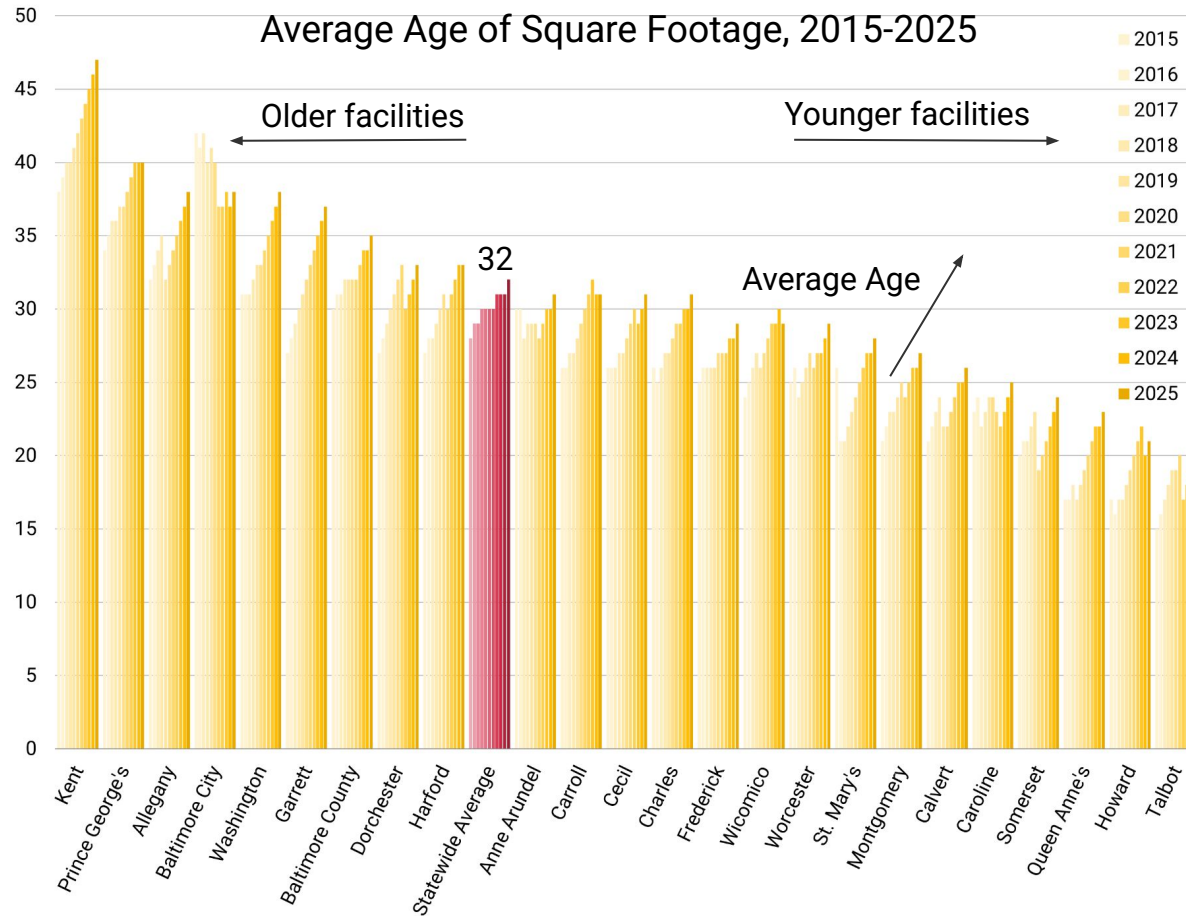
Perennial

1) Maintain sufficient physical condition	• Support teaching and learning
2) Maintain educational sufficiency	• Keep facilities affordable to own & operate
3) Accommodate projected enrollment growth	• Support teaching and learning

New/Recent

4) Expand pre-Kindergarten services	• Blueprint for Maryland's Future
5) Decarbonize by 2045	• State-adopted climate-protection goals

Need Area #1: Condition



Need Area #1: Condition

Facility Condition Index (FCI) Bands

Lower FCI is better

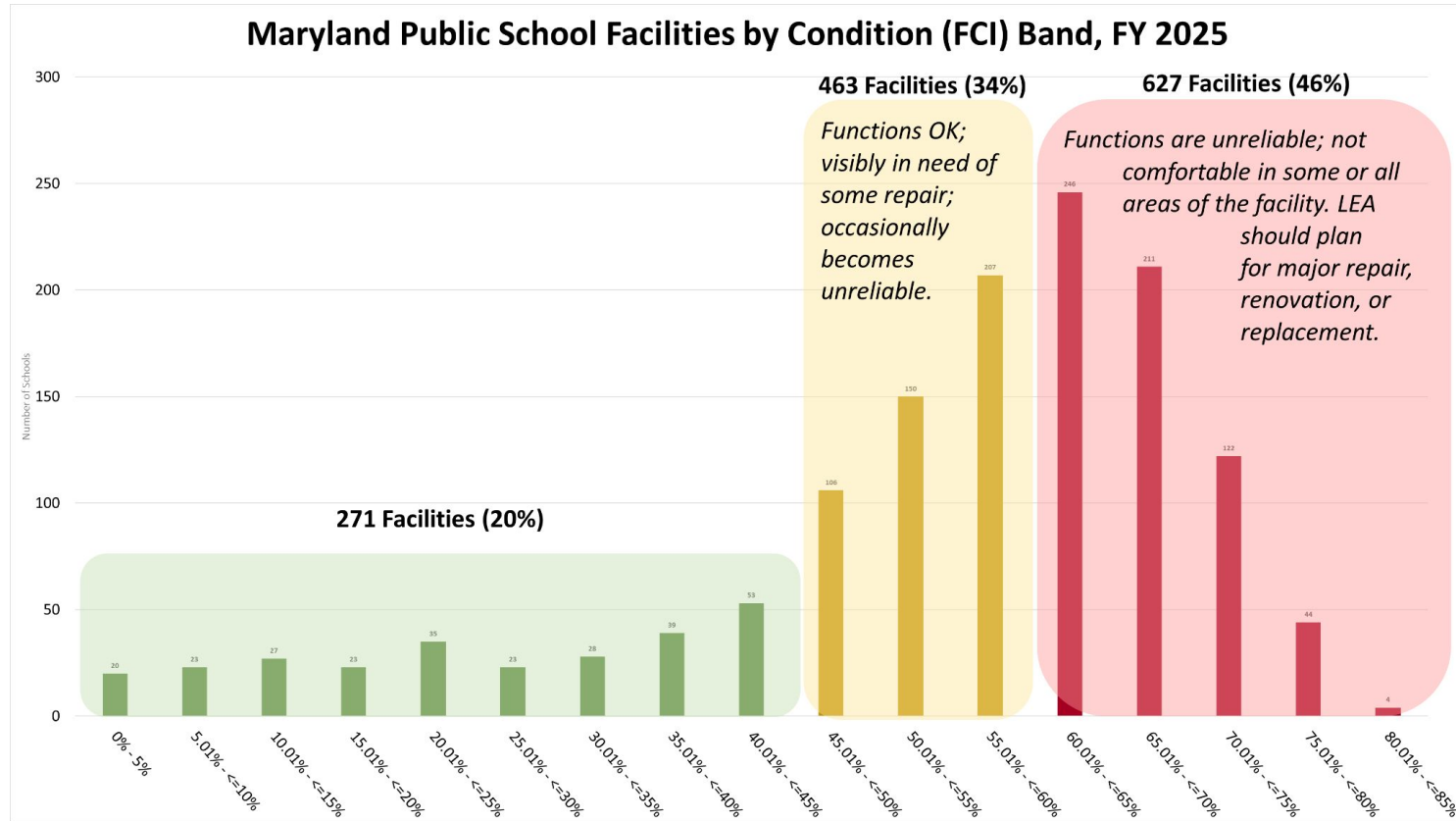


FCI	Common First Perceptions from Parents, Teachers, or Students
15% and below	Feels essentially like a new building!
15-30%	Good condition. Comfortable. Appears to be in good overall repair. Generally, everything operates as intended.
30-45%	Condition is satisfactory, although some repairs are needed. Does not generally feel uncomfortable anywhere in the occupied spaces of the facility.
45-60%	Visibly in need of repair. Conditions verge on uncomfortable with some areas of the facility worse than others. Building generally functions OK, but occasionally becomes unreliable. LEA should be considering and planning improvement solutions.
Above 60%	Building functions have become unreliable. Not esthetically or environmentally comfortable in some or all areas of the facility. Should be considered imminently for improvements (including potential renovation/replacement).

Need Area #1: Condition

Statewide Facility Condition Distribution by Band

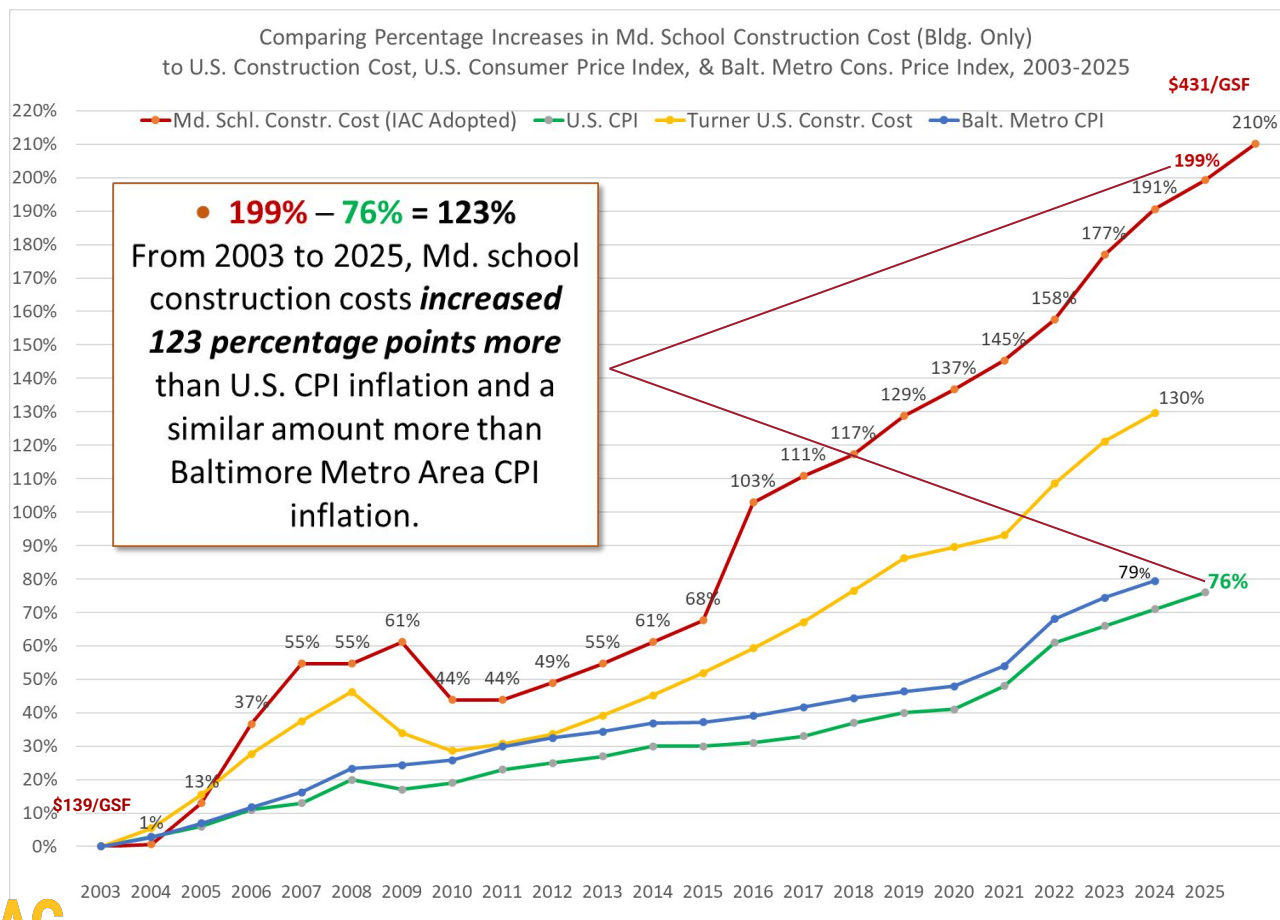
- 1,361 Public PK-12 Facilities Assessed
- Weighted Average Asset Condition (FCI): **52.26%** of expected useful lifespan (EUL) depleted
- Reasonable avg. FCI for educational sufficiency & fiscal sustainability: **32-37%**



Key Factors Affecting Current Condition

Factors	Consequences
1) Significant population growth and migration in the 1960s-1970s drove a bulge of spending and construction	<ul style="list-style-type: none">● Large number of facilities reaching end of useful lifespan in 2020s<ul style="list-style-type: none">○ >250 (>18%) of Maryland schools are 50+ years old
2) Construction costs have doubled since 2012 while local and State capital budgets have not increased commensurately <ul style="list-style-type: none">a) State Cost/SF 2012: \$207b) State Cost/SF 2025: \$416	<ul style="list-style-type: none">● Purchasing power of local and State budgets has been reduced by more than half● LEAs have deferred more and more of the needed maintenance, capital-maintenance, and capital-renewal work

Md. School-Construction Cost



- Purchasing power of local and State capital budgets has been reduced by more than half
- LEAs have deferred more and more of the needed maintenance, capital-maintenance, and capital-renewal work

Need Area #1: Condition

Findings	Conclusions
1) Average facilities condition has steadily deteriorated over the past 15+ years	<ul style="list-style-type: none">• Current levels of capital expenditure are not holding condition steady
2) The backlog of deferred maintenance & capital renewal is large and growing	<ul style="list-style-type: none">• At current levels of capital expenditure, future cost liabilities are trending towards unmanageable
3) Average facilities condition today (52% depleted) is counter-supportive to both teaching & learning and facilities affordability	<ul style="list-style-type: none">• Additional capital expenditures in the near-to-mid term are needed to support facilities' effectiveness/purpose and long-term fiscal sustainability

Need Areas #2 & #3

Need Area	Key Points
#2) Educational Sufficiency	<ul style="list-style-type: none">• Not yet measurable in a simple manner• IAC is working with LEAs to identify the most essential needed improvements• Capital-renewal projects replacing the worst-condition buildings will cover some but not all educational sufficiency needs
#3) Capacity for Enrollment Growth	<ul style="list-style-type: none">• MDP projects statewide total growth of 1.5% (12,570 students) by 2034<ul style="list-style-type: none">○ 14 of 24 counties will see >1.8% growth○ Existing capacity may accommodate some of this growth but some new seats will be needed

Need Areas #4 & #5

Need Area	Key Points
#4) Additional classrooms for Blueprint Pre-K	<ul style="list-style-type: none">● Rough estimate: 200-500 classrooms @ \$1M each<ul style="list-style-type: none">○ @ Current average State share (~69%) = State liability of between \$207M and \$345M spread over the next ~5+ years
#5) Decarbonization by 2045	<ul style="list-style-type: none">● No cost estimate currently available● IAC working with MEA to develop need-scoping framework, collect needed data, and develop scenarios with various trajectory options and cost estimates● Capital-renewal projects replacing the worst-condition buildings can and should decarbonize some facilities if the new facilities are fully electrified and Net-Zero-Energy

State Public School Construction Funding – FY 2018-2027

(in millions)

<i>Legislative Target for Annual Appropriations</i>	≥\$250.0	≥\$345.0	≥\$400.0	≥\$400.0	≥\$400.0	≥\$450.0	≥\$450.0	≥\$450.0	≥\$450.0	≥\$450.0
Fiscal Year	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Recurring Programs (CIP; EGRC; HSFF; SSGP; ASP)	\$353.6	\$423.0	\$356.1	\$401.1	\$431.1	\$486.1	\$460.0	\$460.0	\$460.0	?
Nonrecurring Programs (Built to Learn (est. max. \$1.7 billion); Pass-Through Grant)	N/A	N/A	N/A	N/A	\$750.0	\$458.0	\$161.8**	\$446.6**	<i>Est.</i> \$121.0	N/A
Total	\$353.6	\$423.0	\$356.1	\$401.1	\$1,181.1	\$944.1	\$621.8	\$906.6	\$581.0	?

* Funded through Stadium Authority special-purpose revenue bonds.

** Excludes \$27M/year provided to Prince George's County P3.

Legislative/Statutory Funding Targets for 2027

Target total per Ch. 20 (2020) as amended by Ch. 32 (2022): “at least \$450,000,000” outside of funding provided through the Built to Learn Act (Ch. 354 (2024)).

Statutorily Required:

2027 Enrollment Growth & Relocatable Classrooms Program (Ed. Art. § 5-313(e)):	\$80,000,000
2027 Nancy Kopp Priority Fund (Ed. Art. § 5-325(i)):	\$70,000,000
2027 Aging Schools Program (Ed. Art. § 5-324(f)):	\$6,109,000

Flexible:

2027 Capital Improvement Program (CIP):	Remainder = \$293,891,000
	<hr/>
	\$450,000,000

Additionally, MSA will issue special revenue bonds for the Built to Learn program on an as-needed basis up to the total \$2.2 billion authorized for the program. The current projected maximum bondable amount under BTL is \$1.7 billion, of which \$1.571 billion has been allocated to LEAs and/or projects. Additional projects are being reviewed at this time.

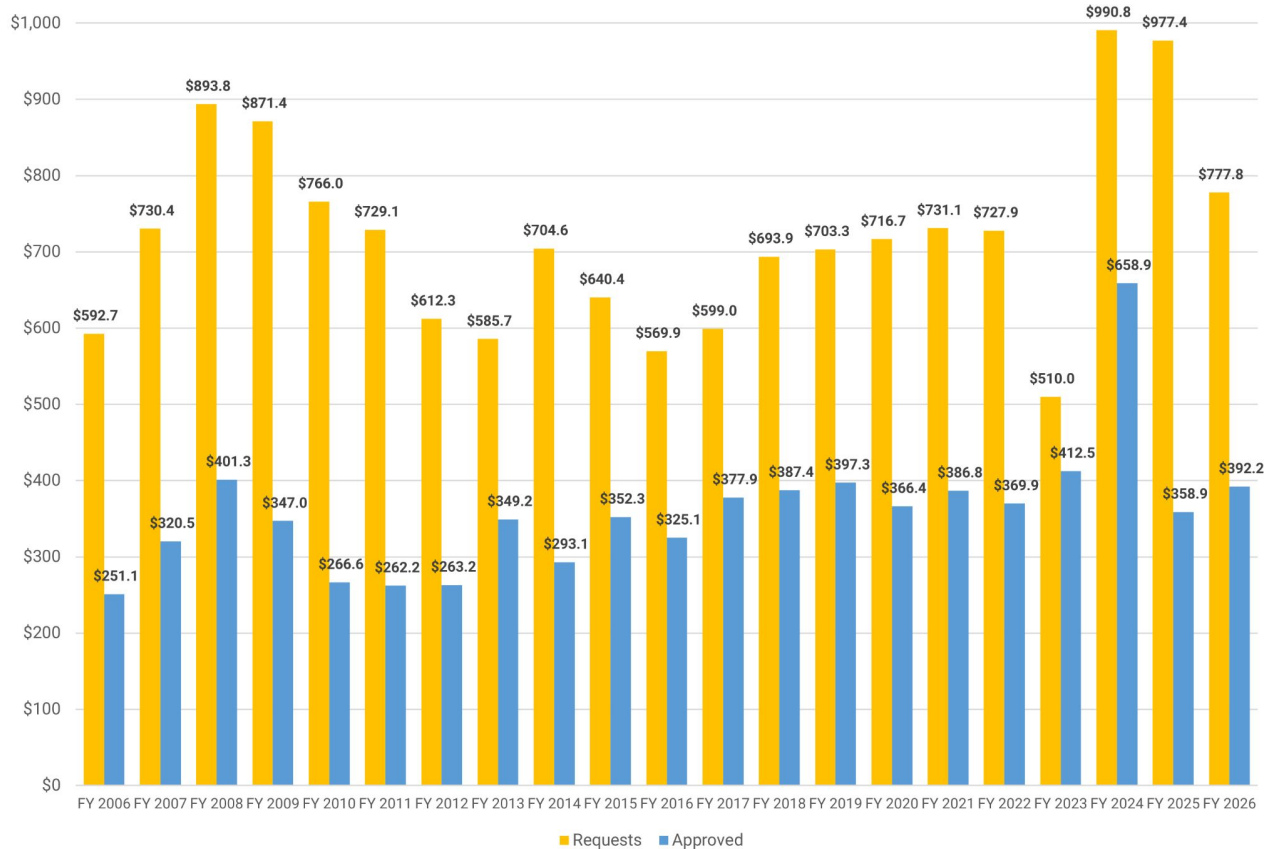
Summary of Known Likely Future State Obligations as of 5/8/2025

Allegany County	\$3,531,252
Anne Arundel County	\$37,418,382
Baltimore City	\$37,157,659
Baltimore County	\$64,691,447
Calvert County	\$2,952,787
Carroll County	\$1,412,784
Cecil County	\$35,528,006
Charles County	\$2,533,602
Dorchester County	\$14,100,000
Frederick County	\$64,121,411
Garrett County	\$6,993,638
Harford County	\$482
Kent County	\$16,818,000
Maryland School for the Blind	\$53,248,000
Montgomery County	\$11,210,586
Prince George's County	\$23,201,403
St. Mary's County	\$22,555,828
Somerset County	\$23,542,031
Washington County	\$16,386,527
Wicomico County	\$41,734,434
Total	\$479,138,259

- 1) This table shows CIP projections based upon the IAC's 2026 CIP Publication.
- 2) Please note that LEAs *not listed here* have received no IAC project approvals that carry a future State obligation at this time. However, those LEAs are still anticipated to submit annual CIP requests in coming years.
- 3) This list is incomplete because
 - a) Since 2018, the IAC statutorily may not require LEAs to annually submit a summary of expected/projected future CIP needs; and
 - b) This excludes 2027 requests for major construction projects or projects (to be submitted by Oct. 6, 2025) that can be completed in a single fiscal year, such as system-replacement or some limited-renovation projects.

Comparison of Capital Improvement Program Funding Requests to Approved Funding

(excludes other IAC programs; figures displayed in millions)



Minimum Projected Need by Program – FY 2027

The following are *minimum* projected levels of need against statutory requirements or legislative targets for the **2027 Capital Budget**:

Program	Statutory Requirement/Target	Minimum Projected Need
Enrollment Growth & Relocatable Classrooms Program	\$80,000,000	\$80,000,000
Kopp Priority Fund*	\$70,000,000	\$70,000,000
Aging Schools Program	\$6,109,000	\$6,109,000
Capital Improvement Program	\$293,891,000	\$465,891,000
	\$450,000,000	\$622,000,000

* To be awarded for FY 2027 only using Healthy School Facility Fund (HSFF)-type criteria.

We'd love
to hear your questions



Capital Debt Affordability Committee: 2025 Affordability Analysis

Presented by
Rebecca Ruff, Director of Debt Management
Maryland State Treasurer's Office

October 9, 2025

The Concept of Affordability

- To make its recommendation, CDAC uses the **concept of affordability**.
- The crux of affordability is not simply whether the State can pay its debt service; instead, affordability implies the ability to **manage debt over time to achieve the State's goals**.
- CDAC's challenge is to find a balance between providing sufficient funds for necessary investment in capital projects while remaining within the framework of the State's **debt capacity**.
- The two self-imposed **affordability benchmarks** used to determine debt capacity are:
 - Tax-supported debt outstanding should be no more than **4.0%** of total personal income
 - Tax-supported debt service should be no more than **8.0%** of total tax revenues

Debt Outstanding to Personal Income

Tax-supported debt outstanding is defined as the outstanding principal on State debt that is either repaid with State tax revenue or uses State tax revenue as a backstop.

Personal income encompasses all sources of individual income in Maryland.

❖ Tax-Supported Debt Outstanding*

- General Obligation Bonds (74.2%)
- Consolidated Transportation Bonds (21.6%)
- Capital Leases – pre-GASB87 rule change (2.5%)
- Bay Restoration Bonds (0.9%)
- Stadium Authority Leases (0.9%)

❖ Personal Income

- Wages, salaries, and benefits
- Dividends, interest, and rent
- Government transfers to individuals
- Business owner's income

*The percentage listed next to each type of tax-supported debt represents the outstanding principal of that type of debt as a percentage of total tax-supported debt outstanding during fiscal year 2025.

Debt Service to Revenues

Tax-supported debt service is defined as debt service on bonds that is either repaid with State tax revenue or uses State tax revenue as a backstop.

Revenues are defined as tax revenues and direct sources of repayment for State tax-supported debt.

❖ Tax-Supported Debt Service

- General Obligation Bonds
- Consolidated Transportation Bonds
- Bay Restoration Bonds
- Capital Leases – pre-GASB87 rule change
- Stadium Authority Leases

❖ Revenues

- General Funds
- Transportation Taxes
- State Property Taxes
- Online Sales Tax
- Transfer Tax
- Bond Premium
- Bay Restoration Fees
- Stadium Lease Revenue
- Federal Interest Subsidies

CDAC Planning Assumptions

GO Bonds

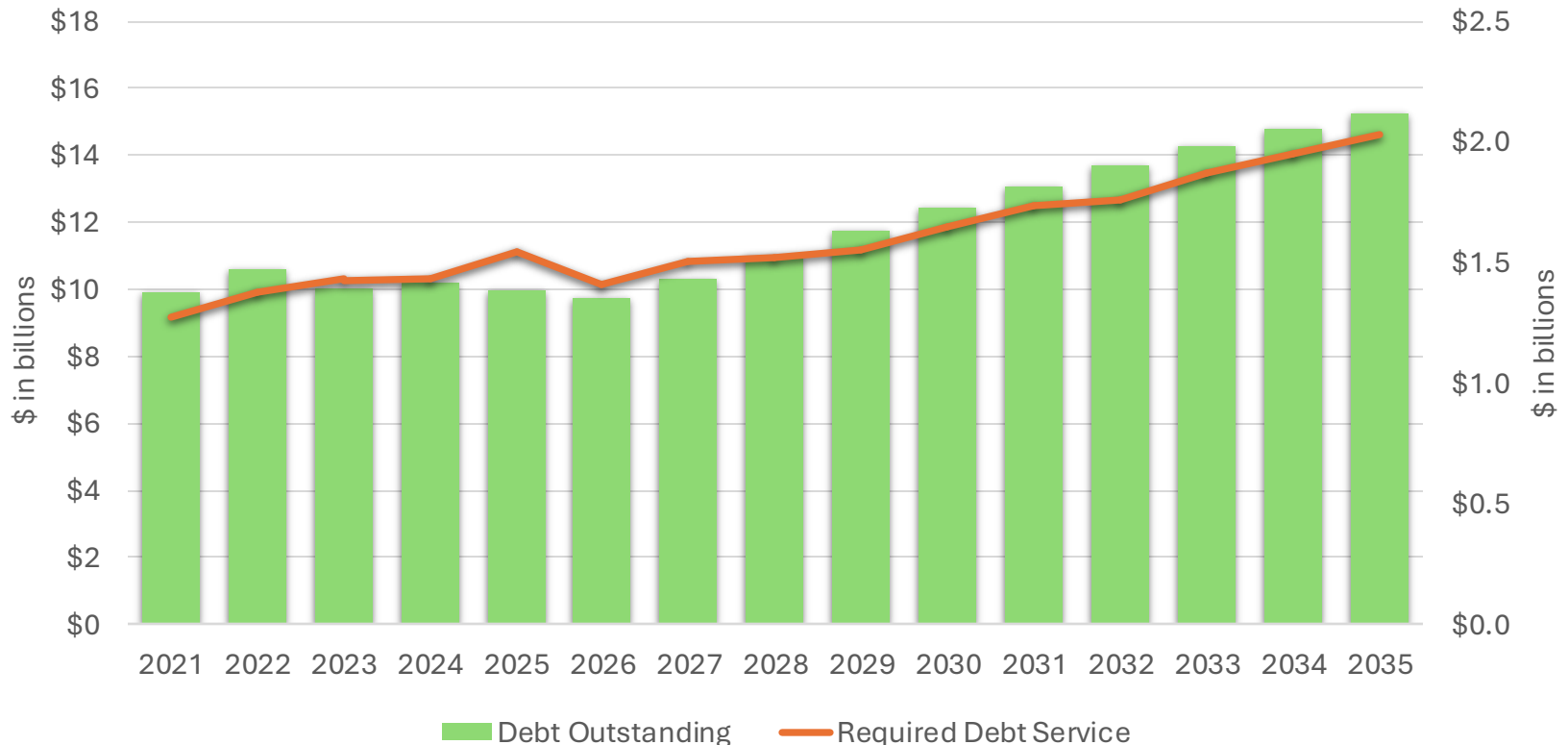
- The authorization and issuance assumptions in calculating the CDAC ratios do not anticipate that future P3s will be included as tax-supported debt.
- The projected debt service ratios assume a 5% coupon for all maturities with no future refunding savings or use of premium and are subject to change.
- 2024 CDAC proposed GO authorizations would project the following issuances:

<u>Fiscal Year</u>	<u>Authorizations</u>	<u>Issuances</u>
2026	\$1,750	\$1,535
2027	\$1,750	\$1,640
2028	\$1,750	\$1,700
2029	\$1,750	\$1,750
2030	\$1,750	\$1,750
2031	\$1,750	\$1,750

CDAC Planning Assumptions

GO Bonds

At \$1.75 level annual debt authorization, by fiscal 2035 GO debt outstanding grows to \$15.2 billion and annual GO debt service increases to \$2.0 billion, requiring a general fund subsidy of \$652 million.



JCR Workgroup to Study Issuance Assumptions

2025 JCR Workgroup to Study CDAC Issuance Assumptions

- Debt authorizations are available for expending up to seven years from the date of authorization.
- Assumptions of the proportion of an authorization that is needed each year to support a capital project are used to inform the issuance needs in the CDAC forecasting model.
- For the past 20+ years, CDAC has assumed authorizations are utilized at the following pace:

	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5
Current CDAC Assumptions	31%	25%	20%	15%	9%

Note: Authorizations are allocated over five years to align with the State's forecasting window.

- Noting a significant misalignment between recent GO debt issuances dictated by cash flow needs and the amount of projected issuance need per the CDAC model, the 2025 Joint Chairmen's Report directed STO to work with DBM and DLS to convene a workgroup evaluating the issuance assumptions used by CDAC.

2025 JCR Workgroup to Study CDAC Issuance Assumptions

- The workgroup met during the summer/fall 2025 and analyzed actual expenditure data from the 2015-2025 MCCBLs provided by the Comptroller's Office.

RECOMMENDATION:

- The workgroup recommends that beginning with the 2025 CDAC analysis, the issuance assumptions used by CDAC should be based on the 10-year weighted average of actual project expenditures per MCCBL.
- Aligning with this recommendation would adjust the issuance assumptions to the following:

	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5
Proposed Assumptions	29%	25%	14%	8%	24%

Tax-Supported Debt Affordability Metrics

Tax-Supported Debt Outstanding Ratio

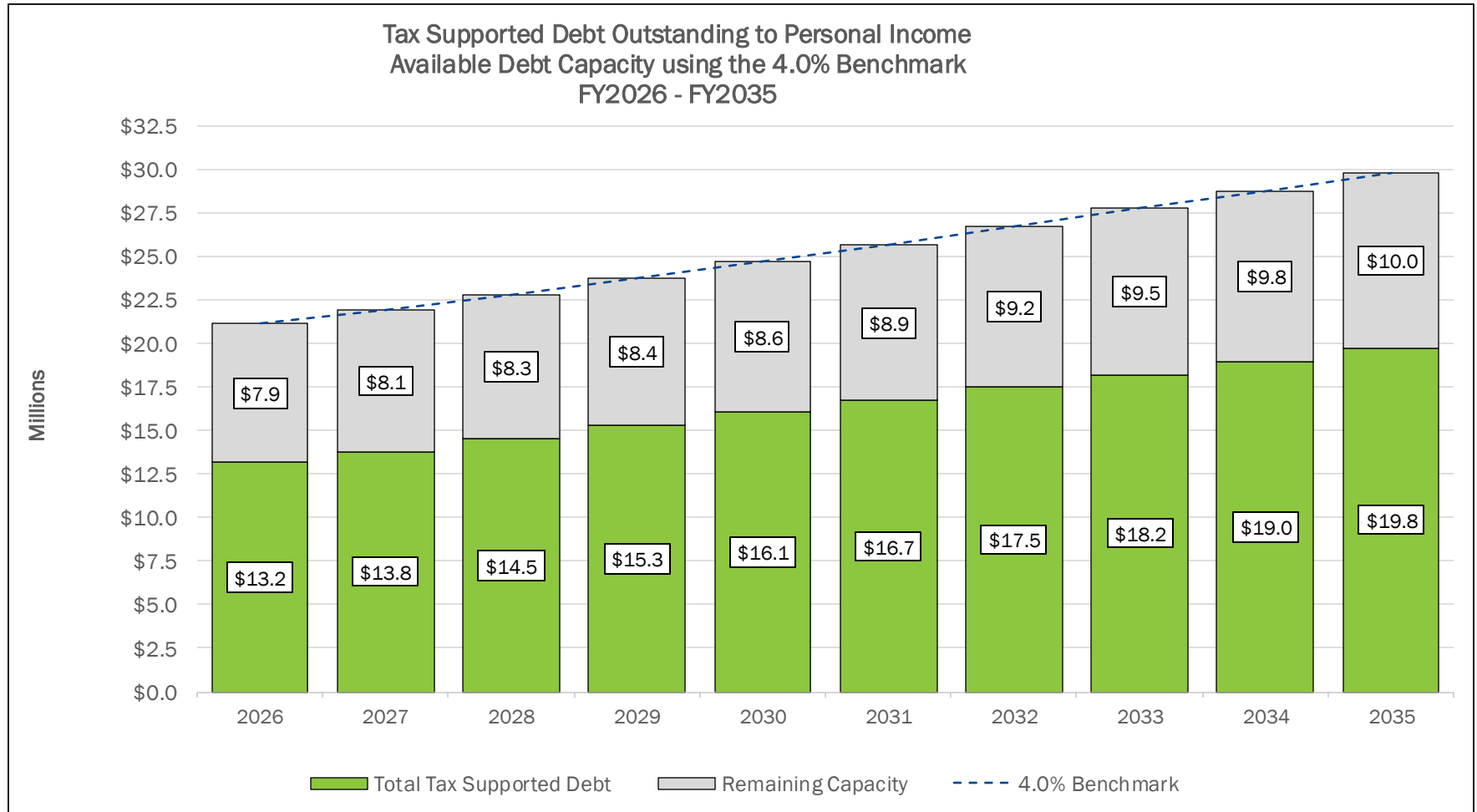
(\$1.75B Annual GO Authorization - \$ in Billions)

The planning assumptions for authorizations and issuance, utilizing the recommendation of the JCR Workgroup, result in the following projections of tax-supported debt outstanding:

Fiscal Year	Proposed Issuance	Debt Outstanding	Personal Income	Ratio (%)
2026	800	\$13.181	\$528.264	2.50%
2027	1,630	13.799	548.020	2.52%
2028	1,620	14.505	569.956	2.55%
2029	1,750	15.304	593.690	2.58%
2030	1,750	16.075	617.670	2.60%
2031	1,750	16.730	641.696	2.61%
2032	1,750	17.511	667.976	2.62%
2033	1,750	18.222	693.942	2.63%
2034	1,750	18.958	719.168	2.64%
2035	1,750	19.765	744.421	2.66%

Tax-Supported Debt Outstanding Ratio

(\$1.75B Annual GO Authorization - \$ in Billions)



Tax-Supported Debt Service Ratio

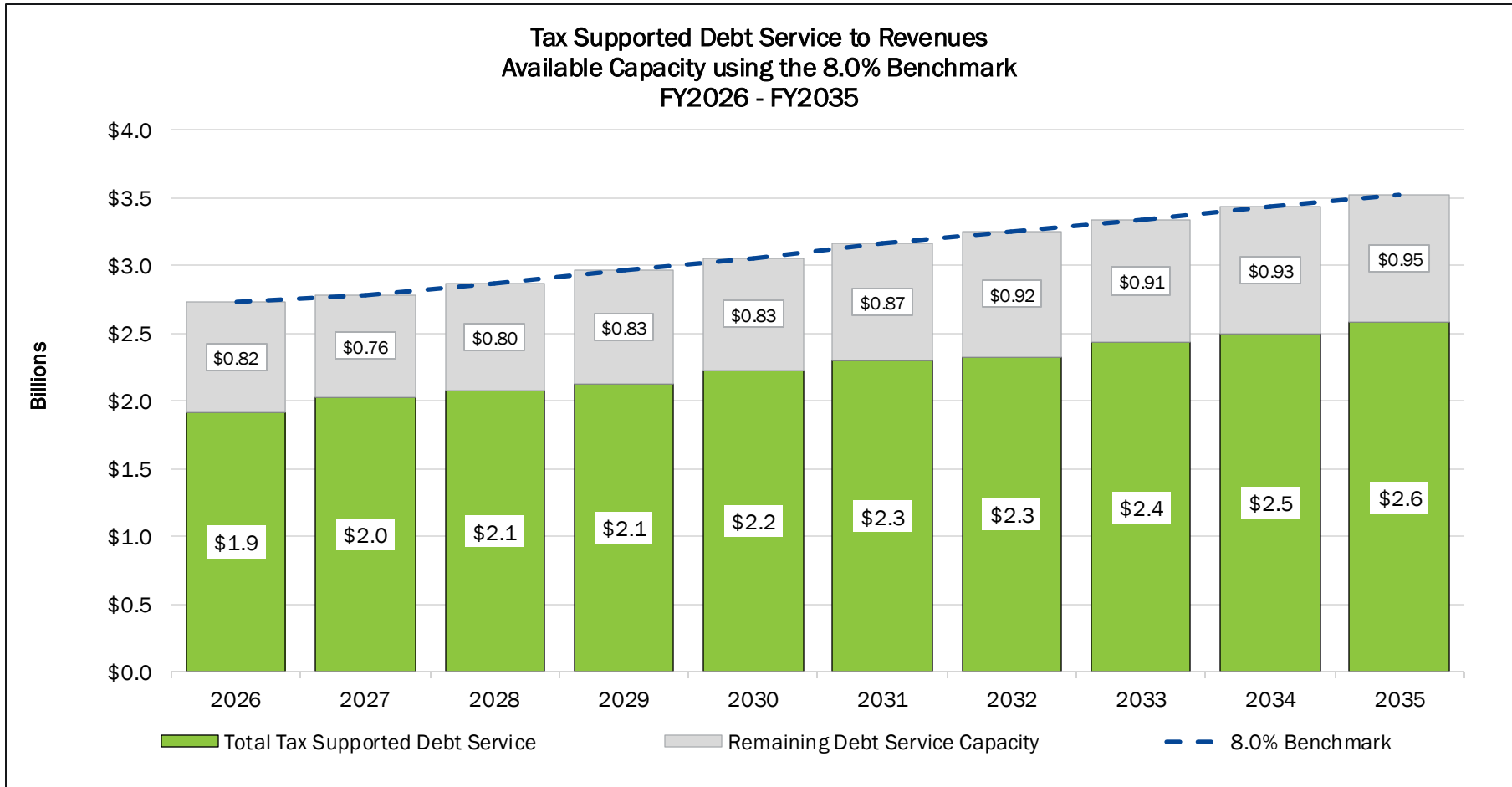
(\$1.75B Annual Authorization - \$ in Millions)

The planning assumptions for authorizations and issuance result in the following projections of tax-supported debt service:

Fiscal Year	Debt Service	Revenues	Ratio (%)
2026	\$1,915	\$ 34,170	5.60%
2027	2,026	34,843	5.81%
2028	2,072	35,874	5.78%
2029	2,131	37,040	5.75%
2030	2,227	38,210	5.83%
2031	2,296	39,566	5.80%
2032	2,328	40,650	5.73%
2033	2,432	41,765	5.82%
2034	2,499	42,906	5.82%
2035	2,578	44,081	5.85%

Tax-Supported Debt Service Ratio

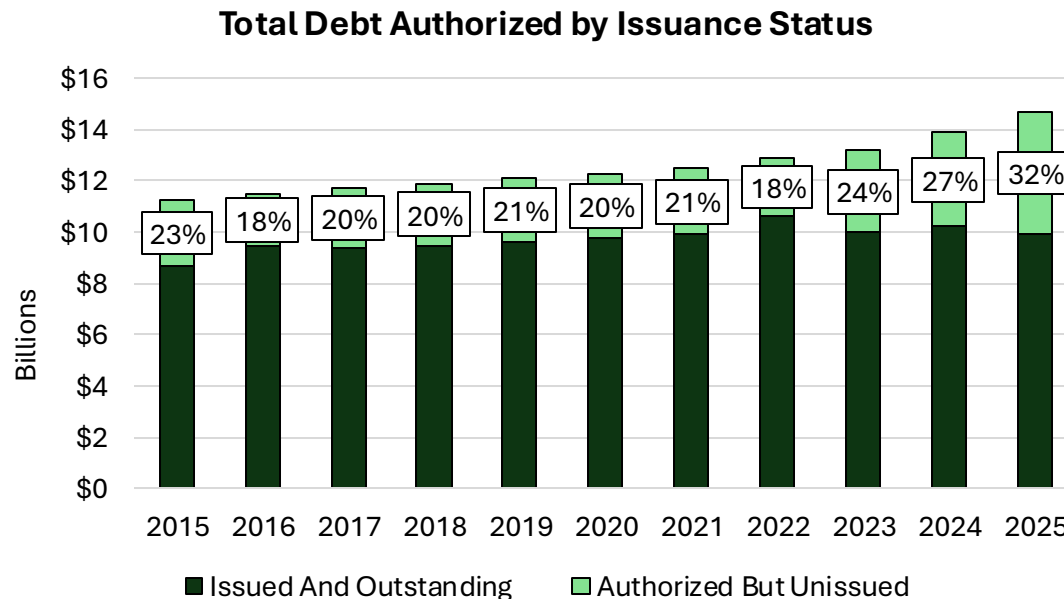
(\$1.75B Annual Authorization - \$ in Billions)



Projected Authorized but Unissued GO Bond Debt Would Grow to \$5.9 Billion

(\$1.75B Annual Authorization - \$ in Billions)

- A slowdown in actual capital expenditures funded with bond proceeds combined with a more than 40% increase in annual authorizations between fiscal 2023 and 2024 have contributed to authorized but unissued debt reaching nearly \$4.7 billion at the end of fiscal 2025, representing 32% of total debt authorized.



- Without an increase in actual capital expenditures for projects, the misalignment will continue and authorized but unissued debt will increase to at least \$5.9 billion by fiscal 2028 under the baseline CDAC scenario.

Credit Analysis Update

State of Maryland Bond Rating

As of May 2025, the State's Issuer Rating and GO Bond rating was:

- Fitch: **AAA**, Stable
- S&P: **AAA**, Stable
- Moody's: **Aa1**, Stable

Maryland remains one of only 18 States in the nation to hold at least two Triple-A credit ratings from major credit rating agencies.

State of Maryland Bond Rating

Credit Highlights:

- Stable economy with high wealth and income levels
- Unlimited legal authority to raise operating revenues
- Strong ability to adjust spending commitments
- Well-funded budgetary reserves
- Consensus-oriented decision-making structure
- Proven history of fiscal responsibility
- Multi-year forecasting and planning process
- Well-developed debt management practices, including rapid amortization of principal

Credit Risks:

- Comparatively high debt and net pension liability
- Vulnerable to swings in federal spending and policy changes
- Projected out-year structural imbalance
- Comparatively low fund balances relative to peer states



MARYLAND
STATE
TREASURER

Next Steps

Next Meeting: October 16th @ 2pm

Voting Session

Per statute, the Committee is required to provide the Governor and the General Assembly the following information by October 20th:

- An estimate of the total amount of new State debt that prudently may be authorized for the next fiscal year; and
- An estimate of the amount of new bonds for academic facilities that may be authorized in the aggregate for the next fiscal year by the University System of Maryland, Morgan State University, St. Mary's College of Maryland, and the Baltimore City Community College