

Capital Debt Affordability Committee

Treasurer Dereck E. Davis, Chair

Agenda

October 2, 2026

10:30 a.m. to 12:30 p.m.

1) Opening Comments

2) General Fund Estimate

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

3) Assessable Base Estimate

Bob Yeager, Director, State Department of Assessments and Taxation

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

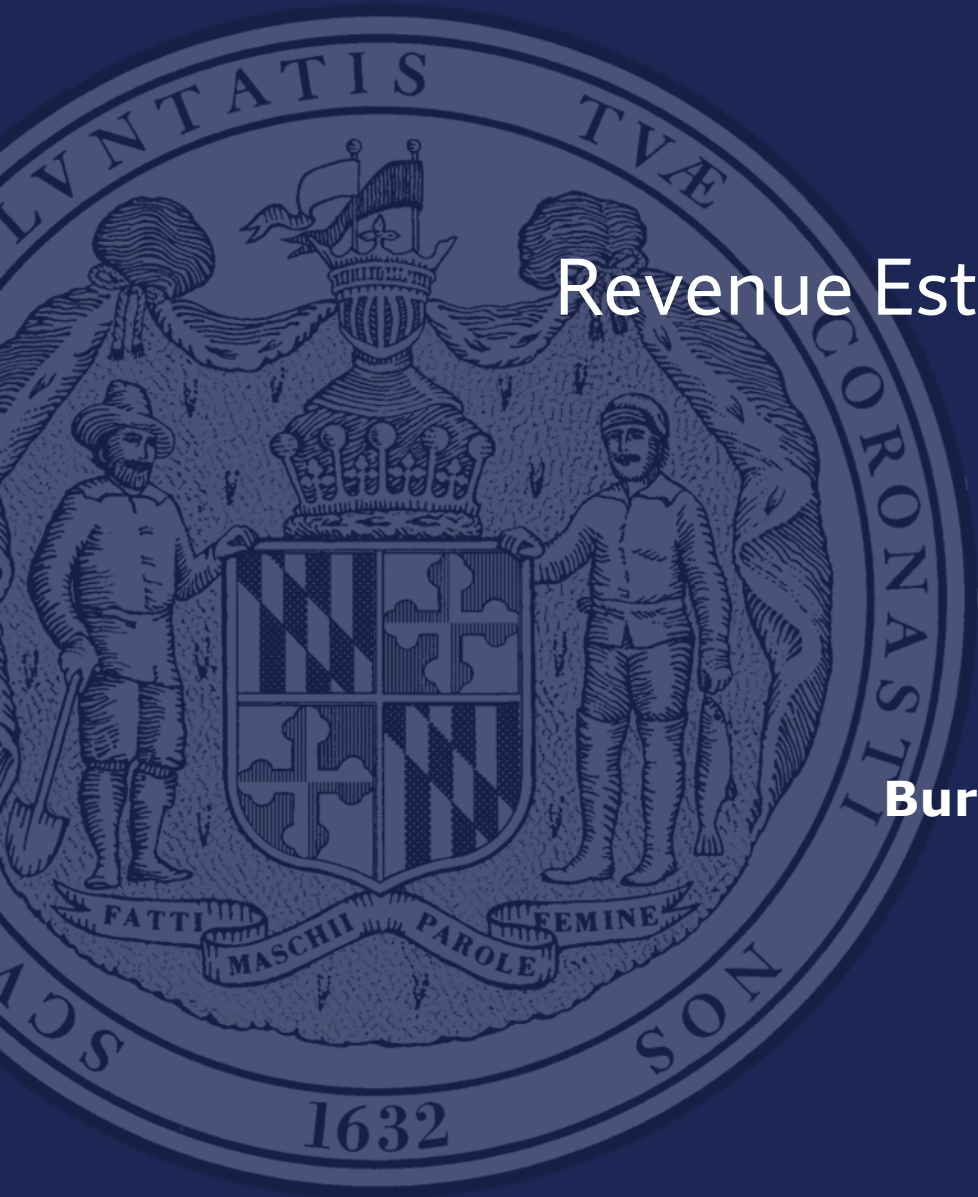
5) CDAC Affordability Analysis and Update on State Credit Ratings

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

6) SPECIAL TOPIC: Proposed Debt Issuance for Prieto Battery, Inc.

Andy Fish, Senior Director, Office of Finance & Incentive Programs

The final CDAC meeting will be held on Friday, October 9th at 11am to review and discuss the recommendations of the Committee for fiscal 2028.



Revenue Estimates and Economic Outlook

October 2, 2026

David Farkas
Deputy Director

Bureau of Revenue Estimates

Forecast Revisions

- The FY 2027 forecast is \$27.44 billion, a write up of \$319.9 million
- FY 2027 ongoing general fund revenues are expected to decline by 0.9%
- This decline reflects:
 - A large one-time reduction from the Potomac Edison case
 - Significant one-time revenues from multiple sources in FY 2026
 - An increase in lottery distributions to pay for capital projects
 - Modest baseline growth rates for our most important revenue sources
- The first Board forecast for FY 2028 is \$28.35 billion
 - This is ongoing general fund growth rate of 3.3%
- The proposed revisions primarily reflect FY 2026 closeout, revenue changes not related to the economy, and a largely unchanged economic outlook



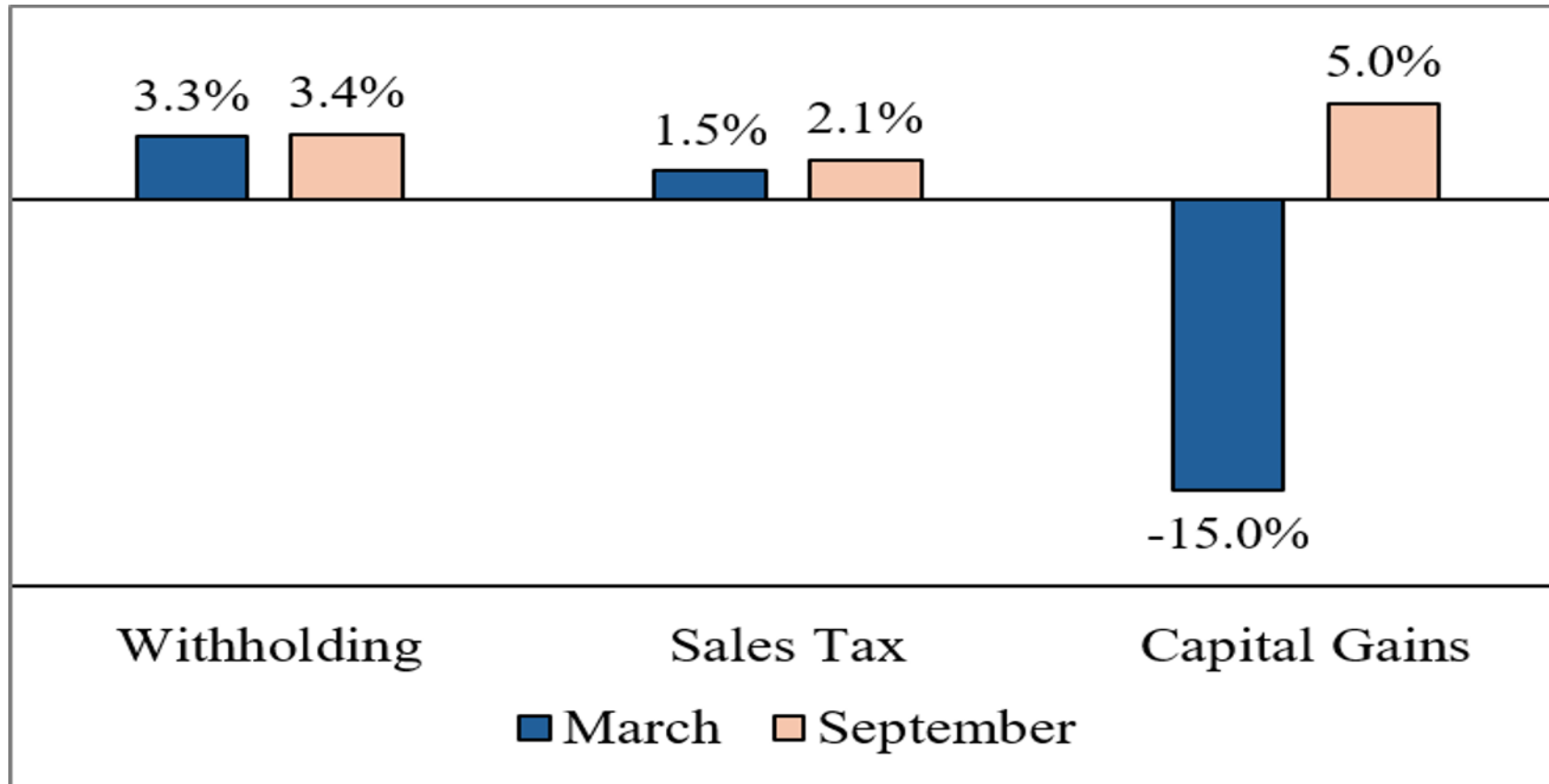
Revenue Growth Rates and Difference from Estimate

FY 2026 Actual and FY 27 & FY 28 Forecast

Revenue	FY 2026			FY 2027			FY 2028
	Actual Revenues			Forecast			Forecast
	\$ Diff (\$M)	% Growth		\$ Diff (\$M)	% Growth		% Growth
Personal Income Tax	\$254.9	9.0%		\$263.7	1.9%		2.3%
Corporate Income Tax	\$135.3	(5.3%)		\$0.8	(0.3%)		10.1%
Sales Tax	\$47.8	7.1%		(\$197.0)	(1.3%)		6.3%
Other	\$125.5	9.2%		\$252.4	(13.0%)		(1.2%)
Total Ongoing Revenues	\$563.5	7.5%		\$319.9	(0.9%)		3.3%

Economic Forecast is Consistent Coupled with Capital Gains Increase

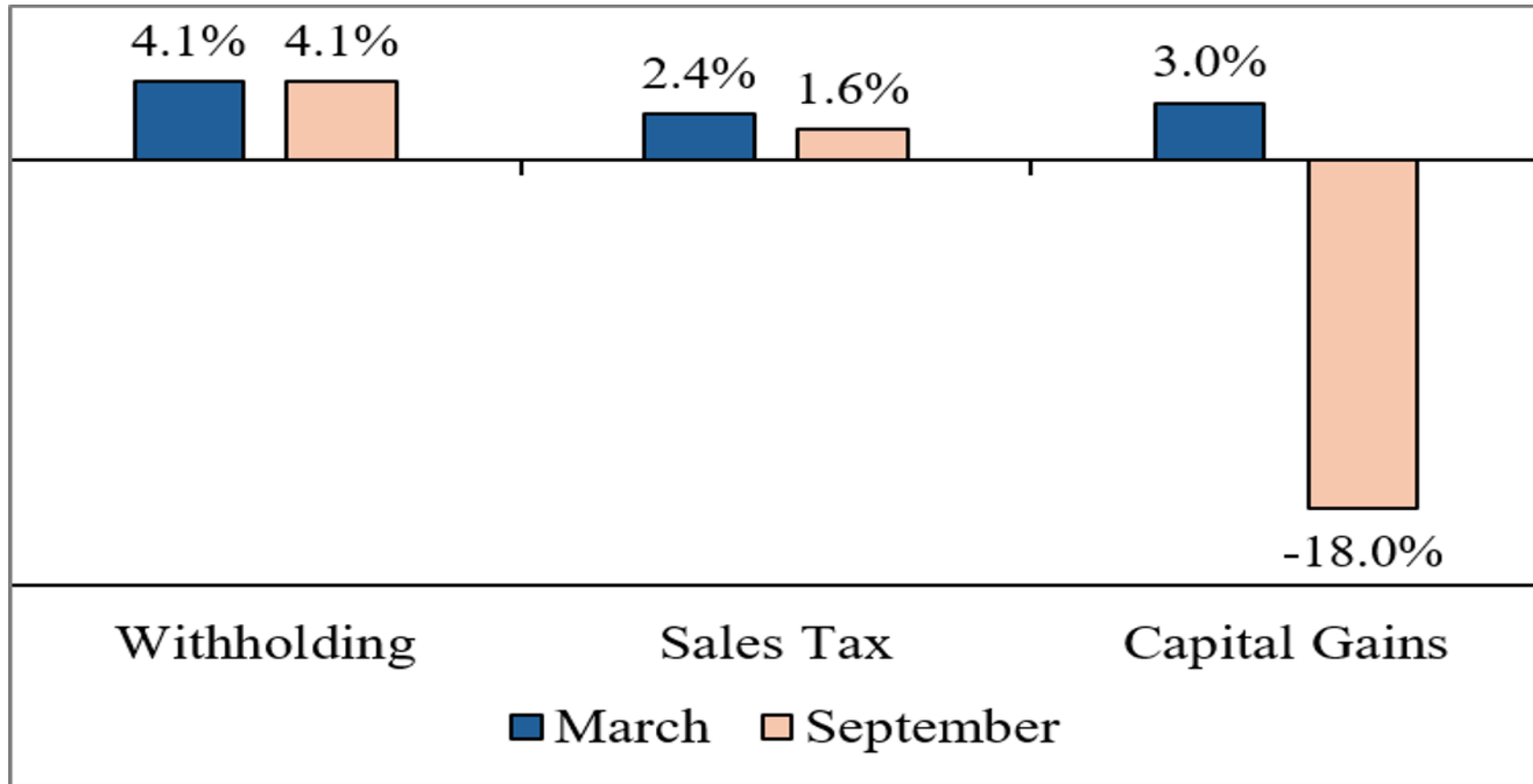
Comparison of FY 2027 Growth Rates



Notes: Capital gains reflect tax year 2026 growth rate while withholding and sales tax reflect FY 2027 growth rates
Sales tax does not reflect refunds or recent expansions to cannabis and IT/data services

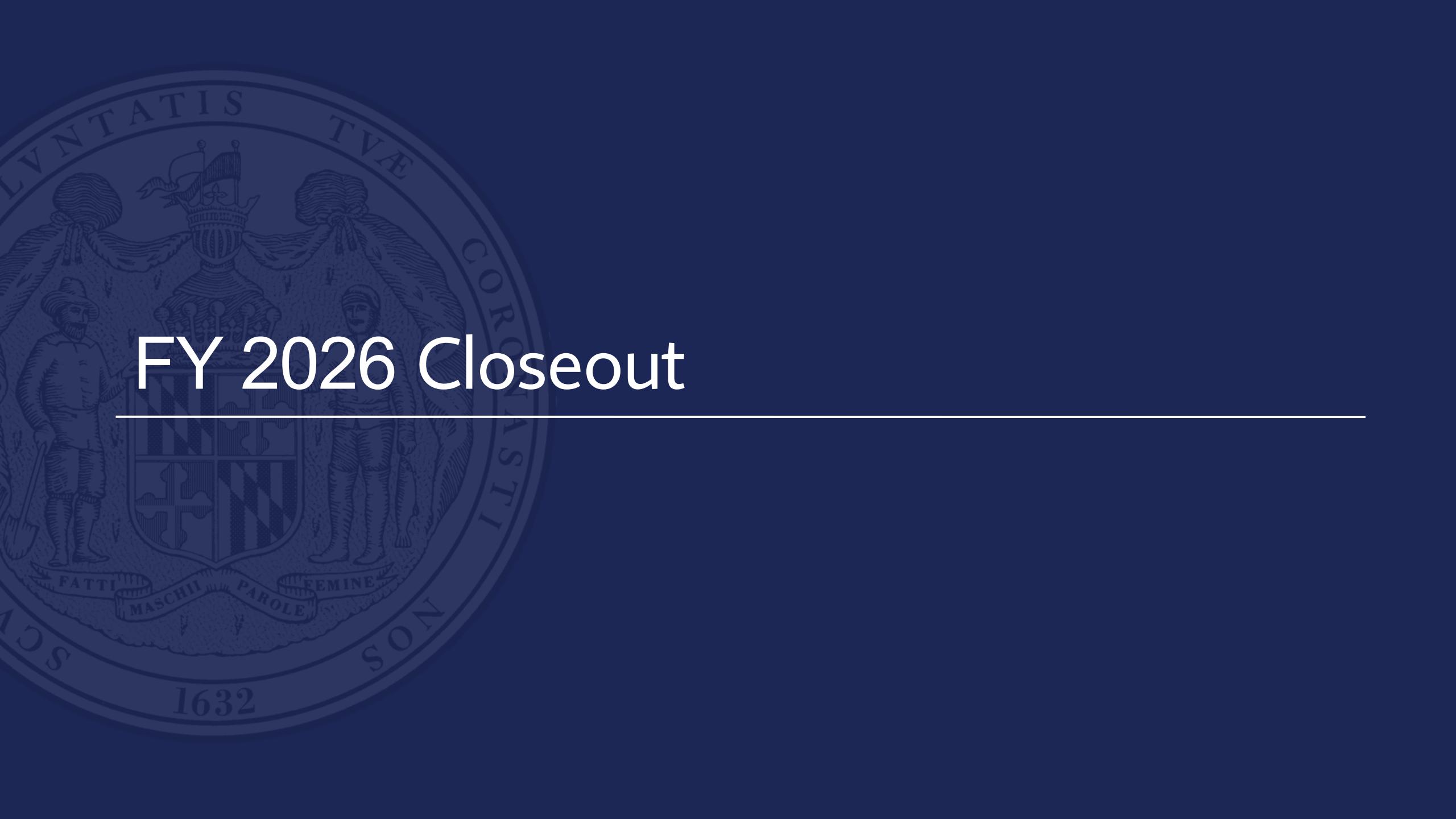
Source: Bureau of Revenue Estimates

Comparison of FY 2028 Growth Rates



Notes: Capital gains reflect tax year 2027 growth rate while withholding and sales tax reflect FY 2028 growth rates
Sales tax does not reflect refunds and recent expansions to cannabis and IT/data services

Source: Bureau of Revenue Estimates



FY 2026 Closeout

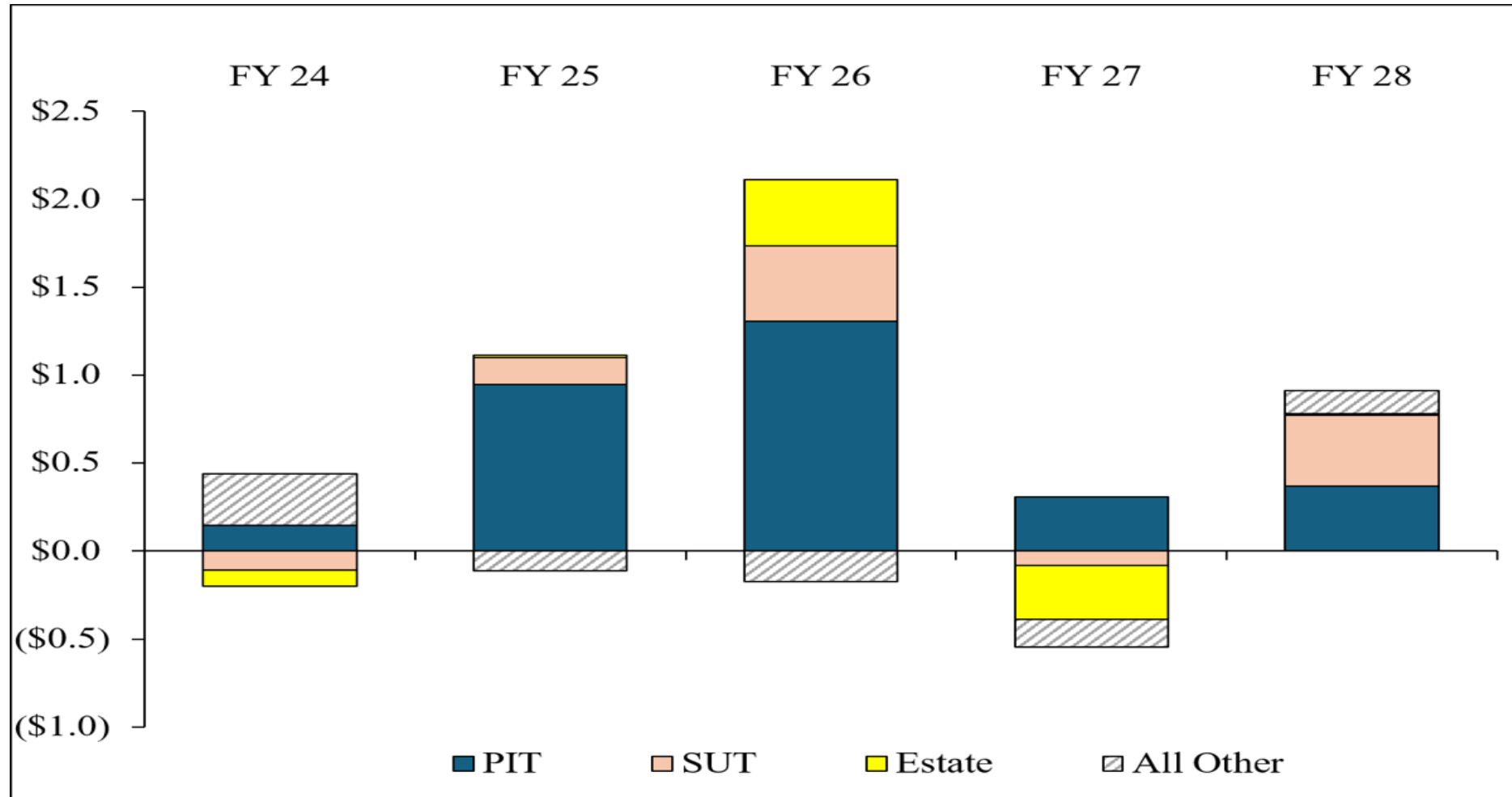
Strong Revenue Growth in FY 2026

- FY 2026 ongoing GF increased **\$1.9 billion (7.5%)** over FY 2025
 - This is well above the typical trend
- Including the **one-time \$380 million transfer** from the local income tax reserve account (2026 BRFA), total GF growth was **\$2.3 billion (9.1%)**
- Both the **PIT and SUT** had strong growth – driven by capital gains and stronger taxable consumer spending
 - Tax law changes (2025 BRFA) contributed to growth
 - Extraordinary one-time revenue payments in other revenue sources
 - CIT and withholding were notable exceptions to this strength
 - This growth occurred **despite an ongoing labor market contraction**



PIT and SUT Returned to Strong Growth in FY 2026

(Change in GF Revenues by Source \$ in Billions)

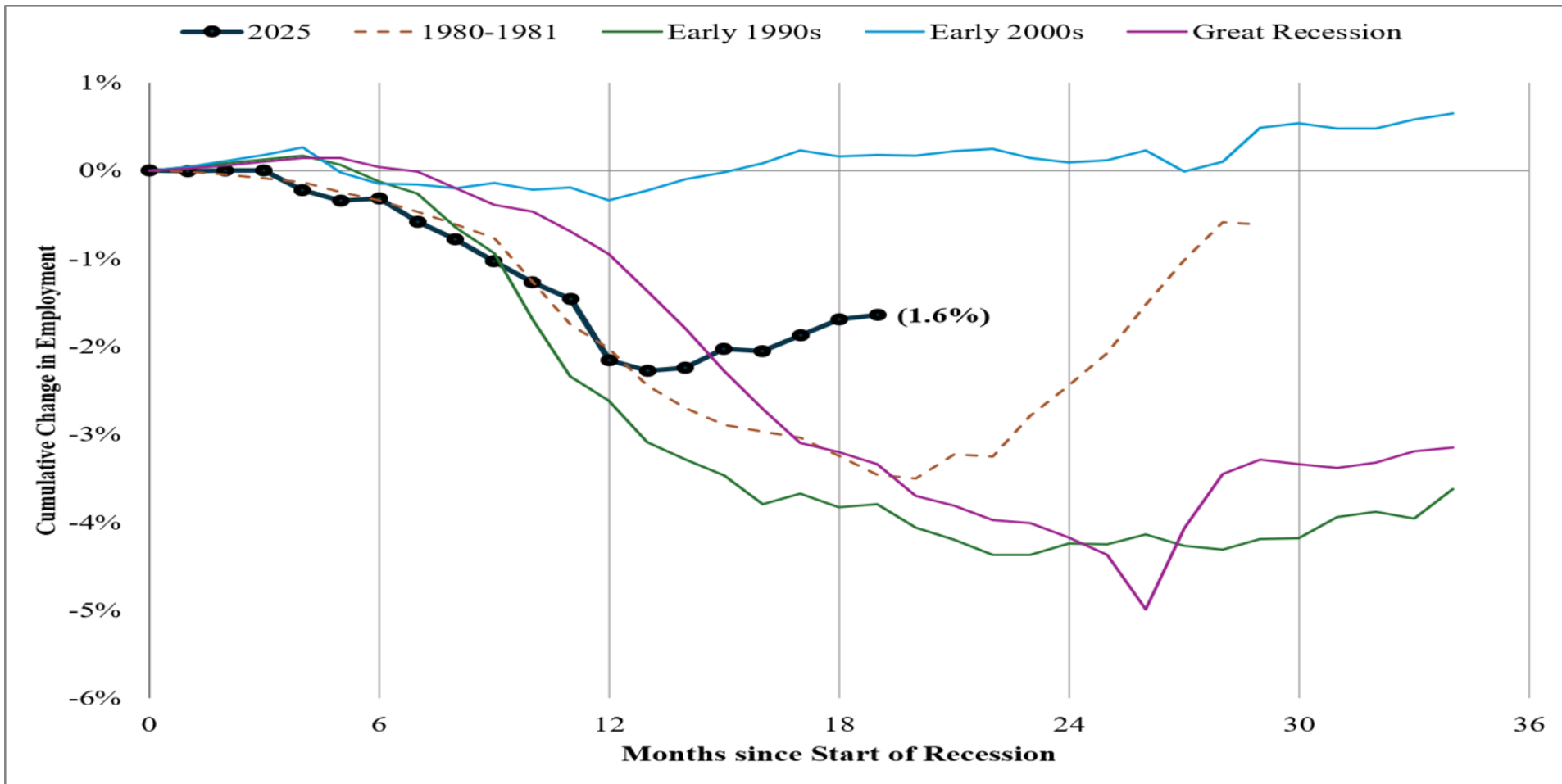




Labor Market Data

Job Recession Persists, Even as Fiscal Indicators Tell a Different Picture

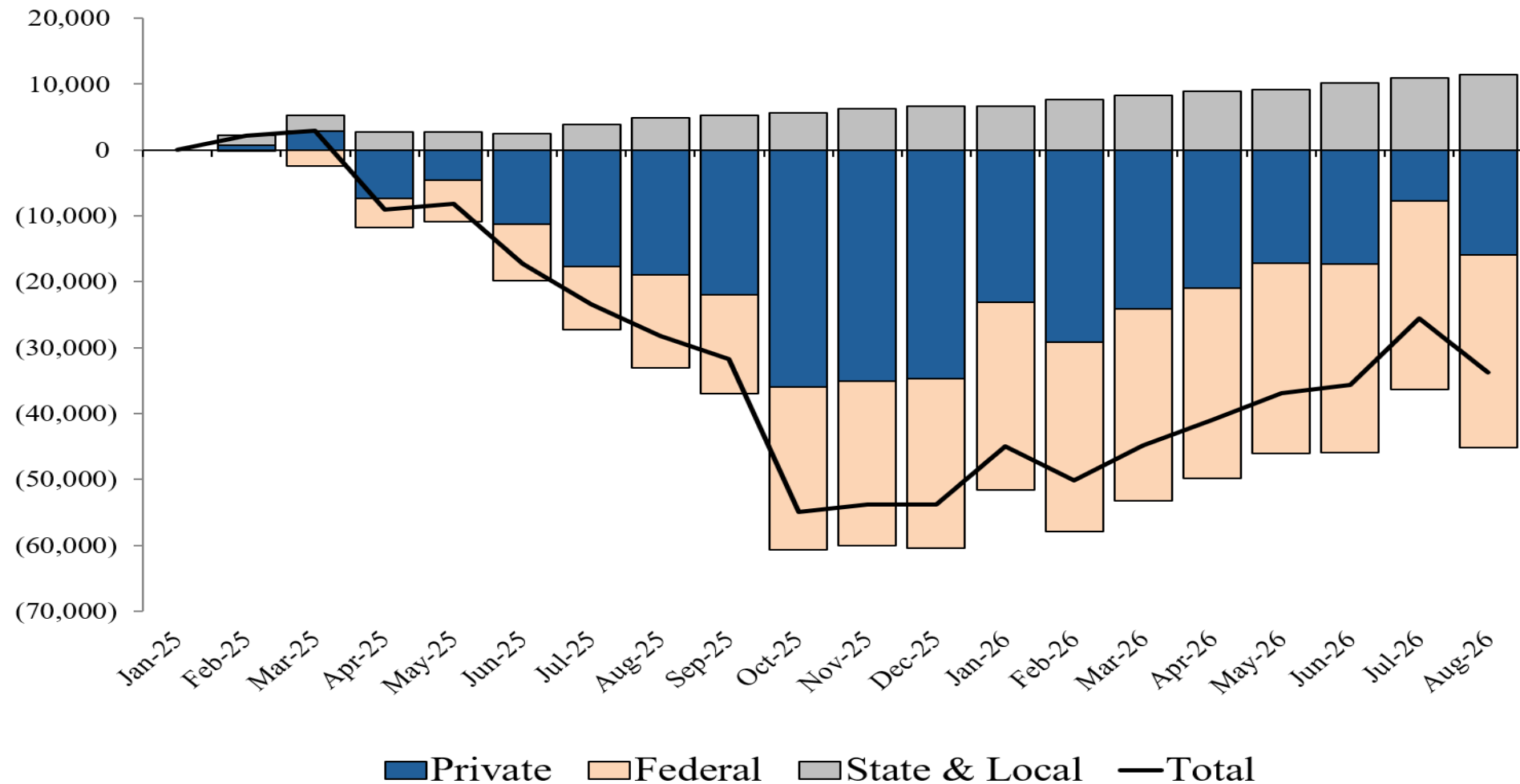
Comparison of Cumulative Job Losses Since Start of Each Recession



Source: Bureau of Revenue Estimates

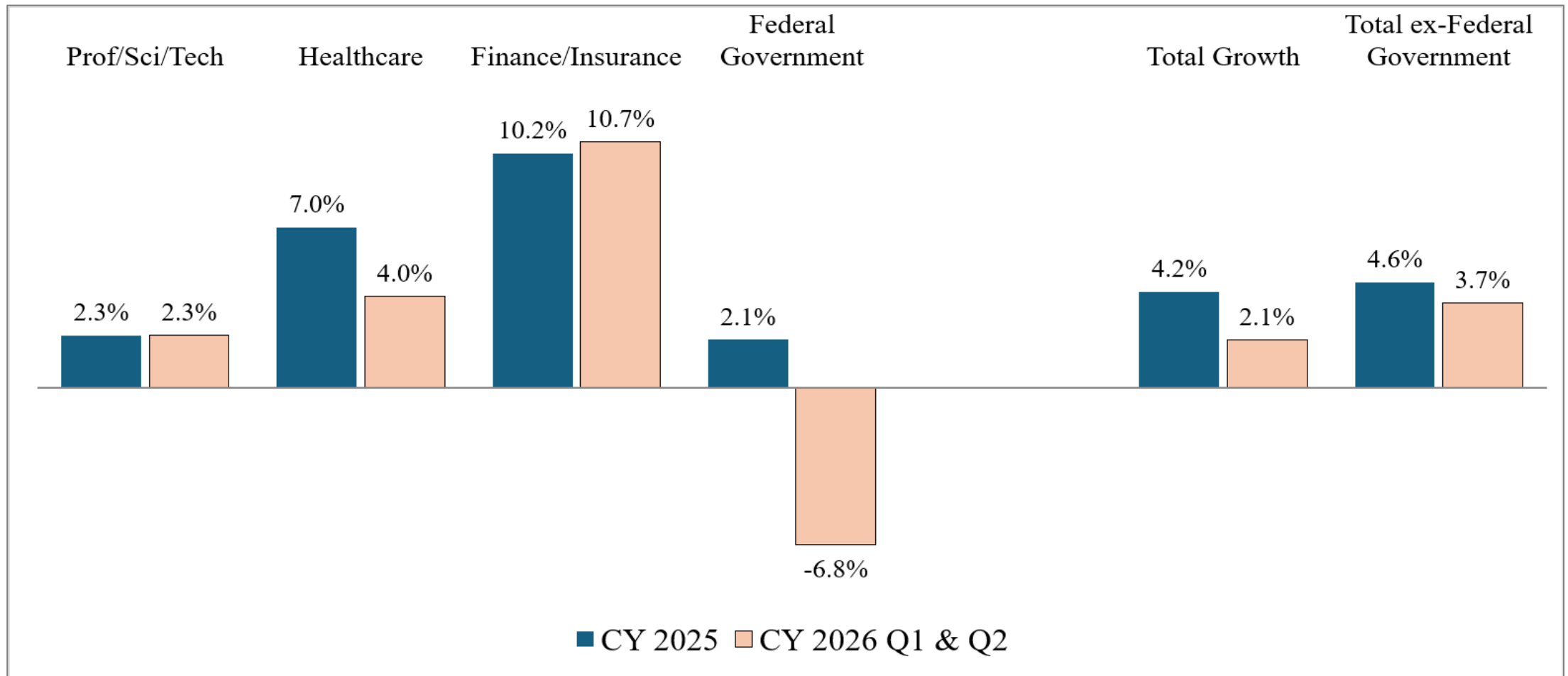
Labor Market Losses have Narrowed in Calendar 2026

(Cumulative Employment Change since January 2025)



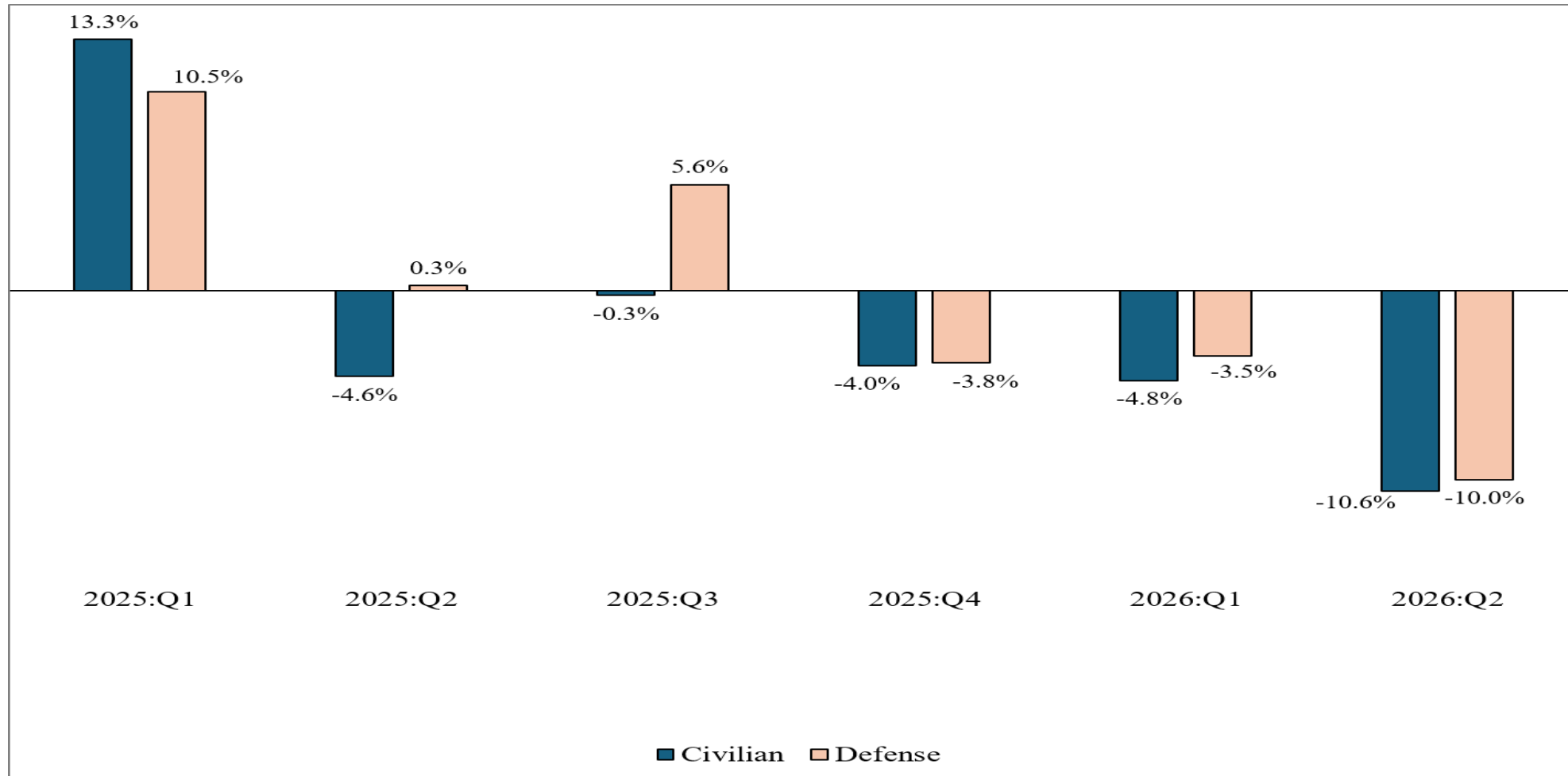
Withholding Collections have Slowed

YoY Percent Change, CY 2025 versus CY 2026 Q1 & Q2

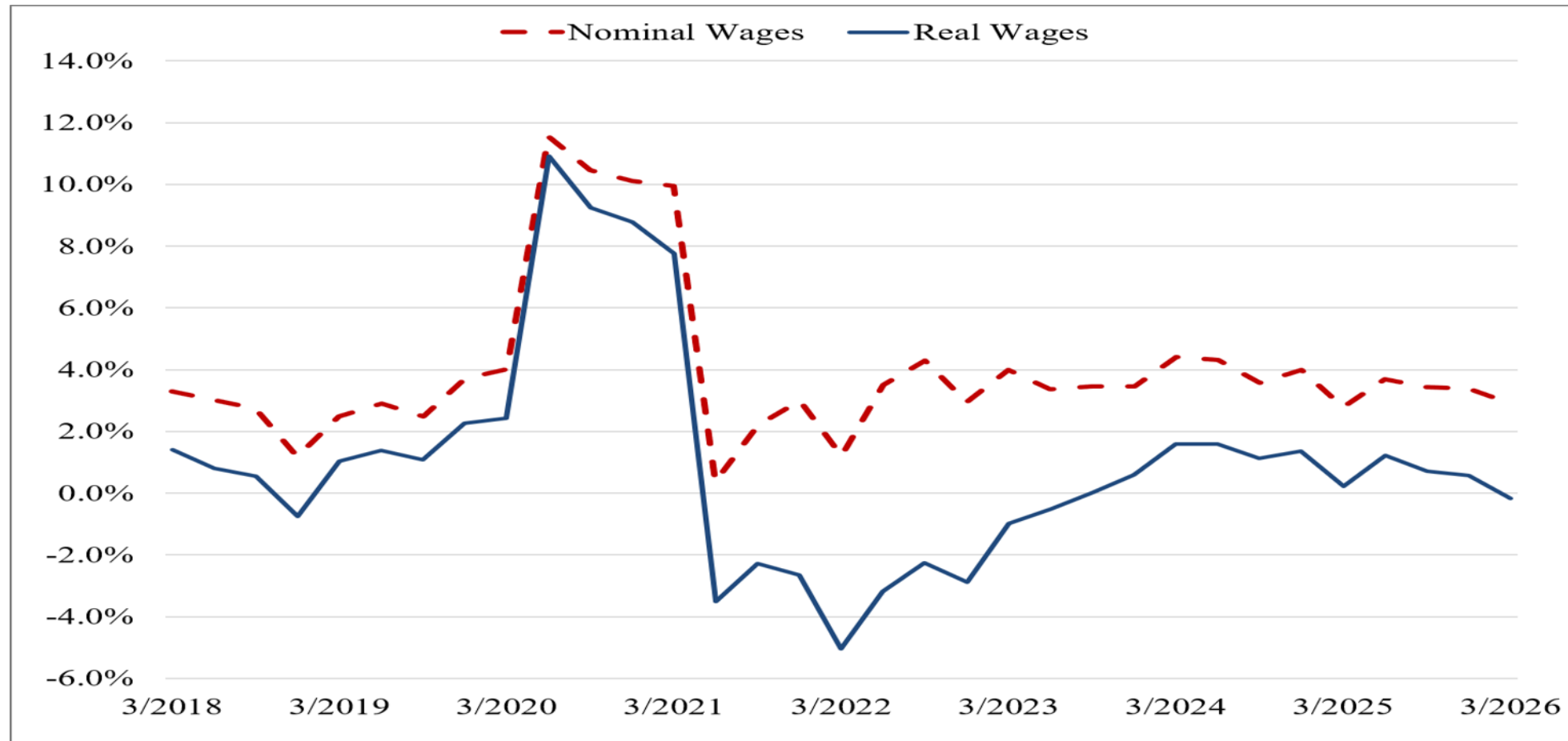


Federal Government Withholding Collections

YoY Percent Change by Quarter



Maryland Nominal Wages Hold Steady Elevated Inflation Erodes Purchasing Power



Source: Bureau of Revenue Estimates



Forecast Change Details

Personal Income Tax

- Personal income tax revenues increased by 9% in FY 2026
 - Strong capital gains growth
 - Withholding income tax increased by 3.1% despite labor market contraction
 - Collections slowed in the latter half of the fiscal year
- Withholding income tax forecast is consistent with March and assumes below trend growth in FY 2027 and return to typical growth rate in FY 2028
- September forecast delays the correction in capital gains by one year
 - Estimated payments continue to be strong



Sales Tax Forecast

- FY 2027 sales tax forecast change reflects four adjustments
- Two adjustments that increase the forecast:
 - Adjusting to the minor over-attainment in FY 2026
 - A modest increase in the “core” sales tax growth from 1.5% to 2.1%
- This increase is offset by adjustments that decrease the forecast:
 - The Potomac Edison case:
 - A one-time reduction of \$280 million due to refunds
 - Ongoing GF loss of a little more than \$15 million
 - A reduction of the IT/Data Services tax estimate

Forecast Summary and Risks

- The forecast is a modest increase that incorporates:
 - Better-than-expected revenues in FY 2026
 - A largely unchanged economic forecast
 - A capital gains correction in TY 2027
 - Adjustments that reflect the recent court case and changes to revenues that are less connected to the economy
- Fewer forecast uncertainties than last September but risks persist including:
 - Rising interest rates and elevated inflation
 - Potential additional federal spending and employment reductions
 - Nonwage income, as always



Table 4: Maryland General Fund Revenues
Fiscal Years 2026 – 2028

Dollars expressed in thousands. Negative numbers are presented in parentheses and may not be read by screen readers.

Revenue Source	FY 2026 Official Estimate ¹	FY 2026 Actual	FY 2026 Difference	FY 2027 Current Estimate ¹	FY 2027 September Revision	FY 2027 Difference	FY 2027 Growth	FY 2028 September Estimate	FY 2028 Growth
Income Taxes									
Individual	15,617,891	15,872,800	254,909	15,918,234	16,181,933	263,699	1.9%	16,553,166	2.3%
Corporation	1,642,788	1,778,110	135,322	1,771,616	1,772,380	764	-0.3%	1,950,733	10.1%
Total	17,260,680	17,650,910	390,230	17,689,851	17,954,314	264,463	1.7%	18,503,899	3.1%
Sales and Use Taxes	6,430,047	6,477,862	47,815	6,592,277	6,395,291	(196,986)	-1.3%	6,796,345	6.3%
State Lottery Receipts	542,729	538,419	(4,310)	460,139	448,064	(12,074)	-16.8%	442,458	-1.3%
Other Revenues									
Business Franchise Taxes	286,330	304,076	17,746	291,520	305,589	14,069	0.5%	311,295	1.9%
Insurance Premium Tax	828,315	805,464	(22,851)	819,186	822,304	3,118	2.1%	837,272	1.8%
Estate and Inheritance Taxes	584,536	600,994	16,458	279,702	297,227	17,525	-50.5%	304,819	2.6%
Tobacco Taxes	262,199	276,269	14,070	251,796	262,574	10,779	-5.0%	321,225	22.3%
Alcoholic Beverages Excise Tax	39,498	39,424	(74)	39,794	39,930	136	1.3%	40,484	1.4%
District Courts	37,897	40,154	2,257	37,000	39,231	2,231	-2.3%	38,384	-2.2%
Clerks of the Court	27,320	28,435	1,115	27,967	27,924	(42)	-1.8%	28,840	3.3%
Hospital Patient Recoveries	80,935	93,240	12,305	80,935	90,935	10,000	-2.5%	90,935	0.0%
Interest on Investments	275,000	323,111	48,111	100,000	250,000	150,000	-22.6%	125,000	-50.0%

Table 4: Maryland General Fund Revenues
Fiscal Years 2026 – 2028
Continued

Dollars expressed in thousands. Negative numbers are presented in parentheses and may not be read by screen readers.

Revenue Source	FY 2026 Official Estimate ¹	FY 2026 Actual	FY 2026 Difference	FY 2027 Current Estimate ¹	FY 2027 September Revision	FY 2027 Difference	FY 2027 Growth	FY 2028 September Estimate	FY 2028 Growth
Other Revenues, continued									
Miscellaneous	404,875	440,934	36,058	397,661	455,421	57,760	3.3%	458,917	0.8%
Sports Wagering	28,004	32,607	4,603	28,477	27,417	(1,060)	-15.9%	29,999	9.4%
Total	2,854,908	2,984,708	129,800	2,354,036	2,618,552	264,516	-12.3%	2,587,168	-1.2%
Total Current Revenues	27,088,365	27,651,900	563,535	27,096,303	27,416,220	319,918	-0.9%	28,329,870	3.3%
Extraordinary Revenues ²	380,000	380,000	0	0	0	0	-100.0%	0	N/A
Transfer Tax	25,000	25,000	0	25,000	25,000	0	0.0%	25,000	0.0%
Revenue Volatility Cap	0	0	0	0	0	0	N/A	0	N/A
GRAND TOTAL³	27,493,365	28,056,900	563,535	27,121,303	27,441,220	319,918	-2.2%	28,354,870	3.3%

Note:

¹ *The 2026 Legislative Session resulted in an additional \$374.8 million in estimated revenues beyond the March 2026 official estimate; this table has been adjusted accordingly.*

² *A total of \$380.0 million from the local income tax reserve account is being recognized as revenue pursuant to the 2026 Budget Reconciliation and Financing Act of 2026.*

³ *In FY 2026, \$392.2 million was transferred to the Rainy Day Fund and Fiscal Responsibility Fund per the requirements of the Revenue Volatility Cap.*

Board of Revenue Estimates, September 24, 2026

Thank You

David Farkas

Deputy Director, Bureau of Revenue
Estimates

Comptroller of Maryland

dfarkas@marylandtaxes.gov





Base Estimates

Capital Debt Affordability Committee – October 2, 2026

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, 2025

Base Estimate Date: March 31, 2026

(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	4,644,766	7,964	25,687	4,678,417	23,326	10%	4,655,092	9,737
Anne Arundel	114,325,580	237,813	1,293	114,564,686	444,222	10%	114,120,464	83,222
Baltimore City	52,001,859	123,098	331,548	52,456,506	344,611	10%	52,111,894	238,505
Baltimore	110,449,301	177,097	30,091	110,656,489	392,370	10%	110,264,118	232,651
Calvert	14,999,861	24,377	0	15,024,238	28,099	10%	14,996,139	402,186
Caroline	3,602,492	8,793	0	3,611,285	33,322	10%	3,577,963	7,805
Carroll	26,502,920	30,716	13,465	26,547,101	104,841	10%	26,442,260	19,222
Cecil	13,847,453	27,753	10,429	13,885,634	14,135	10%	13,871,499	26,688
Charles	26,025,015	173,958	1,882	26,200,855	111,377	10%	26,089,478	38,280
Dorchester	3,851,698	16,414	0	3,868,112	15,927	10%	3,852,185	3,153
Frederick	49,401,457	367,311	20,580	49,789,348	288,941	10%	49,500,408	30,760
Garrett	6,930,705	32,238	1,572	6,964,515	81,015	10%	6,883,500	41,164
Harford	36,293,416	154,374	3,781	36,451,571	32,703	10%	36,418,868	65,387
Howard	69,625,685	76,388	42,393	69,744,466	173,366	10%	69,571,101	52,809
Kent	3,562,509	7,738	0	3,570,248	10,405	10%	3,559,842	2,707
Montgomery	243,734,260	522,176	17,703	244,274,140	899,272	10%	243,374,868	145,850
Prince George's	136,074,818	419,546	12,178	136,506,542	495,115	10%	136,011,427	95,178
Queen Anne's	11,533,312	39,552	0	11,572,864	34,472	10%	11,538,392	9,209
St. Mary's	16,323,768	34,792	0	16,358,560	27,562	10%	16,330,998	15,348
Somerset	1,905,341	3,432	4,278	1,913,051	45,427	10%	1,867,624	1,975
Talbot	10,543,797	35,115	0	10,578,912	25,951	10%	10,552,961	3,891
Washington	18,346,079	44,509	54,850	18,445,438	264,996	10%	18,180,442	12,577
Wicomico	9,097,669	24,104	6,458	9,128,231	84,348	10%	9,043,883	27,919
Worcester	22,538,343	28,616	471	22,567,430	220,645	10%	22,346,786	8,025
TOTAL	1,006,162,106	2,617,875	578,659	1,009,358,640	4,196,447		1,005,162,193	1,574,248

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 2026 Base Estimate for FY2026

The Estimated Taxable Assessable Base at the State Level

For the tax year beginning July 1, 2026

Base Estimate Date: March 31, 2026

(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	4,950,648	500	25,430	4,976,578	22,930	10%	4,953,648	10,164
Anne Arundel	121,035,686	175,000	1,280	121,211,966	639,530	10%	120,572,436	87,207
Baltimore City	54,149,320	50,000	328,233	54,527,552	380,452	10%	54,147,100	240,811
Baltimore	116,304,168	75,000	29,967	116,409,135	462,474	10%	115,946,661	244,333
Calvert	15,746,078	12,500	0	15,758,578	29,260	10%	15,729,318	391,354
Caroline	3,830,014	2,500	0	3,832,514	30,309	10%	3,802,206	7,853
Carroll	28,214,978	35,000	13,330	28,263,308	105,459	10%	28,157,850	19,966
Cecil	14,738,887	15,000	10,282	14,764,169	24,637	10%	14,739,532	26,960
Charles	27,679,369	108,500	1,863	27,789,732	87,992	10%	27,701,740	37,967
Dorchester	4,095,684	3,750	0	4,099,434	15,891	10%	4,083,543	3,248
Frederick	53,837,243	137,500	20,374	53,995,117	252,381	10%	53,742,735	30,783
Garrett	7,443,126	16,000	1,556	7,460,683	68,143	10%	7,392,540	41,917
Harford	38,388,346	50,000	3,743	38,442,089	43,909	10%	38,398,180	65,219
Howard	73,392,196	95,000	41,969	73,529,165	133,984	10%	73,395,181	54,517
Kent	3,756,629	2,500	0	3,759,129	13,268	10%	3,745,861	2,784
Montgomery	253,552,302	275,000	17,526	253,844,828	904,391	10%	252,940,436	148,949
Prince George's	142,848,339	350,000	12,056	143,210,395	359,172	10%	142,851,224	97,467
Queen Anne's	12,313,203	25,000	0	12,338,203	37,464	10%	12,300,739	9,211
St. Mary's	17,026,561	25,500	0	17,052,061	29,742	10%	17,022,319	14,930
Somerset	2,071,099	2,000	3,916	2,077,014	49,784	10%	2,027,230	1,937
Talbot	11,174,184	7,500	0	11,181,684	39,814	10%	11,141,871	3,921
Washington	19,729,463	15,000	54,374	19,798,837	328,363	10%	19,470,473	12,530
Wicomico	9,796,674	19,500	6,393	9,822,567	98,672	10%	9,723,896	28,201
Worcester	24,666,640	10,000	466	24,677,107	241,287	10%	24,435,819	8,048
TOTAL	1,060,740,838	1,508,250	572,759	1,062,821,847	4,399,310		1,058,422,538	1,590,278

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 2026 Base Estimate for FY2027

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

	FY2026	FY2027	FY2028	FY2029
	7/1/2025	7/1/2026	7/1/2027	7/1/2028
Real Property Base	1,008,779,981	1,062,249,088	1,098,160,424	1,130,000,000
Operating Real Property Railroads	578,659	572,759	565,000	565,000
Less: Homestead Credit	4,196,447	4,399,310	3,719,268	3,719,268
Base Subject to Real Property Rate	1,005,162,193	1,058,422,538	1,095,006,156	1,126,845,732
Operating Real Property Public Utilities (Subject to Separate Tax Rate)	1,574,248	1,590,278	1,654,465	1,679,282

All figures expressed in thousands

Estimate date: March 31, 2026

- 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 2, 2026



Presentation Summary

- FY 2027 – 2031 Capital Improvement Program (CIP)
 - GO bond and general fund levels
 - Planned CIP by program area

- Requests by Fiscal Year: FY 2028 – 2032
 - Overview of capital funding requests
 - Requests by program area

FY 2027 – 2031 Capital Improvement Program

- The CIP plans \$1.75 billion in GO bonds and \$182 million in general funds annually.
 - General funds meet the State's \$167 million contribution to WMATA in FY 2028-2031 and support a multi-year commitment to AstraZeneca for facilities expansion.
 - The FY 2027-2031 CIP does not fully utilize \$1.75B in out-year GO bond capacity in FYs 2029-2031. Though CDAC voted only on the FY 2027 debt limit last year, \$1.75B was also utilized in the out-years for planning purposes.

Planned Capital Improvement Program						
	<i>Enacted</i>	FY 2028-2031 Planned CIP				Planned Total
<i>\$ in '000s</i>	<i>FY 2027</i>	<i>FY 2028</i>	<i>FY 2029</i>	<i>FY 2030</i>	<i>FY 2031</i>	<i>FY 2028-2031</i>
GO Bonds	1,874,544	1,750,000	1,736,044	1,740,221	1,738,769	6,965,034
General Funds	107,720	182,321	182,321	182,421	182,421	729,484
Subtotal	1,982,263	1,932,321	1,918,365	1,922,642	1,921,190	7,694,518
Federal Funds	255,211	149,523	116,041	94,075	93,645	453,284
Other Funds*	595,502	946,180	629,716	663,962	669,412	2,909,270
Grand Total	2,832,976	3,028,024	2,664,122	2,680,679	2,684,247	11,057,072

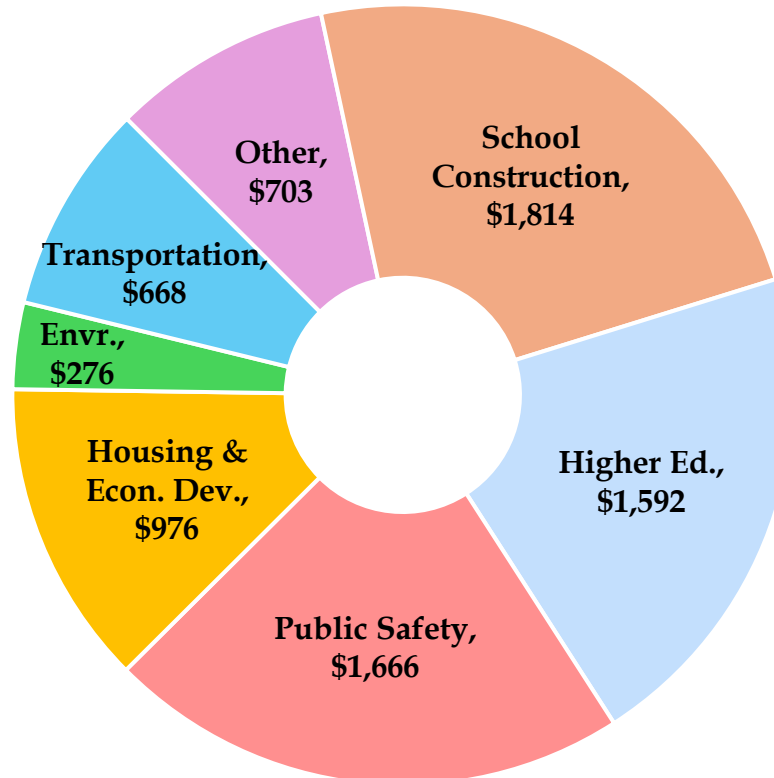
*Other funds include special funds and revenue bonds.



Planned CIP by Program Area

GO Bonds and General Funds Planned for FY 2028 – 2031

*\$ in
millions*



GO/GF

FY 2028: **\$1.932 b**

FY 2029: **\$1.918 b**

FY 2030: **\$1.923 b**

FY 2031: **\$1.921 b**

Total: \$7.695 b

Requests for Capital Funding (GO and GF)

FY 2028 – FY 2032

<i>\$ in thousands</i>	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	Totals
State-Owned Facilities	963,129	1,069,597	1,273,145	1,395,236	1,208,166	5,909,273
Capital Grant Programs	1,636,581	1,786,752	1,653,588	1,569,943	1,554,726	8,201,590
Estimated Request Total	2,599,710	2,856,349	2,926,733	2,965,179	2,762,892	14,110,863
Planned CIP - GO/GF	1,932,321	1,918,365	1,922,642	1,921,190	N/A	7,694,518
Requests over CIP	667,389	937,984	1,004,981	1,043,989	N/A	3,653,453

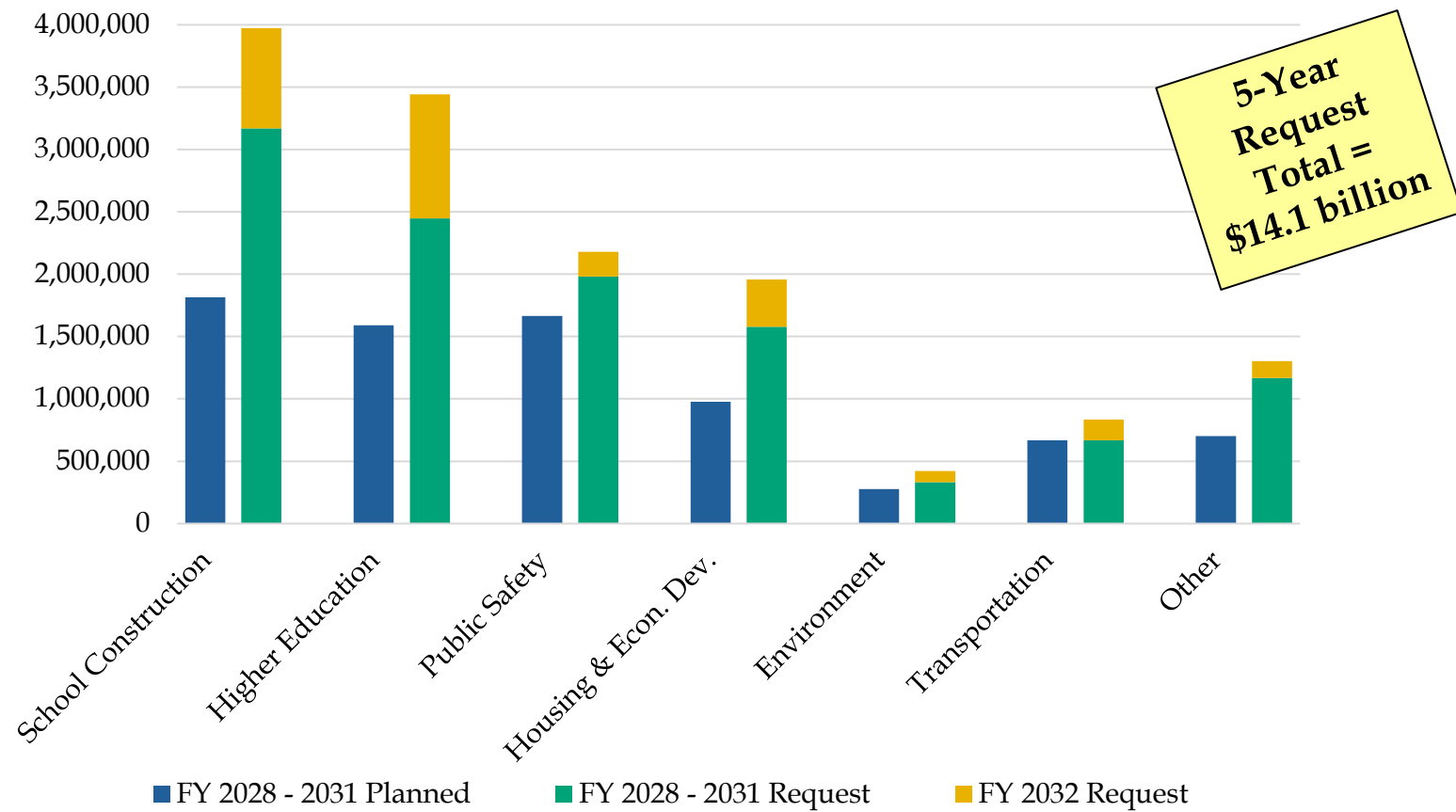
- Requests do not necessarily reflect annual funding demand – DBM analyzes spending capacity by project to determine how much can realistically be spent each year.

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

Est. Misc. Capital Grant Requests FY 2023 to FY 2027 Annual Average <i>\$ in thousands</i>	
Requests to Governor	1,411,211
Requests to Gen. Assembly	458,728



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



Interagency Commission on School Construction

Briefing to the Maryland Capital Debt Affordability Committee



IAC Basics

- Independent agency of the State of Maryland
- Mission

To achieve a **safe, healthy, and educationally sufficient learning environment for every child** attending a public school in Maryland.

- Vision

A **fiscally sustainable statewide portfolio** of Pre-K-12 school facilities that will remain educationally sufficient for current and future generations of students and teachers.

Primary Functions of the IAC

- **Technical assistance** to LEAs and counties re: all aspects of school facilities portfolio management
- **Data collection**, incl. through assessments of facilities
- **High-level review** of LEAs' school-construction projects
 - **Review and approval** of designs and contracts for State-funded portions of projects
- **Allocation and award** of State school-construction capital dollars to LEAs' projects

Maryland PreK-12 Public School Facilities Quick Facts

1. Number of FTE students (9/30/2025): **880,231**
2. Number of school facilities: **1,350** *Often the center of a community*
3. Gross square feet (GSF) within schools: **More than 142.3 million**
Second largest sector of built infrastructure after roads and bridges
1. Average gross square feet (GSF) per student: **162**
2. Replacement value $\approx$ **\$75 billion** (@ \$533/GSF incl. site development)

Five Areas of School Facilities Need

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

Perennial

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

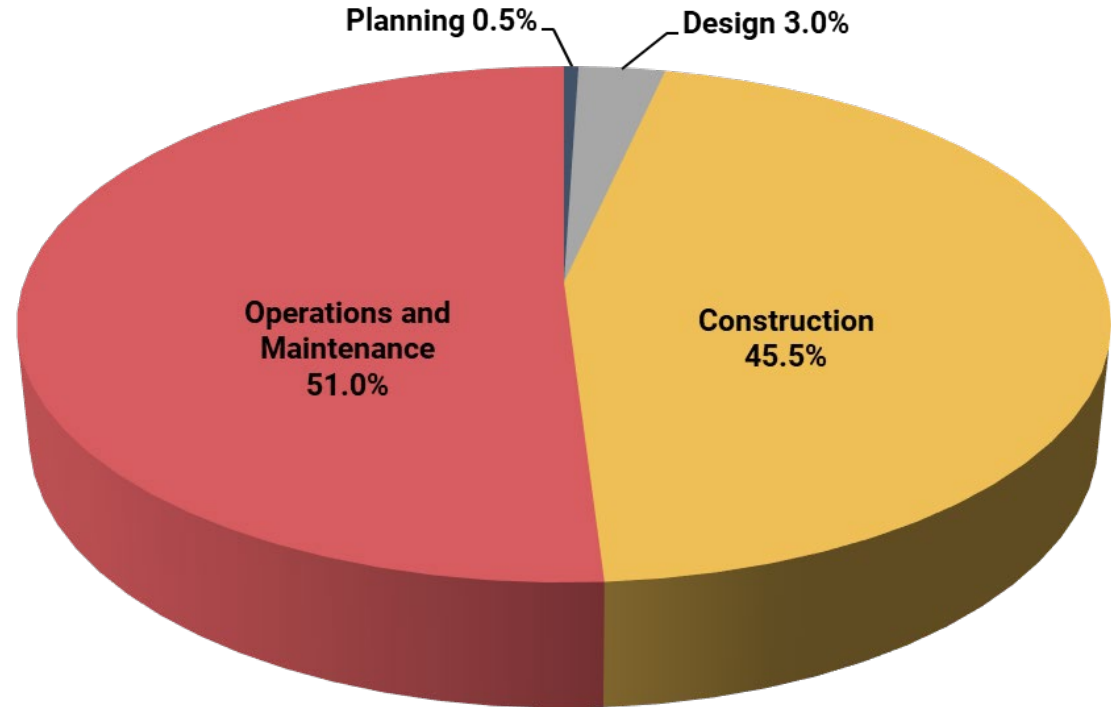
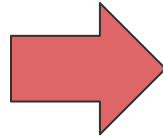
New/Recent

4. Expand Pre-Kindergarten services	• Blueprint for Maryland's Future
5. Decarbonize by 2045	• State-adopted climate-protection goals <i>Climate Solutions Now Act (2022)</i>

Total Cost of A Facility

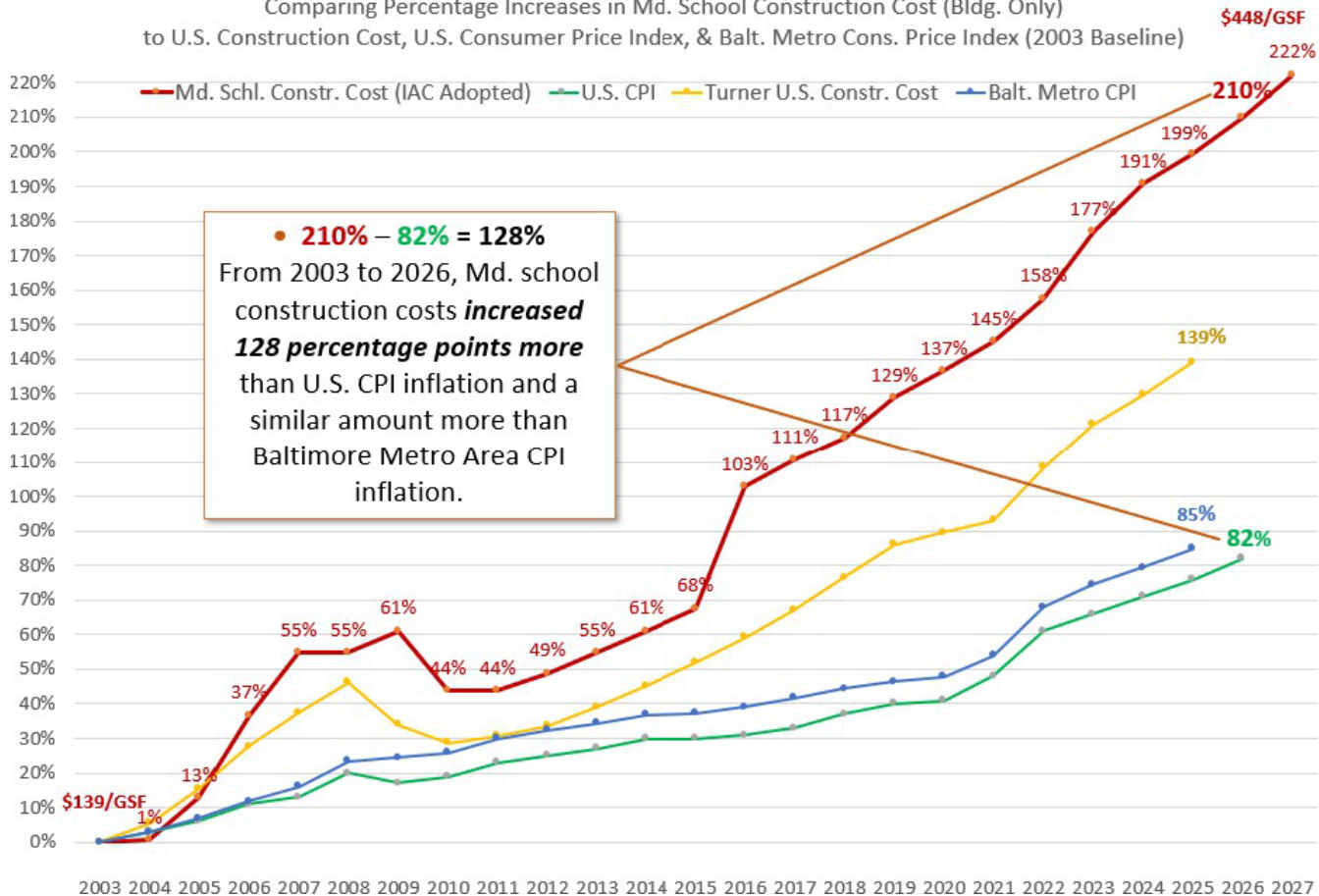
Average Percentage over 30 Years

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



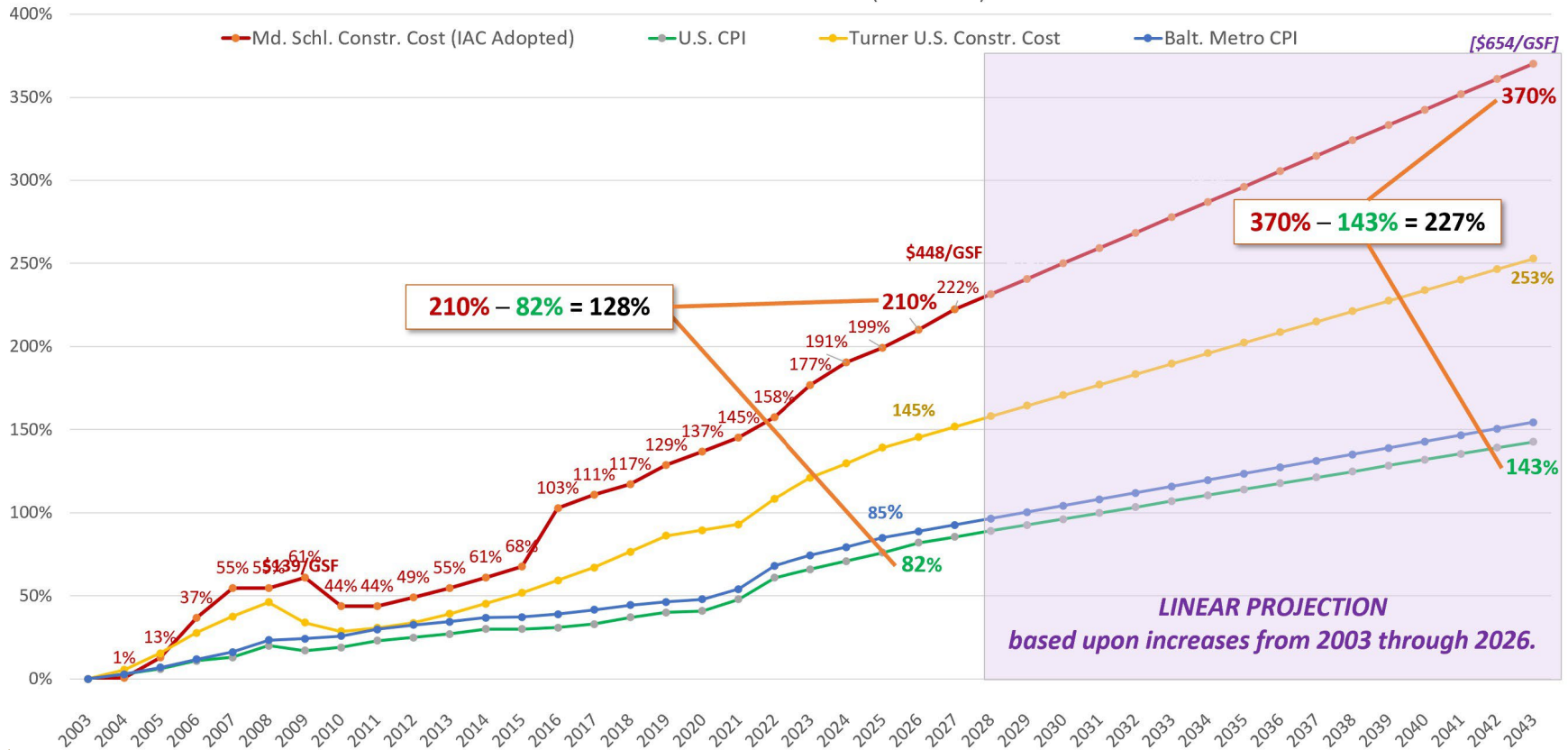
School-Construction Cost in Maryland

Comparing Percentage Increases in Md. School Construction Cost (Bldg. Only)
to U.S. Construction Cost, U.S. Consumer Price Index, & Balt. Metro Cons. Price Index (2003 Baseline)

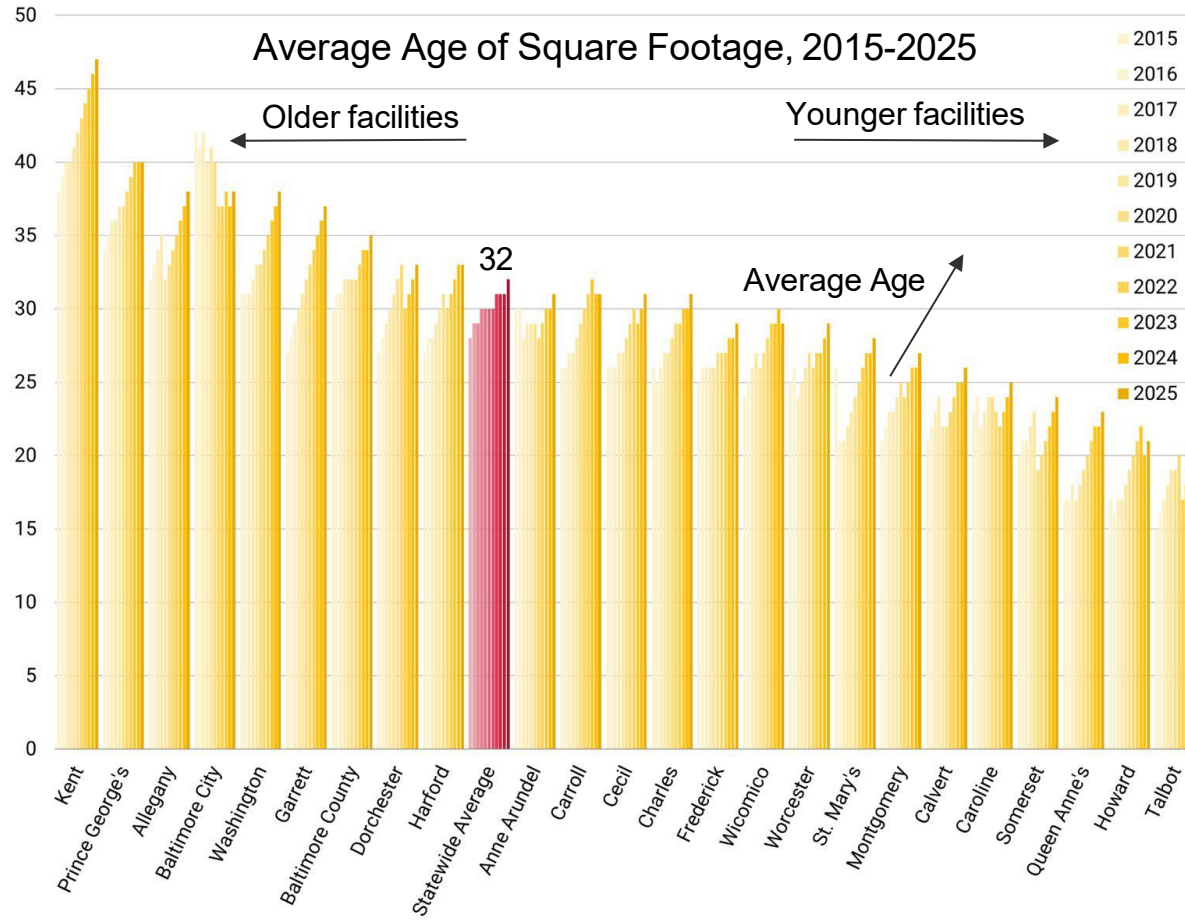


Projected School-Construction Cost in Maryland

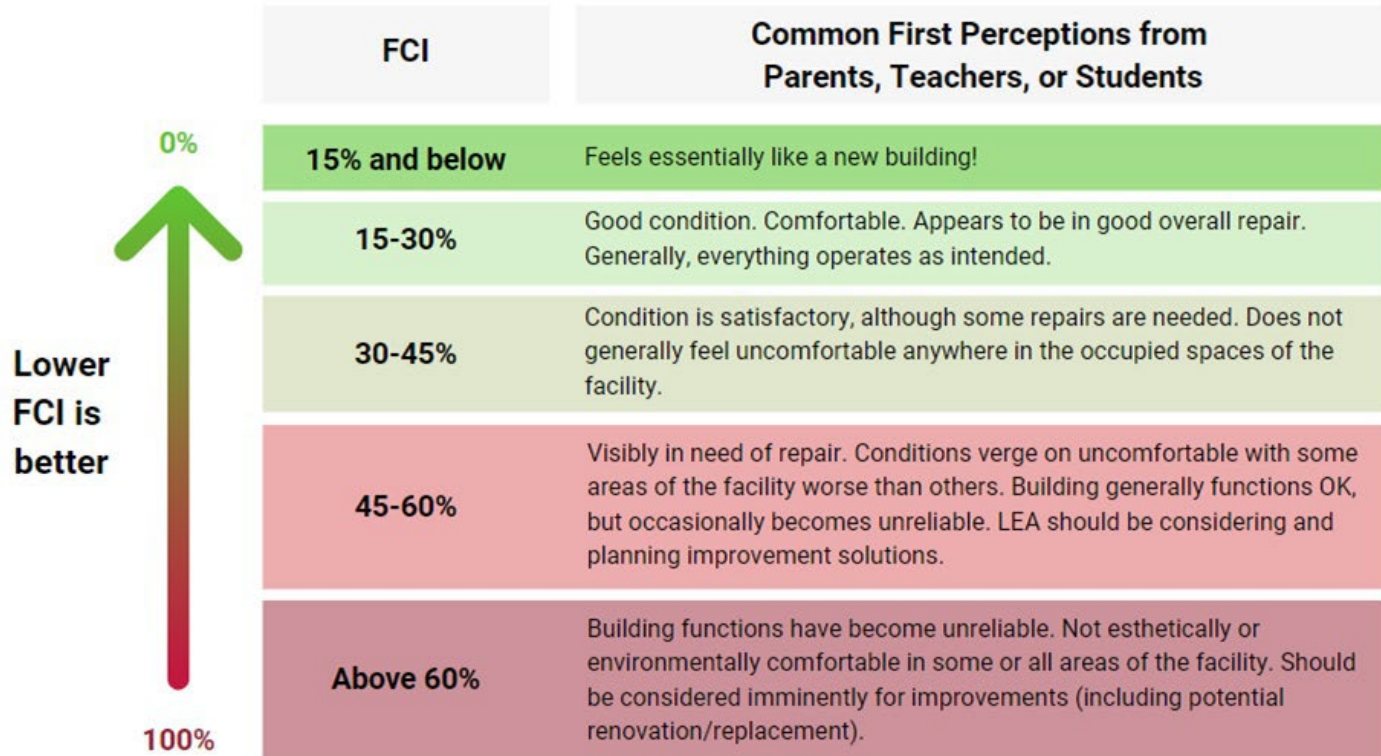
Projecting Percentage Increases in Md. School Construction Cost (Bldg. Only), U.S. Construction Cost, U.S. Consumer Price Index, & Balt. Metro Cons. Price Index (2003-2044)



Need Area #1: Condition



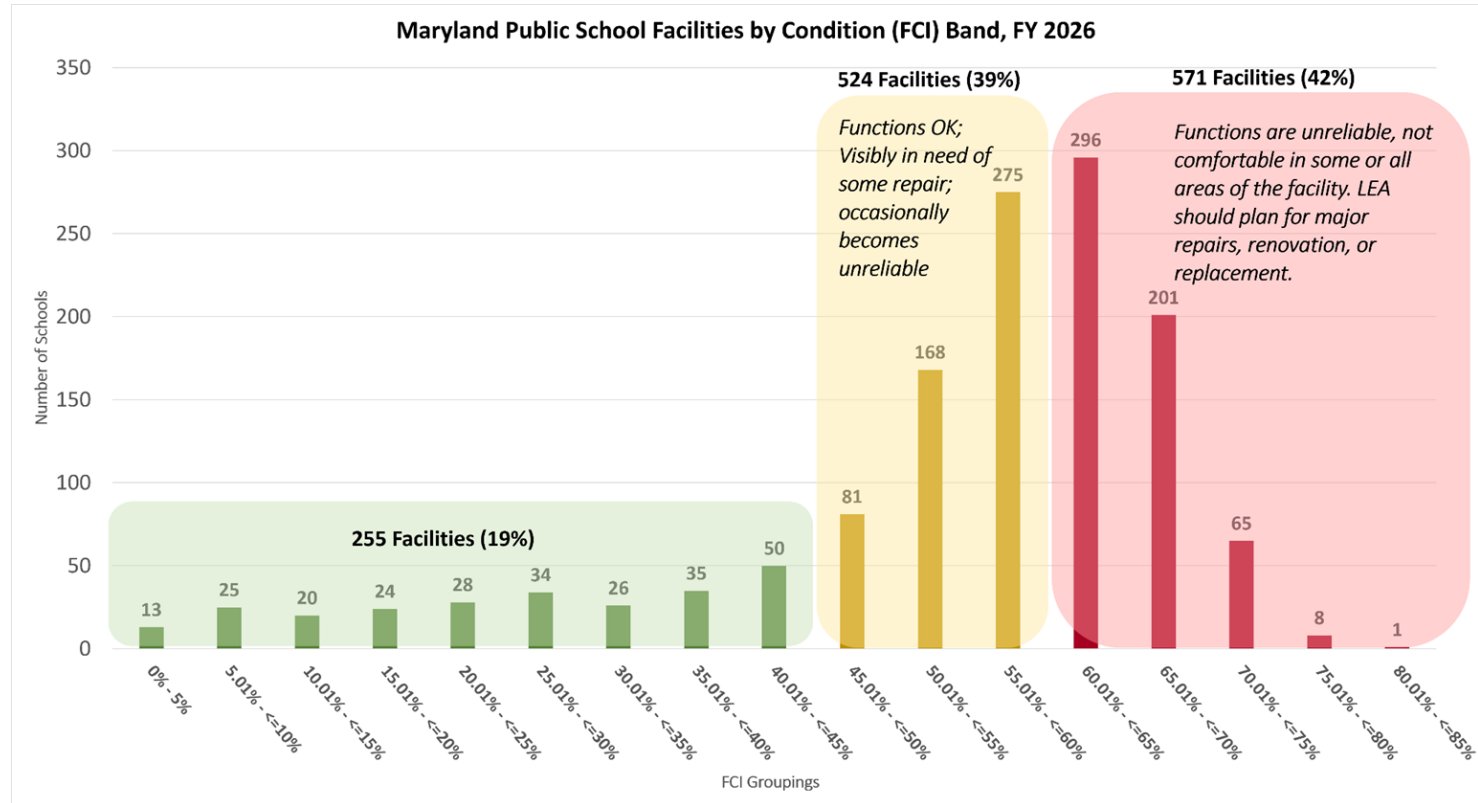
Facility Condition Index Bands



Need Area #1: Condition

Statewide Facility Condition Distribution by Band

- 1,350 Public Pre-K-12 Facilities Assessed
- Weighted Average Asset Condition (FCI): **52.18%** of expected useful lifespan (EUL) depleted
- Reasonable average FCI for educational sufficiency & fiscal sustainability: **32-37%**



Industry Standards for Annual Budgeting

Maintenance & Operations

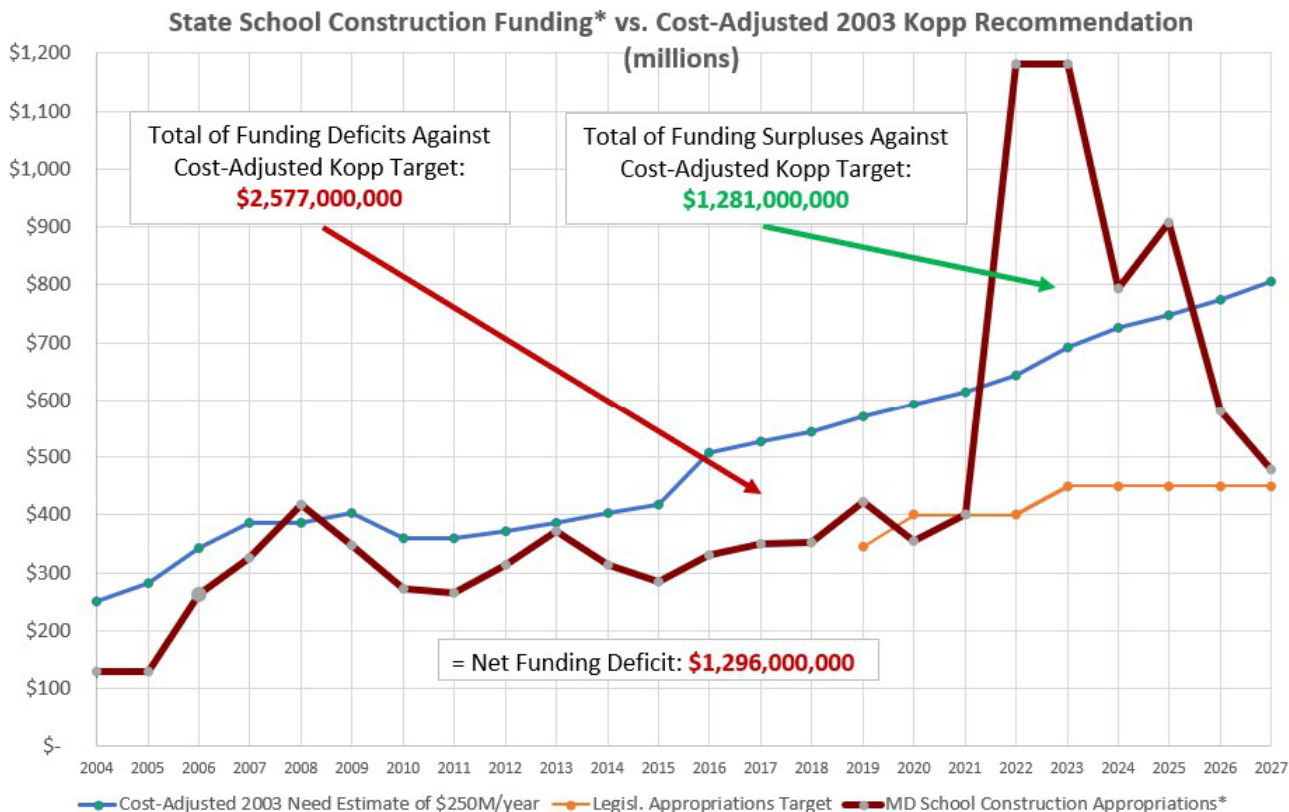
Percentage of Current Replacement Value (CRV)	CRV of Maryland LEAs' Public PK-12 School Facilities (2026)	Est. Amount Needed*	FY 2026 LEA Budgeted	Est. FY 2026 Funding Gap*
3%	\$75.3 billion	\$2.26 billion	\$1.26 billion	\$1 billion

Capital Renewal

Average Percentage of CRV	CRV of Maryland LEAs' Public PK-12 School Facilities (2026)	Est. Amount Needed*	FY 2026 LEA Budgeted	Est. FY 2026 Funding Gap*
3.67%*	\$75.3 billion	\$2.76 billion	\$1.82 billion	\$ 0.94 billion

* Excludes costs to address PK expansion, decarbonization, and some other extant needs.

State Public School Construction Funding – FY 2004-2027



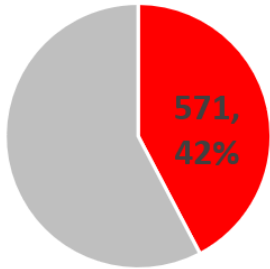
* Excludes \$27M/year provided 2024-2027 to Prince George's County P3.

Need Area #1: Condition

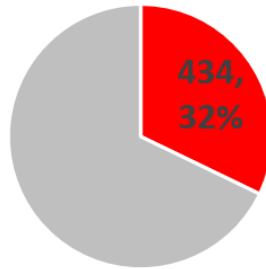
Key Pain Points

$n = 1,350$ facilities

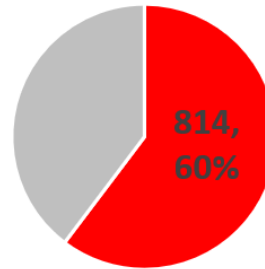
Facilities 60%+
Depleted



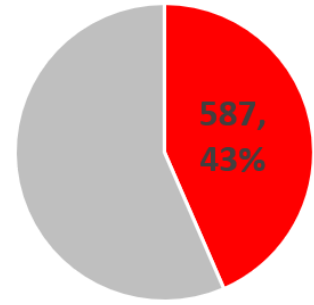
Facilities in Need of
Renewal/Major Capital
Investment



HVAC Systems with <6
Years Left



Roofs with <6 Years Left



We'd love
to hear your questions



Capital Debt Affordability Committee: 2026 Affordability Analysis

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

October 2, 2026

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 (74.0%)
- Consolidated Transportation Bonds (22.1%)
- Capital Leases – pre-GASB87 rule change (2.4%)
- Stadium Authority Leases (0.8%)
- Bay Restoration Bonds (0.7%)

❖ **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 2026.

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



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Tax-Supported Debt Affordability Metrics



2025 CDAC Planning Assumptions GO Bonds

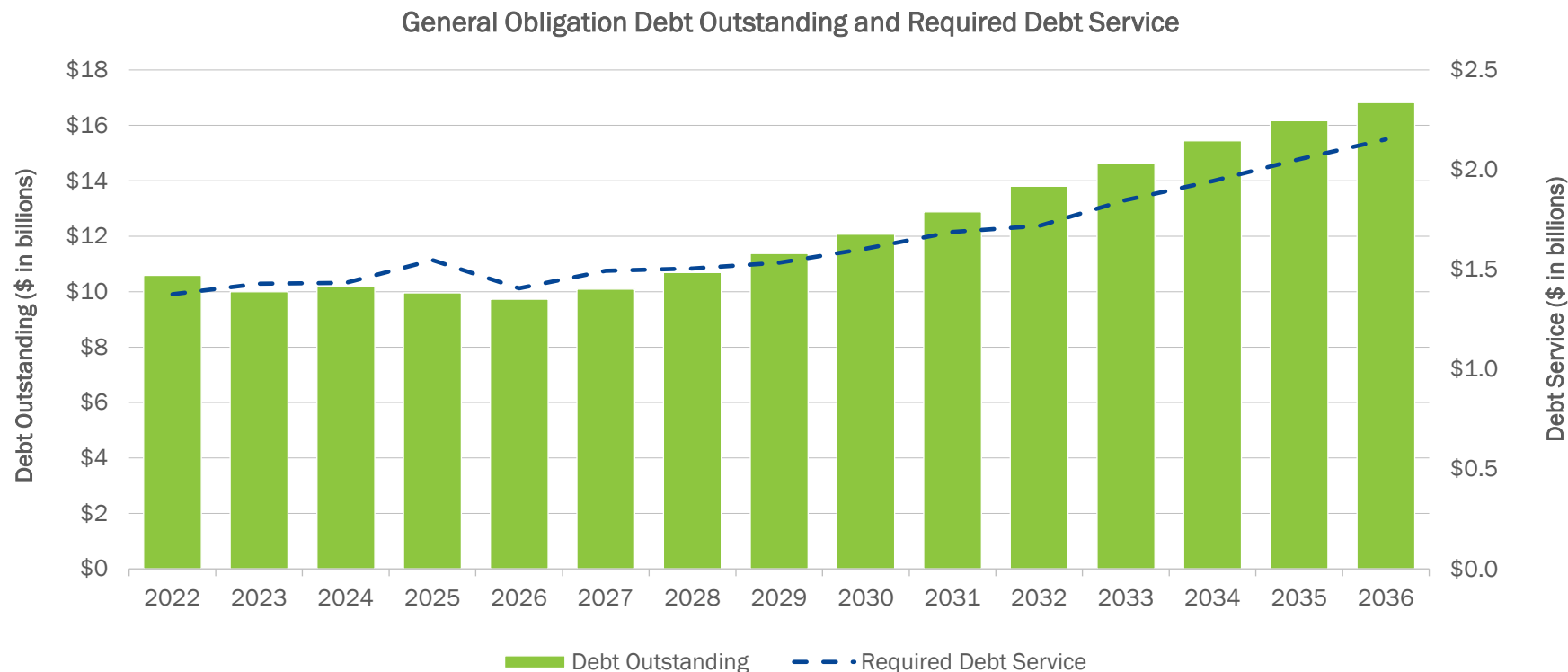
- The authorization and issuance assumptions in calculating the CDAC ratios do not anticipate that future P3s will be included as tax-supported debt.
- The projected debt service ratios assume a 5% coupon for all maturities with no future refunding savings or use of premium and are subject to change.
- 2025 CDAC proposed the following GO authorizations and issuance schedule:

<u>Fiscal Year</u>	<u>Authorizations</u>	<u>Issuances</u>
2026	\$1,750	\$800
2027	\$1,750	\$1,200
2028	\$1,750	\$1,200
2029	\$1,750	\$1,240
2030	\$1,750	\$1,270
2031	\$1,750	\$1,310

2025 CDAC Planning Assumptions

GO Bonds

Authorizing \$1.75 billion in GO debt each year but with an assumed lower issuance rate to align with recent expenditure trends results in GO debt outstanding growing to \$12.5 billion by FY2036, and annual GO debt service increasing to \$1.7 billion





Total Tax-Supported Debt Outstanding Ratio 2025 CDAC Assumptions

The planning assumptions for authorizations and issuance, utilizing the 2025 CDAC recommendation result in the following projections of tax-supported debt outstanding:

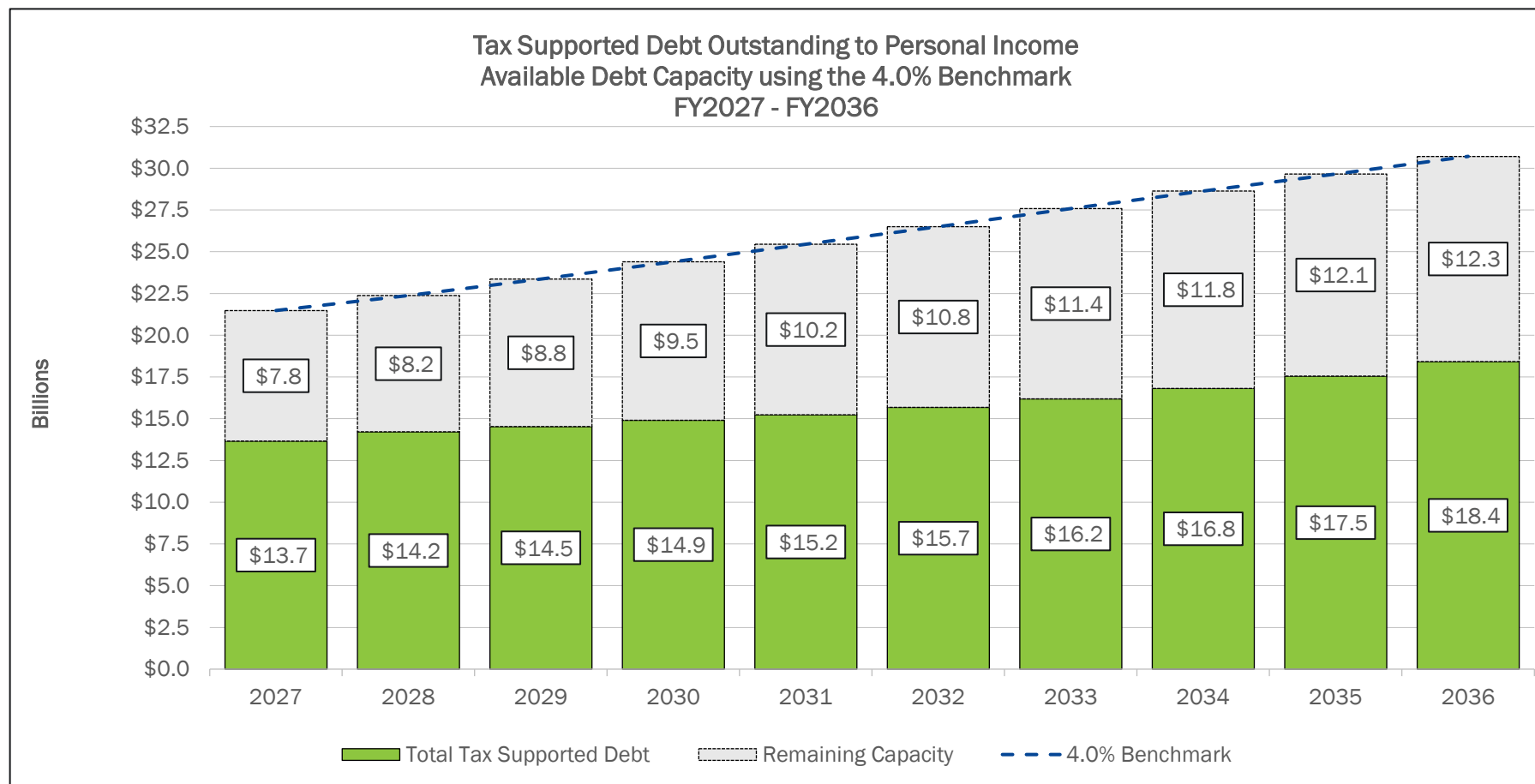
Fiscal Year	Proposed GO Authorization (\$ in millions)	Proposed GO Issuance (\$ in millions)	Total Debt Outstanding (\$ in billions)	Personal Income (\$ in billions)	Ratio (%)
2027	\$1,750	\$1,200	\$13.662	\$537,021	2.54%
2028	1,750	1,200	14.211	559,358	2.54%
2029	1,750	1,240	14.536	584,024	2.49%
2030	1,750	1,270	14.915	609,996	2.45%
2031	1,750	1,310	15.232	636,108	2.39%
2032	1,750	1,350	15.684	662,430	2.37%
2033	1,750	1,390	16.193	689,779	2.35%
2034	1,750	1,430	16.813	715,860	2.35%
2035	1,750	1,480	17.549	741,544	2.37%
2036	1,750	1,525	18.421	767,790	2.40%



Total Tax-Supported Debt Outstanding Ratio

2025 CDAC Assumption Model

(\$1.75B Annual GO Authorization, Reduced Issuance Rate)



All figures are preliminary forecasts as of September 2022 and are subject to change.



Total Tax-Supported Debt Service Ratio 2025 CDAC Assumption Model

(\$1.75B Annual GO Authorization, Reduced Issuance Rate)

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

Fiscal Year	Debt Service (\$ in billions)	Revenues (\$ in billions)	Ratio (%)
2027	\$2,010	\$35,039	5.74%
2028	2,065	36,080	5.72%
2029	2,108	37,213	5.66%
2030	2,177	38,097	5.72%
2031	2,219	39,407	5.63%
2032	2,200	40,958	5.37%
2033	2,269	41,912	5.41%
2034	2,306	42,875	5.38%
2035	2,349	43,859	5.36%
2036	2,418	44,859	5.39%

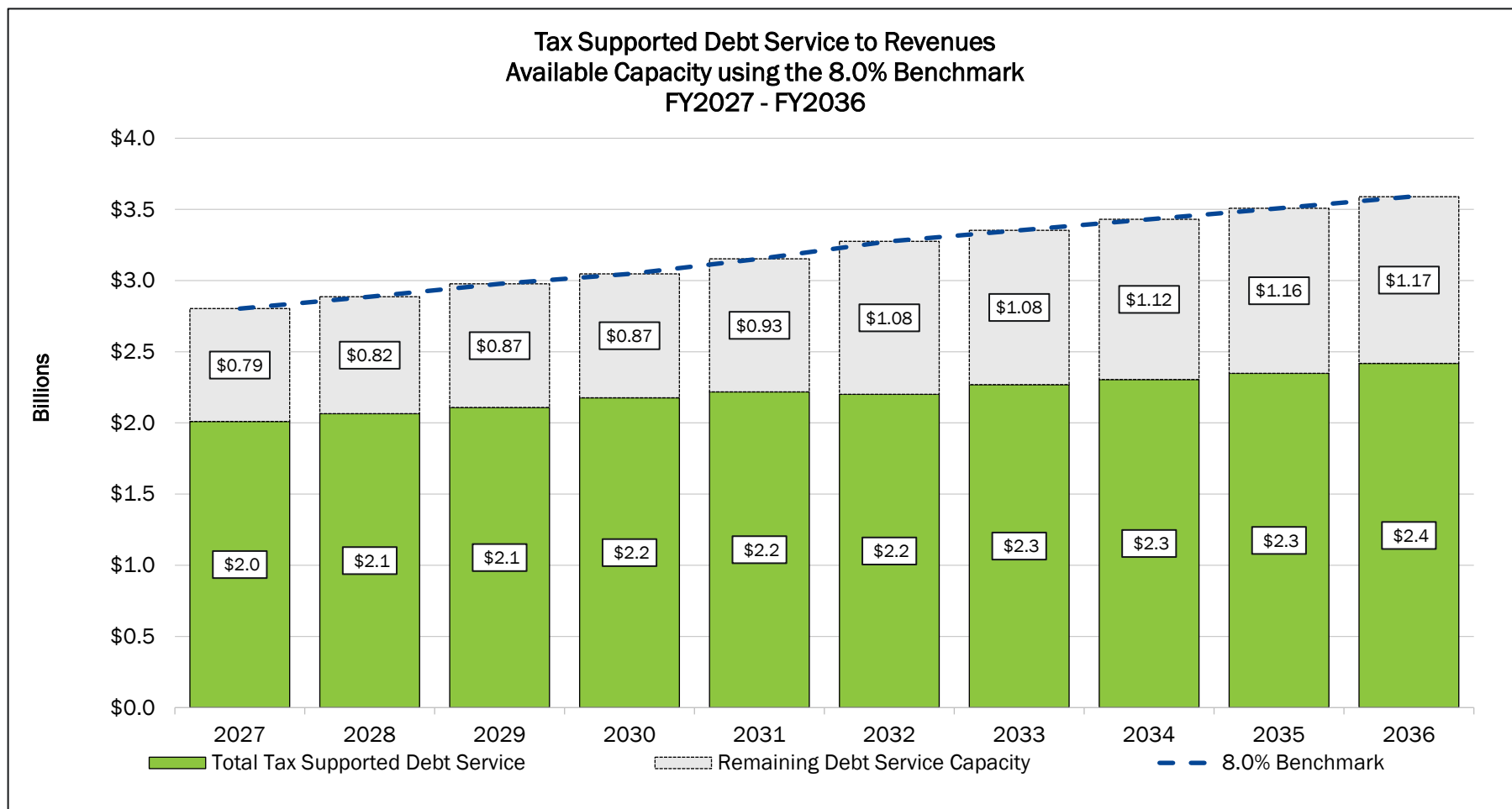
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Total Tax-Supported Debt Service Ratio

2025 CDAC Assumption Model

(\$1.75B Annual GO Authorization, Reduced Issuance Rate)



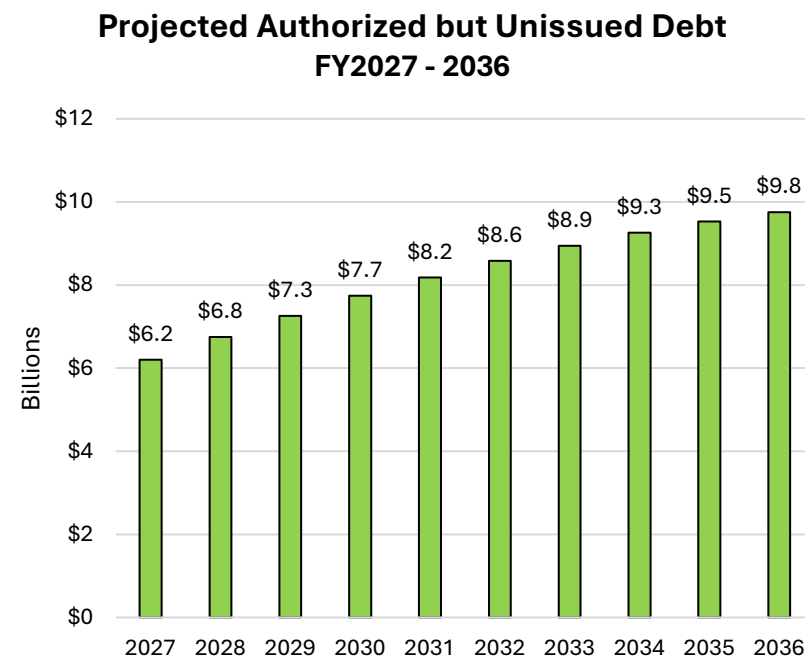
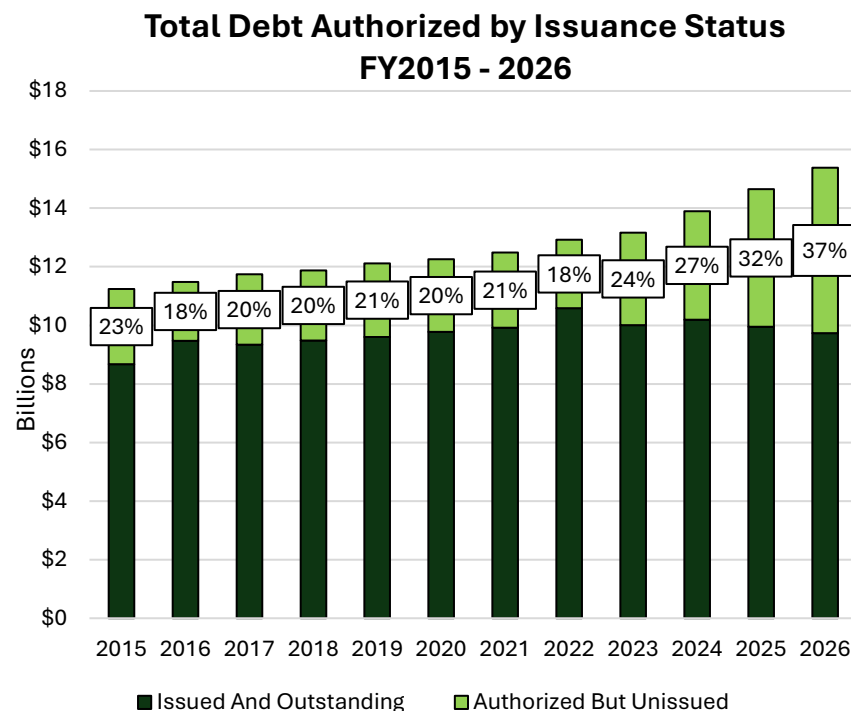
All figures are preliminary forecasts as of September 2026 and are subject to change.



Projected Authorized but Unissued GO Bond Debt Would Grow to \$9.8 Billion

The post-COVID slowdown capital spending 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 \$5.7 billion at the end of fiscal 2026, representing 37% of total debt authorized.

Without an increase in capital spending for projects, the misalignment will continue and authorized but unissued debt will increase to at least \$9.8 billion by fiscal 2036 under the baseline CDAC scenario.



CDAC Planning Assumptions

Alternate Model to Reduce Authorized but Unissued Debt

- Debt authorizations are available for expending up to seven years from the date of authorization, although .
- 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.
- A 2025 JCR workgroup evaluated updates to the methodology for determining issuance assumptions and recommended using the 10-year weighted average of actual project expenditures per MCCBL.
- Aligning with this recommendation, issuance assumptions would be:

	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5
Proposed Assumptions	27%	25%	15%	8%	25%

- Annual authorizations of \$1.75 billion and assumed reduction in authorized but unissued debt under the above issuance assumptions are within affordability limits but do impact capacity in the long-term.



Total Tax-Supported Debt Outstanding Ratio Alternate Model

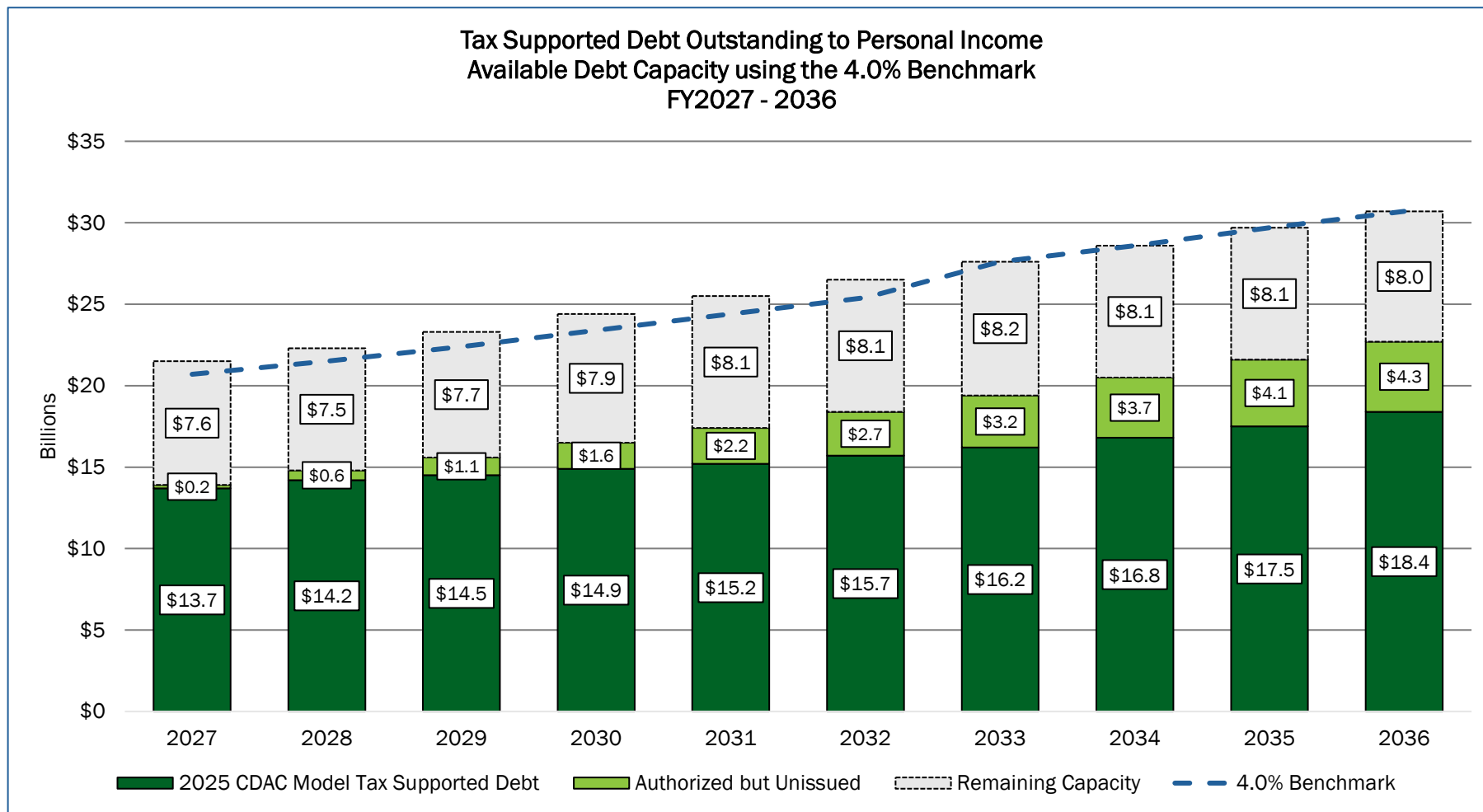
(\$1.75B Annual GO Authorization, Reduced Authorized but Unissued Debt)

Proposed issuance amounts would reduce projected FY2036 authorized but unissued from \$9.8 billion to \$4.8 billion.

Fiscal Year	Proposed GO Authorization (\$ in millions)	Proposed GO Issuance (\$ in millions)	Debt Outstanding (\$ in billions)	Personal Income (\$ in billions)	Ratio (%)
2027	\$1,750	\$1,400	\$13.862	\$537,021	2.58%
2028	1,750	1,625	14.841	559,358	2.65%
2029	1,750	1,700	15.626	584,024	2.68%
2030	1,750	1,750	16.480	609,996	2.70%
2031	1,750	1,900	17.356	636,108	2.73%
2032	1,750	2,000	18.401	662,430	2.78%
2033	1,750	2,000	19.432	689,779	2.82%
2034	1,750	2,000	20.498	715,860	2.86%
2035	1,750	2,000	21.585	741,544	2.91%
2036	1,750	2,000	22.717	767,790	2.96%

Total Tax-Supported Debt Outstanding Ratio Alternate Model

(\$1.75B Annual GO Authorization, Reduced Authorized but Unissued Debt)





Total Tax-Supported Debt Service Ratio Alternate Model

(\$1.75B Annual GO Authorization, Reduced Authorized but Unissued Debt)

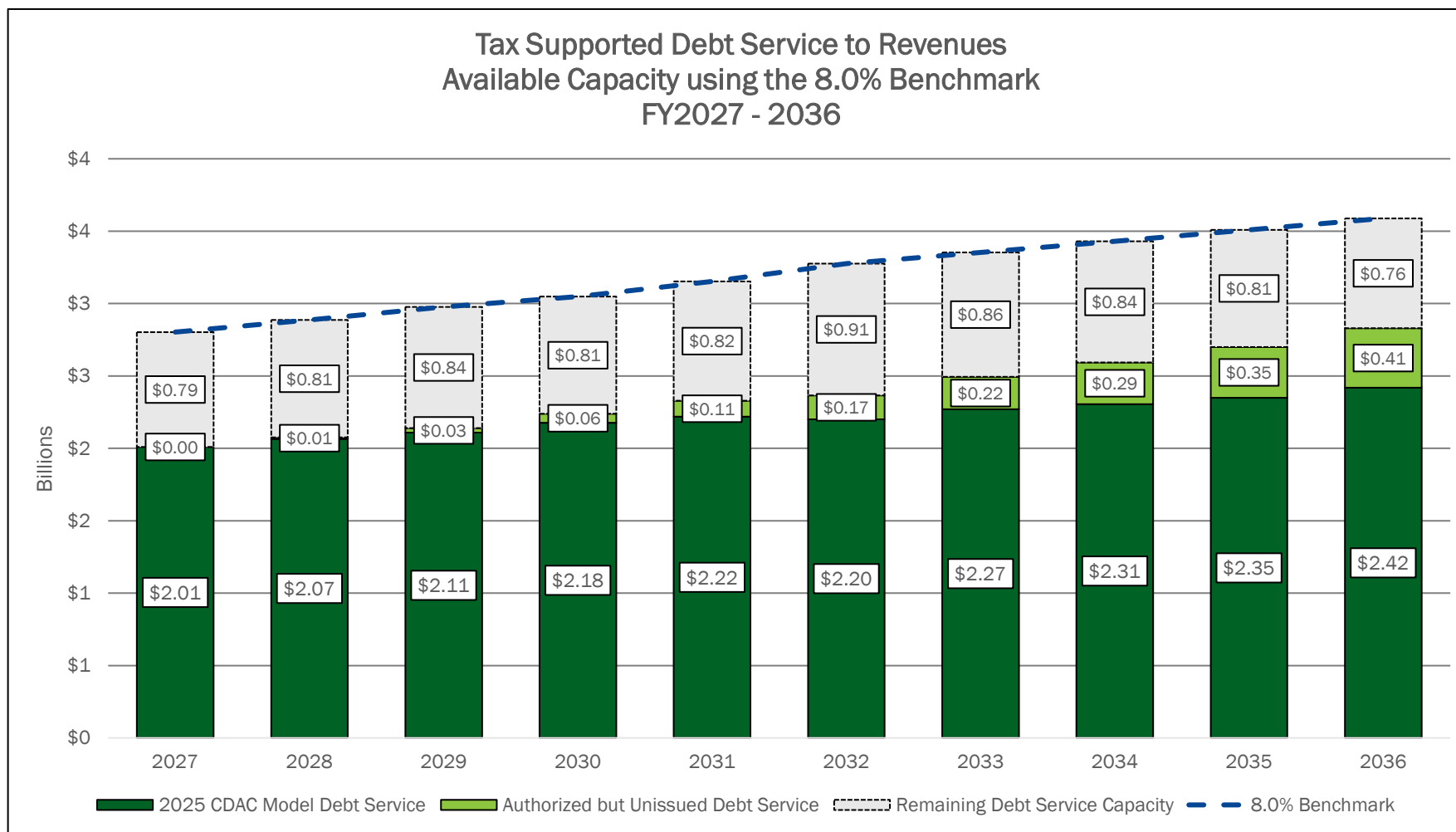
The planning assumptions for authorizations and issuances result in the following projections of tax-supported debt service:

Fiscal Year	Debt Service (\$ in billions)	Revenues (\$ in billions)	Ratio (%)
2027	\$2,010	\$35,039	5.74%
2028	2,076	36,080	5.75%
2029	2,140	37,213	5.75%
2030	2,239	38,097	5.88%
2031	2,329	39,407	5.91%
2032	2,366	40,958	5.78%
2033	2,494	41,912	5.95%
2034	2,593	42,875	6.05%
2035	2,700	43,859	6.16%
2036	2,829	44,859	6.31%

All figures are preliminary forecasts as of September 2026 and are subject to change.

Total Tax-Supported Debt Service Ratio Alternate Model

(\$1.75B Annual GO Authorization, Reduced Authorized but Unissued Debt)



All figures are preliminary forecasts as of September 2026 and are subject to change.



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Credit Analysis Update



State of Maryland Credit Rating

Fitch Ratings (AAA, Stable)

Rating Drivers	Rating
Revenue Framework	AAA
Expenditure Framework	AAA
Long-term Liabilities	AA
Operating Performance	AAA

S&P Global (AAA, Negative)

S&P uses a scoring metric from 1 (strongest) to 4 (weakest).

Rating Drivers	Rating
Institutional Framework	1
Individual Credit Profile	2.17
Economy	1.5
Financial Performance	2
Reserves and Liquidity	2
Management	1.35
Debt and Liabilities	4

KBRA (AAA, Stable)

Rating Drivers	Rating
Management Structure, Budgeting Practice & Policies	AAA
Debt & Continuing Obligations	AA
Financial Performance/ Liquidity	AAA
State Revenue Base	AA

Moody's Ratings (Aa1, Stable)

Rating Drivers	Rating
Economy – Resident Income	Aaa
Economy – Economic Growth	Aa
Financial Performance	Aa
Governance/Institutional Framework	Aaa
Leverage – Long-term liabilities	Aa
Leverage – Fixed-cost ratio	Aa



State of Maryland Bond Rating

Key Credit Highlights

Economy

- Broad and diverse economy anchored by the federal government
 - Significant strength in healthcare, biotechnology, and education sectors
- Resilient structural economic factors
 - Personal income ranks 10th in the nation
 - Highly educated and well compensated workforce

Strong Fiscal Management

- Long-standing history of responsible fiscal policy with the tools in place to respond swiftly and proactively when needed
- Consistent track record of proactive and cooperative approach to addressing budgetary issues
- Constitutional and statutory framework supports effective fiscal management
- Effective revenue monitoring through consensus-based Board of Revenue Estimates and three times per year forecast revisions
- Strong ratings maintained through the 1970s oil shocks, the savings and loan crisis, the dotcom crash, the 2007-2008 financial crisis, the resulting Great Recession, and, most recently, a global pandemic

Broad Budgetary Flexibility

- Unlimited legal authority to raise revenue
- Executive authority to reduce expenditures to maintain budget balance
- Preservation of cash resources in separate General Fund unencumbered balance and Rainy Day Fund

Solid Debt Management Practices

- Disciplined strategy for managing long-term liabilities through recommendations by the Spending Affordability Committee, and the Capital Debt Affordability Committee
- Debt service is funded by a dedicated tax source and backed by the full faith and credit of the State
- General obligation bonds are limited to 15-year amortization



State of Maryland Bond Rating Credit Risks and Challenges

Economy and Revenues

- Economic growth lags the Nation
- Highest reliance on federal employment among the 50 states amid current funding uncertainty and efforts to reduce federal workforce

Budget Imbalance and Reserves

- Although budget deficits are not abnormal, the current forecasted deficit represents a larger-than-typical share of general fund revenues.
- Increased ongoing spending commitments are creating tensions against elevated revenue uncertainty.
- Inability to manage rising spending demands with recurring revenue, notably from expanding education funding commitments could risk downward rating action
- S&P, specifically, expects a sustainable plan to bring multi-year structural balance to avoid a lower rating
- Significant deterioration in reserves and liquidity could risk downward rating action
- Recurrence of unanticipated program expense growth or other budget solutions that rely heavily on one-time actions to address funding gaps

Debt and Long-Term Liabilities

- Maryland's debt and other long-term liabilities more than double the US states median in 2025
- Material increase in long-term liabilities, particularly those related to retiree benefits, to close to 20% of personal income could risk downward rating action
- Debt issuances outpacing economic growth could risk downward rating action



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Next Steps

Next Meeting: October 9th @ 11am

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



PRESENTATION TO

Capital Debt Affordability Committee

Maryland Economic Development Corporation

Taxable Lease Revenue Bonds

(Advance Technology Manufacturing Project)

Series 2026

October 2, 2026

Presentation Outline

The Opportunity

Business Case for the State

Deal Structure

The Opportunity

Executive Summary

The Prieto Battery project represents a historic opportunity for Maryland to secure a major corporate headquarters relocation, anchor a vital clean-energy manufacturing sector, and catalyze long-term economic growth in a desired growth industry.

By championing this project, Maryland positions itself at the forefront of the global energy transition, directly supporting the State's target "Lighthouse Sectors" and creating high-quality manufacturing pathways for Maryland families.

The Opportunity

Company Overview

Prieto is an advanced battery technology company in the commercialization stage. Founded in 2009 to commercialize technology developed at Colorado State University, the company has focused on research, development, prototype validation, and raising private capital, while building its intellectual property portfolio.

The proposed Maryland project represents the next phase of the company's growth by establishing headquarters, expanding research and development, and launching manufacturing capacity to support commercial production. The company has identified prospective customers in sectors such as data centers and defense and is pursuing commercial opportunities as it advances toward manufacturing and commercialization.

Business Case for Maryland

Market

The global battery market is surging, driven by rapid technological advances and grid storage demand growing 25%–30% annually.

- **Anchor a New Industry:** Establish a robust battery manufacturing ecosystem from the ground up.
- **Attract Follow-on Investment:** Position Maryland as a hub for manufacturers and supply chain partners.
- **Future-Proof the Economy:** Infuse capital and sustainable tech jobs into the state economy for decades to come.

Business Case for Maryland

Project Advantages

- **Technical Breakthrough:** Prieto Battery's proprietary 3D solid-state architecture enables 360-degree ionic transfer, delivering faster charging, longer life, and a lighter, safer, more flexible battery.
- **Cross-Sector Impact:** Prieto's technology applies across EVs, UAVs, consumer electronics, marine vessels, and medical devices—aligning with Maryland's priority Lighthouse Sectors.
- **Industry Clustering Effect:** B2B clients within our Lighthouse Sectors will naturally seek to co-locate near Prieto to optimize supply chains and foster R&D collaboration, compounding the economic benefit to the State.

Business Case for Maryland

Future Growth

The state will receive 1% of Prieto Battery's future gross profits from its new battery technology. This deal gives the state a lasting income stream as the company grows, without needing to spend more public money. Economic Impact of Project:

- **Jobs Created:** 100 high-quality positions, primarily in manufacturing, providing critical economic mobility for Maryland families with an expectation to grow to 300 new jobs within five years. Positions include Executive, Business Development, Engineers, Scientists and Manufacturing jobs.
- **Total Economic Impact:**
 - Construction Phase (Year 1): \$7.4M Wages; \$13.5M State GDP; \$392K State Tax Revenue
 - Operation Phase (Year 2-6) : \$47.5M Wages; \$75.3M State GDP; \$2.4M State Tax Revenue
 - Operation Phase (After Year 6): \$129M Wages; \$200.6M State GDP; \$6.5M State Tax Revenue
- **Profit Share to State:**
 - Construction Phase (Year 1): \$7K
 - Operation Phase (Year 2-6): \$15.8M
 - Operation Phase (10 Year Cumulative): \$403.8M

(Note: An \$89.8 million package is a long-horizon strategic playset. The true ROI relies on the downstream ecosystem—attracting secondary suppliers, supporting the multi-billion dollar Lighthouse Sectors, and anchoring a high-yield clean tech headquarters that will generate returns for decades beyond the referenced Economic Impact).

Deal Structure

Lessor: Maryland Economic Development Corporation (MEDCO)

Agency/Lessee: Maryland Department of Commerce (Commerce)

Sub-Lessee: Prieto Battery, Inc. (Prieto), *or an entity agreeable to the State*

Advisor to Commerce: Department of General Services (DGS)

Structure: Level Debt Service. Interest Capitalized through 9/1/2027; first Base Rent payment 2/15/2028 (Fiscal Year 2028)

Property Address: 7510 Montevideo Road, Jessup, MD; 10.25 acres, with existing 121,000 sf building

Security: Base Rent under Intergovernmental Lease, assigned and pledged to Trustee under Indenture granting clause

Total Bond Par Amount: \$97,250,000

Bond Maturity: 03/01/2051

Bond Call Provision: 10-year par call

Interest Rate: 5.82% (rate subject to change)

Average annual Base Rent: \$7,618,000 (part-year payment of \$4.88M FY28)

Deal Structure

Structural Precedent

Department of Health lease

Issuer	MEDCO
Size	Not to exceed \$220M
Maturity	25 Years
Security	MDH lease payments, subject to appropriation
Occupant	The Department itself
S&P	AA+/Negative - one notch

This Transaction

Issuer	MEDCO
Size	\$97,250,000
Maturity	24 Years (final 3/1/2051)
Security	Commerce lease payments, subject to annual appropriation
Occupant	A private company
S&P	AA (anticipated rating)

Deal Structure

Uses for Bond Proceeds

Land and Building Acquisition	\$21,000,000
Building Modification	\$18,800,000
Production Equipment	\$22,000,000
Plant Commissioning	\$10,000,000
Development Fee	\$7,800,000
Occupant Start-Up Costs	\$8,000,000
Existing Loan Repayment to the State	\$5,300,000
Capitalized Interest and Issuance	\$6,900,000

Deal Structure

Prieto Commitments

- **Corporate Headquarters**
 - Establish corporate headquarters with (6) months of project completion
 - Required to maintain headquarters at project site for 25-year term of MEDCO bond financing
- **Employment Commitments**
 - Create 100 new permanent full-time jobs within 2 years
 - Create 200 new permanent full-time jobs within 5 years, while making a diligent effort to reach 300 total permanent jobs
 - Failure to meet employment target will result in \$100K clawback for each job under the 200-job commitment
- **Profit Sharing**
 - Prieto will remit to State 1% of annual gross profits generated from US operations
 - Payments are due within 90 days following completion company's annual audit

Deal Structure

Profit Sharing Calculation

- + **Revenue** (Cash revenue recognized under GAAP from goods manufactured at the Property and related commercialization, including affiliate/Joint Venture/licensing arrangements, subject to specified exclusions for government grants and certain IP revenue.)
- **Cost of Goods Sold** (Direct manufacturing costs at the Property, including materials, labor, and allocated manufacturing overhead, excluding corporate, Research & Development, financing, tax, and other non-manufacturing costs.)
- = **Gross Profit** (1% will be remitted annually to Commerce)