

Capital Debt Affordability Committee

Treasurer Dereck E. Davis, Chair

Virtual meeting registration:

<https://events.gcc.teams.microsoft.com/event/81a8ca0d-31b5-418e-ac7d-4a79958ced2d@1030cfe7-eed8-4fba-ae42-f0bdefc37482>

Agenda

**October 6, 2023
10 a.m. to 12 p.m.**

- 1) Treasurer's Opening Comments**
- 2) Introduction of Affordability Benchmarks**
Rebecca Ruff, Director of Debt Management, State Treasurer's Office
- 3) 2023 Legislative Session General Assembly Actions**
Patrick Frank, Lead Principal Analyst, Department of Legislative Services
- 4) General Fund Estimate**
Robert Rehrmann, Director, Bureau of Revenue Estimates, State Comptroller's Office
- 5) Assessable Base Estimate**
Michael Higgs, Director, State Department of Assessments and Taxation
- 6) Review of Capital Program:**

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

The next CDAC meeting will be Friday, October 13th, 2023 at 10 am. The presentations on the agenda will review the size and capacity of state tax-supported debt and the debt of the higher education institutions.

Capital Debt Affordability Committee Introduction

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

October 6, 2023

CDAC Responsibilities

- CDAC's primary charge is to submit to the Governor and the General Assembly its estimate of the total amount of new State debt that may be prudently authorized for the upcoming fiscal year (State Finance and Procurement Article, §8-112). For planning purposes only, it also provides estimates for the out years.
- CDAC also recommends an authorization for Academic Facilities Bonds for the University System of Maryland, Morgan State University, St. Mary's College, and Baltimore City Community College.

CDAC Responsibilities

By law, CDAC must consider the following factors when making its recommendation:

- The amount of State tax-supported debt that will be outstanding in the next fiscal year as well as the amount authorized but unissued
- The State's Capital Improvement Program and school construction needs for the next five years
- Projected debt service requirements for the next ten years
- Criteria that recognized bond rating agencies use to judge the quality of issues of State bonds
- Other factors relevant to the ability of the State to meet its projected debt service requirements for the next five years and the marketability of the State's general obligation bonds
- Aggregate impact of public-private partnership agreements
- The effect of new authorizations on each factor enumerated above
- Amounts and effects of other types of State debt

Types of Debt Included

- All State tax-supported debt is included in the CDAC analysis, defined as:
 - State general obligation debt
 - Capital leases supported in whole or part by State tax revenues
 - Department of Transportation debt
 - Maryland Stadium Authority debt
 - Debt of other units of State government which, in the opinion of CDAC, are supported directly or indirectly by State tax revenues
- CDAC also reviews issues pertaining to State debt as needed (e.g. capital project spending trends, potential GASB change to operating/capital leases)

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 (72.7%*)
- Consolidated Transportation Bonds (24.0%)
- Bay Restoration Bonds (1.2%)
- Capital Leases (1.1%)
- Stadium Authority Leases (1.0%)

❖ 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 2023.

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
- Stadium Authority Leases

❖ Revenues

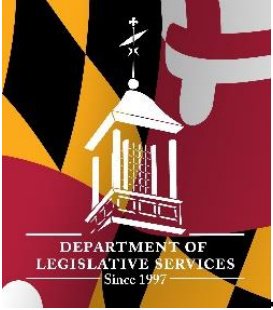
- General Funds
- Transportation Taxes
- State Property Taxes
- Gaming Revenues
- Transfer Tax
- Bond Premium
- Bay Restoration Fees
- Stadium Lease Revenue
- Federal Interest Subsidies

2023 General Assembly Debt Affordability Highlights

**Presentation to the
Capital Debt Affordability Committee**

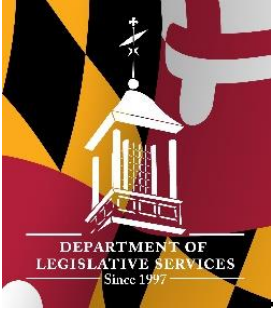


October 6, 2023



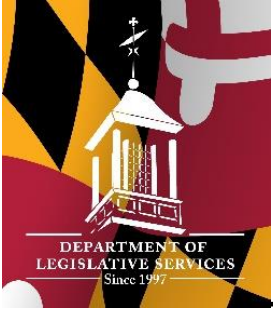
Capital Budget Authorization

- Chapter 102 (House Bill 201) authorizes \$1,248 million in general obligation (GO) bonds, specifically
 - \$1,205 million in net new debt
 - \$14 million is deauthorized and reauthorized to support different projects
 - \$29 million in bond sale premiums
- The Act does not specify which projects are supported by premiums
 - Instead, the Act authorizes the State Treasurer to allocate premiums



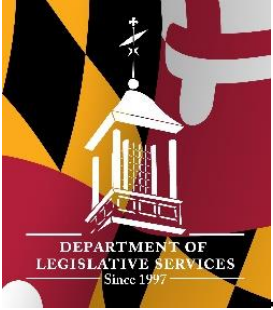
Authorization Limits

- The Spending Affordability Committee (SAC) recommended that net new GO bond authorizations not exceed \$1,205 million in fiscal 2024
 - SAC recommended that annual, out-year increases not exceed 4%
 - The previous recommendation limited annual increases to 1%
 - Improvements in the State's fiscal condition and higher inflation were cited in support of increasing annual authorizations by 4%
- The Capital Debt Affordability Committee (CDAC) recommended that net new GO bond authorizations not exceed \$600 million



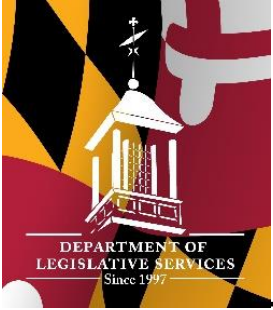
General Fund Appropriations

- The operating budget appropriated \$1,498 million in general funds for capital projects, specifically
 - \$1,273 million in fiscal 2024
 - \$225 million in fiscal 2023 deficiency appropriations
- Funds were available due to large general fund balances
- These general fund appropriations are exclusive of the Consolidated Transportation Program, which anticipated using \$2,730 million



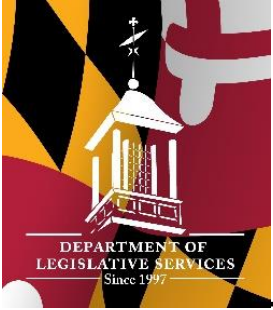
University Authorization

- Chapter 160 (House Bill 735) authorizes \$30 million in academic revenue bonds for the University System of Maryland
- This is the level that was recommended by CDAC



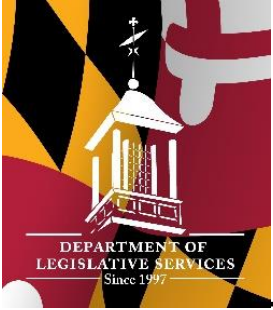
Federal Aid Authorization

- Chapter 455 (Senate Bill 24) expands the use of bonds supported by federal aid (previously referred to as Grant Anticipation Revenue Vehicles (GARVEES))
 - Debt outstanding limit is increased to \$1 billion
 - Previous limit was \$750 million, issued for the Intercounty Connector
 - Bonds can be issued with 15-year maturities
 - Previous limit was 12 years



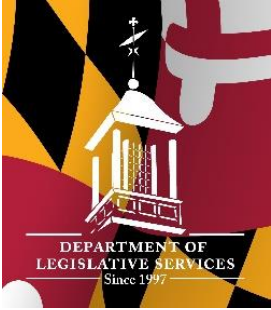
GARVEES' Debt Affordability Implications

- Legislation removed the requirement that the Maryland Department of Transportation (MDOT) provide a secondary pledge for GARVEES
- Legislation also removed the requirement that GARVEES are considered State debt
- MDOT advises that markets accept GARVEES more readily than when first authorized in fiscal 2005, so MDOT anticipates that these changes minimally affect costs
- Affordability status will be determined by how the GARVEES are structured



Issuance Requirements

- To issue GARVEES, MDOT must
 - Notify the Legislative Policy Committee of any sale 45 days prior to issuance
 - Receive approval from the Board of Public Works
 - Have the Secretary of Transportation approve a resolution that establishes parameters of the bond sale



GARVEES' Uses

- GARVEES may only support
 - Baltimore Red Line
 - Zero-emission buses
 - Southern Maryland Rapid Transit corridor
 - Maryland Route 2 and Route 4 corridor (including the Thomas Johnson Bridge)
 - Maryland Route 90 corridor
 - Interstate 81 corridor

BRE SEPTEMBER ESTIMATES

LONG TERM GROWTH & RELATED INFORMATION FOR CDAC

October 6, 2023

Robert J. Rehrmann

Director

Board of Revenue Estimates

Maryland General Fund Revenues
Fiscal Years 2023 - 2025
(\$ in thousands)

	FY 2023			FY 2024				FY 2025	
	Official Estimate ¹	Actual	Difference	Current Estimate ¹	September Revision	Difference	% Growth	September Estimate	% Growth
INCOME TAXES									
Individual	13,802,924	13,469,498	(333,426)	14,136,587	13,835,608	(300,978)	2.7%	14,447,927	4.4%
Corporations	1,731,940	1,816,002	84,063	1,670,214	1,752,287	82,072	-3.5%	1,697,421	-3.1%
Total	15,534,864	15,285,500	(249,363)	15,806,801	15,587,895	(218,906)	2.0%	16,145,348	3.6%
SALES AND USE TAXES	6,018,016	6,005,249	(12,767)	6,065,428	6,088,255	22,826	1.4%	6,272,763	3.0%
STATE LOTTERY RECEIPTS	636,451	655,388	18,938	637,652	660,641	22,989	0.8%	548,401	-17.0%
OTHER REVENUES									
Business Franchise Taxes	222,983	272,398	49,415	223,722	274,931	51,209	0.9%	278,820	1.4%
Insurance Premium Tax	648,027	682,833	34,805	664,910	693,931	29,020	1.6%	711,930	2.6%
Estate & Inheritance Taxes	268,741	303,713	34,973	229,043	262,756	33,713	-13.5%	280,974	6.9%
Tobacco Taxes	463,766	448,657	(15,109)	424,538	427,441	2,902	-4.7%	413,223	-3.3%
Alcoholic Beverages Excises	35,911	37,171	1,261	35,890	39,142	3,253	5.3%	39,673	1.4%
District Courts	40,269	38,634	(1,635)	42,088	36,490	(5,598)	-5.5%	34,494	-5.5%
Clerks of Court	33,304	28,245	(5,058)	33,186	23,751	(9,435)	-15.9%	23,850	0.4%
Hospital Patient Recoveries	62,300	72,075	9,775	63,200	63,200	-	-12.3%	63,200	0.0%
Interest on Investments	175,000	312,526	137,526	75,000	175,000	100,000	-44.0%	100,000	-42.9%
Miscellaneous	472,228	330,291	(141,937)	398,159	352,111	(46,048)	6.6%	308,592	-12.4%
Total	2,422,528	2,526,543	104,015	2,189,736	2,348,752	159,016	-7.0%	2,254,756	-4.0%
TOTAL CURRENT REVENUES	24,611,858	24,472,681	(139,177)	24,699,617	24,685,543	(14,074)	0.9%	25,221,268	2.2%
Blueprint for Maryland's Future Fund ²	(800,000)	(800,000)	-	-	-	-		-	
Revenue Volatility Cap ³	(100,000)	#N/A		(120,000)	(120,000)	-		(140,000)	
GRAND TOTAL	23,711,858	23,672,681	(39,177)	24,579,617	24,565,543	(14,074)	3.8%	25,081,268	2.1%

¹ The 2023 Legislative Session resulted in revenue adjustments beyond the March 2023 official estimate; this table has been adjusted accordingly

² Chapter 33 of 2022 diverted \$800 million from individual income tax revenues to the Blueprint Fund

³ Established by Chapters 4 & 550 of 2017 and amended by several succeeding Budget Reconciliation And Financing Acts.

Summary of September Changes

Revenue Source	Fiscal Year 2023		Fiscal Year 2024		Fiscal Year 2025
	Actual		Forecast		Forecast
	\$ Change From Estimate	% Growth	\$ Change From Estimate	% Growth	% Growth
Personal Income Tax	(\$333.4)	-0.6%	(\$301.0)	2.7%	4.4%
Corporate Income Tax	\$84.1	6.8%	\$82.1	-3.5%	-3.1%
Sales Tax	(\$12.8)	0.6%	\$22.8	1.4%	3.0%
Other	\$123.0	11.9%	\$182.0	-5.4%	-6.9%
Total General Funds	(\$39.2)	-1.5%	(\$14.1)	3.8%	2.1%

Notes: dollars in millions; amounts may not sum from rounding

Long-term General Fund Forecast (\$ in Millions)

	<u>FY 24</u>	<u>FY 25</u>	<u>FY 26</u>	<u>FY 27</u>	<u>FY 28</u>	<u>FY 29</u>
Sept Estimate	\$24,565.5	\$25,081.3	\$25,769.1	\$26,651.8	\$27,695.0	\$28,692.9
Growth Rate	3.8%	2.1%	2.7%	3.4%	3.9%	3.6%

Difference from March:

Revenues	(\$14.1)	(\$128.0)	(\$267.4)	(\$280.5)	(\$339.6)	
Revenue Volatility Cap	0.0	0.0	233.3	191.7	97.9	
Total Difference	(\$14.1)	(\$128.0)	(\$34.1)	(\$88.8)	(\$241.7)	

- FY 26 and beyond are planning numbers
 - not voted on by Board of Revenue Estimates

What Has Changed Since March?

Two factors typically drive forecast adjustments in September

- Adjustments to closeout above/below expectations
- Changes in the economic outlook
- Economic forecast is largely unchanged and FY 2023 revenues were slightly below expectations.
- Risk Factors
 - Recession (continuing risk factor)
 - Nonwage income, as always
 - Federal government shutdown / sequestration cuts (new risk factor)
 - Post COVID-19 impacts

General Fund Forecast Has Modest Growth Rates

Percentage Growth Pre-Pandemic and Forecast

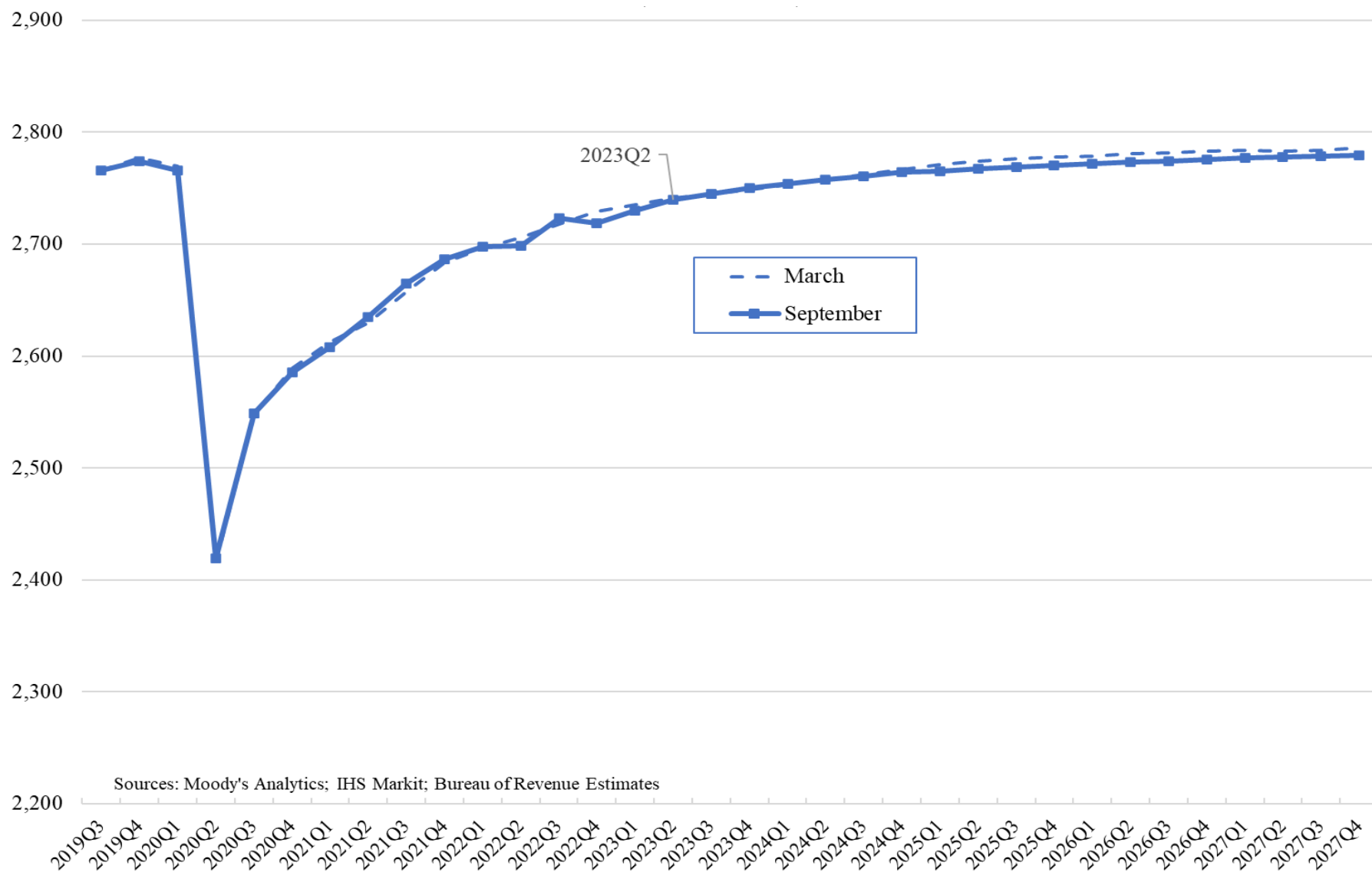


Maryland Economy – Key Points

- Forecast reflects modest growth rates but does not include a recession
- Maryland's economic recovery has generally been slower than the rest of the U.S.
- The new business cycle may look different due to long-term trends and new COVID-19 impacts that are not fully understood
- Employment growth was high in 2021 and 2022 as individuals who lost their job in 2020 were able to regain employment
 - Going forward, job growth slows as both total population growth and the share of those who are employed (labor force participation) are lower than before the pandemic

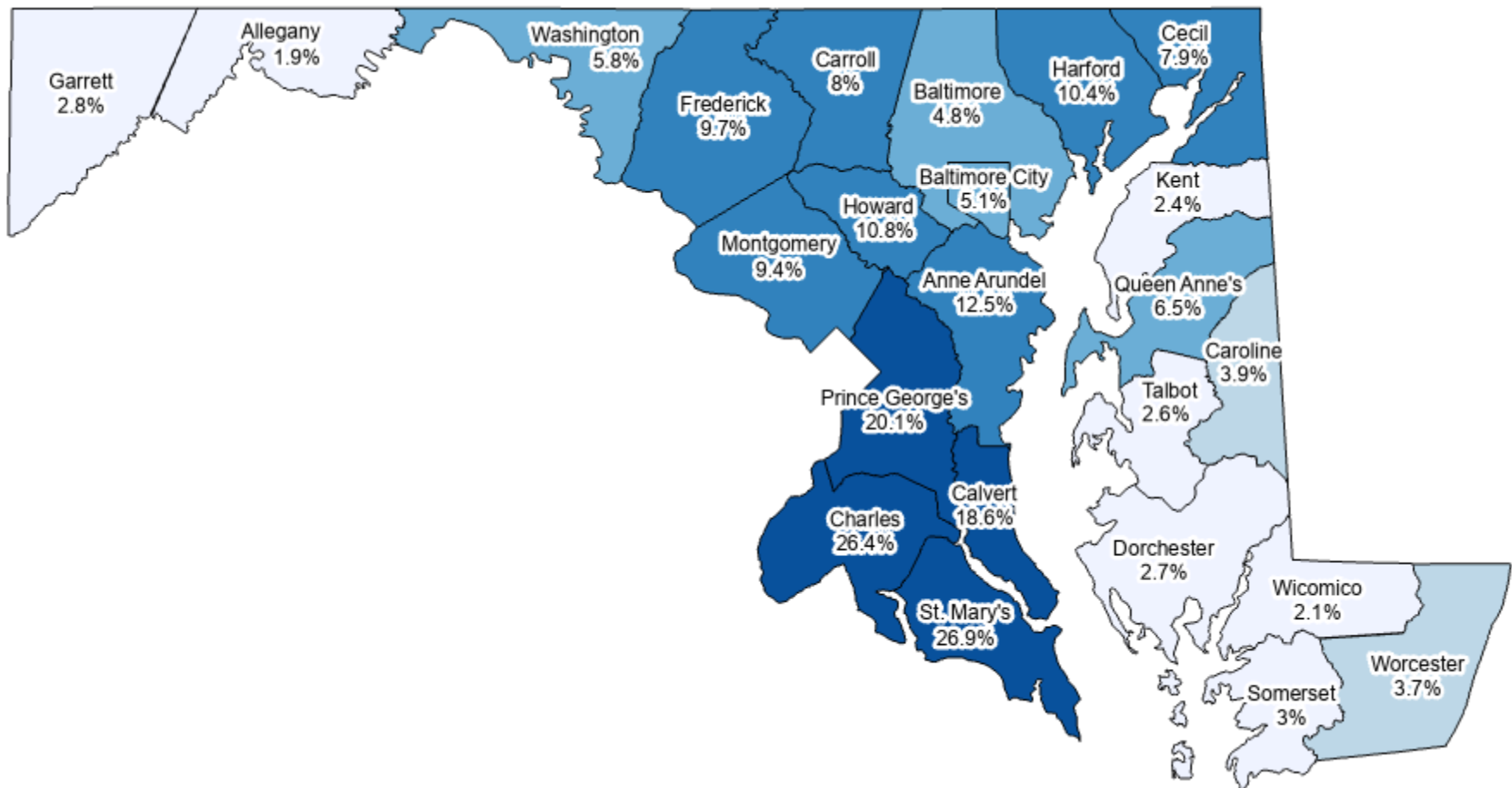
Forecasts of Jobs in Maryland

(Thousands)



One in Nine Maryland Households Report Federal Income

Percentage of Gross Income from Federal Wages or Retirement



Thank You

Robert J. Rehrmann

Comptroller of Maryland

Director, Bureau of Revenue Estimates

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Base Estimates

Capital Debt Affordability Committee – October 6, 2023

Overview

- ▶ The assessable base is provided by SDAT in November and March.
 - ▶ The November assessable base reflects the recently completed reassessment.
 - ▶ The March assessable base 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, 2022

Base Estimate Date: March 31, 2023

(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	3,786,323	20,957	19,702	3,826,982	1,961	10%	3,825,021	8,659
Anne Arundel	98,934,893	154,069	981	99,089,943	41,761	10%	99,048,181	66,569
Baltimore City	43,813,563	222,026	258,256	44,293,844	167,797	10%	44,126,048	221,574
Baltimore	94,611,309	205,195	21,753	94,838,257	61,677	10%	94,776,580	188,505
Calvert	13,244,320	11,892	0	13,256,213	3,311	10%	13,252,902	25,668
Caroline	2,906,358	3,994	0	2,910,352	5,952	10%	2,904,400	7,026
Carroll	22,016,636	45,410	12,209	22,074,255	9,521	10%	22,064,734	16,941
Cecil	11,430,401	50,813	8,375	11,489,589	3,544	10%	11,486,045	26,129
Charles	20,836,358	76,648	1,427	20,914,433	13,858	10%	20,900,575	40,300
Dorchester	3,079,238	28,373	0	3,107,612	1,716	10%	3,105,895	2,643
Frederick	38,001,473	231,510	16,969	38,249,952	24,918	10%	38,225,034	30,520
Garrett	4,748,858	19,951	1,192	4,770,001	1,424	10%	4,768,577	38,744
Harford	30,724,454	82,345	2,891	30,809,689	4,874	10%	30,804,815	63,690
Howard	58,733,332	116,381	32,158	58,881,872	19,402	10%	58,862,470	46,873
Kent	3,064,720	7,019	0	3,071,739	897	10%	3,070,843	2,412
Montgomery	209,549,731	422,612	13,428	209,985,771	92,603	10%	209,893,168	135,643
Prince George's	112,521,059	389,444	9,355	112,919,858	212,985	10%	112,706,873	83,291
Queen Anne's	9,252,674	35,916	0	9,288,590	3,468	10%	9,285,121	8,174
St. Mary's	13,803,789	32,261	0	13,836,050	2,333	10%	13,833,716	19,382
Somerset	1,428,072	5,138	4,573	1,437,782	788	10%	1,436,994	2,041
Talbot	8,964,347	25,883	0	8,990,230	2,371	10%	8,987,859	3,693
Washington	14,066,977	63,589	44,156	14,174,722	20,240	10%	14,154,481	13,483
Wicomico	7,094,131	21,272	5,792	7,121,195	9,719	10%	7,111,476	22,838
Worcester	17,180,701	35,395	288	17,216,384	19,241	10%	17,197,142	8,338
TOTAL	843,793,714	2,308,093	453,505	846,555,313	726,362		845,828,951	1,083,136

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

The Estimated Taxable Assessable Base at the State Level

For the tax year beginning July 1, 2023

Base Estimate Date: March 31, 2023

(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	3,991,323	500	19,801	4,011,624	7,405	10%	4,004,220	8,746
Anne Arundel	102,483,795	162,500	986	102,647,281	63,295	10%	102,583,986	67,235
Baltimore City	45,961,914	50,000	259,547	46,271,461	205,629	10%	46,065,832	223,790
Baltimore	98,111,790	85,000	21,862	98,218,652	104,585	10%	98,114,067	190,390
Calvert	13,807,997	22,500	0	13,830,497	5,773	10%	13,824,724	25,925
Caroline	3,085,268	2,000	0	3,087,268	14,137	10%	3,073,131	7,096
Carroll	23,216,277	50,000	12,270	23,278,547	31,826	10%	23,246,721	17,110
Cecil	11,982,762	15,000	8,417	12,006,179	4,109	10%	12,002,071	26,390
Charles	22,271,831	76,000	1,434	22,349,265	45,124	10%	22,304,142	40,703
Dorchester	3,278,975	2,500	0	3,281,475	5,345	10%	3,276,131	2,669
Frederick	41,070,220	100,000	17,054	41,187,274	87,977	10%	41,099,297	30,825
Garrett	5,301,094	13,000	1,198	5,315,292	20,978	10%	5,294,314	39,131
Harford	32,054,821	45,000	2,905	32,102,726	7,324	10%	32,095,402	64,327
Howard	61,658,116	100,000	32,319	61,790,435	66,307	10%	61,724,128	47,342
Kent	3,168,387	2,400	0	3,170,787	1,892	10%	3,168,895	2,436
Montgomery	218,591,303	275,000	13,495	218,879,798	304,967	10%	218,574,832	136,999
Prince George's	120,148,112	200,000	9,402	120,357,514	307,579	10%	120,049,936	84,124
Queen Anne's	9,619,751	20,000	0	9,639,751	9,248	10%	9,630,503	8,256
St. Mary's	14,540,380	45,000	0	14,585,380	5,583	10%	14,579,797	19,576
Somerset	1,530,437	2,500	4,596	1,537,533	8,566	10%	1,528,967	2,061
Talbot	9,247,271	10,000	0	9,257,271	4,008	10%	9,253,263	3,730
Washington	14,941,806	50,000	44,377	15,036,183	59,543	10%	14,976,640	13,618
Wicomico	7,543,927	14,000	5,821	7,563,748	24,763	10%	7,538,984	23,066
Worcester	18,004,879	15,000	289	18,020,168	62,749	10%	17,957,420	8,421
TOTAL	885,612,439	1,357,900	455,773	887,426,112	1,458,711		885,967,401	1,093,966

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

The Estimated Taxable Assessable Base at the State Level
For the tax year beginning July 1, 2022

Base Estimate Date: November 30, 2022

(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	3,786,323	5,000	19,570	3,810,893	1,961	10%	3,808,932	7,396
Anne Arundel	98,934,893	162,500	976	99,098,369	41,761	10%	99,056,607	63,962
Baltimore City	43,813,563	158,389	257,360	44,229,311	167,797	10%	44,061,515	216,753
Baltimore	94,611,309	175,102	22,139	94,808,550	61,677	10%	94,746,873	184,557
Calvert	13,244,320	25,500	0	13,269,820	3,311	10%	13,266,509	25,474
Caroline	2,906,358	2,500	0	2,908,858	5,952	10%	2,902,906	6,927
Carroll	22,016,636	50,000	12,321	22,078,957	9,521	10%	22,069,436	16,241
Cecil	11,430,401	25,000	8,334	11,463,735	3,544	10%	11,460,191	25,953
Charles	20,836,358	78,764	1,420	20,916,542	13,858	10%	20,902,684	40,185
Dorchester	3,079,238	25,000	0	3,104,238	1,716	10%	3,102,522	2,388
Frederick	38,001,473	125,000	16,984	38,143,457	24,918	10%	38,118,539	30,184
Garrett	4,748,858	14,500	1,186	4,764,544	1,424	10%	4,763,120	38,528
Harford	30,724,454	60,000	2,877	30,787,331	4,874	10%	30,782,456	56,768
Howard	58,733,332	113,653	32,001	58,878,986	19,402	10%	58,859,584	45,342
Kent	3,064,720	2,400	0	3,067,120	897	10%	3,066,223	2,171
Montgomery	209,549,731	276,637	13,363	209,839,731	92,603	10%	209,747,128	129,190
Prince George's	112,521,059	341,247	9,309	112,871,615	212,985	10%	112,658,630	80,504
Queen Anne's	9,252,674	20,000	0	9,272,674	3,468	10%	9,269,205	7,857
St. Mary's	13,803,789	35,000	0	13,838,789	2,333	10%	13,836,456	19,071
Somerset	1,428,072	5,500	4,814	1,438,386	788	10%	1,437,597	1,778
Talbot	8,964,347	26,000	0	8,990,347	2,371	10%	8,987,977	3,240
Washington	14,066,977	27,500	43,944	14,138,421	20,240	10%	14,118,180	13,481
Wicomico	7,094,131	18,950	6,097	7,119,178	9,719	10%	7,109,459	22,258
Worcester	17,180,701	17,000	303	17,198,004	19,241	10%	17,178,762	7,823
TOTAL	843,793,714	1,791,142	452,998	846,037,855	726,362		845,311,493	1,048,031

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

The Estimated Taxable Assessable Base at the State Level

For the tax year beginning July 1, 2023

Base Estimate Date: November 30, 2022

(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	3,961,752	500	19,668	3,981,920	7,482	10%	3,974,438	7,507
Anne Arundel	102,304,314	162,500	981	102,467,795	63,870	10%	102,403,925	64,925
Baltimore City	45,095,970	50,000	258,647	45,404,617	205,191	10%	45,199,426	220,015
Baltimore	98,538,298	85,000	22,250	98,645,548	102,341	10%	98,543,207	187,335
Calvert	13,849,496	22,500	0	13,871,996	5,493	10%	13,866,503	25,857
Caroline	3,082,321	2,000	0	3,084,321	14,188	10%	3,070,132	7,031
Carroll	23,216,187	50,000	12,383	23,278,570	30,967	10%	23,247,604	16,485
Cecil	11,897,816	15,000	8,376	11,921,192	4,073	10%	11,917,119	26,344
Charles	22,246,300	76,000	1,427	22,323,727	45,161	10%	22,278,566	40,790
Dorchester	3,245,205	2,500	0	3,247,705	5,280	10%	3,242,425	2,424
Frederick	40,724,564	100,000	17,069	40,841,633	87,215	10%	40,754,418	30,638
Garrett	5,283,005	13,000	1,192	5,297,197	20,033	10%	5,277,163	39,108
Harford	31,965,967	45,000	2,891	32,013,858	7,248	10%	32,006,610	57,622
Howard	61,658,067	100,000	32,161	61,790,228	66,954	10%	61,723,274	46,024
Kent	3,162,944	2,400	0	3,165,344	1,916	10%	3,163,428	2,204
Montgomery	217,545,858	275,000	13,430	217,834,288	285,142	10%	217,549,146	131,134
Prince George's	119,369,838	200,000	9,356	119,579,194	310,254	10%	119,268,940	81,716
Queen Anne's	9,587,366	20,000	0	9,607,366	8,970	10%	9,598,396	7,975
St. Mary's	14,551,577	45,000	0	14,596,577	5,325	10%	14,591,252	19,358
Somerset	1,522,809	2,500	4,838	1,530,147	8,278	10%	1,521,869	1,805
Talbot	9,338,475	10,000	0	9,348,475	3,811	10%	9,344,663	3,289
Washington	15,053,425	50,000	44,164	15,147,589	59,952	10%	15,087,637	13,684
Wicomico	7,536,753	14,000	6,127	7,556,880	24,590	10%	7,532,290	22,593
Worcester	17,923,242	15,000	305	17,938,547	61,813	10%	17,876,733	7,941
TOTAL	882,661,548	1,357,900	455,265	884,474,713	1,435,549		883,039,164	1,063,804

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

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

	FY2023	FY2024	FY2025	FY2026
	7/1/2022	7/1/2023	7/1/2024	7/1/2025
Real Property Base	846,101,807	886,970,339	918,072,060	945,000,000
Operating Real Property Railroads	453,505	455,773	457,000	459,000
Less: Homestead Credit	726,362	1,458,711	2,829,991	2,829,991
Base Subject to Real Property Rate	845,828,951	885,967,401	915,699,069	942,629,009
Operating Real Property Public Utilities (Subject to Separate Tax Rate)	1,083,136	1,093,966	1,099,000	1,105,000

All figures expressed in thousands

Estimate date: March 31, 2023

Questions



Review of Capital Improvement Program and Funding Demands

Presentation to

Capital Debt Affordability Committee

by

Christina Perrotti

Maryland Department of Budget & Management

October 6, 2023



Presentation Summary

- FY 2024 – 2028 Capital Improvement Program (CIP)
 - GO bond and general fund levels
 - Planned CIP by program area

- Requests by Fiscal Year: FY 2025 – FY 2029
 - Overview of capital funding requests
 - Requests by program area

FY 2024 – 2028 Capital Improvement Program

The CIP plans \$1.205 billion in GO bonds and between \$399 million and \$550 million in general funds annually.

Planned Capital Improvement Program						
	<i>Enacted</i>	FY 2025-2028 Planned CIP				
<i>\$ in '000s</i>	<i>FY 2024</i>	<i>FY 2025</i>	<i>FY 2026</i>	<i>FY 2027</i>	<i>FY 2028</i>	<i>Total</i>
GO Bonds	1,250,071	1,205,000	1,205,000	1,205,000	1,205,000	4,820,000
General Funds	1,160,949	550,001	534,390	399,096	417,433	1,900,920
Subtotal	2,411,020	1,755,001	1,739,390	1,604,096	1,622,433	6,720,920
Federal Funds	269,155	323,408	340,113	283,678	259,697	1,206,896
Other Funds*	1,450,247	853,725	688,357	569,341	589,655	2,701,078
Grand Total	4,130,421	2,932,134	2,767,860	2,457,115	2,471,785	10,628,894

* Other Funds is comprised of special funds and revenue bonds.

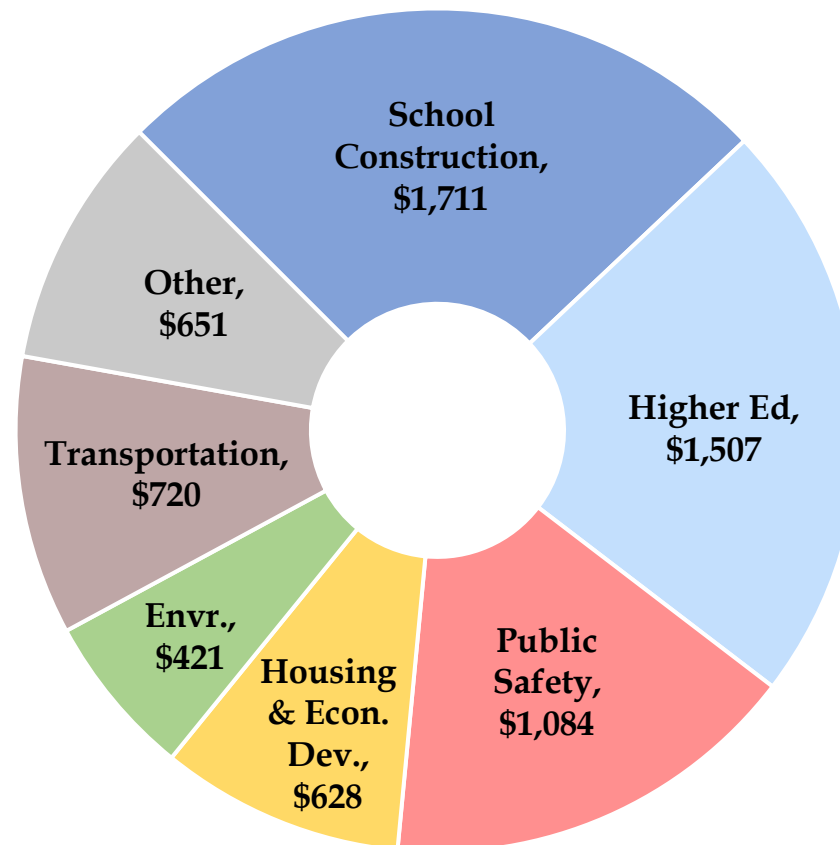
- Update: Downward revised revenue estimates since March 2023 may require redirection of planned general fund PAYGO to operating budget.



Planned CIP by Program Area

GO Bonds and General Funds Planned for FY 2025 – FY 2028

*\$ in
millions*



GO/GF

FY 2025: **\$1.755 b**

FY 2026: **\$1.739 b**

FY 2027: **\$1.604 b**

FY 2028: **\$1.622 b**

Total: \$6.721 b

Requests for Capital Funding (GO and GF) FY 2025 – FY 2029

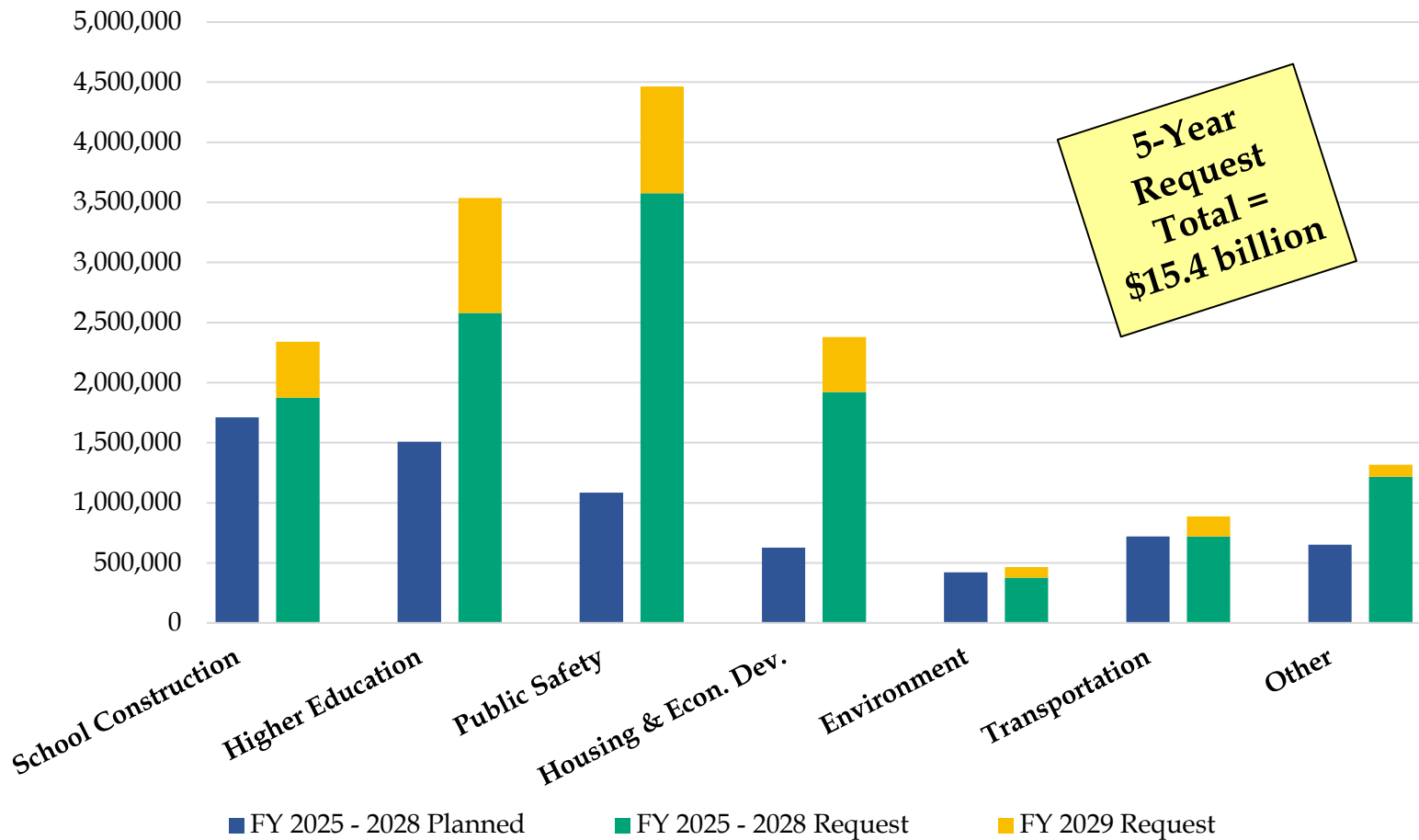
<i>\$ in millions</i>	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	Totals
State-Owned Facilities	1,424	1,832	1,986	1,936	1,756	8,934
Capital Grant Programs	1,393	1,284	1,186	1,225	1,369	6,457
Estimated Request Total	2,817	3,116	3,173	3,161	3,125	15,392
CIP Debt Limit	1,205	1,205	1,205	1,205	N/A	4,820
CIP General Funds	550	534	399	417	N/A	1,900
Requests over CIP	1,062	1,377	1,568	1,539	N/A	7,447

- Requests do not necessarily reflect annual funding demand – DBM analyzes spending capacity to determine true funding need.

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

Misc. Capital Grant Requests: FY 2020 to FY 2024 Annual Average	
Requests to Governor	968
Legislative Initiatives	153

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



INTERAGENCY COMMISSION ON SCHOOL CONSTRUCTION

REPORT TO THE CAPITAL DEBT AFFORDABILITY COMMITTEE



Photo Eric Tate/Peak Visuals

Talbott Springs Elementary School, Howard County
Completed for School Year 2022-2023

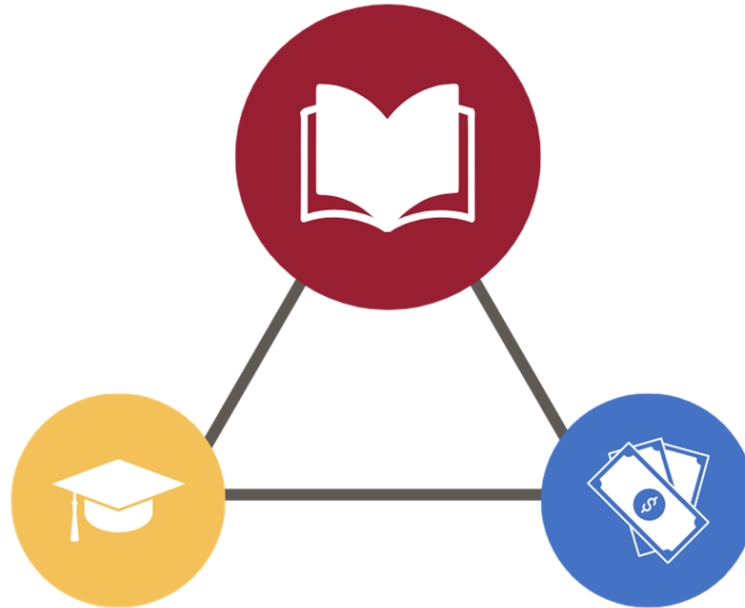
October 6, 2023

Educationally Effective + Fiscally Sustainable

School Facilities Portfolio

Educationally Effective

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

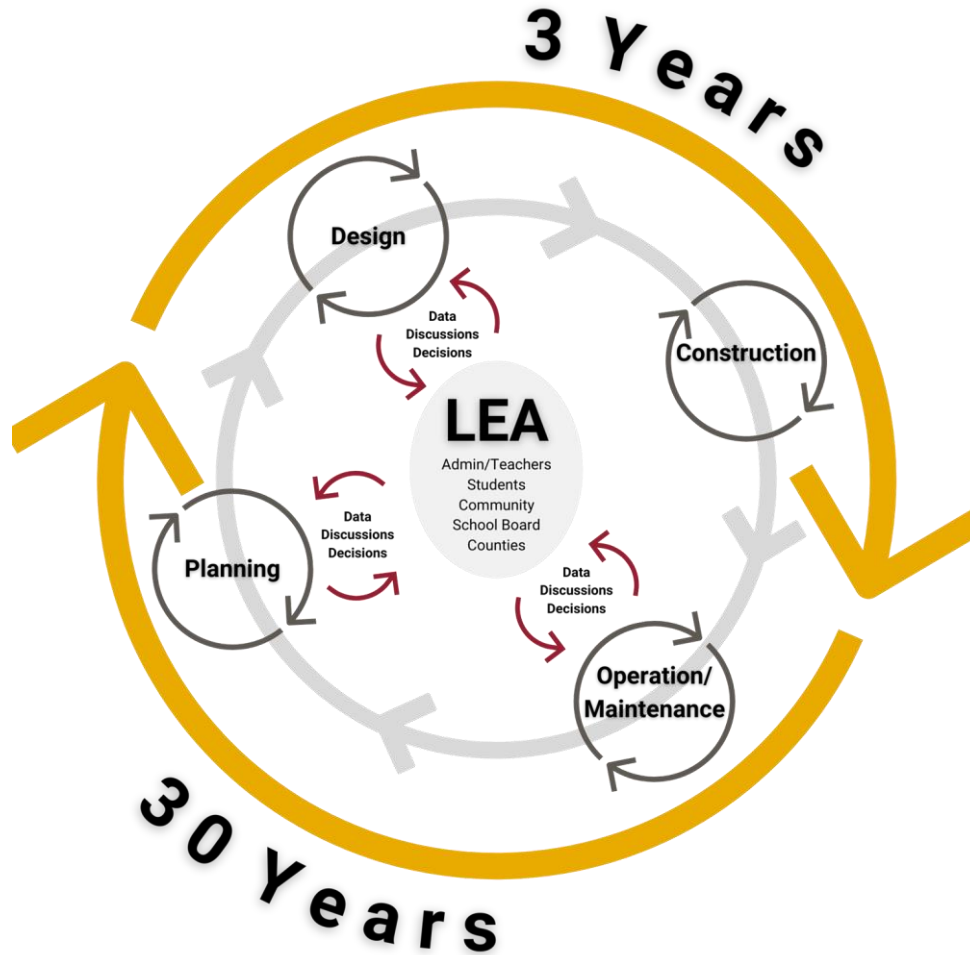


Fiscally Sustainable

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

PK-12 Public School Facilities Quick Facts

1. Number of students (9/30/2022): 852,793
2. Number of schools: 1,370
3. Square feet (SF) within schools: more than 142.1 million
4. Average gross square feet (GSF) per student: 167 (166 FY 23)
5. Replacement Value \approx \$65 B (@ \$458/GSF incl. site development)
6. Annualized Replacement Value (ARV or \$65 B/50 years) \approx \$1.3 B
7. Average age of GSF: 31 years (increase of 7 years since 2005)

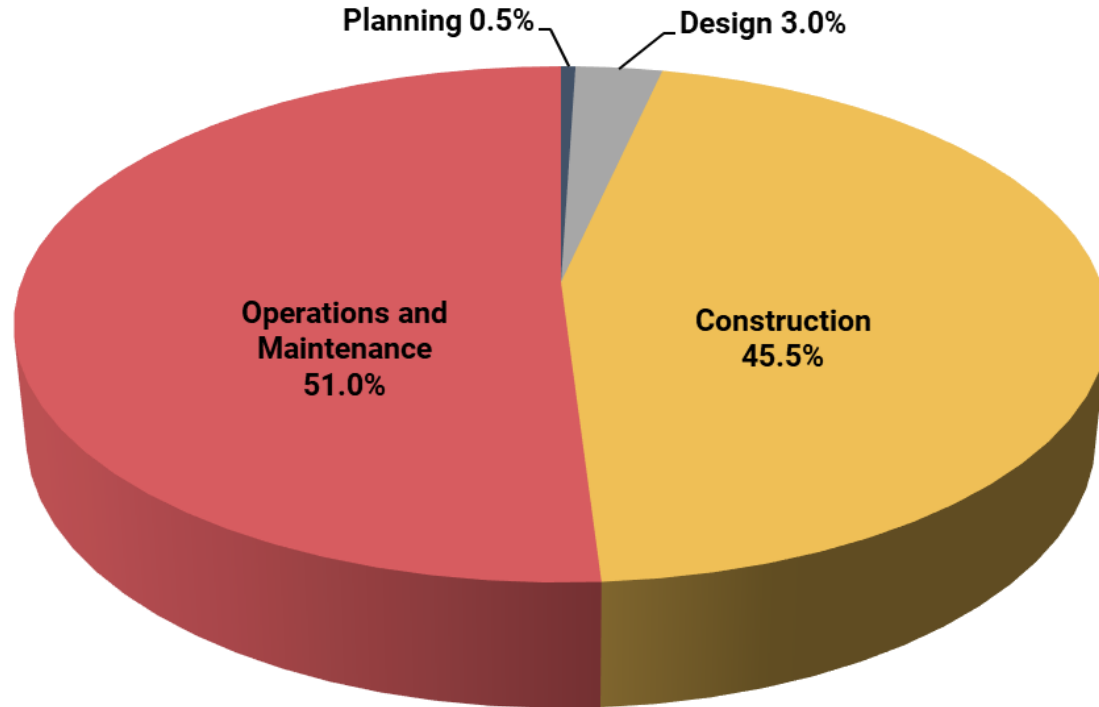


Ownership

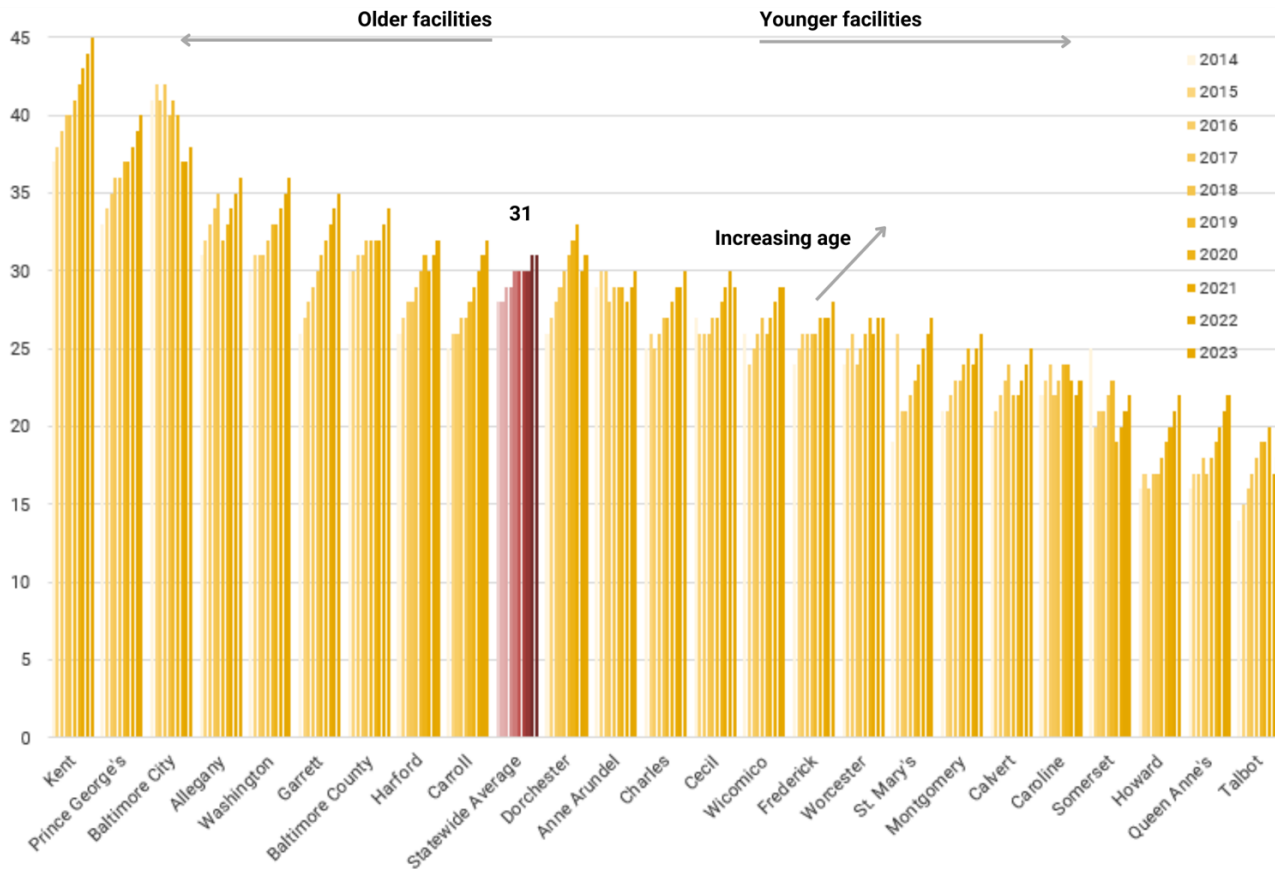
And the Facility
Cycle of Life

Total Cost of Facility

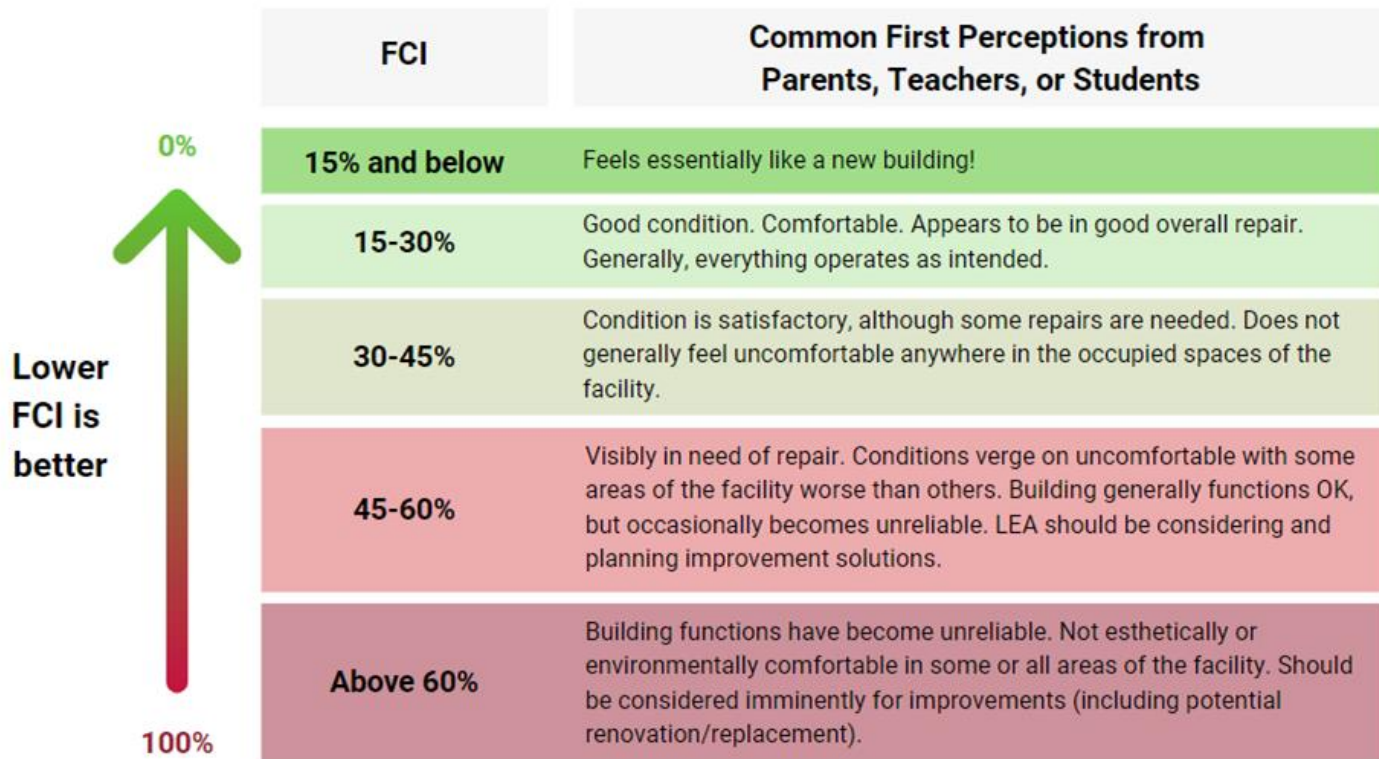
Average Percentage over 30 Years



Maryland Schools Average Age 2014-2023



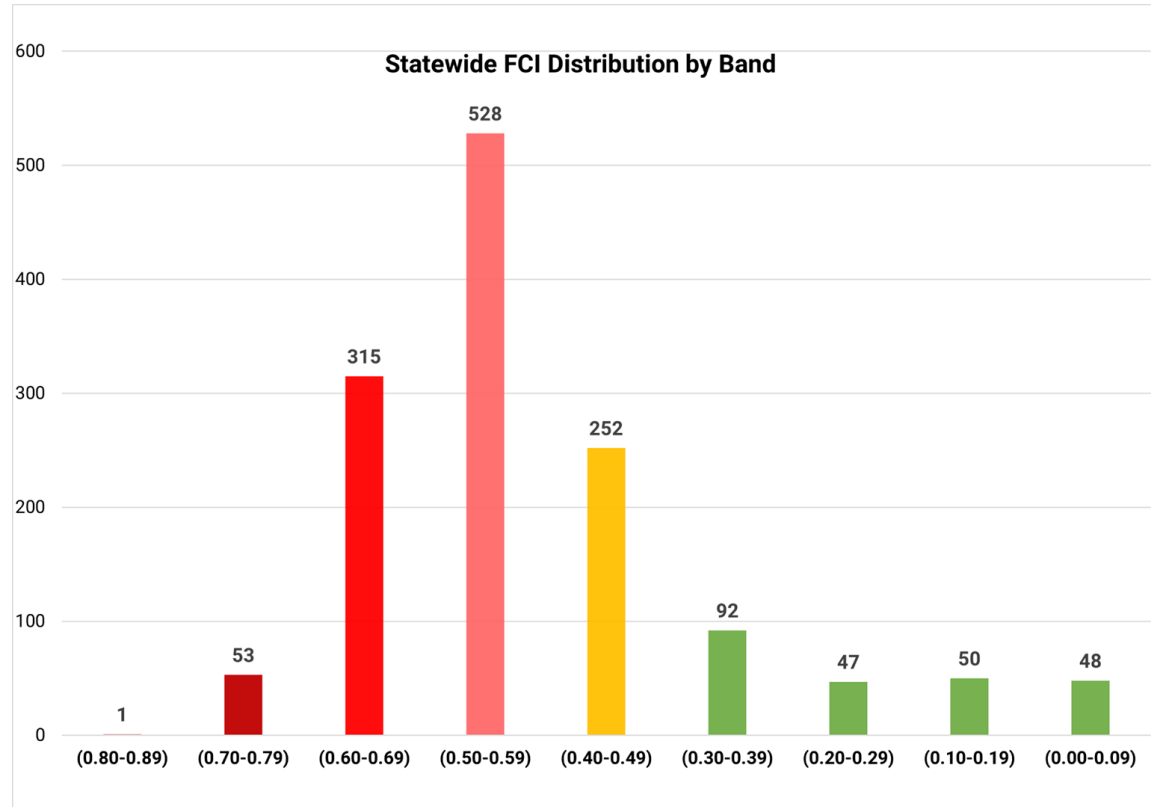
Facility Condition Index Bands



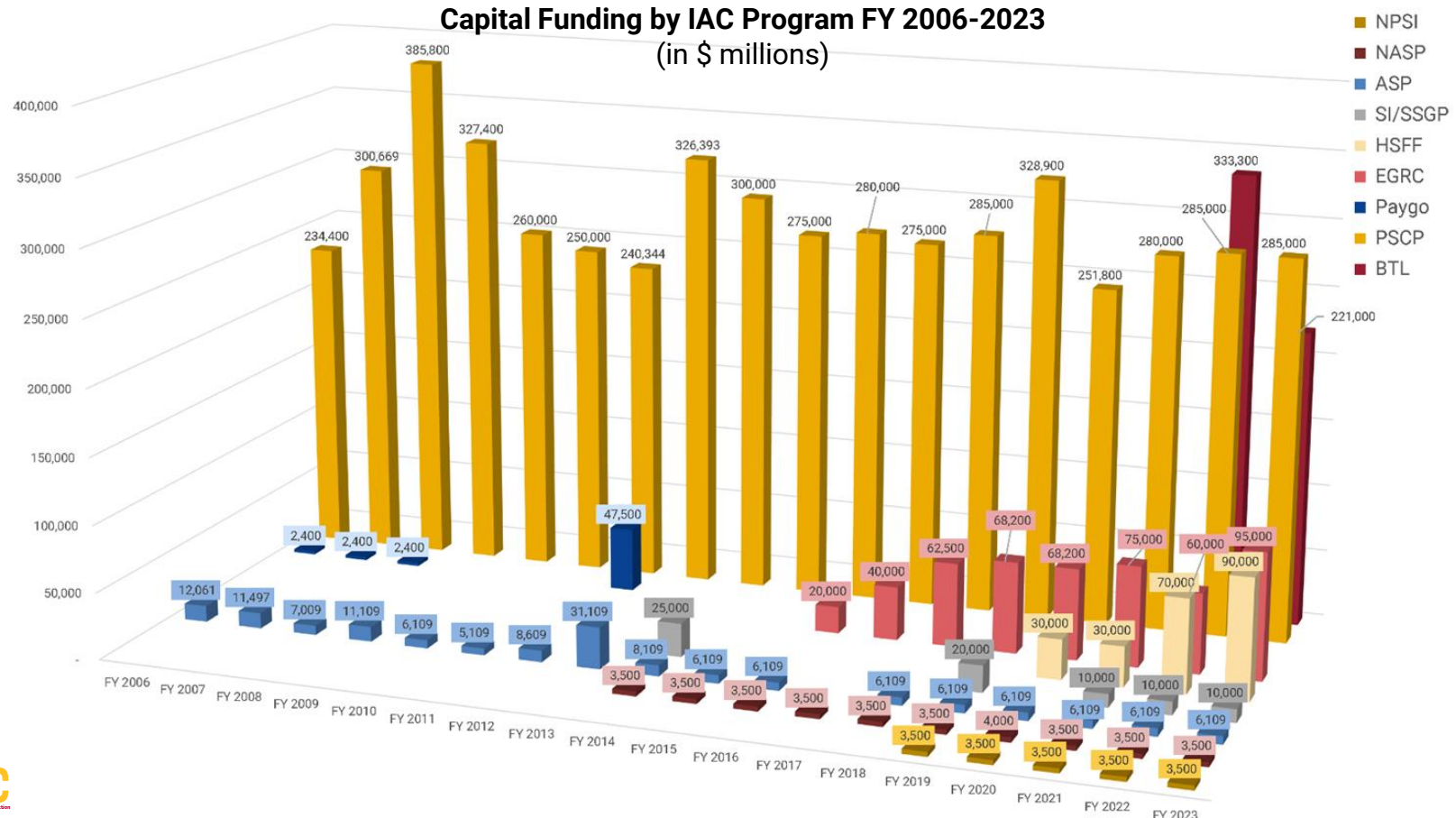
Statewide Facility Condition Distribution by Band

- 1,386 Public PK-12 Facilities*
- Weighted Average Asset Condition (FCI):
48.05% of expected useful lifespan (EUL) depleted

FCI	# of Buildings	% of Buildings
Band 1 (80-89%)	1	0.07%
Band 2 (70-79%)	53	33.82%
Band 3 (60-69%)	315	22.73%
Band 4 (50-59%)	528	38.10%
Band 5 (40-49%)	252	18.18%
Band 6 (30-39%)	92	6.64%
Band 7 (20-29%)	47	3.39%
Band 8 (10-19%)	50	3.61%
Band 9 (0-9%)	48	3.46%
Totals	1386	100%



Capital Funding by Program



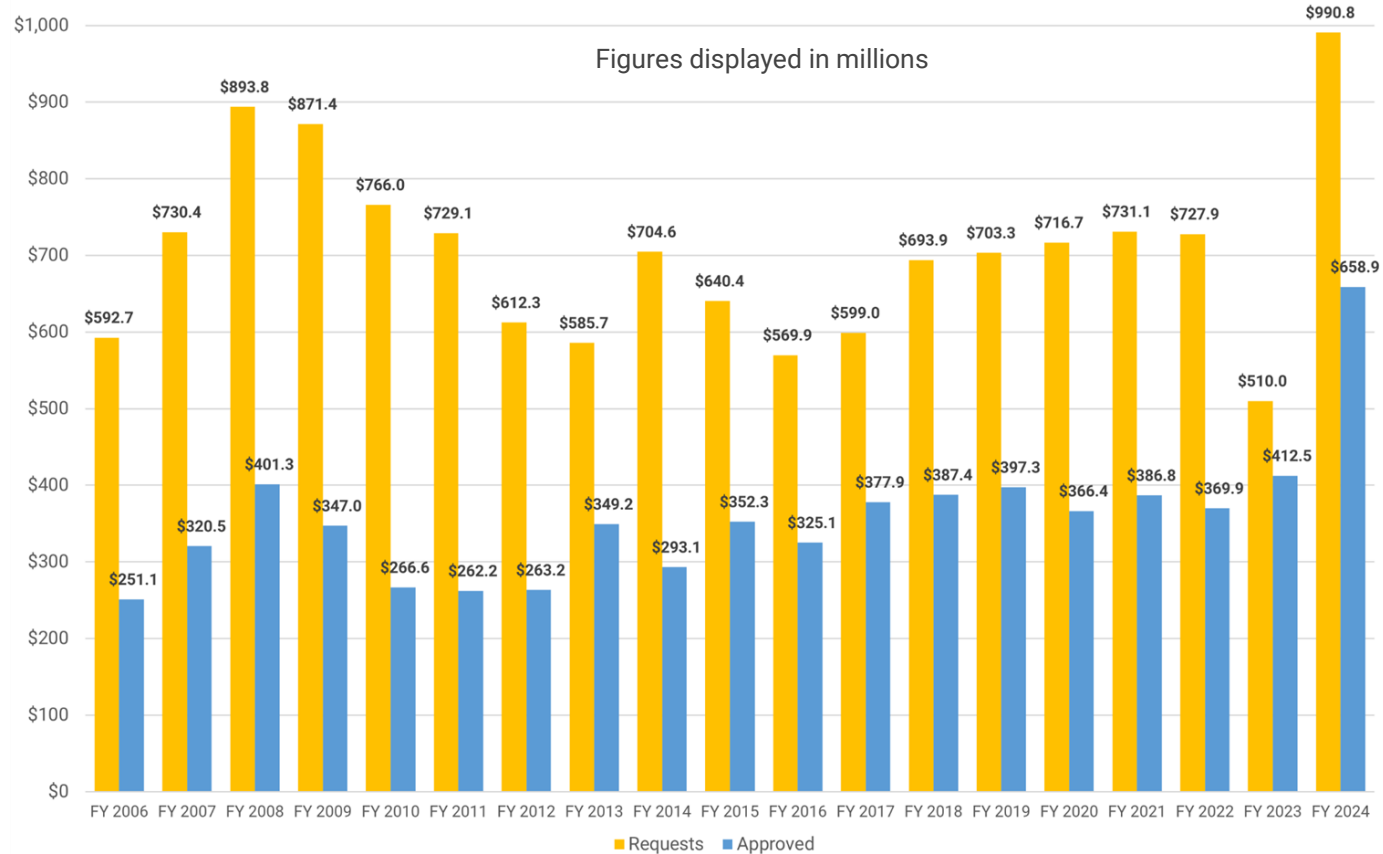
Summary of Known Likely Future State Obligations as of 6/7/2023

Allegany County	\$20,000
Anne Arundel County	\$31,523,262
Baltimore City	\$49,305,000
Baltimore County	\$87,148,000
Calvert County	\$30,898,000
Cecil County	\$59,447,000
Charles County	\$7,666,682
Dorchester County	\$2,153,500
Frederick County	\$75,954,411
Garrett County	\$40,877,000
Harford County	\$31,867,382
Howard County	\$3,011,068
Montgomery County	\$8,965,000
Prince George's County	\$4,812,812
St. Mary's County	\$9,931,505
Talbot County	\$11,518,000
Washington County	\$352,714
Wicomico County	\$37,034,000
Total	\$492,485,336

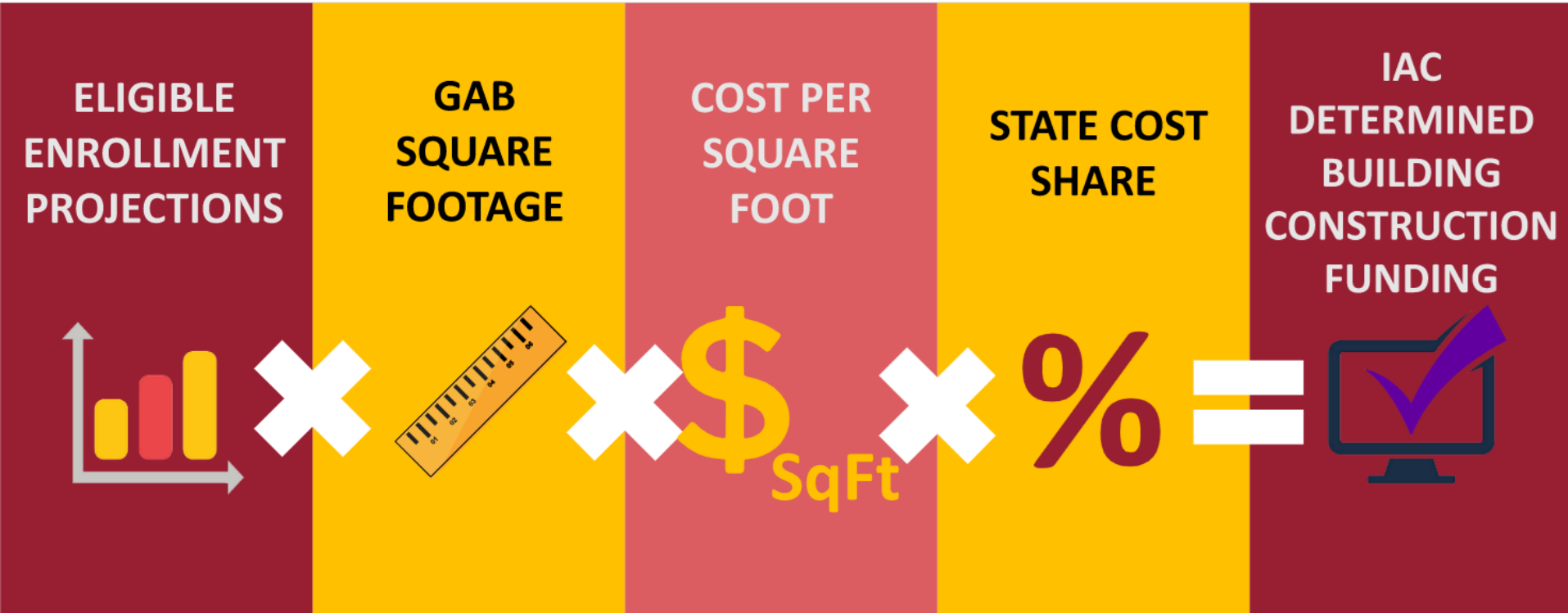
- 1) This table shows CIP projections based upon the IAC's [FY 2024 CIP Publication](#).
- 1) Please note that LEAs *not listed here* have received no IAC project approvals that carry a future State obligation at this time. However, those LEAs are still anticipated to submit annual CIP requests in coming years.
- 1) 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 FY 2024 requests for major construction projects or projects that can be completed in a single fiscal year, such as systemics or some limited renovation projects.

Comparison of Capital Improvement Program Funding Requests to Approved Funding

(excludes other IAC programs)



IAC Project Funding Formula



Construction Cost

- The construction cost per square foot figure is used in the base calculation for the determination of IAC per project funding participation.
- Costs are revised annually by the IAC using market trends and actual samples of new school construction bids.
- This price is not necessarily the actual cost per square foot at which a project will bid.
- Building square foot costs have increased by 79% over the last 10 years.

Bid Date	Building Only	Construction with Site	% of Change from Prior Year
2013 (FY 2014)	\$215.00	\$240.80	4%
2014 (FY 2015)	\$224.00	\$250.88	4%
2015 (FY 2016)	\$233.00	\$260.96	4%
2016 (FY 2017)	\$282.00	\$335.58	21%
2017 (FY 2018)	\$293.00	\$348.67	4%
2018 (FY 2019)	\$302.00	\$359.36	3%
2019 (FY 2020)	\$318.00	\$378.42	5%
2020 (FY 2021)	\$329.00	\$391.51	3%
2021 (FY 2022)	\$341.00	\$405.79	4%
2022 (FY 2023)	\$353.00	\$420.00	3.5%
2022 (FY 2023)*	\$358.00	\$426.00	5%
2023 (FY 2024)	\$385.00	\$458.00	8%
2024 (FY 2025)	\$404.00	\$481.00	5%

FY 2017 Site Cost increased to 19%

*Revised

FY 2024 State School Construction Funding

Programs administered by the IAC received the following funding in **FY 2024**:

Aging Schools Program.....	\$6,109,000 (GO Bonds)
Built to Learn Fund.....	\$447,231,000 (Revenue Bonds)
Healthy School Facility Fund.....	\$90,000,000 (General Funds)
Public School Construction Program.....	\$216,549,000 (General Funds)
.....	\$268,450,784 (Special Funds -
	Fiscal Responsibility Fund)
School Construction Revolving Loan Fund.....	\$20,000,000 (General Funds)
Nonpublic Aging Schools Program.....	\$3,500,000 (GO Bonds)
Supplemental Capital Grant Program.....	\$40,000,000 (General Funds)

FY 2025 State School Construction Funding Needs

“Buckets of Need”

- Deficiencies in condition and educational sufficiency
- Expanded pre-Kindergarten services required under the Blueprint for Maryland’s Future
- Energy-efficiency/decarbonization improvements required to support achieving the State’s adopted climate protection targets.

The following allocations are statutory requirements or legislative targets for the **FY 2025 Capital Budget**:

Target FY 2025 Capital Improvement Program:	\$350,000,000
---	---------------

FY 2025 CIP EGRC Allocation:	
\$40,000,000	

FY 2025 Aging Schools Program Allocation:	\$6,109,000
---	-------------

FY 2025 Local Share of School Construction Revolving Loan Fund:	\$10,000,000
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FY 2025 Healthy School Facility Fund	\$90,000,000
--------------------------------------	--------------

Total:	
\$496,109,000	

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 (projects must be approved by the IAC within the first five years of the program). The IAC has also historically received funding for the nonpublic aging schools program.

21st Century School Facilities Act

(HB 1783;
2018 Md. Laws, Chap. 14)

Implementation Progress

- Required the adoption of standards for educational sufficiency
 - IAC adopted May 31, 2018
- Requires the assessment of the condition and educational sufficiency of all MD PK-12 public school facilities - 100% of site visits completed August 2021; Second round of reassments were completed in August 2023.
- Requires that the IAC provide technical expertise and best practices on school construction
 - Capital Projects Managers provide technical assistance to LEAs
- Created two Workgroups
 - on Educational Development Specifications (11/2018 to 5/2019)
 - on Assessment & Funding of School Facilities (6/2019 to 1/2022)
- Requires that the IAC streamline processes by modernizing its transactional systems which will be accomplished through the development of an online business-management system (core of required integrated master facility asset library)
 - Spring 2022: Kickoff and start of system configuration
 - January 2024: System launch

Built to Learn Act

(HB1; 2018 Md. Laws, Chap. 20;
Md. Const. Art. II, § 17(c))

Implementation Progress

- Took effect February 12, 2021
- Allows the Maryland Stadium Authority (MSA) to issue **revenue bonds to fund school construction projects**
- Provides for MSA to manage projects or delegate to the LEA
- Requires the adoption of a Memorandum of Understanding between the IAC and MSA prior to the issuance of bonds and which will govern the program. **Adopted August 8, 2021.**
- Created the Nancy K. Kopp Public School Facilities Priority Fund
 - Uses the results of the Statewide Facilities Assessment required by Education Article §5-310 to prioritize funding to the schools with the highest needs.
- Makes design costs eligible for State funding participation
- Mandates an increase to Enrollment Growth and Relocatable Classroom (EGRC) funding beginning in FY 2026
- Extended the Assessment and Funding Workgroup to December 2021
- Extended the Healthy School Facility Fund (HSFF)

HB 1290

(2022 Md. Laws, Chap. 32)

Implementation Progress

- Requires the IAC to create an appeal process specifically for approved enrollment projections (in progress)
- Allows the IAC to deduct for adjacent schools only if the sum of available seats in adjacent exceeds 15% of the subject school enrollment (implemented for FY 24 CIP cycle)
- Allows project-specific increases to State cost share (Adopted COMAR changes)
 - Concentration of poverty
 - Maintenance performance
 - Net-zero-energy schools
- Requires update to Gross Area Baselines by 10/1/23 to align with Blueprint including considering space for english-language learners, community schools, collaborative teacher planning, break-out spaces, CTE, and Pre-K (approved by IAC 9/14/23)
- Adds elements to statewide facilities assessment (completed in first refresh cycle)
- Creates TCO Incentive (in development)

We'd love
to hear your questions

