

CAPITAL DEBT AFFORDABILITY COMMITTEE

Nancy K. Kopp, Chair

January 12, 2010

The Honorable Martin J. O'Malley
Governor of Maryland
State House
Annapolis, Maryland 21401

The Honorable Thomas V. M. Miller, Jr.
President of the Senate
Maryland General Assembly
State House
Annapolis, Maryland 21401

The Honorable Michael E. Busch
Speaker of the House
Maryland General Assembly
State House
Annapolis, Maryland 21401

Re: Revised 2009 Capital Debt Affordability Recommendation

Gentlemen:

The Capital Debt Affordability Committee, created pursuant to Section 8-104, *et seq.*, of the State Finance and Procurement Article, is required to submit to the Governor and the General Assembly each year an estimate of the maximum amount of new general obligation debt that prudently may be authorized for the next fiscal year

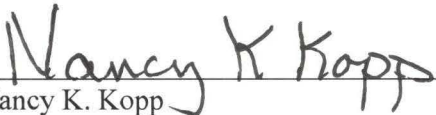
As Chair, I sent a \$990 million conditional recommendation to you in a letter dated September 9, 2009. In that letter, I noted that the Committee intended to reconvene in late December to reexamine the authorization after considering the following:

1. Board of Revenue Estimate's December revenue estimates
2. Options to provide operating budget relief by transferring appropriate expenditures to the capital budget
3. Debt service projections subsequent to the projected refunding and new money bond issuance this fall
4. Possible extension of federal authorizations incorporated in the ARRA, such as school construction bonds and Build America Bonds
5. Any other appropriate issues

The Committee met on December 18, 2009 to consider these issues and circumstances. A recommendation was made to increase the original authorization \$150 million for a revised total of \$1,140 million limit for new general obligation authorizations by the 2010 General Assembly to support

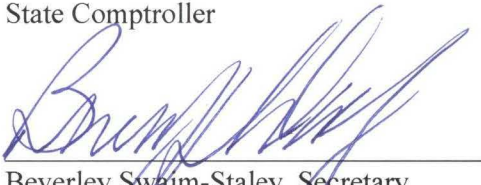
the 2011 capital program. The vote for the revised recommendation was 4-1. The Comptroller voted against the proposed amount and advocated no change to the original \$990 million recommendation.

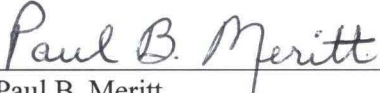
The Committee discussion reflected its clear intent that the increased 2010 authorization and future year recommendations continue to be within the adopted affordability benchmarks of 8% debt service to revenues and 4% debt outstanding to personal income. The Committee recognizes that there are multiple authorization levels and patterns that would result in adherence to the benchmarks, depending on future levels of personal income and state revenue. The Committee's projections for future authorizations will reflect updated revenue and personal income projections and authorization levels to adhere to these affordability benchmarks.


Nancy K. Kopp
State Treasurer
Chair


Peter Franchot
State Comptroller


T. Eloise Foster, Secretary
Budget and Management


Beverley Swaim-Staley, Secretary
Department of Transportation


Paul B. Meritt
Public Member