

**CAPITAL DEBT AFFORDABILITY COMMITTEE ON
RECOMMENDED DEBT AUTHORIZATIONS
FISCAL YEAR 2027**

State Finance and Procurement Article, Section 8 112(e)(4)

Capital Debt Affordability Committee

TABLE OF CONTENTS

EXECUTIVE SUMMARY	5
I. INTRODUCTION.....	7
A. Membership.....	7
B. Duties.....	7
C. 2024 Recommendations and Subsequent Events.....	8
II. TAX-SUPPORTED DEBT - TRENDS AND OUTLOOK.....	9
A. General Obligation Bonds.....	9
B. Transportation Debt (Consolidated Transportation Bonds)	13
C. Lease and Conditional Purchase Financings	16
D. Maryland Stadium Authority	19
E. Bay Restoration Fund Revenue Bonds (Bay Restoration Bonds)	21
III. CAPITAL PROGRAMS.....	24
A. State of Maryland Capital Program.....	24
B. Capital Improvement and School Construction Needs.....	25
IV. CREDIT RATING AGENCY REPORTS	30
A. Rating Agency Update.....	30
B. Overview of Maryland’s Credit.....	30
C. Moody’s 2024 U.S. State Liabilities Report.....	32
V. AFFORDABILITY ANALYSIS.....	33
A. The Concept of Affordability.....	33
B. Affordability Criteria.....	33
C. 2025 Affordability Recommendation.....	33
D. Comparison of Recommendation and Criteria.....	34
E. Comparison of Recommendation and Capital Program	43
F. Affordability Risk Analysis.....	43
VI. PUBLIC-PRIVATE PARTNERSHIPS.....	49
VII. HIGHER EDUCATION DEBT	50
A. Background.....	50
B. CDAC Duties.....	50
C. Size and Condition of Higher Education Debt	51
D. Incorporating Higher Education Academic Debt into the Affordability Analysis..	55
E. 2025 Recommended Authorization for Higher Education Academic Debt.....	56
VIII. APPENDICES	58
Appendix A: History of the Capital Debt Affordability Committee.....	58
Appendix B: History of the Maryland Stadium Authority Financings.....	62
IX. SCHEDULES.....	68
Schedule A-1: Maryland Personal Income and Population	68
Schedule A-2: Maryland State Tax-Supported Revenue Projections	69
Schedule B-1: Proposed General Obligation Authorizations and Estimated Issuances	70
Schedule B-2: Projected General Obligation Authorized But Unissued Debt	71
Schedule B-3: Projected General Obligation Debt Outstanding.....	72
Schedule B-4: Projected General Obligation Debt Service and Sinking Fund	
Payments	73
Schedule C-1: Historical Data – General Obligation Debt	74
Schedule C-2: History of Affordability Ratios	75
Schedule C-3: Historical Data – Department of Transportation Debt	76

EXECUTIVE SUMMARY

The Capital Debt Affordability Committee (CDAC or the Committee), established under Title 8, Subtitle 1, *et seq.* of the State Finance and Procurement Article (SF&P), is charged with reviewing:

1. The size and condition of State tax-supported debt on a continuing basis, and advising the Governor and General Assembly each year regarding the maximum amount of new general obligation debt that may prudently be authorized for the next fiscal year; and
2. Higher education debt and annual estimates concerning the prudent maximum authorization of academic revenue bonds to be issued by the University System of Maryland, Morgan State University, St. Mary's College of Maryland and Baltimore City Community College. SF&P §8-112.

To establish its fiscal year 2027 recommendations, the Committee held three meetings. At the first meeting, the Committee reviewed actions taken by the 2025 General Assembly and the size and condition of tax-supported debt and higher education institution debt. At the second meeting the Committee conducted a review of the baseline affordability ratios and recommendations from an interim workgroup charged with evaluating current issuance assumptions. The Committee also received updates on the State's credit rating, general fund estimates, 2025 assessments and taxation-based revenue estimates, the State of Maryland Capital Program, and public-school construction needs.

At the final meeting on October 16, 2025, the Committee evaluated where current assumptions on revenues, personal income, interest rates, debt issuance, debt service, and bond authorizations place the State in terms of its debt affordability guidelines. The Committee believes that these variables have been assessed prudently. The personal income and revenue estimates reflect the most recent forecast by the Board of Revenue Estimates in September 2025. At this meeting, the Acting Secretary of the Department of Budget and Management (DBM) made a motion to recommend an authorization of \$1.75 billion as the maximum amount of general obligation bonds to be authorized for fiscal year 2027. In light of recent expenditure trends, however, the Administration's motion also acknowledged that the forecasted issuance plans for the State over the next five fiscal years will likely be less than the annual amount of debt authorized, which would result in reduced debt service obligations and lower affordability ratios. The Committee unanimously adopted the Administration's proposal.

In addition to determining and recommending a prudent affordable authorization level for the coming year, the Committee also develops planning assumptions for the State to use in its capital program planning process. The Committee recommended maintaining level authorizations through fiscal year 2031.

The Committee recognizes that there are multiple annual 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 planning assumptions for future authorizations will be reviewed in preparation for the 2026 report as updated fiscal data

becomes available. In addition, personal income projections and authorization levels may be adjusted to adhere to these affordability benchmarks.

Based on its review of the condition of State debt and considering the debt affordability guidelines, the Committee voted unanimously to recommend a limit of \$30 million for new academic revenue bonds for the University System of Maryland for fiscal year 2027. The Committee did not receive any requests for new issuances from Morgan State University, St. Mary's College of Maryland, or Baltimore City Community College.

An electronic version of this report as well as the meeting materials are available on the Treasurer's website at: [Capital Debt Affordability Committee – Maryland State Treasurer](#).

I. INTRODUCTION

A. Membership

The members of the Committee are the State Treasurer (Chair), the Comptroller, the Secretaries of the Department of Budget and Management and Department of Transportation, one public member appointed by the Governor, and as non-voting members, the Chairs of the Capital Budget Subcommittees of the Senate Budget and Taxation Committee and the House Appropriations Committee.

B. Duties

The Committee is required to review the size and condition of State debt on a continuing basis and to submit to the Governor and to the General Assembly by October 20 of each year¹ an estimate of the total amount of new State debt that may prudently be authorized for the next fiscal year. Although the Committee's estimates are advisory only, the Governor is required to give due consideration to the Committee's findings in determining the total authorizations of new State debt and in preparing a preliminary allocation for the next fiscal year. The Committee is required to consider:

- The amount of State tax-supported debt² that will be:
 - Outstanding, and
 - Authorized but unissued during the next fiscal year;
- The capital program prepared by the Department of Budget and Management and the capital improvement and school construction needs during the next five fiscal years, as projected by the Interagency Commission on School Construction (IAC);
- Projected debt service requirements for the next 10 years;
- Criteria used by recognized bond rating agencies to judge the quality of State bond issues;
- The aggregate impact of public-private partnership agreements on the total amount of new State debt that may prudently be authorized for the next fiscal year;
- Other factors relevant to the ability of the State to meet its projected debt service requirements for the next five years or relevant to the marketability of State bonds; and
- The effect of new authorizations on each of the factors enumerated above.

¹ Chapter 298, Laws of Maryland 2019 changed the date from October 1st to October 20th of each year to allow the Committee to consider updated projections from the Board of Revenue Estimates made in September of each year.

² See Appendix A for the Committee's definition of tax-supported debt.

The Committee also continually reviews the size and condition of any debt of the University System of Maryland, Morgan State University, St. Mary's College of Maryland, and Baltimore City Community College; takes any debt issued for academic facilities into account as part of the Committee's affordability analysis with respect to the estimate of new authorizations of general obligation debt; and, finally, submits to the Governor and the General Assembly a recommendation of the amount of new bonds for academic facilities that may prudently be authorized in the aggregate for the next fiscal year by these institutions of higher education.

A complete history of the Committee's membership, duties, debt affordability criteria, definition of tax-supported debt, and authorization increases can be found in **Appendix A**.

C. 2024 Recommendations and Subsequent Events

The recommendations of the Committee to the Governor and the General Assembly for the fiscal year 2026 capital program and the subsequent events related to those recommendations are summarized below.

2024 CDAC Report

The Committee made a recommendation of \$1.75 billion in new debt for fiscal year 2026. In its letter dated October 17, 2024, to the Governor, President of the Senate, and the Speaker of the House, the Committee noted that the motion to recommend \$1.75 billion specifically recognized that authorization levels proposed in the Governor's 2026 capital budget could be adjusted to reflect up-to-date economic and fiscal information.

Based on its review of the condition of State debt and considering the debt affordability guidelines, the Committee recommended a limit of \$30.0 million for new academic facilities for the University System of Maryland for fiscal year 2026.

Authorizations by the 2025 General Assembly

The net general obligation debt authorized for the fiscal year 2026 capital program (effective June 1, 2025) totaled \$1.89 billion, including \$1.75 billion in new general obligation bonds and \$140.1 million in assumed bond premium available for capital project expenditures.

The General Assembly authorized the University System of Maryland to issue \$30.0 million in new Academic Revenue Bonds.

II. TAX-SUPPORTED DEBT - TRENDS AND OUTLOOK

The State of Maryland includes six types of debt in its definition of tax-supported debt: General Obligation Bonds, Consolidated Transportation Bonds, Lease and Conditional Purchase Financings, Maryland Stadium Authority Revenue Bonds, and Bay Restoration Bonds. Although the State has the authority to make short-term borrowings in anticipation of taxes and other receipts up to a maximum of \$100 million, the State has not issued short-term tax anticipation notes or made any other similar short-term borrowings for cash flow purposes. A detailed discussion of each component of tax-supported debt is included in the following pages.

A. General Obligation Bonds

Purpose

General Obligation (G.O.) Bonds, which are limited to a maximum maturity of 15 years per the State Constitution, are authorized and issued to:

- Provide funds for State-owned capital improvements, including institutions of higher education, and the construction of locally owned public schools;
- Fund local government improvements, including grants and loans for water quality improvement projects and correctional facilities; and
- Provide funds for repayable loans or outright grants to private, nonprofit, cultural, or educational institutions.

Security

The State has pledged its full faith and credit as security for its G.O. Bonds.

Current Status

Debt Outstanding as of June 30, 2025: \$9,954,098,995

Amount Authorized but Unissued as of June 30, 2025: \$4,693,595,186

Ratings

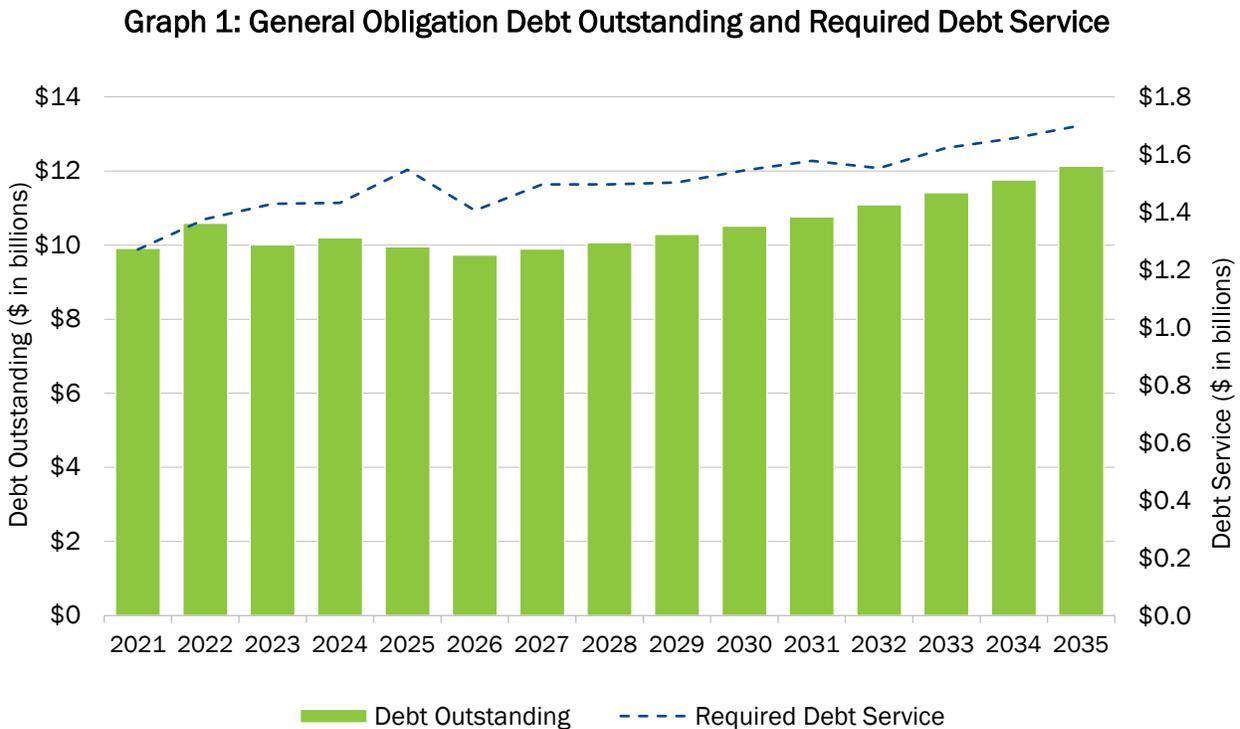
Maryland general obligation bond debt is rated AAA by Fitch Ratings (Fitch) and S&P Global (S&P) and Aa1 by Moody's Ratings (Moody's). S&P and Fitch have rated Maryland's credit AAA since 1961 and 1993, respectively. The one-notch downgrade by Moody's occurred in May 2025, in conjunction with the sale of Maryland's G.O. Bonds State and Local Facilities Loan of 2025 First Series. Despite all three rating agencies highlighting similar credit risks - projected structural budget imbalance in the General Fund forecast and comparatively high liability burden and low reserve fund balance relative to other peer states - Moody's placed a greater emphasis on the risks associated with the State's relationship with the federal government, which is currently facing several funding uncertainties and a recent credit downgrade. Both S&P and Fitch noted the State's solid fiscal structures and long-standing history of prudently responding to budget difficulties as support for affirming the AAA-stable outlook status.

Use of Variable Rate Debt, Bond Insurance, Interest Rate Exchange Agreements and Guaranteed Investment Contracts

The State is authorized to issue variable interest rate bonds in an amount that does not exceed 15% of the outstanding general obligation indebtedness. The State has not issued any variable rate debt and has not executed any interest rate exchange agreements. Due to the State’s high-quality credit, there has been no need for bond insurance. To invest the sinking funds paid on certain Qualified Zone Academy Bonds (QZABs), the State has entered into master repurchase agreements.

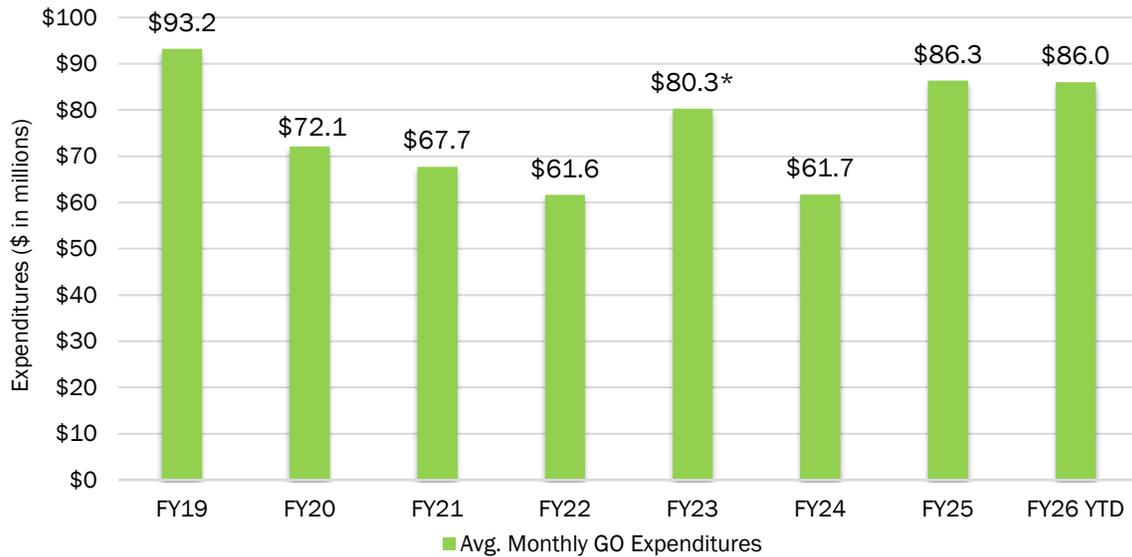
Trends in Outstanding General Obligation Debt

G.O. Bond debt outstanding for the past five fiscal years and projections for the next 10 fiscal years are shown in **Graph 1**. A detailed historical summary of G.O. bond debt activity may be found in **Section IX, Schedule C-1**.



Prior to fiscal year 2022, G.O. bond debt issuances had closely aligned with new project authorizations and annual expenditures. Since fiscal 2022, however, several factors have exacerbated a slowdown in the expenditure of G.O. bond proceeds that, as **Graph 2** illustrates, first began in fiscal 2020. Notably, the State’s decision to allocate an unprecedented amount of its one-time general fund surplus to funding the capital program allowed infrastructure needs to be met without having to issue debt to support the projects. Additionally, resource shortages and lingering pandemic-related supply chain issues limited monthly expenditures, as project schedules were slower to progress.

**Graph 2: Average Monthly Expenditures
General Obligation Bond Proceeds**



* FY23 average monthly spending includes the one-time allocation of \$237M in block grants to LEAs. Absent these funds, average monthly GO spending was \$60.5M.

The slowdown in spending of G.O. bond proceeds continues to have a lingering impact on planned future issuances. Future authorizations considered by CDAC are projected to be issued over a five-year period. The bonds are sold over an extended period as the projects are developed and cash is required to pay property owners, consultants, contractors, equipment manufacturers, etc. In response to a Joint Chairmen’s Report request, a workgroup consisting of the State Treasurer’s Office, the Department of Budget and Management, and the Department of Legislative Services convened in advance of the 2025 CDAC process to analyze the appropriateness of existing issuance assumptions. The workgroup findings are discussed as part of the Affordability Analysis in Section V.

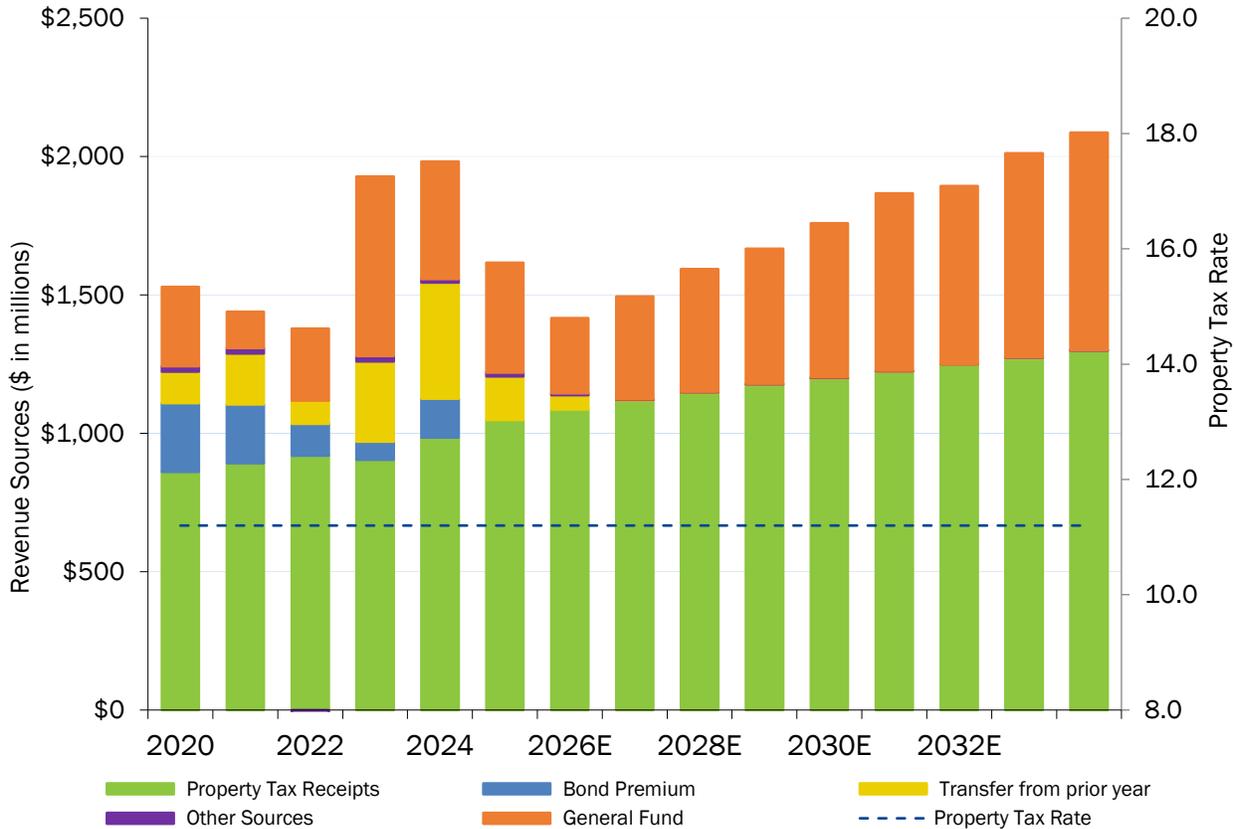
The State Treasurer’s Office and CDAC continue to closely monitor expenditure trends to determine whether additional issuance adjustments will be necessary in the future. The 2025 CDAC recommendation assumed an issuance schedule that more closely aligns with recent expenditure trends. The following table provides a detailed summary of projected General Obligation debt activity based on this assumption.

**Summary of Projected Debt Activity
General Obligation Bonds**
(\$ in millions)

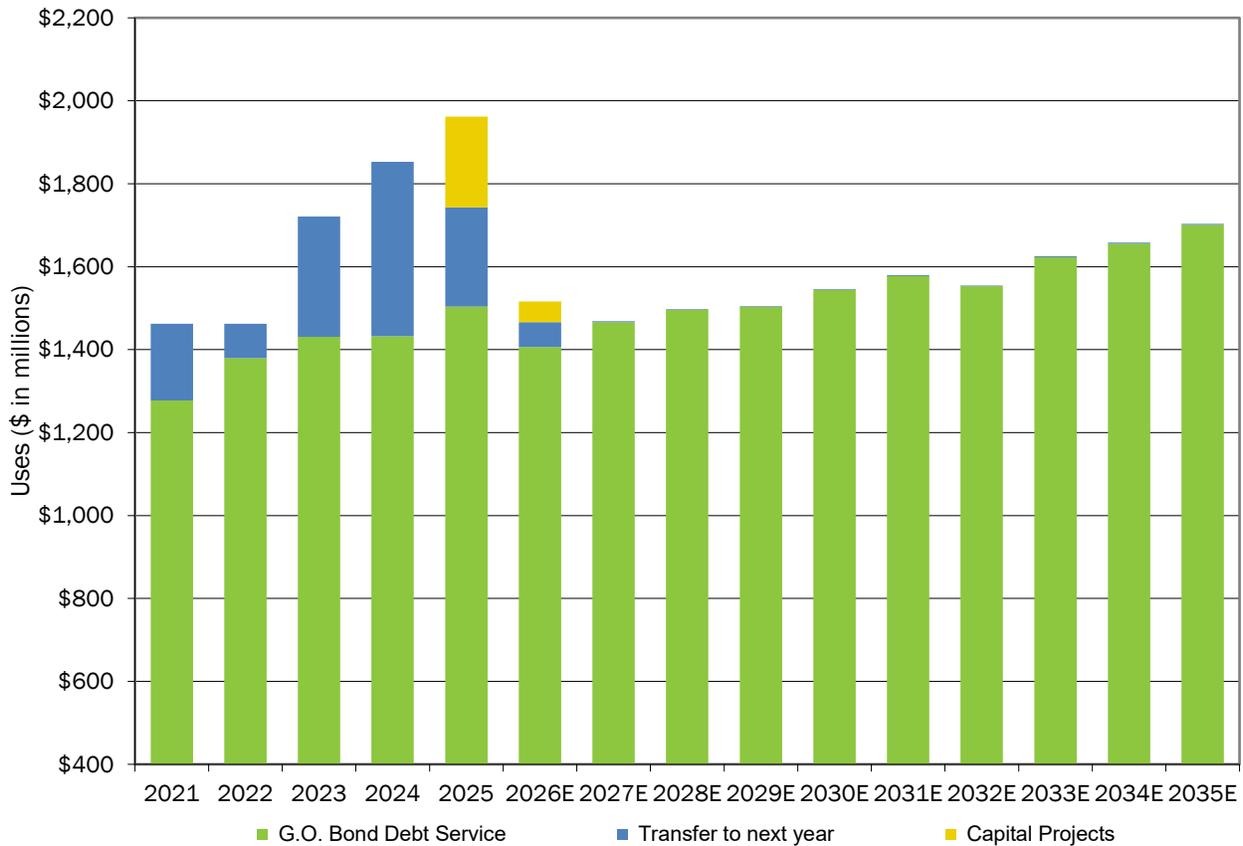
Fiscal Year	Debt Outstanding at Beginning of Year	New Issues	Redeemed	Debt Outstanding at End of Year	Required Debt Service
2025	\$10,195	\$1,557	\$1,798	\$9,954	\$1,547
2026	9,954	800	1,023	9,731	1,406
2027	9,731	1,200	1,041	9,890	1,496
2028	9,890	1,200	1,025	10,065	1,496
2029	10,065	1,240	1,018	10,287	1,503
2030	10,287	1,270	1,045	10,512	1,544
2031	10,512	1,310	1,062	10,761	1,578
2032	10,761	1,350	1,020	11,091	1,553
2033	11,091	1,390	1,071	11,410	1,623
2034	11,410	1,430	1,083	11,757	1,656
2035	11,757	1,480	1,107	12,129	1,701

Debt service for G.O. bonds is paid from the Annuity Bond Fund (ABF). The State Constitution requires the collection of an annual tax to pay debt service and State statute requires that, after considering the balance in the ABF and other revenue sources, the Board of Public Works set an annual property tax rate sufficient to pay debt service in the following fiscal year. **Graphs 3 and 4** depict the sources and uses, respectively, for the ABF for the past five fiscal years and projections for the next 10 fiscal years.

Graph 3: Annuity Bond Fund Revenue Sources



Graph 4: Annuity Bond Fund Uses



B. Transportation Debt (Consolidated Transportation Bonds)

Purpose

Consolidated Transportation Bonds (CTBs) are 15-year obligations, issued by the Maryland Department of Transportation (MDOT) for highway and other transportation projects.

Security

Debt service on CTBs is payable from MDOT's share of the motor vehicle fuel tax, the motor vehicle titling tax, sales tax on rental vehicles, electric vehicle charging, a portion of the corporate income tax, and Transportation Network Company (TNC) impact fees. In addition, certain other receipts of MDOT (including motor vehicle licensing and registration fees and operating revenue of MDOT) are available to meet debt service if these tax proceeds should become insufficient.

Recent changes to the revenue supporting CTBs includes:

- The Budget Reconciliation and Financing Act of 2024 (Senate Bill 362/Chapter 717) added additional pledged taxes effective July 1, 2024, as follows:

- (1) New transportation pledged revenues include sales tax on electricity at EV charging stations; and
 - (2) Transportation Network Company (TNC) Impact Fees on passenger trips.
- The Budget Reconciliation and Financing Act of 2025 (House Bill 352/Chapter 604) added additional pledged taxes effective July 1, 2025, as follows:
 - 1) An increase in the vehicle titling tax; and
 - 2) A 6.5% vehicle titling tax on rental vehicles.

Limitations to Debt Outstanding

The gross outstanding aggregate principal amount of CTBs is limited by statute to \$5.0 billion. The General Assembly may set a lower limit each year, and for fiscal year 2025 the limit is \$2.9 billion. In addition, MDOT has covenanted with the holders of outstanding CTBs not to issue additional bonds unless:

- (1) the excess of Transportation Trust Fund revenues over MDOT operational expenses in the preceding fiscal year is equal to at least twice the maximum amount of debt service for any future fiscal year, including debt service on the additional bonds to be issued; and
- (2) total proceeds from taxes pledged to debt service for the past fiscal year equal at least twice such maximum debt service or, conversely, total debt service cannot exceed 50% of total proceeds from taxes pledged using the debt service divided by revenues convention.

Current Status

Debt Outstanding as of June 30, 2025: \$2,895,050,000

Amount Authorized but Unissued as of June 30, 2025: \$0

A notification for increasing the Debt limit to \$2,933,795,000 was submitted to DLS.

Ratings

CTBs are rated AAA by S&P, Aa1 by Moody's and AA+ by Fitch.

Use of Variable Rate Debt, Bond Insurance, Interest Rate Exchange Agreements and Guaranteed Investment Contracts

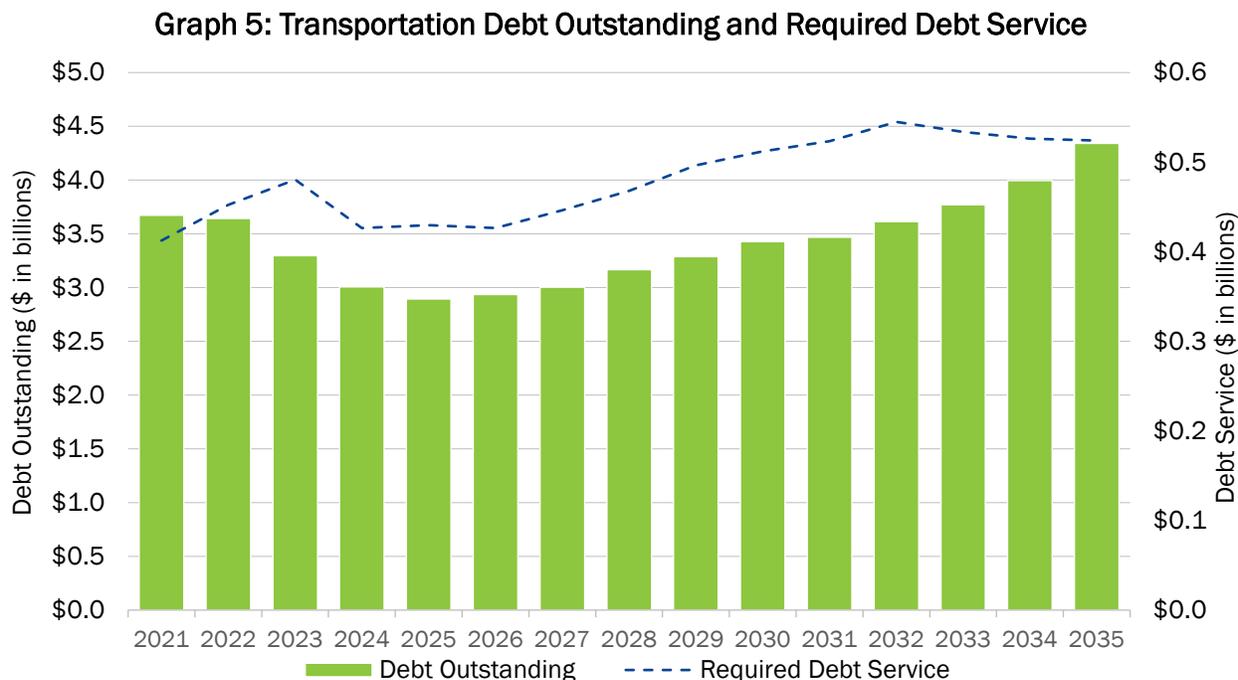
MDOT does not have variable rate debt or bond insurance on CTBs nor does MDOT use interest rate exchange agreements or guaranteed investment contracts.

Trends in Transportation Debt

Historically, MDOT has used a combination of current revenues and bond financing to fund its capital program. Reliance on debt to support capital projects has often varied with revenue performance and cash flow requirements. MDOT typically issues debt at least once per year, but in 2023 and 2024, MDOT did not issue additional debt as it spent its available fund balance. The fund balance was the result of federal relief funds provided to offset revenue losses associated with the COVID-19 pandemic. The majority of federal relief funds were spent in 2024. More recently, MDOT issued debt in June 2025 and held a second debt

issuance in October 2025. MDOT’s debt issuance amounts are forecasted over the next several years to ensure that MDOT continues to meet its debt coverage requirements.

Transportation debt outstanding and required debt service currently projected for the next 10 fiscal years are shown in **Graph 5**. A detailed historical summary of Transportation debt activity may be found in **Section IX, Schedule C-3**.



Projected bond issuances are based on MDOT’s revenue projections, the draft six-year capital budget for transportation projects and adhere to statutory debt outstanding limitations and bondholder covenants. The following table provides a detailed summary of projected Transportation debt activity.

Summary of Projected Debt Activity
MDOT Consolidated Transportation Bonds
(\$ in millions)

Fiscal Year	Debt Outstanding at Beginning of Year	New Issues	Redeemed	Debt Outstanding at End of Year	Required Debt Service
2025	\$3,005	\$200	\$310	\$2,895	\$430
2026	2,895	345	306	2,934	426
2027	2,934	390	321	3,002	446
2028	3,002	500	337	3,165	468
2029	3,165	480	359	3,287	496
2030	3,287	505	367	3,425	512
2031	3,425	415	372	3,469	523
2032	3,469	530	385	3,614	545
2033	3,613	520	364	3,769	534
2034	3,769	570	345	3,994	526
2035	3,994	675	328	4,341	524

C. Lease and Conditional Purchase Financings

Purpose

The State has financed assets using capital leases, energy leases and conditional purchase financings through Certificates of Participation (COPs). In capital lease financing, the State builds an equity interest in the leased property over time and gains title to such property at the end of the leasing period; this financing has been used for the acquisition of both real property and equipment. Under current practice, capital leases for equipment (primarily computers and telecommunications equipment) generally exist for periods of five years or less. Real property capital leases have longer terms (in the range of 20 to 30 years) and have been used to acquire a wide variety of facilities. The State also uses lease-purchase agreements with a maximum term of 30 years to provide financing for energy conservation projects at State facilities. In all leases, the term of the lease does not exceed the economic life of the property.

In June of 2017 the Government Accounting Standards Board (GASB) issued GASB-87 Leases. GASB-87 requires all leases over 12 months to be reported as capital leases and eliminates the classification of an operating lease. The General Accounting Division (GAD), as well as individual State Agencies, have gone through the process of reconciling this new standard as it applies to fiscal year 2022. Following internal analysis and consultation with financial advisors, the Treasurer's Office hosted a workgroup meeting to discuss the impact to the State's debt affordability calculations. The workgroup discussed several scenarios and recommended that CDAC not align with the GASB-87 rule change when calculating capital lease debt affordability and continue to use existing criteria for evaluation.

If a lease meets one or more of the following four criteria it is classified as a Capital Lease and thereby included as tax-supported debt as long as the lease is supported directly or indirectly by State tax revenues:

- The lease transfers ownership of the property to the lessee (user) by the end of the lease term;
- The lease allows the lessee (user) to purchase the property at a bargain price at fixed points in the term of the lease and for fixed amounts;
- The term of the lease is 75% or more of the estimated useful economic life of the property; or
- The present value of the lease payments is 90% or more of the fair value of the property.

State agencies have also made occasional use of COPs, another form of conditional lease purchase debt financing. Some COPs are supported by facility revenues and therefore are not considered to be tax-supported and are not included in the capital lease component of the affordability analysis.

Limitations to Debt Outstanding

Financings described in this section may be subject to statutory limitations such as transportation leases or to various approval processes including but not limited to legislative review and approval by the Board of Public Works.

Current Status

The following table summarizes the tax-supported leases and tax-supported Conditional Purchase Financings with debt outstanding as of June 30, 2025.

Debt Outstanding and Annual Debt Service by Agency (\$ in millions)

State Agency	Facilities Financed	Debt Outstanding	Annual Debt Service
Treasurer's Office	Capital Equipment Leases	\$10.9	\$5.4
	Energy Performance Projects	1.3	2.2
Transportation	MAA Shuttle Buses	15.9	2.1
General Services	Prince George's County Justice Center	6.7	1.5
Transportation Authority	State Office Parking Facility	10.0	1.5
Health	Public Health Lab	72.7	14.0
Health	Headquarters	213.3	0.0*
Total**		\$330.7	\$26.7

* Debt service begins in fiscal year 2026

**Totals may not add due to rounding

Ratings

The Treasurer's Office equipment and energy leases are not rated. However, the MAA Shuttle Bus COPs were rated AA+ by S&P, Aa2 by Moody's, and AA by Fitch. The lease revenue bonds issued for the MDH Public Health Lab were rated AA+ by S&P and Aa1 by Moody's. The lease revenue bonds issued for the MDH Headquarters Project were rated AA+ by S&P and Fitch.

Energy Leases

In accordance with SF&P § 8-104, tax-supported debt does not include capital leases used to finance energy performance contracts if energy savings that are guaranteed by the contractor: 1) equal or exceed the capital lease payments on an annual basis; and 2) are monitored in accordance with reporting requirements adopted by the CDAC (SF&P §8-104). As of June 2011, the payments due under a capital lease used to finance energy performance contracts may not exceed the actual energy savings realized as a result of the contract's performance. (SF&P §12-301). All energy leases adopted before June 2011 that do not have a guarantee are included as tax-supported debt in CDAC's affordability analysis.

The following leases are not included as tax-supported debt in the affordability analysis.

FY 2025 Non Tax-Supported Energy Lease Financings Outstanding (\$ in millions)

Energy Lease Project	Debt Outstanding as of June 30, 2025	Debt Service for FY 2025
State Highway Administration	\$1.8	\$1.8
Maryland Transit Administration	1.3	1.3
Department of Juvenile Services	2.0	0.5
Springfield Hospital	1.3	0.3
MVA Centers	1.0	0.2
Holly Center	3.5	0.6
Thomas B Finan Center	1.8	0.3
DPSCS – Cumberland	7.3	1.1
Total*	\$19.9	\$6.1

*Totals may not add due to rounding

The following leases are included as tax-supported debt in the affordability analysis in **Section V, Tables 1 and 2** because the energy savings were not guaranteed in an amount that was equal to or greater than annual debt service. In some instances, surety bonds are less than the debt service or have been cancelled due to facility closure or cost savings.

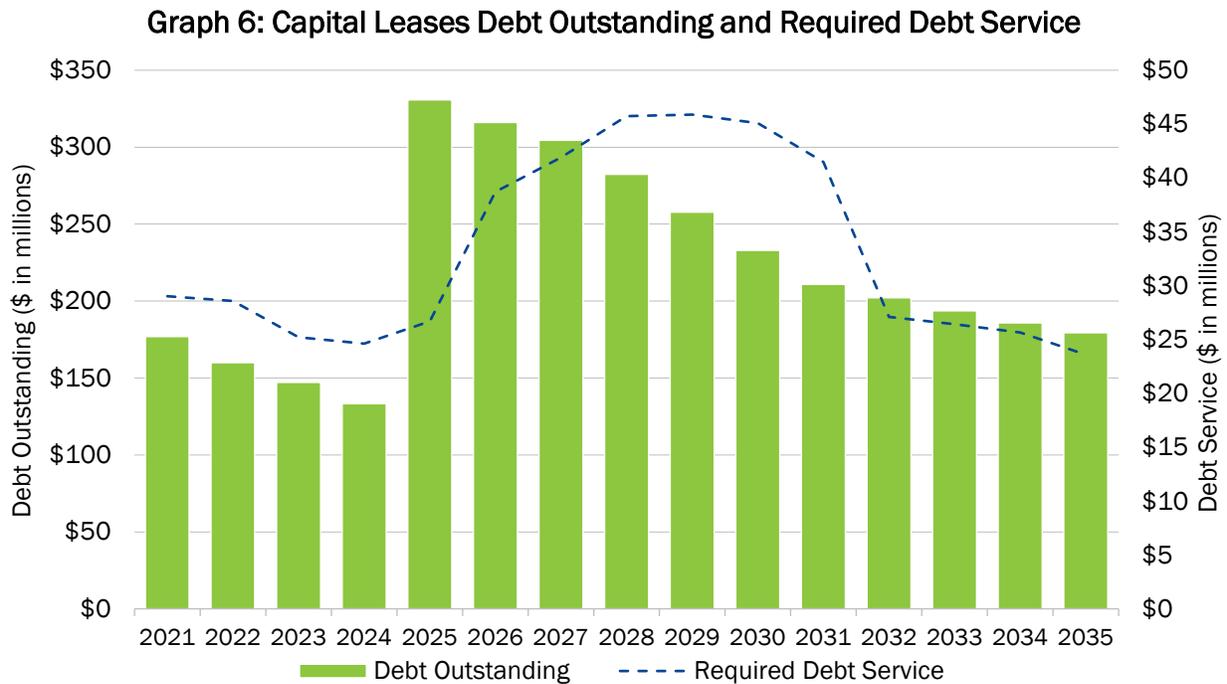
FY 2025 Non Tax-Supported Energy Lease Financings Outstanding
(\$ in millions)

Energy Lease Project	Debt Outstanding as of June 30, 2025	Debt Service for FY 2025
State Police	\$0.0	\$0.2
Maryland Aviation Administration	0.8	1.6
Veteran's Affairs	0.0	0.1
MD Port Administration	0.5	0.3
Total *	\$1.3	\$2.2

*Totals may not add due to rounding

Trends in Lease and Conditional Purchase Financings

Debt outstanding from lease and conditional purchase financings and required debt service for the past five fiscal years and projections for the next 10 fiscal years are shown in **Graph 6**.



Projected financings are based on annual surveys of State agencies. The Department of General Services has advised the CDAC that all the projected energy lease financings will have surety bond guarantees that equal or exceed the debt service payments throughout the term of the lease; therefore, these leases are not included in the CDAC Affordability Analysis.

The following table provides a detailed summary of projected lease and conditional purchase financings.

Summary of Projected Debt Activity
Lease and Conditional Purchase Financings
(\$ in millions)

Fiscal Year	Debt Outstanding at Beginning of Year	New Issues	Redeemed	Debt Outstanding at End of Year	Required Debt Service
2025	\$133	\$3	\$21	\$331	\$27
2026	331	9	24	316	39
2027	316	15	26	304	42
2028	304	9	31	282	46
2029	282	8	32	258	46
2030	258	8	32	233	45
2031	233	8	30	211	41
2032	211	8	16	202	27
2033	202	8	16	194	26
2034	194	8	15	186	26
2035	186	8	14	179	24

*Totals may not add due to rounding

D. Maryland Stadium Authority

Purpose

The Maryland Stadium Authority (MSA) was created in 1986 as an instrumentality of the State responsible for financing and directing the acquisition and construction of professional sports facilities in Maryland. Since then, the MSA's responsibility has been extended to include, among other things, convention centers in Baltimore and Ocean City, a conference center in Montgomery County, and the Hippodrome Theater in Baltimore.

The Baltimore City Public Schools Construction and Revitalization Act of 2013 (Chapter 647 of the Maryland Laws of 2013) assigns responsibility to MSA for the issuance of bonds to finance and manage certain public-school construction and improvement projects in Baltimore City. Additional information is available at <https://mdstad.com/index.php/21st-century-schools>.

The Racing and Community Development Act of 2020 (Chapter 590 of the Maryland Laws of 2020) assigns responsibility to MSA for issuance of bonds to finance the reconstruction of Pimlico Race Course in Baltimore City and Laurel Park in Anne Arundel County.

The Built to Learn Act of 2020 (Chapter 20 of the Maryland Laws of 2021) assigns responsibility to MSA for the issuance of bonds to finance, or finance and manage, certain public-school construction and improvements projects in the State of Maryland. Projects financed through this program are subject to IAC approval.

The Maryland Stadium Authority – Hagerstown Multi-Use Sports and Events Facility (Chapter 353 of the Maryland Laws of 2021) assigns responsibility to MSA for issuance of bonds to finance the acquisition, design, and construction of a minor league baseball stadium in Hagerstown in Washington County.

The Sports Entertainment Facilities Act of 2022 (Chapter 61 of the Maryland Laws of 2022) assigns responsibility to MSA for the issuance of bonds to finance the acquisition, construction, renovation, and related expenses of sports entertainment facilities. The Act also

assigns responsibility to MSA for the issuance of bonds to finance the planning, design, and construction of certain Prince George’s County Blue Line Corridor facilities.

Additional information on MSA’s financings is included in **Appendix B**.

Security

Camden Yards, Ocean City Convention Center, Hippodrome Performing Arts Center, Montgomery County Conference Center, and Hagerstown Multi-Use Sports and Events Facility: Lease rental payments subject to annual appropriation by the State are pledged to pay debt service on certain MSA bonds. Revenues pledged to pay debt service include lottery revenues from certain select lottery games that are transferred to MSA for operations and the State’s lease rental payments, General Fund appropriations, ticket surcharges and other operating revenues.

The Baltimore City Public Schools Construction and Revitalization Act of 2013 and The Racing and Community Development Act of 2020: Lottery revenues have been pledged for other bond issuances including those authorized under the Baltimore City Public Schools Construction and Revitalization Act of 2013. These bonds are not considered tax-supported debt and are not included in the CDAC affordability analysis, and the debt data presented in this report.

Current Status

Debt Outstanding as of June 30, 2025: \$117,800,000

Debt Outstanding and Annual Debt Service by Project

Project	(in millions)	
	Debt Outstanding as of June 30, 2025	Debt Service for FY 2025
Oriole Park at Camden Yards	\$34.4	\$3.3
Ravens Stadium	9.6	10.1
Ocean City Convention Center	18.5	1.7
Camden Station Renovation	-	-
Hagerstown Multi-Use Facility	55.3	3.7
Total *	\$117.8	\$16.7

*Totals may not add due to rounding

Ratings

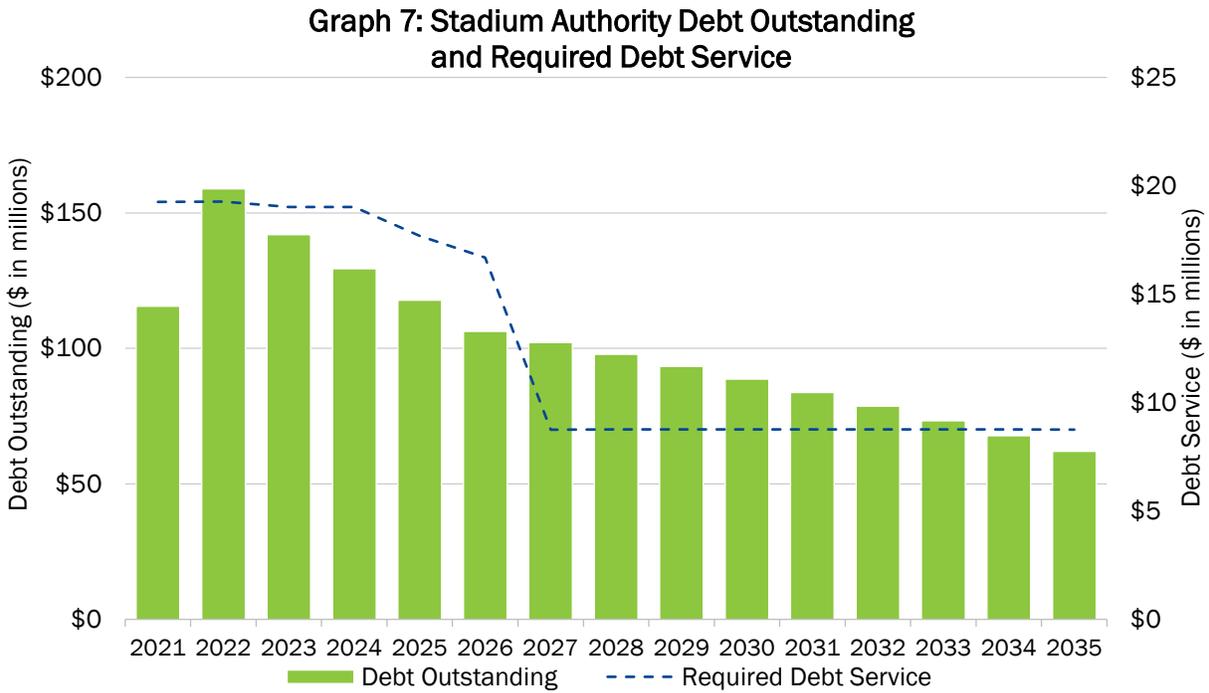
MSA reported its 2025 fixed rate debt had ratings of AA by S&P and AA by Fitch. MSA variable rate bonds, last evaluated in 2007, have a long-term rating of AA+ by S&P, Aa2 by Moody’s, and AA by Fitch. Short-term bonds were rated A1+ by S&P, VMIG1 by Moody’s and F1+ by Fitch.

Use of Variable Rate Debt, Bond Insurance, Interest Rate Exchange Agreements and Guaranteed Investment Contracts

MSA has one outstanding issue of approximately \$6.1 million of outstanding variable rate debt that has been swapped to fixed rate. Barclay’s is the counterparty on the swap.

Trends in MSA Debt

Debt outstanding and required debt service for MSA tax-supported debt for the past five fiscal years and projections for the next 10 fiscal years are shown in **Graph 7**.



E. Bay Restoration Fund Revenue Bonds (Bay Restoration Bonds)

Purpose

Bay Restoration Bonds are up to 15-year obligations authorized by statute to finance grants to water treatment plants for upgrades to remove nutrient loads in the Chesapeake Bay and its tributaries.

Security

Bay Restoration Bonds are secured by a pledge of revenues deposited in the Bay Restoration Fund from a monthly charge of \$5.00 for most Maryland households served by a water treatment plant. The Bay Restoration Fund is administered by the Maryland Water Infrastructure Financing Administration of the Maryland Department of the Environment.

Current Status

Debt Outstanding as of June 30, 2025: \$118,055,000

Ratings

Bay Restoration Bonds were rated Aa2 by Moody’s and AA by S&P.

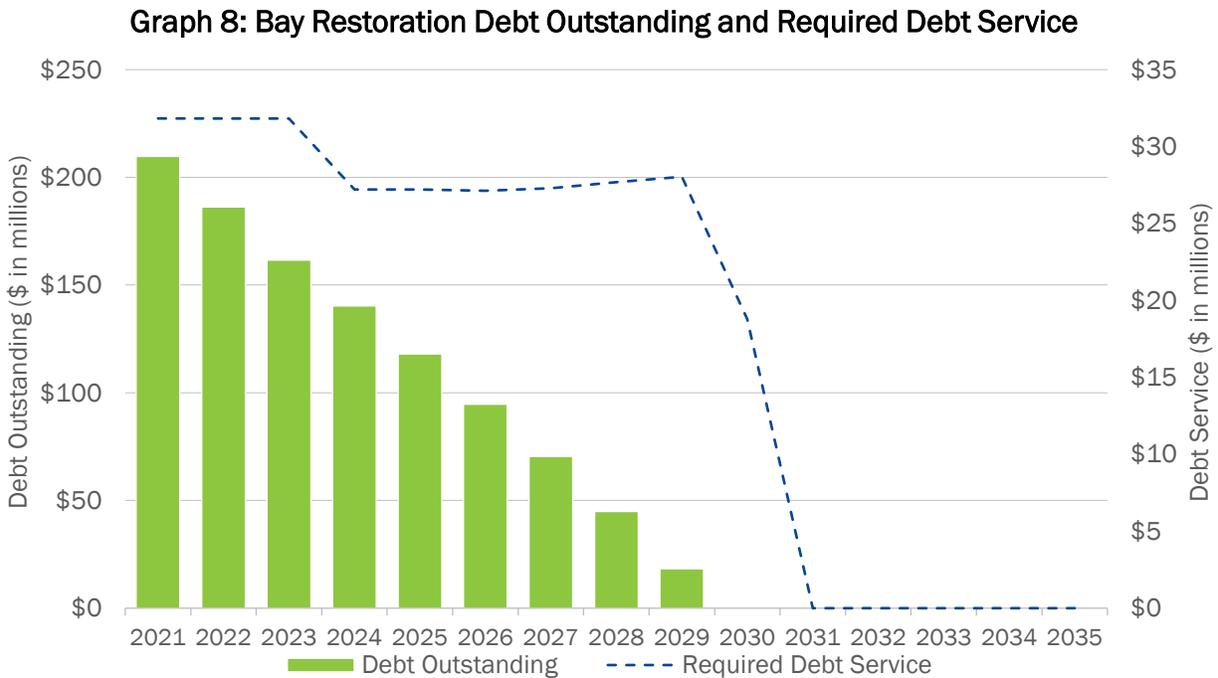
Use of Variable Rate Debt, Bond Insurance, Interest Rate Exchange Agreements and Guaranteed Investment Contracts

The indenture permits the issuance of variable rate debt although none has been issued to date. The structure for the Series 2008, Series 2014 and Series 2015 issues were fixed rate only, with no debt service reserve that may have required guaranteed investment contracts and no bond insurance.

Trends in Bay Restoration Bond Debt

The Maryland Water Infrastructure Financing Administration has issued a total of \$330.0 million over three sales in fiscal years 2008, 2014, and 2016. The most recent sale occurred in December 2015 and totaled \$180.0 million. The bonds received a 2.59% true interest cost.

Bay Restoration Bond debt outstanding and required debt service for the past five fiscal years and projections for the next 10 fiscal years are shown in **Graph 8** below.



The timing and amount of future bond issuances will depend on the fee revenue attained and project cash flow funding requirements as upgrades of water treatment plants proceed. The following table provides a detailed summary of projected Bay Restoration Bond debt activity.

Summary of Projected Debt Activity
Bay Restoration Bonds
(\$ in millions)

Fiscal Year	Debt Outstanding at Beginning of Year	New Issues	Redeemed	Debt Outstanding at End of Year	Required Debt Service
2025	\$140	\$0	\$22	\$118	\$27
2026	118	0	23	95	27
2027	95	0	24	70	27
2028	70	0	25	45	28
2029	45	0	27	18	28
2030	18	0	18	0	19
2031	0	0	0	0	0
2032	0	0	0	0	0
2033	0	0	0	0	0
2034	0	0	0	0	0
2035	0	0	0	0	0

III. CAPITAL PROGRAMS

A. State of Maryland Capital Program

Capital Program Structure

The State's annual capital program includes projects funded from G.O. bonds, general tax revenues, dedicated tax or fee revenues, federal grants, and auxiliary revenue bonds issued by State agencies.

The G.O. bond-financed portion of the capital program consists of an annual Maryland Consolidated Capital Bond Loan (MCCBL). The MCCBL is a consolidation of projects authorized as general construction projects and various Administration-sponsored capital programs, capital grants for non-State-owned projects, and separate individual legislative initiatives.

General Obligation Bond funds are occasionally supplemented with State general fund capital appropriations (PAYGO) authorized in the annual operating budget. The amount of operation funds available for capital projects varies from year to year. Within the past decade PAYGO appropriations have been as low as \$500,000 in fiscal year 2018 or as high as \$2.0 billion in fiscal year 2023.

The operating budget also traditionally includes PAYGO capital programs funded with: (i) a broad range of dedicated taxes, loan repayments, and federal grants such as the State's Drinking Water Revolving Loan Program and the Water Quality Revolving Loan Program; (ii) individual dedicated revenue sources such as the property transfer tax which supports the State's land preservation programs; and (iii) specific federal grants which provide funds for armory construction projects, veteran cemetery expansion projects, and housing programs. In addition, the State's \$167 million mandated contribution to the Washington Metropolitan Area Transit Authority (WMATA) is reflected in the CIP and often funded with PAYGO general funds.

State-Owned Facilities

Requests for improvements to State-owned facilities are expected to exceed \$5.6 billion over the next five years. Higher education, correctional and state facilities managed by the Department of General Services, comprise the bulk of these requests.

State Capital Grants and Loans

State capital grants and loans are allocated to local governments and non-profit organizations. These grants and loans are largely used to provide affordable housing, revitalize neighborhoods and to improve existing or construct new public schools. Grants and loans are also used to address facility needs at community colleges, restore the Chesapeake Bay and improve and expand access to quality health care. Future requests for funding are expected to remain high.

G.O. bond and general fund requests for State capital grant and loan programs are expected to exceed \$7.0 billion over the next five years.

Miscellaneous Capital Grant Requests

Funding requests are also submitted each year by local governments and private nonprofit sponsors to the Governor and members of the General Assembly. These capital grant requests totaled an average of \$1.6 billion annually over the past five years.

Legislative Initiatives

Funding requests are also submitted each year by members of the General Assembly to provide financial support for local programs or projects of statewide interest. These bond requests include capital grants to local governments and private non-profit sponsors to support construction of local public and private facilities. These requests are estimated to total \$1.9 billion over the next five years based on the past five-year average of \$387 million per year.

Summary of Capital Program: Fiscal Year 2027 – 2031

The Department of Budget and Management (DBM) has received approximately \$12.5 billion in capital requests for the next five fiscal years. By contrast, the fiscal years 2026-2030 Capital Improvement Program (CIP) plans approximately \$7.0 billion in G.O. bonds in fiscal years 2027-2030. The CIP assumes \$1.75 billion in available G.O. bond capacity in fiscal years 2026-2030, which aligns with the level recommended by both the Capital Debt Affordability Committee and the Spending Affordability Committee (SAC) for fiscal year 2026. The current CIP also plans \$671 million in general funds for fiscal years 2027 through 2030, primarily to meet the State’s mandated WMATA contribution. The fiscal years 2027-2031 capital program will be released in January 2026 and will depend on the amount of general funds and other non-G.O. bond sources available for capital funding.

FY 2027 – FY 2031 Requests versus Anticipated Funding (\$ in millions)

Current and Anticipated Requests (see Notes)	
State-Owned Facilities	\$5,554
Capital Grant Programs	6,982
Legislative Initiatives	TBD
Total Requests*	\$12,537
CDAC Recommendation	8,750
Difference Between Anticipated Requests and Funding Level	\$3,787

*Totals may not sum due to rounding

Notes: 1) Current and Anticipated Requests includes requests for GO bonds and general funds. 2) The Governor's FY 2026-2030 CIP assumes G.O. bond capacity of \$1.75 billion annually. The calculation of the CDAC Recommendation assumes this level of debt capacity will be sustained through FY 2031. The CIP estimate does not reflect the assumed \$671 million in general fund support planned for the capital program.

B. Capital Improvement and School Construction Needs

In the service of Article VIII of the Constitution of Maryland, the Interagency Commission on School Construction (IAC)’s mission is to achieve a safe, healthy, and educationally sufficient learning environment for every child attending a public school in Maryland. To achieve this outcome, Maryland must operate 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.

To meet the IAC's mission and deliver on the Administration's established priorities, there are five major "buckets of need" for capital funds that must be scoped and addressed for public Pre-K-12 school facilities:

- 1) Maintain sufficient physical condition;
- 2) Maintain educational sufficiency;
- 3) Accommodate projected enrollment growth;
- 4) Expand Prekindergarten (Pre-K) services pursuant to the Blueprint for Maryland's Future; and
- 5) Decarbonize by 2045.

Pursuant to the 2018 recommendations of the 21st Century School Facilities Commission ("Knott Commission") and the requirements of the General Assembly's 21st Century School Facilities Act (Ch. 14, 2018), the IAC completed in 2022 its first-ever assessment of the condition and educational sufficiency of each of the nearly 1,400 public Pre-K-12 school facilities in the state. The baseline assessment found that the average condition of Maryland's public Pre-K-12 school facilities was 47% depleted, which is 10–15 percentage points above a reasonable, educationally sufficient and fiscally sustainable condition level range of 32-37%. Annually, the IAC conducts refresh assessments at around one quarter of Maryland's schools, so that the data for an individual facility is never more than four years old. In FY 2025, IAC staff completed the fourth refresh cycle. The most recent refresh indicates that the average condition of Maryland's public Pre-K-12 school facilities is 52.66% depleted. More than 80% of all Maryland school facilities are at least 45% depleted. More than 40% of facilities are above 60% depleted, which equates to a condition that requires near-term planning for renovation or replacement and can result in unreliable building functions or uncomfortable building conditions.

Based upon the current replacement value and remaining useful lifespans of the nearly 54,000 major-building-system components assessed by the IAC, the State and local expenditures required to steadily bring the average condition up to a potential target average FCI of 35%—a level that should optimize the educational effectiveness and the long-term fiscal sustainability of the facilities—over a 20-year period total about \$2.0 billion per year. Allowing 20% for the soft costs associated with executing the projects required to replace those assets brings the total needed annual expenditure level to an estimated \$2.4 billion per year. Data from MACo suggests that, in FY 2024, school construction spending by LEAs totaled less than \$1.9 billion. The IAC's Statewide Facilities Assessment (SFA) is updated annually to provide the State with current, comprehensive, and comparable data on facility condition and educational sufficiency. With this data, the IAC is working to develop strategies for achieving the portfolio sufficiency and sustainability goals in the IAC's mission that State policy makers may consider as they determine how to prioritize the State's required and desired outcomes and how to determine supporting levels of capital funds to appropriate.

The continually evolving nature of educational programming and practices drives the ongoing need to reconfigure and update aspects of Pre-K-12 facilities over the course of the approximately 60-year expected useful lifespan of a school building. Every school district must expect to spend some money annually to make these alterations where needed. Scoping this area of need is extremely difficult, as it is very complex at the facility and portfolio levels. However, the goals of the Blueprint for Maryland's Future make this an area of facilities

functionality that cannot be ignored. The IAC cannot put specific numbers on the need in this area but the State should be planning to bear some costs each year at the very least to continue addressing existing known deficiencies such as open-plan classrooms still present in older school buildings.

The third bucket of need is the new seats required to accommodate enrollment growth in the pockets where it is projected to occur in the coming years. The Maryland Department of Planning projects that 14 of the 24 counties will see 1.8% or greater total enrollment growth over the coming decade or so. Because not all of the 14 school districts' portfolios are at 100% utilization at this time, existing capacity may accommodate some of this growth in some places. However, some number of new classrooms and schools will be needed. How many and where will depend upon families' decisions in coming years about where to send their children to school and on how the school districts manage both their facilities portfolios and their student-assignment policies. The unpredictability of these factors make it impossible for the IAC to estimate future growth-related costs, so IAC staff are working with each school district to understand their strategies and get a sense of specifically how the LEAs are planning to accommodate projected growth.

Regarding Pre-K expansion, IAC staff developed during 2023 a new methodology for estimating the number of additional Pre-K classrooms that local education agencies (LEAs) are likely to need to provide Pre-K services to all of the 3- and 4-year-old children that the Blueprint requires. IAC staff worked with the LEAs over the course of FY 2024 to apply that methodology, identify the projects needed to create those additional classrooms, and scope the cost of the required facilities changes. Ongoing analysis by IAC staff suggest that the potential cost of needed additional Pre-K space to meet Blueprint requirements and expectations is a range of between \$300 million and \$500 million over the course of the fiscal years 2025–2031. At the average State share of 69% for FY 2027 and FY 2028, the State portion of those costs could be estimated as being \$207 million to \$345 million.

The fifth bucket of need—decarbonization—is extremely challenging to estimate. Because building-performance requirements have not yet been fully identified in State policy, the IAC lacks a sufficient basis on which to form estimates of the potential or likely cost of decarbonizing the state's public Pre-K-12 school facilities. Pre-K-12 school facilities currently are excluded from the climate-protection-related energy-efficiency requirements of the Climate Solutions Now Act (CSNA) of 2022 (Ch. 38). Pursuant to Governor Moore's Executive Order 01.01.2023.07 (May 19, 2023) the Maryland Green Building Council (MGBC) has updated the High-Performance Green Building Program (HPGBP) to mandate that all new and replacement Pre-K-12 school projects align with the State's goal to achieve net-zero greenhouse-gas emissions by 2045. Specifically, the MGBC updated the HPGBP to require full electrification of all new and replacement schools designed in 2027 and following years.

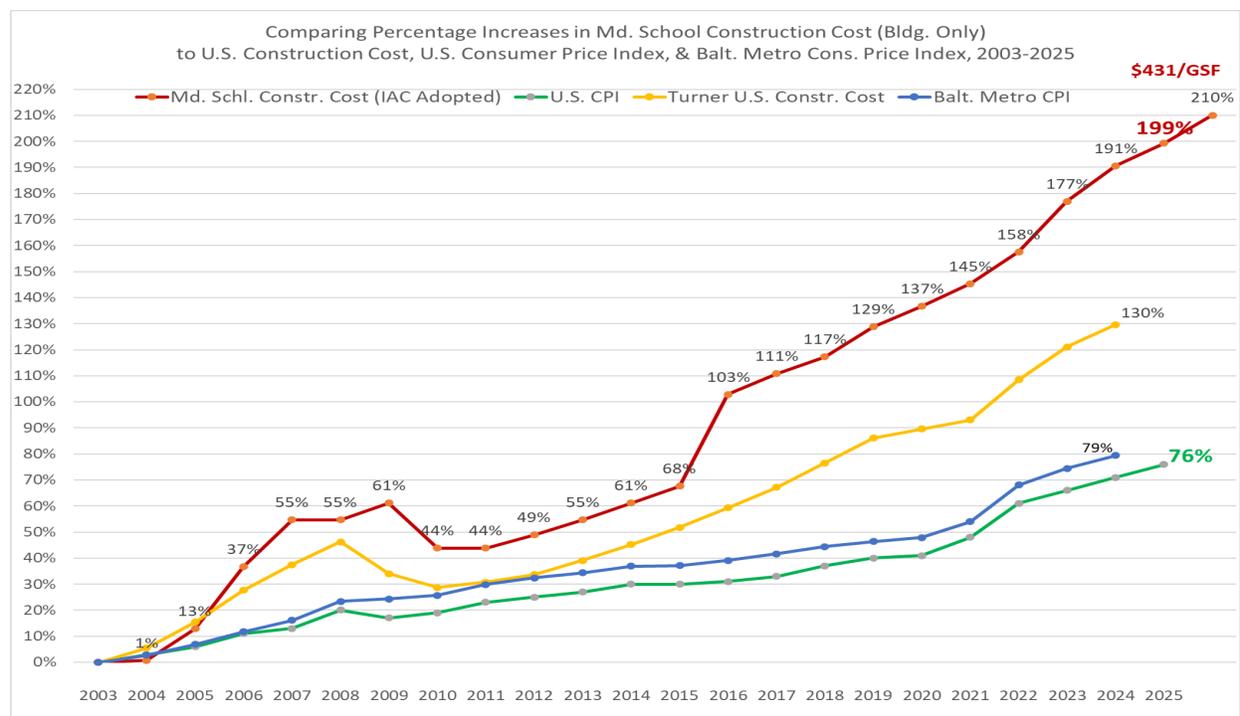
In light of these developments, the IAC is working with the Maryland Energy Administration to develop a standards framework and collect the data required to scope the decarbonization-related need and develop scenarios with various decarbonization trajectories and cost estimates. Until the IAC completes that work, staff cannot provide any estimate of potential future cost associated with decarbonization except to say that it will be sizable. IAC staff are advising LEAs to proactively consider making all new, replacement, and full-renovation school projects either net-zero (NZ) or near-NZ, which would result in an estimated up-front cost increase per project of 5-15% but also result in a reduction in the total cost of

ownership over the lifespan of the facilities due to the savings in operations and maintenance costs. In addition, IAC staff are working to identify the planned and pending projects that may qualify for the statutory +5% State-share add-on for NZ projects under COMAR 14.32.02.07 (Deer Park Elementary School in Baltimore County and Fruitland Elementary School in Wicomico County) and is reviewing three additional projects that LEAs intend to be designed to meet NZ.

The final 2018 report of the Knott Commission recommended that as soon as practicable, the State should increase its school-construction funding to at least \$400 million annually within current debt-affordability guidelines. The 21st Century School Facilities Act provided that funding to meet this goal may be phased in over several years, with refinements to be made to the goals in light of the results from the Statewide Facilities Assessment (SFA). The annual funding goal was updated in 2022’s Chapter 22 to \$450 million.

The IAC’s preliminary estimates of the cost of LEA compliance with the Pre-K-expansion requirements of the Blueprint and the State’s climate-protection initiatives suggest that full compliance is likely to require an increase in school-construction funding beyond recent average annual expenditure levels. Due to the existing statutory State-local cost-share system, some of this cost is expected to fall on the State through the IAC’s capital grant programs. If the IAC’s capital programs do not receive appropriations above recent average annual levels, LEAs’ time-sensitive Pre-K-expansion and climate-protection projects will compete against the LEAs’ large and time-sensitive backlog of condition-maintenance and condition-improvement projects for the same limited set of State capital dollars.

Over the past two decades, significant increases in the cost of school construction in Maryland have further pressured local and State capital budgets. From 2003 to 2025, the cost of school construction in Maryland increased by at least 199% which is 123 percentage points more than the U.S. Consumer Price Index (CPI) inflation and a similar amount more than Baltimore Metro Area CPI inflation.



This doubling in the cost of school construction compared with the economy at large has reduced the purchasing power of local and State capital budgets significantly.

In FY 2026, the IAC's Capital Improvement Program (CIP) received \$300 million in Public School Construction Program (PSCP) funding and \$54 million in Supplemental Capital Grant Program (SCGP) funding. The Governor's FY 2026 Capital Improvement Program proposed an annual funding commitment for the PSCP of \$280 million per year and \$80 million for the SCGP in FY 2027 through FY 2029. This proposed annual funding would be augmented in the short term by the estimated \$121 million in as-yet-unallocated Built to Learn (BTL) Act (Ch. 20, 2020) funds that are expected to come from special revenue bonds to be sold by the Maryland Stadium Authority (MSA) to support school construction. Nevertheless, preliminary estimates by IAC staff suggest that these funding levels will not be sufficient to support the State share of school construction projects that are required during the next few fiscal years, both to meet needs inherent in operating the existing portfolio of facilities and to align with the State's policy goals. The IAC will continue to further refine its cost estimates for each of the five "need buckets" and to provide updated estimates annually.

IV. CREDIT RATING AGENCY REPORTS

A. Rating Agency Update

In May of 2025, as part of the sale of Maryland's General Obligation Bonds State and Local Facilities Loan of 2025, First Series, the State met with analysts from Fitch Ratings, Moody's Ratings, and S&P Global to review Maryland's credit profile. All three rating agencies were provided with a comprehensive update on efforts undertaken by the State to address projected cash and structural imbalances in the near and long-term budget forecasts, a summary of recent economic and revenue trends, and discussion of the potential consequences and efforts to mitigate the impact from recent federal actions targeting state budgets and the Maryland economy.

Subsequent to those meetings, Fitch and S&P retained the State's AAA stable rating. Moody's downgraded the State's debt to Aa1 but with a return to a stable outlook. They had previously assigned the State a AAA rating with a negative outlook in May 2024. Despite the loss of the triple-AAA status, Maryland remains one of only 18 states to have a AAA-rating from at least two of the three major rating agencies.

Changes made to the methodology used by S&P and Moody's to evaluate state credits in 2024 more closely link the State's issuing partner ratings to the overall State credit rating. With the Moody's downgrade to the State's rating, ratings on related bonds, such as the Consolidated Transportation Bond credits and the Bay Restoration Bond credits, were also impacted.

B. Overview of Maryland's Credit

Despite the divergence in ratings, there remains a broad consensus about the State's credit strengths and challenges. An overview of some of those factors follows but should not be considered exhaustive. The rating agencies also frequently issue general research reports pertaining to credit issues and challenges which are available upon request.

Credit Strengths

Strong fiscal and debt management institutions: One of Maryland's greatest credit strengths is its fiscal management, which is supported by strong institutionalized tools. These include the Capital Debt Affordability Committee (CDAC) process, which ensures State tax-supported debt remains within affordable levels; the Board of Revenue Estimates process, which produces a consensus revenue forecast agreed upon by the different branches of government; the Board of Public Works' ability to make midyear spending adjustments; the lack of a supermajority requirement for tax increases; and rapid 15-year amortization of general obligation debt required by the Constitution, among other things.

Record of excellent fiscal management: The State also has a proven track record of proactive fiscal management. Operating budgets are balanced and nearly always passed within the 90-day legislative session, the BPW has made numerous spending adjustments in response to new revenue and expenditure information over the years, and adjustments such as tax increases and reforms to the pensions system have been made when

necessary. Maryland's tradition of proactive cooperation on fiscal matters is a critically important factor in the State's credit rating.

Highly educated population and above average income: The State's population ranks in the top echelon of the U.S. in terms of its educational attainment status and income level, creating a dynamic and reliable revenue base. Policies that help maintain the State's status as highly educated and wealthy are critical to its ability to retain its AAA bond rating.

Credit Challenges

Pensions, debt, and other long-term liabilities: Long-term liabilities in Maryland are considered to be high relative to peer AAA states. The State's debt burden is considered moderate, and the Constitutional requirement to retire debt within fifteen years, though a credit positive overall, leads to higher annual debt service costs. Maryland also directly funds a large portion of school construction needs for its counties, which is unusual among states. The State's pension plans are still below the ideal levels of funded status, though the rating agencies credit Maryland for its 2011 reforms. Taking steps to manage these long-term liabilities while still meeting Marylanders' need for State services is crucial.

Vulnerability to swings in federal spending: The state's economy receives substantial benefits from the proximity to the nation's capital, including a large federal agency presence and associated private contracting. While the strong federal presence can provide a certain degree of stability, exposure to changes in the federal budget that include budget cuts and other forms of retrenchment, pose disproportionate uncertainty for Maryland compared to most other states. This concern was a notable contributing factor in the downgrade by Moody's.

Factors that Could Contribute to a Future Negative Rating Action or Downgrade: All three rating agencies note that continuing budget pressure remain a significant concern for the State's credit. Comparative analysis to other states, particularly with regard to reserve fund balances and projected budget imbalances, featured more prominently in the most recent analyses than in prior years. To the extent that economic and financial deterioration result in deficits, reliance on fund transfers and other nonrecurring budget balancing measures, or insufficient plans for replenishment and structural balance, the State's credit rating could be negatively impacted. Failure to adhere to policies, particularly those relating to addressing pension and other long-term liabilities, is also a noted factor that could result in a negative revision to either the outlook or the rating.

Factors that Could Contribute to an Upgrade: The Moody's Ratings analysis indicates that the State could be considered for an upgrade by demonstrating reduced vulnerability to federal action, outperforming the national pace of real GDP growth, and implementing sustainable measures to eliminate out-year budget gaps linked to education funding or other programs. An upgrade or other positive rating action is not applicable from S&P Global or Fitch, as AAA-stable is the highest possible rating that could be assigned to the State.

C. Moody's 2024 U.S. State Liabilities Report

In September 2025 Moody's released its U.S. State Long-term Liabilities Report for fiscal 2024. This annual report uses various debt measures to compare state debt and pension burdens, which is one of many factors that Moody's uses to determine state credit quality. Selected measures from the report are summarized in the table below. The Moody's calculation of debt outstanding as a percent of personal income will differ from the CDAC calculations due to variances in timing and definitions.

<u>Measure</u>	<u>Maryland</u>	<u>Mean</u>	<u>Median</u>
Net Tax-Supported Debt per Capita	\$2,927	\$1,756	\$1,214
Net Tax-Supported Debt as % of Personal Income	3.7%	2.4%	1.8%
Net Tax-Supported Debt as % of GDP	3.4%	2.1%	1.7%
Net Tax-Supported Debt as % of Own Source Revenue	49.2%	29.4%	23.0%

V. AFFORDABILITY ANALYSIS

The objective of this affordability analysis is to draw a proper balance between two basic interests: the State's capital needs and the State's ability, as measured by the Committee's self-imposed affordability criteria, to repay the debt issued to finance those capital needs.

A. The Concept of Affordability

The ultimate test of debt affordability is the willingness and ability of the State to pay the debt service when due. Apart from revenue sources which are dedicated by law, the allocation of future resources between debt repayment and other program needs is a matter of judgment. A careful and comprehensive determination of affordability should take into consideration the demand for capital projects, the relationship between debt authorization and debt issuance, available and potential funding mechanisms, overall budgetary priorities, and revenues.

The Committee believes that the crux of the concept of affordability is not merely whether the State can pay the debt service; rather, affordability implies the ability to manage debt over time to achieve certain goals. Maryland has a long tradition of effectively managing its finances and debt. The challenge of debt management is to provide sufficient funds to meet growing capital needs within the framework of the State's debt capacity, thereby maintaining high-quality credit ratings.

B. Affordability Criteria

The Committee has self-imposed affordability criteria which are: State tax-supported debt outstanding should be no more than 4.0% of State personal income; and debt service on State tax-supported debt should require no more than 8.0% of revenues.

C. 2025 Affordability Recommendation

At its October 16, 2025 meeting, the Committee voted unanimously on the recommendation for a total of \$1.750 billion for new general obligation authorizations by the 2026 General Assembly to support the fiscal year 2027 capital program. For planning purposes, the Committee also agreed to maintain level authorization amounts through fiscal year 2031, recognizing that this scenario would maintain debt affordability ratios within the CDAC benchmarks of 4% debt outstanding to personal income and 8% debt service to revenues, while alleviating the need to rely on the use of general fund PAYGO to address the State's capital needs. Discussion by the Committee recognized the flexibility afforded to the overall State budget by utilizing the available debt capacity to ensure that infrastructure concerns regarding deferred maintenance, Pre-K-12 construction needs, and the statewide goal of strengthening Maryland's economy through capital investment in housing and community revitalization, higher education facilities supporting research, innovation, and workforce development, and other economic development initiatives could continue to be supported in light of a tightening of available resources.

The Committee recognizes that there are multiple annual authorization levels and patterns that would result in adherence to the benchmarks, depending on future levels of personal income and State revenue. In light of recent expenditure trends, the Committee acknowledged that the forecasted issuance plans for the State over the next five fiscal years will likely be less than the annual amount of debt authorized, which would result in reduced debt service obligations and lower affordability ratios. Although the issuance plans based on more traditional assumptions were also reviewed and deemed affordable, the Committee's forecast reflects issuance plans more closely aligned with recent experience.

The Committee's planning assumptions for future authorizations and issuance plans are reviewed annually and will be updated in preparation for the 2026 report, as updated revenue and personal income projections and authorization levels may be adjusted to adhere to these affordability benchmarks.

Current estimates for personal income and revenues were updated in September 2025 to reflect the Board of Revenue Estimates' September forecast, which both support the recommended authorization and adheres to the affordability criteria. Schedules of Personal Income and Revenues are in **Section IX, Schedule A-1 and A-2**, respectively. The Committee reviewed these estimates as well as assumptions for interest rates, authorizations, and issuances at its meetings on September 30th and October 9th. The Committee believes that revenues, personal income, and interest rates have been prudently estimated. Any variation to the assumptions for revenues, interest rates, and projected activity in tax-supported debt issuance could directly impact the amount of future tax-supported authorizations and issuances. The virtue of the annual CDAC process is the ability, if needed, to adjust authorizations and issuance plans in future years should forecasts of personal income and revenues decline or if projections for debt service or expenditure trends rise because of increases in interest rates.

D. Comparison of Recommendation and Criteria

To analyze the relationship of the Committee's recommendation for general obligation debt to the affordability criteria, each component of tax-supported debt and debt service has been examined.

Debt Outstanding

Total tax-supported debt declined by over \$1.5 billion between the recent peak of \$14.7 billion in fiscal 2022 and fiscal 2026, as older debt redemptions outpaced new issuances due to availability of alternate funding sources to support the State's capital needs. The increase between fiscal 2026 and 2035 in **Table 1** below is primarily the result of a return to reliance on debt issuances for general obligation bonds and consolidated transportation bonds, as federal and general fund support for capital expenses have been exhausted. Total general obligation debt outstanding increases from \$13.2 billion in fiscal year 2026 to \$16.7 billion in fiscal year 2035. Debt outstanding on Maryland Stadium Authority bonds and Bay Restoration Bonds are projected to decline through fiscal year 2035, with all current Bay Restoration Bond debt retired by fiscal 2029.

Debt Outstanding as a Percent of Personal Income

The ratio of debt outstanding to personal income reflects the State's reliance on revenues (sales tax and income tax) that are primarily based on consumption and income. Debt outstanding is measured as of the fiscal year end and personal income is measured as of the calendar year end. For example, the fiscal year 2025 ratio is calculated using debt outstanding as of June 30, 2025 and personal income is projected as of December 2024.

The ratio of State tax-supported debt outstanding to personal income (**Table 1**) is projected to be 2.50% in fiscal 2026 and steadily decrease to 2.24% by fiscal 2035. At all times, the ratio remains below the affordability criterion of 4.0%.

**State Tax Supported Debt Outstanding
Components and Relationship to Personal Income**

Table 1

State Tax Supported Debt Outstanding (\$ in thousands)

Fiscal Year	General Obligation Bonds (a)	Consolidated Transportation Bonds	Capital Leases (b)(c)	Stadium Authority	Bay Restoration Bonds	GARVEE Bonds	Supported Debt Outstanding
2021	\$ 9,912,928	\$3,672,330	\$176,849	\$115,566	209,715	-	\$14,087,388
2022	10,588,592	3,643,475	159,994	158,926	186,245	-	14,737,232
2023	10,001,237	3,297,030	147,086	142,020	161,605	-	13,748,978
2024	10,195,237	3,004,910	133,263	129,470	140,360	-	13,603,240
2025	9,954,098	2,895,050	330,688	117,795	118,055	-	13,415,686
2026	9,730,606	2,933,795	315,959	106,320	94,715	-	13,181,395
2027	9,889,708	3,002,485	304,447	102,155	70,375	-	13,369,170
2028	10,064,870	3,165,425	282,380	97,820	44,905	-	13,655,400
2029	10,287,311	3,287,100	257,800	93,310	18,250	-	13,943,772
2030	10,512,427	3,425,290	233,008	88,615	-	-	14,259,339
2031	10,760,856	3,468,580	210,811	83,725	-	-	14,523,972
2032	11,090,607	3,613,430	202,074	78,625	-	-	14,984,736
2033	11,410,031	3,769,495	193,684	73,310	-	-	15,446,520
2034	11,756,801	3,994,150	185,964	67,785	-	-	16,004,430
2035	12,129,407	4,341,090	179,404	62,055	-	-	16,711,956

State Tax Supported Debt Outstanding as a Percentage of Personal Income

Fiscal Year	General Obligation Bonds (a)	Consolidated Transportation Bonds	Capital Leases (b), (c)	Stadium Authority	Bay Restoration Bonds	GARVEE Bonds	Supported Debt Outstanding
2021	2.32%	0.86%	0.04%	0.03%	0.05%	0.00%	3.30%
2022	2.41%	0.83%	0.04%	0.04%	0.04%	0.00%	3.35%
2023	2.15%	0.71%	0.03%	0.03%	0.03%	0.00%	2.95%
2024	2.07%	0.61%	0.03%	0.03%	0.03%	0.00%	2.76%
2025	1.94%	0.56%	0.06%	0.02%	0.02%	0.00%	2.62%
2026	1.84%	0.56%	0.06%	0.02%	0.02%	0.00%	2.50%
2027	1.80%	0.55%	0.06%	0.02%	0.01%	0.00%	2.44%
2028	1.77%	0.56%	0.05%	0.02%	0.01%	0.00%	2.40%
2029	1.73%	0.55%	0.04%	0.02%	0.00%	0.00%	2.35%
2030	1.70%	0.55%	0.04%	0.01%	0.00%	0.00%	2.31%
2031	1.7%	0.54%	0.03%	0.01%	0.00%	0.00%	2.26%
2032	1.7%	0.54%	0.03%	0.01%	0.00%	0.00%	2.24%
2033	1.6%	0.54%	0.03%	0.01%	0.00%	0.00%	2.23%
2034	1.63%	0.56%	0.03%	0.01%	0.00%	0.00%	2.23%
2035	1.63%	0.58%	0.02%	0.01%	0.00%	0.00%	2.24%

(a) Reflects presumed authorizations and issuance as follows:

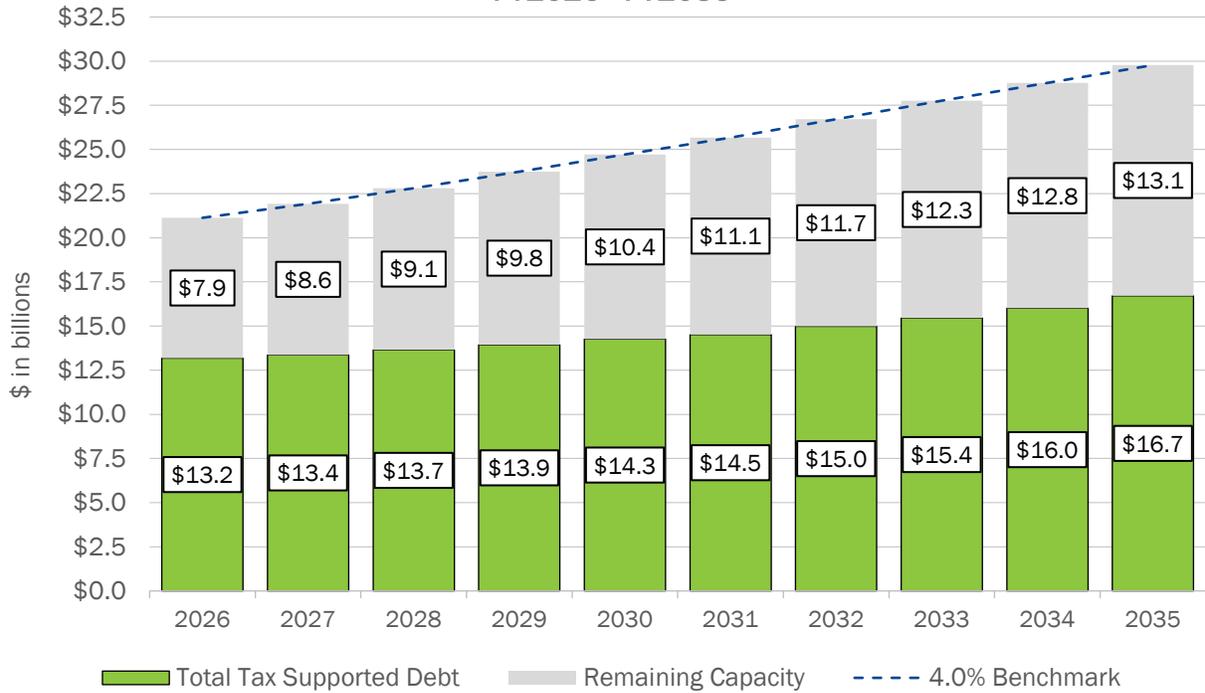
General Assembly Session	2026	2027	2028	2029	2030
Fiscal Year/Capital Budget (\$ in millions)	2027	2028	2029	2030	2031
Authorization	\$1,750	\$1,750	\$1,750	\$1,750	\$1,750

(b) Includes financings for district court facilities in Prince George's County, MDOT shuttle buses at BWI airport, the MDH public health lab, MDH Headquarters, and parking facilities at the Annapolis Complex and State Center.

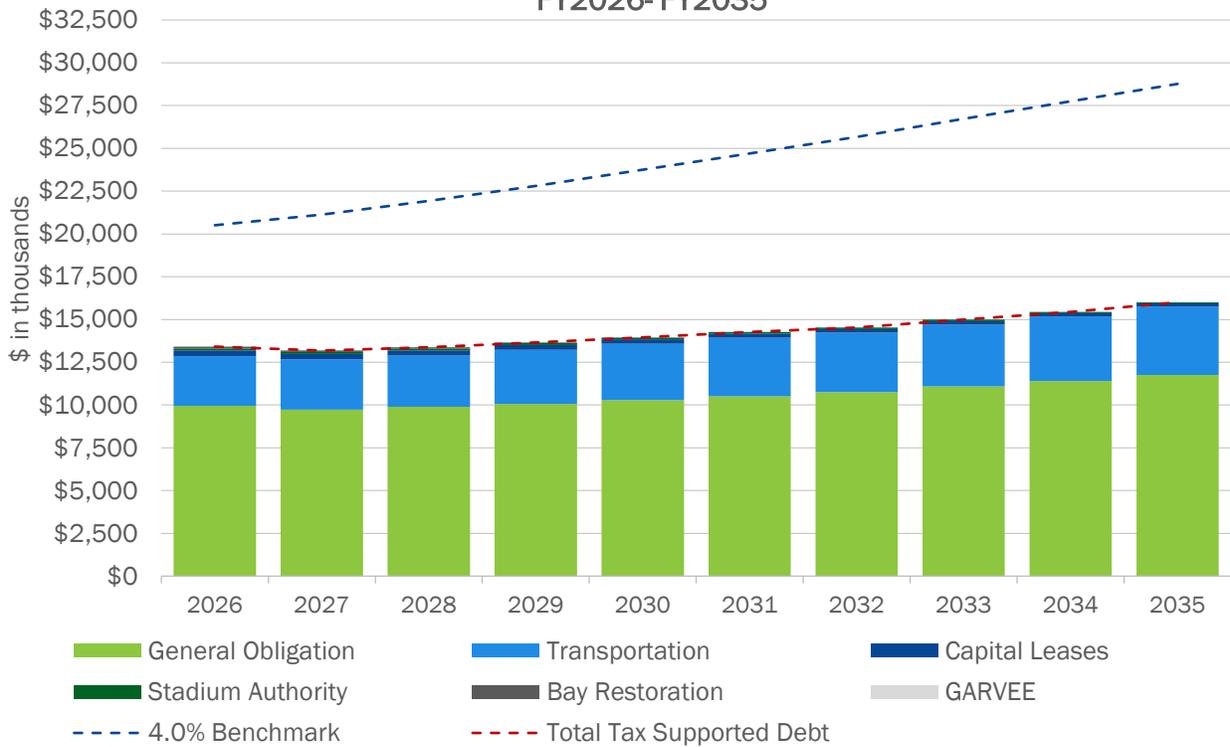
(c) Leases include various types of equipment and energy leases that do not have guaranteed energy savings equal to or greater than the debt service.

FY Issuance Assumptions: (\$ in millions)	2027	2028	2029	2030	2031
G.O. Issues	\$1,200.0	\$1,200.0	\$1,236.0	\$1,273.0	\$1,311.0
DOT Issues	390.0	500.0	480.0	505.0	415.0
Stadium Authority Issues	0.0	0.0	0.0	0.0	0.0
New Capital Leases	14.8	8.8	7.5	7.5	7.5
Bay Bond Issues	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Total	\$1,604.8	\$1,708.8	\$1,723.5	\$1,785.5	\$1,733.5
Personal Income (\$ in billions)	\$528.3	\$548.0	\$570.0	\$593.7	\$617.7

**Graph 9: Tax Supported Debt Outstanding to Personal Income
Available Debt Capacity using the 4.0% Benchmark
FY2026 - FY2035**



**Graph 10: Tax Supported Debt Outstanding to Personal Income
FY2026- FY2035**



Debt Service

Projected general obligation debt service (**Section IX, Schedule B-4**) assumes that future interest rates are consistent with current forecasts and, per the Committee's recommendation for fiscal 2027 through 2031, assumes an issuance schedule more closely aligned with recent expenditure trends.

Debt Service as a Percent of Revenues

Debt service as a percentage of revenues is an appropriate measure for State financial management purposes, as the legislature has control of both variables, revenues through the enactment of taxes and fees and debt service through the authorization of debt. It also more accurately reflects the State's ability to repay its debt.

The ratio of annual debt service to revenues (**Table 2a**) is projected to be 5.80% in fiscal 2027 before decreasing to 5.12% by fiscal 2035. The comparative decline in the ratio between fiscal 2025 and 2026 is reflective of less debt outstanding due to fewer G.O. bond and CTB issuances combined with over \$1.7 billion in additional revenue enhancement through legislative action.

State Tax-Supported Debt Service

Table 2A

State Tax-Supported Debt Service as a Percent of Revenues

Fiscal Year	General Obligation Bonds ^(a)	Consolidated Transportation Bonds ^(b)	Capital Leases ^(c,d)	Stadium Authority	Bay Restoration Bonds	GARVEE Bonds	Total Tax-Supported Debt Service	Total Revenues	Total Tax-Supported Debt Service as a % of Revenues
2021	\$1,270,433	\$ 412,440	\$29,026	\$19,261	\$31,829	-	\$1,762,989	\$26,828,810	6.57%
2022	1,376,257	452,268	28,577	19,273	31,823	-	1,908,198	30,674,907	6.22%
2023	1,428,935	480,461	25,221	19,023	31,824	-	1,985,464	30,736,672	6.46%
2024	1,432,654	426,454	24,633	19,030	27,216	-	1,929,987	31,227,440	6.18%
2025	1,547,393	429,706	26,673	17,693	27,214	-	2,048,679	32,450,344	6.31%
2026	1,406,162	426,363	38,719	16,688	27,134	-	1,915,066	34,170,370	5.60%
2027	1,496,361	446,317	41,889	8,755	27,297	-	2,020,619	34,843,178	5.80%
2028	1,495,702	467,924	45,749	8,758	27,697	-	2,045,830	35,873,835	5.70%
2029	1,502,646	496,348	45,879	8,757	28,048	-	2,081,679	37,039,798	5.62%
2030	1,544,235	511,910	45,099	8,757	18,798	-	2,128,798	38,209,591	5.57%
2031	1,577,703	523,225	41,475	8,757	-	-	2,151,160	39,566,446	5.44%
2032	1,552,670	544,892	27,109	8,762	-	-	2,133,433	40,650,384	5.25%
2033	1,622,710	533,649	26,415	8,761	-	-	2,191,535	41,764,785	5.25%
2034	1,655,906	526,148	25,653	8,758	-	-	2,216,465	42,905,521	5.17%
2035	1,701,188	524,226	23,593	8,753	-	-	2,257,760	44,080,495	5.12%

(a) Includes payments for Qualified Zone Academy Bonds (QZABs).

(b) Does not include debt service on county transportation bonds. Highway user revenues from counties exceed debt service requirements.

(c) Includes financings for district court facilities in Prince George's County, MDOT shuttle buses at BWI airport, the MDH public health lab, MDH Headquarters, and parking facilities at the Annapolis Complex and State Center.

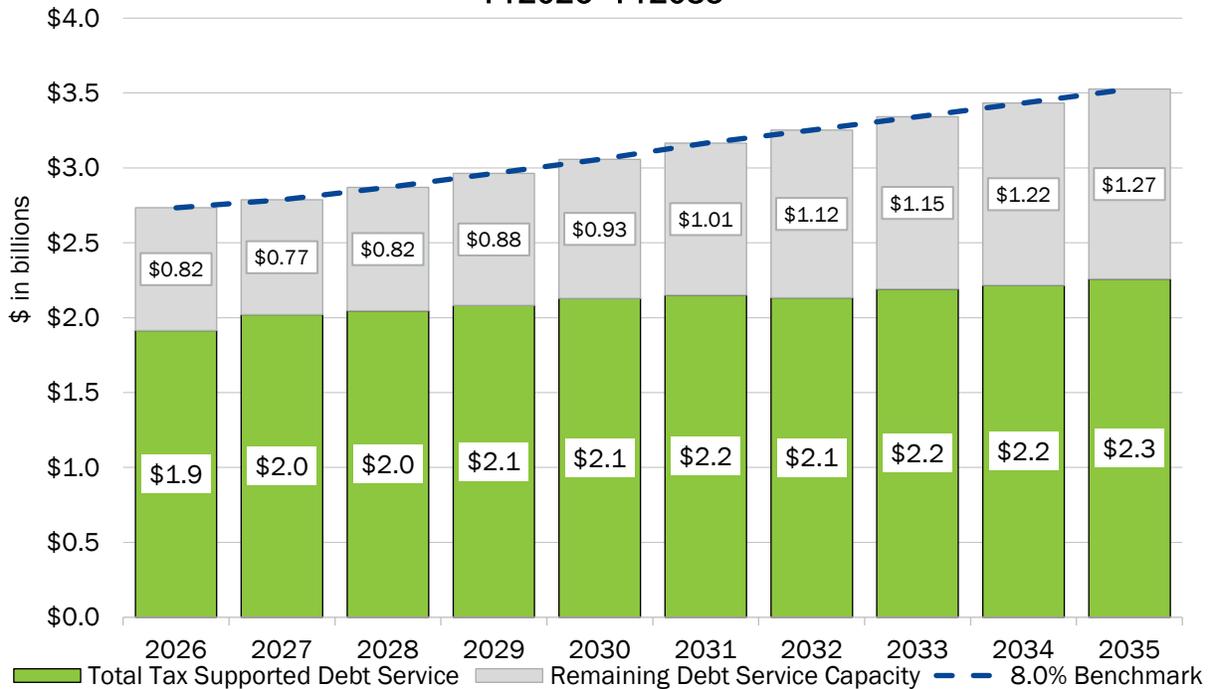
(d) Debt service on leases include various types of capital equipment and energy leases that do not have guaranteed energy savings equal to or greater than the debt service.

State Tax Supported Debt Service as a Percent of Dedicated Revenues

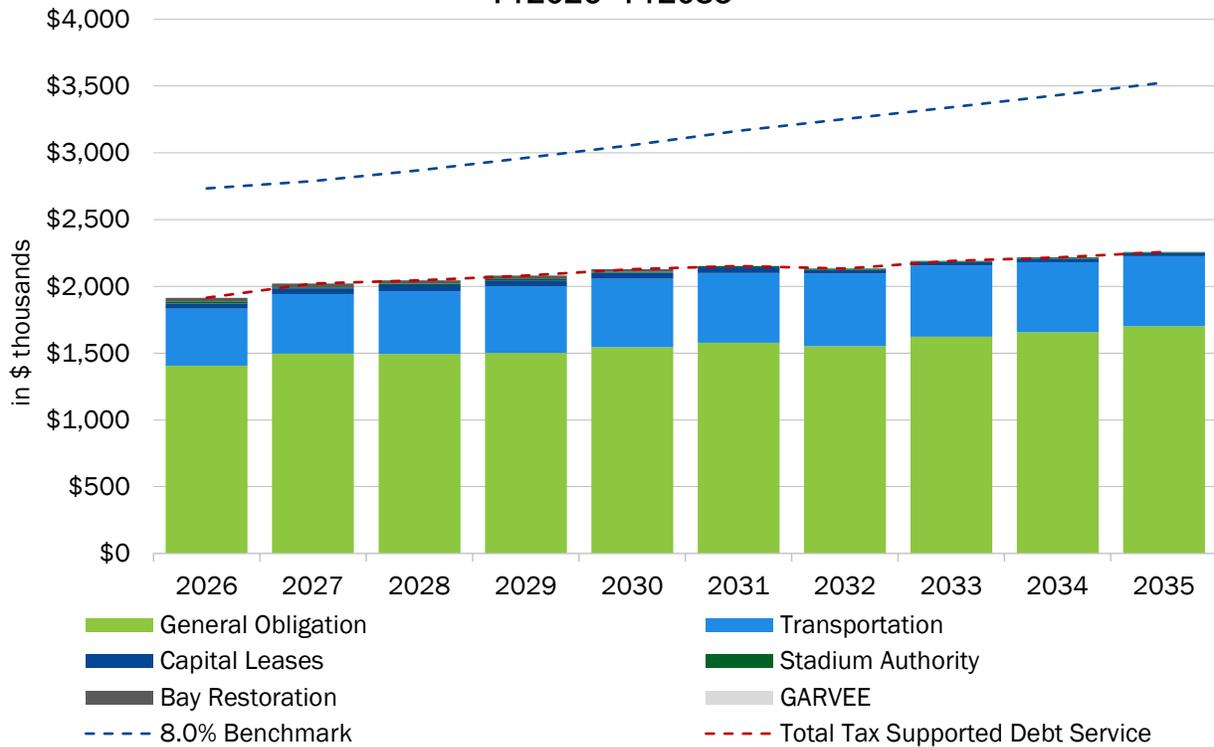
Fiscal Year	General Obligation Bonds	Consolidated Transportation Bonds	Capital Leases	Stadium Authority	Bay Restoration Bonds
2021	5.5%	10.9%	0.1%	145.9%	29.1%
2022	5.2%	10.5%	0.1%	146.0%	27.6%
2023	5.4%	11.2%	0.1%	151.0%	27.5%
2024	5.3%	10.3%	0.1%	157.3%	25.1%
2025	5.5%	10.0%	0.1%	143.8%	23.7%
2026	4.8%	8.5%	0.1%	147.7%	23.6%
2027	5.1%	8.7%	0.1%	257.5%	23.7%
2028	4.9%	9.1%	0.1%	257.6%	24.1%
2029	4.7%	9.5%	0.1%	257.6%	24.4%
2030	4.7%	9.6%	0.1%	257.6%	16.3%
2031	4.6%	9.6%	0.1%	257.6%	0.0%
2032	4.4%	9.9%	0.1%	257.7%	0.0%
2033	4.5%	9.5%	0.1%	257.7%	0.0%
2034	4.5%	9.2%	0.1%	257.6%	0.0%
2035	4.4%	9.1%	0.1%	257.4%	0.0%

Note: Unlike Table 2A, Table 2B ratios are serviced by separate and specific revenue sources and have different denominators; therefore, ratios cannot be added across to provide a sum on combined ratio totals. Refer to “Schedule A-2, Revenue Projections.”

**Graph 11: Tax Supported Debt Service to Revenues
Available Capacity using the 8.0% Benchmark
FY2026 - FY2035**



**Graph 12: Tax Supported Debt Service to Revenues
FY2026 - FY2035**



As indicated by **Table 3, Tax-Supported Debt Outstanding and Debt Service Stress Test**, if the projections for debt service are held constant, limited declines in revenues can still be absorbed and the affordability ratios maintained. Similarly, there is limited capacity for increases in debt service if the revenue projections are held constant and the affordability criteria is 8.0%. Based on the estimates and assumptions in October 2025, the Committee's recommendation is expected to result in a pattern of debt issuances and debt service payments that remain within the affordability benchmarks.

State Tax-Supported Debt Outstanding as a Percentage of Personal Income Under "Stress" Scenarios

Fiscal Year	Debt Outstanding (\$000)	Personal Income (\$000)	Current Ratios	Maximum Ratio	Minimum Personal Income (\$000)	Difference ^(a) (\$000)	Additional Affordable Debt Outstanding ^(c)
2025	\$13,415,686	\$512,680,617	2.62%	4.00%	\$335,392,155	\$177,288,462	\$7,091,538
2026	13,181,395	528,264,264	2.50%	4.00%	329,534,883	198,729,380	7,949,175
2027	13,369,170	548,019,712	2.44%	4.00%	334,229,245	213,790,466	8,551,619
2028	13,655,400	569,956,008	2.40%	4.00%	341,384,996	228,571,011	9,142,840
2029	13,943,772	593,690,007	2.35%	4.00%	348,594,299	245,095,708	9,803,828
2030	14,259,339	617,670,417	2.31%	4.00%	356,483,487	261,186,931	10,447,477
2031	14,523,972	641,695,746	2.26%	4.00%	363,099,295	278,596,451	11,143,858
2032	14,984,736	667,975,633	2.24%	4.00%	374,618,390	293,357,243	11,734,290
2033	15,446,520	693,942,441	2.23%	4.00%	386,162,999	307,779,442	12,311,178
2034	16,004,430	719,167,793	2.23%	4.00%	400,110,751	319,057,041	12,762,282
2035	16,711,956	744,421,432	2.24%	4.00%	417,798,888	326,622,545	13,064,902

State Tax-Supported Debt Service as a Percentage of Revenues Under "Stress" Scenarios

Table 3B

Fiscal Year	Debt Service (\$000)	Revenues (\$000)	Current Ratios	Maximum Ratio	Minimum Revenues (\$000)	Difference ^(b) (\$000)	Additional Affordable Debt Service ^(c)
2025	\$2,048,679	\$32,450,344	6.31%	8.00%	\$25,608,493	\$6,841,850	\$547,348
2026	1,915,066	34,170,370	5.60%	8.00%	23,938,319	10,232,051	818,564
2027	2,020,619	34,843,178	5.80%	8.00%	25,257,741	9,585,437	766,835
2028	2,045,830	35,873,835	5.70%	8.00%	25,572,872	10,300,963	824,077
2029	2,081,679	37,039,798	5.62%	8.00%	26,020,986	11,018,813	881,505
2030	2,128,798	38,209,591	5.57%	8.00%	26,609,976	11,599,615	927,969
2031	2,151,160	39,566,446	5.44%	8.00%	26,889,502	12,676,944	1,014,156
2032	2,133,433	40,650,384	5.25%	8.00%	26,667,912	13,982,472	1,118,598
2033	2,191,535	41,764,785	5.25%	8.00%	27,394,194	14,370,591	1,149,647
2034	2,216,465	42,905,521	5.17%	8.00%	27,705,813	15,199,709	1,215,977
2035	2,257,760	44,080,495	5.12%	8.00%	28,221,999	15,858,496	1,268,680

This table demonstrates the minimum levels to which personal income and revenues could fall without violating the 4.0% and 8.0% criteria on projected debt and debt service levels.

(a) Holding debt outstanding constant, personal income could decline by indicated amounts and affordability ratios would not exceed the 4.0% maximum.

(b) Holding debt service constant, revenues could decline by indicated amounts and affordability ratios would not exceed the 8.0% maximum.

(c) Holding personal income and revenues constant, these figures indicate additional debt outstanding and debt service that is affordable without exceeding current maximum affordability ratios.

Source: Table 1 and 2a schedules A-1 and A-2

E. Comparison of Recommendation and Capital Program

The Committee's recommendation of \$1.75 billion in general obligation authorizations provides a commitment for the fiscal year 2027 Capital Improvement Program, including absorption of capital projects previously anticipated to be funded with general fund cash surpluses. However, the program and the recommendations continue to fall short of total funding needs and the Committee recognizes that allocation decisions will have to be made by the Governor and General Assembly.

F. Affordability Risk Analysis

Background

Since 1989, the Committee has included in its Reports an *affordability risk analysis*: the analysis of the risk that a particular five-year General Obligation Bond authorization plan, if followed over time, might lead to a violation of the Committee's affordability criteria, even though the plan was deemed affordable at the time it was proposed. Beginning in its 2007 review, the Committee has examined this risk over a 10-year horizon.

Components of Risk

Economic uncertainty continues as the economic outlook is unstable and potential future federal reductions in employment and procurement could negatively impact Maryland more than most states. Due to this context, the Committee identified and reviewed the following risks in judging the ultimate affordability of its 2025 recommended authorization and the projected future authorizations as described earlier:

- Changes in personal income;
- Changes in and sources of revenues;
- Interest rate risk;
- Changes in the definition of tax-supported debt;
- Changes in the bond issuance plans of non-general obligation issuers of tax-supported debt; and
- Changes within the General Obligation Bond program.

Changes in Personal Income

Significant adjustments to personal income estimates have occurred in the past. These changes result from either after-the-fact measurement changes by federal statisticians or revised projections by the Board of Revenue Estimates, which are used by the Committee. These risks are beyond the Committee's control, but it should be noted that material changes are often limited to the first couple of years following the close of the measurement period and subsequent adjustments generally have been small. Projections of future personal income levels require certain economic and demographic assumptions that may not prove accurate.

Table 3A demonstrates that current projections for personal income could decline by approximately \$213.8 billion, or 39.0% of total projected personal income, in fiscal year 2027 without the affordability ratio exceeding the 4.0% maximum. The 3.8% average annual growth in the personal income projections shown in **Schedule A-1** for fiscal year 2026 through fiscal year 2035 is below the 4.42% average rate for the 10-year period of 2016 through 2025,

reflective of the slowdown in the U.S. and Maryland labor markets, exacerbated by recent federal job losses.

Changes in and Sources of Revenues

Sources of Revenues

Schedule A-2 displays the components of and total tax-supported revenues from fiscal year 2021 to fiscal year 2035. Tax-supported revenues are comprised of a variety of sources that are available to make debt service payments on tax-supported debt. The following paragraphs will discuss some of the major revenue sources in more detail. In general, the estimates are based on current law and do not consider any possible changes in future tax rates or structures.

General fund revenues for fiscal 2026 through 2031 are shown as projected by the Board of Revenue Estimates in the most recent forecast available to the Committee, as of September 2025. Year to year changes during this period reflect modest growth. Beginning in fiscal year 2032, growth is assumed to hold at 3.0% annually.

Property tax revenue estimates were calculated using assessable base data obtained from the Department of Assessments and Taxation for fiscal years 2025-2028. Property tax revenues are projected to hold around 2.0% annually for fiscal years 2029 through 2035.

Bond premiums and various other Annuity Bond Fund revenues have historically been included in tax-supported revenues. Bond premiums, however, can be volatile and are not projected on future sales. Although some amount may likely occur, any premium realized after paying capitalized interest is allocated toward project expenditures. Miscellaneous receipts and US Treasury subsidies on Build America Bonds, Qualified School Construction Bonds, Qualified Zone Academy Bonds, and Qualified Energy Conservation Bonds are included, but the amounts are relatively insignificant. The amounts received have been reduced by varying amounts due to sequestration since fiscal year 2014.

Revenues from the Blueprint for Maryland's Future Fund, which is primarily funded by gaming, sales and use tax, and sports wagering revenues, may be available for debt service on general obligation bonds to the extent that bonds are used to support school construction. Revenues from the State property transfer tax may be available to support Program Open Space.

The remaining revenues shown in **Schedule A-2** represent the revenues available to pay debt service on the other components of tax-supported debt. These revenues are projected by the entity responsible for issuing and oversight of the bonds and are based on the most currently available data.

Changes in Revenues

Table 3 demonstrates that, holding debt service constant, current revenue projections could decrease by \$9.6 billion, or 27.5% of total projected revenues, in fiscal year 2027 without the affordability ratio exceeding the 8.0% maximum. If the Board of Revenue Estimates were to reduce the projected revenues, it is likely that significant revision of debt authorizations and issuance would be considered at an annual CDAC meeting, as has been past practice.

Interest Rate Risk

Debt service is calculated for future General Obligation Bond issuances assuming coupon and market interest rates of 5.0%. Traditionally, municipal bonds are issued at a 5.0% coupon to meet investor demands for tax-free income. Investors then pay more than the face value of the bond or a premium for receiving the higher interest payment. The premium is placed in the Annuity Bond Fund to be used as PAYGO funds for capital projects.

Debt service on capital equipment leases is projected using tax-exempt rates of 4.0% for fiscal year 2026 and 5.05% thereafter. The most recent actual rates on capital equipment leases were 3.71% for both a three-year lease, and a five-year lease. Recent rates are still low, but tax-exempt rates are expected to rise. Future Bay Restoration Bond debt service is projected using a weighted average interest rate of 2.5%. The Department of Transportation estimates rates of 4.8% for fiscal years 2025 and thereafter.

From time to time, there is discussion of eliminating the federal tax exemption on municipal bonds. Were the State and other municipal issuers to have to issue taxable debt or if tax-exempt debt became less attractive to taxpayers with high income tax rates, municipal interest rates and debt service would likely increase. However, currently, there is no immediate indication of the potential adoption of any proposal to alter the State's ability to issue tax-exempt debt.

Changes in the Definition of Tax-Supported Debt

Changes in the definition of tax-supported debt can impact affordability ratios. For CDAC purposes, these changes typically only occur if an outside authoritative group changes the definition, thus triggering a State-level review for reclassification consideration, as was the case during the 2023 CDAC process when the Committee evaluated the broader inclusion of capital leases under the GASB 87 rule change and ultimately decided to retain the more strict, preexisting definition. Periodically, reviews of individual transactions or a set of transactions are also undertaken, when necessary, although the impact from those reclassifications is typically minor.

Changes in Bond Issuance – General Obligation Bonds

Changes within the General Obligation Bond program may arise because of changes in either the types or costs of facilities and other projects financed by General Obligation Bonds or changes in the speed at which authorized bonds are issued.

Regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the bonds. It cannot be predicted whether any such regulatory action will be implemented, how any litigation or judicial action will be resolved, or whether the bonds or the market value thereof would be impacted. While there has been considerable volatility in the markets recently, largely attributable to shifting federal policies and funding decisions, there do not appear to be any federal regulatory changes that might lead to an acceleration of general obligation debt issuances at this time.

Changes in the types and costs of facilities do not necessarily affect total authorizations but may lead to a re-allocation of resources. The Committee's recommendations are made in terms of a total dollar amount of bonds, not in specific capital projects. Changes in

construction costs, the availability of PAYGO funding, the need for unanticipated new projects, changes in federal tax laws, and a host of other variables influence both the need for General Obligation Bonds and the share of the total allocation allotted to each use. Such changes affect which assets can be acquired within a specific dollar amount of the program. These changes by themselves, however, affect neither the dollar amount of the Committee's assumed authorizations nor the affordability ratios. Therefore, without General Assembly action to alter the total dollars to be authorized in the plan, there is no affordability risk resulting from such changes within the general obligation plan.

While some currently authorized projects will be abandoned or completed for less than authorized, it is assumed that any such amounts will be reallocated to other approved projects through the legislative process. Although some authorizations may ultimately be cancelled, the amount of such cancellations has historically been immaterial to the analysis.

Changes in the timing of issuance of authorized bonds, however, may affect the affordability criteria. Bonds authorized at a General Assembly session are not immediately issued. The bonds are sold over a multi-year period as the projects are developed and cash is required for payment. Consequently, the impact of a change in any year's debt authorizations affects issuances over time and impacts debt outstanding with a substantial lag. Issuance assumptions used by the Committee for the past two decades, based on historical analyses, assumed just over half of the bonds authorized each year were issued within the ensuing two fiscal years and the remaining issuances occurred over the next three years. More recently, the 40% increase in debt authorizations between fiscal 2023 and 2024 combined with the reduced rate of expenditure for bond proceeds due to an influx of PAYGO spending for capital projects, has further extended the issuance timeline.

The 2025 Joint Chairmen's Report directed the State Treasurer's Office to work with the Department of Budget and Management and the Department of Legislative Services to evaluate whether an update to the underlying issuance assumptions was warranted. The workgroup, convened during the summer/fall 2025, evaluated actual expenditure data for the capital budgets approved during the 2015 through 2025 legislative sessions, comparing the actual expenditure of authorizations to the historical issuance assumptions. The workgroup determined that the appropriate approach going forward should be to use issuance assumptions based on the rolling 10-year weighted average of actual project expenditures per MCCBL, updated annually. The table below provides a comparison of the assumptions historically used by CDAC and the findings from the data analysis.

	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5
Current CDAC Assumptions	31%	25%	20%	15%	9%
Proposed Assumptions	29%	25%	14%	8%	24%

As the baseline scenario for considering the 2025 recommendation, the committee evaluated an affordability analysis based on an annual authorization of \$1.75 billion and using the workgroup's proposed issuance assumptions. This scenario met affordability guidelines.

In addition to projecting issuances at prescribed levels, the State Treasurer's Office monitors the disbursement of bond proceeds and adjusts issuance amounts as necessary. Any systematic change altering the speed of bond issuance would impact the amounts of debt

outstanding and debt service, consequently affecting both affordability ratios. The Committee reviewed the issuance projections for the 2024 Report in light of the pattern of recent authorizations, issuances and expenditures. The following chart compares projected issuances, in CDAC Reports from 2019 to 2025, to actual issuances.

Projected Issuances in CDAC Reports
(\$ in millions)

CDAC Report	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
2019 Projection	\$1,095	\$1,100	\$1,110	\$1,120	\$1,130
2020 Projection	1,085	1,030	1,055	1,075	1,095
2021 Projection	1,090	1,030	1,055	1,075	1,110
2022 Projection		1,115	960	835	900
2023 Projection			1,165	1,355	1,505
2024 Projection				1,390	1,535
2025 Projection					800
Actual Issuance	\$1,665	\$400	\$1,200	\$900	-

Project cash flows as well as market conditions can explain some of the differences between projections and issuances in a specific fiscal year. For example, higher than projected issuances in fiscal 2022 reflect the decision to take advantage of historically low borrowing costs. Unanticipated post-pandemic slowdowns in project spending combined with the enhanced availability of general fund support for capital projects lessened the need to issue debt to manage cash flow in fiscal 2023 and 2024. This suppressed level of spending in recent years was a factor in the Committee’s recommendation to plan for a reduced issuance schedule with modest growth rates in the near term.

Authorization increases greater than previously projected can have an impact on future issuance needs and the capital program. A history of projected authorizations is depicted in the following chart.

Projected Authorizations in CDAC Reports
(\$ in millions)

CDAC Report	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
2025								\$1,750
2024							\$1,750	1,750
2023						\$1,750	1,750	1,750
2022					\$600	600	1,145	1,155
2021				\$900	1,125	1,135	1,145	1,155
2020			\$1,095	1,105	1,115	1,125	1,135	1,145
2019		\$1,095	1,105	1,115	1,125	1,135	1,145	1,155
2018	\$1,075	995	995	995	995	995	995	995

In the past, to provide sufficient proceeds for projects, to take advantage of historically low interest rates, to keep the cash flow of bond proceeds positive and to minimize liquidity pressures on the State’s cash accounts, the State has chosen to accelerate the schedule of its General Obligation issuance. For the reasons discussed above, there are no current plans to accelerate general obligation bond issuances. Instead, the Committee opted to assume a planned issuance schedule that more closely reflects recent expenditure trends which have lagged the increase in authorizations since fiscal 2024. While this does increase the amount authorized but unissued debt, the current estimate of affordability ratios allows for adequate capacity to revisit issuance assumptions in the future if expenditure rates were to increase.

Changes in the Bond Issuance – Other Components of State Tax-Supported Debt

Changes in the bond issuance plans for other issuers of tax-supported debt may include the expansion of existing programs or the creation of a new debt financing program. In the past, significant new debt has factored into the affordability analysis that had not been accounted for or contemplated in the prior years' report. The impact of previously unplanned debt on the affordability ratios and process resulted in the Committee's 2011 recommendation that the Administration coordinate the issuance plans for all issuers of tax-supported debt. The Committee's affordability analysis accounts for an aggregate total of \$1.6 billion in new issuances in fiscal year 2027. The issuance plan assumptions of other components of tax-supported debt also appear to pose limited risk at this time.

Planned New Tax-Supported Issues for Fiscal Year 2027

(\$ in millions)

General Obligation Bonds	\$1,200.0
Maryland Department of Transportation	390.0
Capital Leases	14.8
Maryland Stadium Authority	0.0
Bay Restoration Fund	0.0
Total	\$1,604.8

Conclusion

Considering the assumptions and risks noted above, the Committee believes that the variables that factor into the affordability analysis have been estimated prudently and, in many cases, conservatively. The most noteworthy risk appears to be economic uncertainty and the potential impact on personal income and revenues. The Committee is ever mindful that any variation to the assumptions for revenues, interest rates, and projected activity in tax-supported debt issuance may have a direct impact on future tax-supported authorizations and issuances.

Based on the assumptions outlined in this report, the Committee's recommendation of \$1.75 billion million for the 2026 legislative session and fiscal year 2027 capital program remains within the debt affordability criteria. The Committee's adopted planning assumptions assume the \$1.75 billion authorized amount through fiscal 2031. The Committee's recommendation to conservatively plan near-term issuance assumptions that more closely align with recent expenditure trends responsibly limits the burden on the General Fund to support debt service obligations, is mindful of ensuring unnecessary debt is not added to the State's liability, while still providing opportunity for supporting a multitude of worthy infrastructure investments around the State. With these authorization levels, the debt affordability ratios remain within the CDAC benchmarks of 4% debt outstanding to personal income and 8% debt service to revenues. The affordability analysis presented in this report indicates that the Committee's projection of General Obligation Bond authorizations will continue to be affordable (within debt guidelines) in the future.

VI. PUBLIC-PRIVATE PARTNERSHIPS

Title 10A of the State Finance and Procurement Article (SF&P) establishes the process for forming public-private partnerships (P3s) and associated reporting requirements. The approval of BPW is required at critical project milestones, including that of a P3 solicitation method and a final agreement. The law also provides that BPW may not approve a P3 that results in the State exceeding its debt affordability guidelines.

The legislation specified that a project's debt affordability impact be assessed at two intervals prior to a P3 agreement being signed. The reporting agency must include a preliminary analysis on debt affordability, done in consultation with the Department of Budget and Management, in the pre-solicitation report for a P3 project. Prior to BPW approval of a P3 agreement, the Treasurer, in coordination with the Comptroller, analyzes the impact of the P3 project on the State's capital debt affordability limits. The annual CDAC report must also include an analysis of the aggregate impact of P3 agreements on the total amount of new State debt that may prudently be authorized for the next fiscal year.

SF&P §8-104 defines tax-supported debt as "State debt...and debt of the Department of Transportation, the Maryland Stadium Authority, and other units of State government which, in the opinion of the Committee, are supported directly or indirectly by State tax revenues." In past determinations of whether specific projects might result in tax-supported debt, the CDAC has relied upon a review of financial documents and, when necessary, sought guidance from additional sources, including: (1) the Comptroller's Office, advised by the State's independent auditor, regarding whether an agreement was considered debt from an accounting perspective; and (2) the Office of the Attorney General, regarding applicable legal precedent in relation to the direct or indirect use of State tax revenues.

In addition, SF&P §8-112 also directs CDAC, in making its annual estimate of the total amount of new State debt that may prudently be authorized for the next fiscal year, to consider "the criteria that recognized bond rating agencies use to judge the quality of issues of State bonds." The rating agencies have previously released details on how P3 obligations will be factored into the State's net tax-supported debt calculations.

In October 2024, the Maryland Department of Transportation (MDOT) submitted a pre-solicitation report for the Eastern Shore Rail Lines P3 program for review. According to MDOT, the proposed agreement would be revenue neutral to the State and eliminate State responsibility for capital outlays, thus resulting in no impact to the State's debt capacity. Currently, the Maryland Transit Administration pays an annual grant for operation and maintenance of the rail lines in exchange for retaining any revenue generated from the freight rail operations; however, MDOT is responsible for any capital investment costs to maintain a state of good repair or make improvements in the infrastructure. Under the proposed P3 structure, the vendor would assume responsibility for operating and capital costs with the ability to enhance and retain revenue generated from the investments above what is earned under current operations. After reviewing the details of the pre-solicitation report, it was determined that a determination of the impact to the State's debt affordability ratios and credit ratings could not be made until a final negotiated agreement was presented. The Board of Public Works approved the contract for a P3 solicitation. No further evaluation has been provided at this time.

VII. HIGHER EDUCATION DEBT

A. Background

Title 19 of The Education Article (the Statute) establishes the revenue bonding framework and authority of the University System of Maryland, Morgan State University, St. Mary's College of Maryland, and Baltimore City Community College. The Committee is assigned certain duties relevant to higher education debt, as described below.

Regarding the framework for the issuance of higher education debt, the Statute distinguishes between auxiliary facilities (which generate fees or income arising from the use of the facility) and academic facilities (which are primarily instructional but can include any facilities not defined as auxiliary). The Statute also authorizes institutions to issue bonds to finance either auxiliary or academic facilities (maximum terms of 33 and 21 years, respectively) with the stipulation that any academic facilities so financed must first be expressly approved by an act of the General Assembly as to both project and amount.

Furthermore, the Statute specifies fund sources that can be pledged as security as well as those that can be used for debt service payments. Auxiliary fees (fees and rents arising from the use of the auxiliary facility) and academic fees (tuition and student fees) are available to be pledged as security. The systems specifically cannot pledge: (1) a State appropriation; (2) contracts, grants, or gifts; or (3) any other source not expressly authorized by the General Assembly. Debt service on bonds is payable solely from auxiliary fees, academic fees, a State appropriation expressly authorized for that purpose, or revenues from contracts, gifts, or grants, as appropriate.

B. CDAC Duties

The Committee is directed to:

1. "...review on a continuing basis the size and condition of any debt of the University System of Maryland, Morgan State University, St. Mary's College of Maryland, and Baltimore City Community College;"
2. "In preparing an estimate with respect to the authorization of any new State debt" [i.e., general obligation debt] to "take into account as part of the affordability analysis any debt for academic facilities to be issued by a System;" and
3. "...submit to the Governor and the General Assembly the Committee's estimate of the amount of new bonds for academic facilities that may prudently 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."

To satisfy the Committee's responsibilities in this area, representatives from all four institutions presented debt information to the Committee at the September 30, 2025 meeting. A summary of the information presented, and the committee's consideration of higher education debt is discussed in the sections below.

C. Size and Condition of Higher Education Debt

Table 4 displays information on the debt of each of the four higher education systems, compliance with statutory limitations, and financial performance.

1. Legislation limits the aggregate principal amount of revenue bonds outstanding and the present value of capital lease payments, less the amount of any reserves established therefore, for both academic and auxiliary facilities. The current statutory limits are \$1.7 billion for USM, \$140.0 million for MSU, \$60.0 million for SMCM, and \$65.0 million for BCCC. All four higher education systems are within the statutory limits as of June 30, 2025.
2. A key measurement of financial performance frequently used by credit analysts is debt burden; that is, debt service as a percentage of operating revenues plus State appropriations. For USM, debt is managed so that the ratio does not exceed 4.0%, the limit established in the USM debt policy.

For purposes of this analysis and for the CDAC recommendation, the relevant measure is debt burden. As can be seen from the final column in **Table 4**, on the next page, for USM its debt issuance plan would result in a debt burden level well below the 4.0% maximum mandated by USM's debt management policy.

TABLE 4

HIGHER EDUCATION DEBT
(\$ in thousands)

Fiscal Year	Projected Issuances		Debt Outstanding as of June 30		Debt Service for Fiscal Year		Total Debt Service	Revenues	Ratio of Debt Service to Revenues
	Auxiliary	Academic	Bonds	Leases ³	Bonds	Leases		(see note)	
University System of Maryland									
2025	\$0 ¹	\$0	\$975,820	\$31,020	\$128,529	\$2,393	\$130,922 ⁴	\$6,611,043	1.98%
2026	85,000 ²	30,000	1,004,010	\$29,319	124,866	\$2,395	127,259	6,346,602	2.01
2027	85,000	30,000	1,023,640	\$27,577	135,060	\$2,397	137,455	6,156,204	2.23
2028	85,000	30,000	1,040,720	\$25,794	139,240	\$2,400	141,637	6,279,328	2.26
2029	85,000	30,000	1,056,458	\$23,968	141,954	\$2,402	144,353	6,404,914	2.25
2030	85,000	30,000	1,070,593	\$22,100	145,123	\$2,405	147,525	6,533,012	2.26
2031	85,000	30,000	1,091,716	\$20,186	139,830	\$2,407	142,237	6,663,673	2.13
Morgan State University									
2025	\$0	\$0	\$0	\$1,064	\$0	\$2,159	\$2,159	\$386,000	0.56%
2026	0	0	0	0	0	1,080	1,080	398,000	0.27
2027	0	0	0	0	0	0	0	410,000	0.00
2028	0	0	0	0	0	0	0	422,000	0.00
2029	0	0	0	0	0	0	0	435,000	0.00
2030	0	0	0	0	0	0	0	448,000	0.00
2031	0	0	0	0	0	0	0	461,000	0.00
St. Mary's College of Maryland									
2025	\$0	\$0	\$32,965	\$0	\$3,429	\$0	\$3,429	\$78,767	4.35%
2026	0	0	31,015	0	3,153	0	3,153	80,343	3.92
2027	0	0	29,115	0	3,032	0	3,032	81,950	3.70
2028	0	0	27,135	0	3,041	0	3,041	83,589	3.64
2029	0	0	25,765	0	2,370	0	2,370	85,260	2.78
2030	0	0	24,345	0	2,374	0	2,374	86,966	2.73
2031	0	0	22,880	0	2,374	0	2,374	88,705	2.68
Baltimore City Community College									
2025	\$0	\$0	\$0	\$355	\$0	\$99	\$99	\$85,500	0.12%
2026	0	0	0	277	0	99	99	85,500	0.12
2027	0	0	0	193	0	99	99	85,500	0.12
2028	0	0	0	104	0	99	99	85,500	0.12
2029	0	0	0	8	0	8	8	85,500	0.01
2030	0	0	0	0	0	0	0	85,500	0.00
2031	0	0	0	0	0	0	0	85,800	0.00

Note: Revenues include operating Revenues plus State appropriations.

1 Actual issuance

2 Decision about 2026 issuance not yet confirmed

3 "Capital Leases" as defined before the implementation of GASB87

4 Unaudited numbers

University System of Maryland (USM)

Bond Activity

Since 1989, the General Assembly has authorized bonds totaling \$1.1 billion for various USM academic facilities. Of this amount, \$30 million was authorized by the 2025 General Assembly (Chapter 316, Laws of Maryland, 2025).

In fiscal year 2024, USM issued new money bonds with a par amount of \$75.89 million and issued refinancing bonds with a par amount of \$28.975 million. USM did not issue bonds in fiscal year 2025. USM reports its bond debt outstanding at \$975,820,000 (at par value) on June 30, 2025. USM has no revolving loan program bonds and has not used interest rate exchange agreements or guaranteed investment contracts. Projected issuances through fiscal year are shown in Table 4 above.

The bonds are rated as follows: Fitch, AA+; S&P, AA+; and Moody's, Aa1. All ratings have a stable outlook. USM credit strengths include strong state operating and capital support, sound financial operations and a large, diverse revenue base. Credit challenges noted by the rating agencies include potential increased competition for research funding and limited ability to grow revenue.

Other Debt and Capital Lease Activity

USM has \$32.7 of Other Debt and Capital Lease Obligations outstanding as of June 30, 2025. Section II.D, Lease and Conditional Purchase Financings, in this CDAC Report lists the energy leases, including those for the University System, that are not included in the CDAC affordability analysis because the annual guaranteed savings equals or exceeds the annual debt service on the leases.

Debt Management Policy

The USM debt management policy outlines criteria to protect bond ratings, interest rate management strategies, definitions of all types of debt and their impacts on debt capacity and a process to assess a project's impact on debt capacity. The policy was revised in June 2025 to reflect the current planning metrics used by USM. The policy requires debt be managed so that:

1. Debt service does not exceed 4.0% of operating revenues plus State Appropriations; and
2. Total Cash and Investments must be at least 90% of adjusted debt, adjusted for outstanding commitments, both cash and debt-funded.

Table 4 shows that debt service is expected to be 1.98% of operating revenues plus State appropriations in fiscal year 2025 and projects compliance with the debt policy standard through 2032. Available resources include net assets of USM and its affiliated foundations with adjustments for certain long-term liabilities. An analysis of the ratio of available resources to debt outstanding is contained in the table below.

University System Maryland Ratio of Available Resources to Debt Outstanding

(\$ in millions)

Fiscal Year	Available Resources adjusted for claims*	Debt Outstanding plus commitments*	Ratios of Available Resources to Debt Outstanding*
2022	\$2,435	\$2,013	121%
2023	\$2,876	2,157	133
2024	\$3,009	2,215	136
2025**	\$2,866	2,210	130
2065(Proj.)	\$2,958	2,178	136
2027(Est.)	\$2,991	2,196	136

**Reflects audited financial statement amounts for unrestricted fund balances and debt outstanding, adjusted for unspent commitments, including proposed P3 arrangements, 2025 onward has not be audited.*

*** Unaudited financials.*

St. Mary's College of Maryland (SMCM)

Bond Activity

As of June 30, 2025, SMCM had a total of \$32.97 million in revenue bonds outstanding. Moody's underlying rating for SMCM debt is A2 with a negative outlook as of June 2024 revised outlook from stable to negative and affirmed A2 rating in June 2024. SMCM does not have any interest rate exchange agreements or guaranteed investment contracts.

Lease Activity

SMCM has previously utilized capital leases with the State Treasurer's Office Capital Equipment Lease-Purchase Program for financing related to an energy performance contract. As of June 30, 2025, no debt was outstanding for capital leases.

Morgan State University (MSU)

Bond Activity

MSU bonds are currently rated A+ by S&P and rated A1 with Moody's. S&P confirmed its rating in July 2024, with an outlook of stable. Moody's outlook was confirmed as stable in a December 2023 update. There were no revenue bonds outstanding as of June 30, 2025. MSU does not have any interest rate exchange agreements, variable rate bonds or guaranteed investment contracts nor are any of their bonds insured.

In July of 2025, MSU initiated \$35.0 million in Future Advance Project Funding Bonds from the U.S. Department of Education as part of the HBCU Capital Financing Loan Program (2025 HBCU Loan), Series 2025-3. The funds are being used for University Projects including an additional dining hall as part of a new student housing facility, other property improvements and various deferred maintenance projects.

In December of 2022, MSU initiated \$65.0 million in Future Advance Project Funding Bonds from the U.S. Department of Education as part of the HBCU Capital Financing Loan Program (2022 HBCU Loan), Series 2022-9. The funds are being used for University Projects including student housing and other building renovations as well as various deferred maintenance projects.

In October of 2020, MSU initiated \$69.8 million in Future Advance Project Funding Bonds from the U.S. Department of Education as part of the HBCU Capital Financing Loan Program (2020 HBCU Loan), Series 2020-5 for \$21.3 million, Series 2020-6 for \$16.5

million, and Series 2020-7 for \$32.0 million. The funds are being used for University Projects including the Public Safety Building at the new Northwood Town Center and the new dining facility, which is part of a P3-privatized student housing project.

In November of 2018, MSU initiated \$25.0 million Future Advance Project Funding Bonds (2018 HBCU Loan), Series A 2018-5 HBCU Loan for University Projects. This loan was closed to further disbursements in October 2020, having an outstanding balance of \$8.4 million, with the issuance of the new 2020 HBCU Loan.

When funds are disbursed from the HBCU loan accounts to the University, they are used to reimburse MSU for expenses incurred for construction or renovation projects. Interest is only incurred after disbursement funds are sent to MSU and each installment disbursement has its own debt service payment schedule. Total amounts disbursed as of December 2020 under the 2020 and 2018 HBCU Loans was \$25.3 million and \$8.4 million, respectively, totaling \$33.7 million, and were forgiven and satisfied by the U.S. Department of Education pursuant to the Consolidated Appropriations Act of 2021 resulting in the closure of the 2018 HBCU Loan and the Series 2020-5 under the 2020 HBCU Loan.

For the fiscal year that ended June 30, 2025, outstanding debt was \$104.6 million resulting from disbursements from HBCU Loan Series 2020-6, 2020-7 and 2022-9. Debt outstanding under the HBCU Loan program is not included in Revenue bonds outstanding.

Lease Activity

MSU has previously utilized capital leases with the State Treasurer's Office Capital Equipment Lease-Purchase Program for financing facilities and technology equipment and has also entered into other capital leases independently. As of June 30, 2025, MSU has no debt from capital leases with the State Treasurer's Office Capital Equipment Lease-Purchase Program and \$1.1 million in debt outstanding from capital leases entered into independently.

Baltimore City Community College (BCCC)

Bond Activity

BCCC has no bonds outstanding and has no plans to issue bonds in fiscal year 2025. BCCC is currently re-examining the feasibility of various projects that might be funded by the issuance of academic and/or auxiliary bonds or capital leases in the next ten years. The college is focusing its efforts on finding solutions which serve the students and community and align with the mission of the College.

Lease Activity

BCCC had \$0.4 million in capital leases outstanding as of June 30, 2025.

D. Incorporating Higher Education Academic Debt into the Affordability Analysis

The statutory language of the Committee's charge states: "In preparing an estimate with respect to the authorization of any new State debt [i.e., general obligation debt], the Committee shall take into account as part of the affordability analysis any debt for academic facilities to be issued by a system." This language, however, is not explicit regarding the meaning of "take into account."

The Statute does not direct the Committee on specific action, nor does it include higher education debt as a component of State tax-supported debt for purposes of the capacity criteria or affordability analysis. Consequently, the Committee's recommendations relating to new authorizations of general obligation debt and higher education academic debt are made independently for the following reasons:

1. The rating agencies do not consider debt issued by institutions of higher education as State tax-supported debt. The debt of the systems, either currently outstanding or related to future issuances, is not included by the rating agencies in determining the rating of the State's General Obligation Bonds.
2. Both the statutory structure of higher education debt and the current budgetary policies related to higher education debt underscore the separation of higher education debt and tax-supported debt. The Statute provides that higher education debt may not be secured by a pledge of the issuer's general fund appropriation. The Statute further provides that no general funds may be used to pay debt service unless specifically authorized in the budget.
3. The revenue sources that secure the bonds are under the direct control of the systems and not directly subject to the approval of either the Governor or the General Assembly.

The Committee believes that its analysis, discussions, and deliberations of higher education debt levels, capacity, and needs address the legislative intent to "take into account" higher education academic debt.

E. 2025 Recommended Authorization for Higher Education Academic Debt

The Committee's charge is to submit an "estimate of the amount of new bonds for academic facilities that may prudently be authorized in the aggregate for the next fiscal year by University System Maryland, Morgan State University, St. Mary's College of Maryland and the Baltimore City Community College." This charge, therefore, requires the Committee to distinguish between burdens imposed by academic debt and those imposed by auxiliary debt in arriving at a recommendation for academic debt alone. From a credit analyst's point of view, however, the aggregate level of a system's debt is critical.

One approach to determining a prudent amount of new academic debt to be authorized is to start with the aggregate level of debt that each system anticipates issuing. If it is estimated that the level of debt is prudent over time, then it is reasonable for the Committee to accept the aggregate total and to accept the breakdown between academic and auxiliary debt as proposed by each of the four systems.

The guidelines initially adopted by the Committee to judge debt manageability are those contained in the rating methodology used by one of the major rating agencies. Five of the factors S&P uses to rate a public institution's debt (over a time frame of several years) are: (1) the rating of the State; (2) the State's general financial support for higher education as a whole; (3) the State's financial support for the institution; (4) the institution's demand and financial factors; and (5) the security pledge. The first, second, and fifth factors are the

same for all four systems. All systems benefit from the State's triple-A rating; all are part of public higher education in Maryland; and all can offer the same types of security.

S&P's third factor looks at the trends in State appropriations to the four systems. The fourth factor, the institution's demand and financial factors, encompasses a host of data dealing with the student body, financial performance, and components of debt.

CDAC has concluded that the overall level of debt is prudent over time and therefore recommends a limit of \$30 million for new academic revenue bonds for the University System of Maryland for fiscal year 2027. Morgan State University, St. Mary's College of Maryland and Baltimore City Community College do not propose to issue bonds for academic facilities in fiscal year 2027.

VIII. APPENDICES

Appendix A: History of the Capital Debt Affordability Committee

Duties

The creation of the Capital Debt Affordability Committee was an outgrowth of two events: the dramatic increase in outstanding debt during the mid-1970's due to the creation of the State's school construction program and the release in June 1974 of the Department of Legislative Services' two-year study on the State's debt picture, titled "An Analysis and Evaluation of the State of Maryland's Long-Term Debt: 1958 - 1988." In response to this study and the rising level of State debt, the 1978 General Assembly enacted the current SF&P §8-104, *et seq.*, which created the Capital Debt Affordability Committee and process.

In 1989, the General Assembly further expanded the Committee's charge as part of legislation relating to higher education debt (Chapter 93, Laws of Maryland, 1989). The statute requires the Committee to review on a continuing basis the size and condition of any debt of the University System of Maryland, Morgan State University, and St. Mary's College of Maryland; take any debt issued for academic facilities into account as part of the Committee's affordability analysis with respect to the estimate of new authorizations of general obligation debt; and, finally, to submit to the Governor and the General Assembly an estimate of the amount of new bonds for academic facilities that may prudently be authorized in the aggregate for the next fiscal year by the University System of Maryland, Morgan State University, and St. Mary's College of Maryland. The 1994 General Assembly added Baltimore City Community College to the list of higher education institutions that the Committee reviews and the 2009 General Assembly expanded the debt authorization for Baltimore City Community College to academic as well as auxiliary facilities.

In 2004, the General Assembly added to the duties of the Committee in the Public School Facilities Act of 2004 (Chapters 306, 307, Laws of Maryland, 2004, uncodified Section 11), in which it directed the Committee to annually "review the additional school construction funding needs as identified in the 2004 Task Force to Study Public School Facilities report and ... make a specific recommendation regarding additional funding for school construction when recommending the State's annual debt limit." The statute also directed that the Committee "include a multiyear funding recommendation that will provide stability in the annual funding for school construction," but in 2009, the General Assembly repealed the requirement that the Committee annually review the school construction needs and make a specific recommendation regarding additional funding (Chapter 485, Laws of Maryland 2009).

Chapter 641 of the Laws of 2010 requires the CDAC to analyze and report on the aggregate impact of Public-Private Partnership agreements on the total amount of new State debt that may prudently be authorized for the next fiscal year.

Membership

Members of the Committee include the State Treasurer (Chair), the Comptroller, the Secretaries of Budget and Management and Transportation, and one public member appointed by the Governor. Chapter 445, Laws of Maryland, 2005 expanded the membership of the Committee with the addition of the Chair of the Capital Budget Subcommittee of the

Senate Budget and Taxation Committee and the Chair of the Capital Budget Subcommittee of the House Committee on Appropriations as non-voting *ex officio* members.

Definition of Tax-Supported Debt

In addition to the duties previously noted, the Committee has generally reviewed other types of public debt issued by State or State-created authorities or agencies. In keeping with a narrow interpretation of its statutory charge, the Committee's efforts through 1986 focused mainly on bringing the State's general obligation debt in line with certain parameters. In 1987, however, the Committee began to adopt a more comprehensive view of State debt that included all tax-supported debt in addition to general obligation debt.

This broader view was adopted in recognition of the fact that the rating agencies and investment community take a more comprehensive view of a state's debt when analyzing its obligations. Summaries of rating agency reports indicated that the measure of debt used was "net tax-supported debt", that is, the sum of general obligation debt, consolidated and county transportation debt (net of sinking funds), capital lease commitments, and tax or bond anticipation notes.

The more comprehensive view of debt also recognized that other forms of long-term commitments were becoming more common. Capital leases, particularly lease purchase obligations, were more visible, if not more widely used. The bonds issued by MSA for the Baltimore stadiums are supported by lease arrangements; the State had consolidated a significant amount of equipment lease obligations; and the Motor Vehicle Administration was using the capital lease method for expanding or relocating its service center network. Although these leases do not represent debt in the constitutional sense, any default on these leases would be viewed by the market as similar to a default on State bonds. This broader view was ultimately codified and included in the Committee's statutory charge by Chapter 241, Laws of Maryland, 1989.

The Committee considered in 2004 the question of whether Bay Restoration Bonds constitute a new component of State tax-supported debt for purposes of debt affordability calculations. The Bay Restoration Fee is applied broadly across the State and is not directly tied to the use of specific water treatment plants. There is a consensus among counsel that the maturity of the bonds must be limited to 15 years, the maximum for "State debt." As a result, the Committee concluded that the Bay Restoration Bonds are State tax-supported debt.

In 2005, the General Assembly expanded the scope of what the Committee considers in Chapters 471, 472, Laws of Maryland, 2005, by explicitly recognizing debt issued by MDOT under Title 4, Subtitle 6 of the Transportation Article, or by the Maryland Transportation Authority (MTA) under Title 4, Subtitle 3 of that Article, when "secured by a pledge of future federal aid from any source" (e.g., GARVEE Bonds) as "tax-supported debt." Thus, requiring this type of debt be accounted for both in the annual authorization recommendation and in consideration of the amount of tax-supported debt. Chapter 455, Laws of Maryland, 2023, however, in expanding the authorization to issue bonds backed by future federal aid also repealed the requirement that the Committee include such debt within its affordability calculations, as these bonds are no longer required to have the pledge of Transportation Trust Fund revenues as a secondary source of funds. Determination for inclusion as "tax-supported debt" will depend on the structure of each bond issuance.

In accordance with SF&P §8-104(c), leases are considered tax-supported debt when the lease or unit of State government is “supported directly or indirectly by State tax revenues”. However, SF&P §8-104 was amended in the 2011 Session by Chapter 163 of the 2011 Laws of Maryland. Effective June 1, 2011, tax-supported debt does not include capital leases used to finance energy performance contracts if, as determined by the committee, energy savings that are guaranteed by the contractor:

- (i) equal or exceed the capital lease payments on an annual basis; and
- (ii) are monitored in accordance with reporting requirements adopted by the Committee.

History of Debt Affordability Criteria

Based upon an analysis of available material and consultation with financial experts, the following affordability criteria were developed by the Committee for the analysis of general obligation debt in 1979:

- Outstanding debt should be no more than 3.2% of State personal income;
- Adjusted debt service should be no more than 8.0% of State revenues; and
- New authorizations should be kept in the range of redemptions of existing debt over the near term.

Criteria 1 and 2 represented traditional measures and criterion 3 reflected a discretionary policy position that the State should reduce debt. The Committee at that time declared that, given the high debt level of the mid-late 1970’s, the first two criteria were goals to be achieved over time, and the final criterion became controlling over the short term.

In 1987, while retaining the first and second criteria for evaluating the expanded definition of debt and debt service, the Committee concluded that the third criterion was no longer an applicable guideline. The basis for its conclusion was threefold. First, the high ratings of the State's General Obligation and Transportation Bonds indicated that the existing level of debt and the planned increases were acceptable to the rating agencies. Second, pressing legislative and executive commitments required an increase in the level of bonded debt to finance needed transportation and other projects. Third, adherence to the criterion tied yearly authorizations to events of 15 years before, thereby producing highly variable bond authorizations inconsistent with either good debt management or a stable capital program.

In 1988, a detailed survey of credit analysts was undertaken to obtain their views on the Committee's comprehensive approach to reviewing debt and to the criteria the Committee had been using for ten years. The survey affirmed the Committee's decision to take an expanded view of debt. In addition, criteria 1 and 2 were almost universally approved. This position was reinforced in discussion with investment banks and bond rating agencies in July 2005. Indeed, the rating agencies have repeatedly cited the Capital Debt Affordability process and criteria as major reasons for awarding Maryland triple-A status.

The 2007 Capital Debt Affordability Committee Report (Section VII) documented the Committee’s review of its affordability criteria, initiated at the request of the General Assembly. The Committee concluded the 2007 Report with a recommendation for the

continued study and evaluation of the criteria in 2008. That recommendation was followed and, after thorough analysis by the Committee and staff, and following consultation with the rating agencies and the State's financial advisor, the Committee voted to retain the 8.0% debt service to revenues criterion and to change the debt outstanding to personal income criterion from 3.2% to 4.0%. A complete report of the process undertaken by the Committee to change the criterion is in Section V of the Report of the CDAC on Recommended Debt Authorizations for Fiscal Year 2009.

Actual affordability ratios for 2009 through 2025 are in **Schedule C-2**.

History of Authorizations

In the 1992 report, while reaffirming its belief in the theories underlying its prior recommendations, the Committee recommended that the six-year program originally recommended in 1988 be reduced, due principally to the severe national and state economic downturn. The 1992 recommendation acknowledged that the persistent recession had depressed the levels of personal income and that the structural changes in Maryland's economy would deter near term resumption of the State's rapid growth in personal income. The 1992 program also recognized that, while there had been no abatement in the population growth and need for services, cost inflation and, therefore, total need had been lower than originally projected in the years between 1988 and 1991. Considering all these factors, the Committee recommended limiting authorization increases to 3%, based at that time on the prevailing inflation rate plus 1%. In earlier years, the recommended out-year increases had varied between 3-5%, usually incorporating some estimate of inflation plus need.

In the years between 1993 and 2002, the State's economy and personal income recovered significantly but, due to the availability of general PAYGO funds, the guideline increase of 3% was generally observed and incorporated in future year projections. As debt authorizations grew at a slower rate than personal income, the level of "unused" debt capacity increased. Between 2002 and 2008, the inclusion of Bay Restoration Bonds as State tax-supported debt and the increases in the authorizations of General Obligation Bonds absorbed virtually all the previously unused debt capacity. The recommendations for General Obligation Bond authorizations in 2006, 2007, 2008 and 2009 were over the amount that would have been recommended had the 3.0% growth rate been maintained. In 2006 and 2007, the \$100 million increases extended to future years. In 2008 and 2009, \$150 million was projected as a one-time increase for each year.

In 2010, CDAC recommended an authorization of \$925.0 million which was \$215.0 million below the 2009 CDAC recommendation. The 2010 Committee also adjusted future authorization levels to remain within the CDAC self-imposed affordability benchmarks. These future levels were essentially unchanged in the 2011 CDAC Report. In December 2011, the CDAC increased its original recommendation by \$150 million. In October 2014, at the request of the Secretary of the Department of Budget and Management, CDAC increased the authorization recommendation by \$75 million to address the growing project backlog. The out-year assumptions were also increased by \$75 million through fiscal year 2020. In October 2015, at the request of the Secretary of the Department of Budget and Management, the Committee reduced the authorization from the 2014 CDAC planned amount of \$1,180 million to \$995 million, a reduction of \$185 million. The \$995 million authorization was carried forward in future fiscal years until 2019 when the authorization was increased to \$1.095 billion with annual increases of about 1%.

For a history of more recent authorizations and issuances, see Section V of this report, “Changes in Bond Issuance – General Obligation Bonds.”

Appendix B: History of the Maryland Stadium Authority Financings

Oriole Park at Camden Yards. Currently the MSA operates Oriole Park at Camden Yards, which opened in 1992. MSA’s notes and bonds are lease-backed revenue obligations, the payment of which is secured by, among other things, an assignment of revenues received under a lease of Oriole Park at Camden Yards from MSA to the State. The rental payments due from the State under that lease are subject to annual appropriation by the General Assembly. Revenues to fund the lease payments are generated from a variety of sources, including lottery revenues, the net operating revenues of MSA, and \$1.0 million from the City of Baltimore each year.

In August 2011, MSA issued the Sports Facilities Taxable Revenue Bonds, Series 2011 Bonds, in the amount of \$11.1 million. The proceeds were used for capital repairs to the warehouse located at the Camden Yards Complex. The Series 2011 Bonds matured in 2014 and subsequently, MSA issued the Sports Facilities Taxable Revenue Bonds, Series 2014, in the amount of \$9.6 million. The proceeds were used to refinance the Sports Facilities Taxable Revenue Bonds, Series 2011. The Series 2014 bonds matured in 2024. The annual debt service amount is approximately \$1.1 million. The amount outstanding as of June 30, 2025 totaled \$0.0 million. MSA’s share of lottery revenues are pledged for these bonds; therefore, they are not considered tax-supported debt and not included in the CDAC affordability analysis.

In May 2019, MSA issued \$34.4 million in Sports Facilities Taxable Lease Revenue Bonds (Warehouse Issue), Series 2019B. The proceeds will be used for various projects related to the warehouse, parking lot controls and improvements to the walkways between Oriole Park at Camden Yards and M&T Bank Stadium along with issuance costs. The bonds are structured with interest only payments until March 2027 and will mature in 2047. The bonds are solely secured by an assignment of revenues received under a lease of the project from MSA to the State. The annual debt service amount through fiscal year 2027 is approximately \$1.2 million and then will increase to \$3.4 million starting in fiscal year 2028 until the bonds mature. The amount outstanding as of June 30, 2025 totaled \$34.4 million.

In January 2025, MSA issued \$128.6 million in Taxable Revenue Bonds (Baseball Stadium Issue), Series 2025. The proceeds will be used to finance a portion of the costs of the design, construction, renovation, development, improvement, and construction of capital improvements to the baseball stadium and other sports facilities directly related to the use or operation of Oriole Park at Camden Yards. The bonds are structured to mature in December 2038. The annual debt service amount is approximately \$13.5 million. The amount outstanding as of June 30, 2025 is \$128,6 million. MSA’s share of lottery revenues are pledged for these bonds; therefore, they are not considered tax-supported debt and not included in the CDAC affordability analysis.

The amount outstanding of MSA’s bonds and leases included in the CDAC analysis related to the Oriole Park at Camden Yards project totaled \$34.4 million as of June 30, 2025.

Ravens Stadium. MSA currently operates M&T Bank Stadium, which opened in 1998. In connection with the construction of that facility, MSA sold \$87.6 million in lease-backed revenue bonds in 1996. The proceeds from the MSA's bonds, along with cash available from State lottery proceeds, investment earnings, contributions from the Ravens and other sources were used to pay project design and construction expenses of approximately \$229.0 million. The bonds are solely secured by an assignment of revenues received under a lease of the project from MSA to the State. In June 1998, MSA entered into an agreement to implement a synthetic fixed rate refinancing of the football lease-backed revenue bonds using a combination of variable rate refunding obligations and forward interest rate exchange agreements. As provided under the agreements, the savings of \$2.6 million were paid to MSA. MSA issued Maryland Stadium Authority Sports Facilities Lease Revenue Refunding Bonds Football Stadium Issue Series 2007 in the amount of \$73.5 million; \$73.1 million of which was used to call the outstanding principal balance on the 1996 Series Bonds, with the balance of the proceeds used for closing costs. The 1996 Series Bonds were called in 2007 in accordance with the swap agreement. The annual debt service amount is approximately \$6.5 million. The bonds outstanding as of June 30, 2025 totaled \$6.1 million.

In May 2019, MSA issued \$20.6 million in Sports Facilities Tax-Exempt Lease Revenue Bonds (Football Stadium Issue), Series 2019A. The proceeds will be used for various projects at M&T Bank Stadium. The bonds are structured to mature in 2026, the same time as the Series 2007, and are solely secured by an assignment of revenues received under a lease of the project from MSA to the State. The annual debt service amount is approximately \$3.7 million. The outstanding amount as of June 30, 2025 totaled \$6.1 million.

In July 2023, MSA issued \$225.7 million in Revenue Bonds (Football Stadium Issue), Series 2023A. The proceeds are being used to finance a portion of the costs of the design, construction, renovation, development, improvement, and construction of capital improvements to the football stadium and other sports facilities directly related to the use or operation of M&T Bank Stadium. Interest is payable semiannually at 5%. The bonds will mature in September 2037. Annual debt service is pledged from Lottery funds. The amount outstanding as of June 30, 2025 totaled \$208.4 million. MSA's share of lottery revenues are pledged for these bonds; therefore, they are not considered tax-supported debt and not included in the CDAC affordability analysis.

In July 2023, MSA issued \$192.5 million in Revenue Bonds (Football Stadium Issue), Series 2023B. The proceeds are loaned to MSA as a taxable drawdown facility in variable rate mode with Term SOFR serving as the benchmark. A portion of the drawdown facility will convert from a variable rate mode to a long-term tax-exempt fixed rate mode and/or a long-term fixed rate mode within four years. Proceeds from draws on the loan will be used to finance certain costs of capital improvements to M&T Bank Stadium, including an initial deposit into a capital works fund and an initial deposit into an emergency repair fund as required by the Lease Agreement between the Maryland Stadium Authority and the Baltimore Ravens. Annual debt service is pledged from Lottery funds. The amount outstanding as of June 30, 2025 totaled \$199.0 million. MSA's share of lottery revenues are pledged for these bonds; therefore, they are not considered tax-supported debt and not included in the CDAC affordability analysis.

The amount outstanding of MSA's bonds and leases included in the CDAC affordability analysis related to the stadium projects totaled \$9.6 million as of June 30, 2025.

Ocean City Convention Center. In October 2019, MSA issued approximately \$21.4 million in Ocean City Facility Expansion Lease Revenue Bonds, Series 2019C. Proceeds from the sale, including premium, will be used to fund 60% of the cost to expand the Ocean City Convention Center, two years of capitalized interest and the cost of issuance. The amount deposited into the project fund was approximately \$22.5 million, along with a \$500,000 State grant to the Town of Ocean City and the issuance of debt by the Town of Ocean City resulting in \$15.0 million for construction, for a project budget of \$38.0 million. The annual debt service is projected at \$1.6 million starting in fiscal year 2022. The bonds will mature in 2038. The bonds outstanding as of June 30, 2025, totaled \$18.5 million.

MSA will continue to pay one-half of the annual operating deficits of the facility through December 2059. The 2025 contribution to the operating deficit and capital improvements funds is approximately \$2.0 million. The project is expected to generate direct and indirect tax benefits to the State that offset the costs (debt service, operating deficit, and the deposit to the capital improvements fund).

Camden Station Renovation. In February 2004, MSA issued \$8.7 million in taxable lease-backed revenue bonds in connection with the renovation of the historic Camden Station located at the Camden Yards Complex in Baltimore, Maryland. The cost of the renovation was \$8.0 million. MSA has executed lease agreements for the entire building, with the Babe Ruth Museum leasing approximately 22,600 square feet since May 2000 and Geppi's Entertainment Museum leasing the balance of the building since early fall 2006. To date, the building is not leased, and the debt service has been subsidized by MSA. The average annual debt service for these bonds is \$0.8 million. Bonds outstanding as of June 30, 2025 totaled \$0.0 million.

Baltimore City Public School Construction. In April 2016, MSA issued \$320.0 million, Series 2016 Maryland Stadium Authority Baltimore City Public Schools (BCPS) Construction and Revitalization Program Revenue Bonds. Approximately \$66.1 million in bond premium was generated from the transaction. The proceeds of \$386.1 million were used for issuance costs and construction costs for BCPS. Interest is payable semiannually at the rate of 5.00% per annum on May 1st and November 1st. This bond will mature May 1, 2046. The annual debt service is secured by the funds received from Baltimore City, BCPS and the Maryland Lottery; therefore, they are not considered tax-supported debt and not included in the CDAC affordability analysis. The annual debt service is approximately \$11.6 million. Bonds outstanding as of June 30, 2025, totaled \$83.5 million.

In January 2018, MSA issued \$426.4 million, Series 2018A Maryland Stadium Authority BCPS Construction and Revitalization Program Revenue Bonds. There was approximately \$70.0 million in bond premium generated from the transaction. The proceeds of \$496.4 million will be used for issuance costs and construction costs for the BCPS. Interest is payable semiannually at the rate of 5.00% per annum on May 1st and November 1st. This bond will mature May 1, 2047. The annual debt service is secured by the funds received from Baltimore City, BCPS and the Maryland Lottery, therefore, they are not considered tax-supported debt and not included in the CDAC affordability analysis. The annual debt service is approximately \$25.0 million. Bonds outstanding as of June 30, 2025, totaled \$321.0 million.

In July 2020, the Authority issued the third series of tax-exempt revenues bonds in connection with the replacement and renovation of Baltimore City Public Schools. There were two series of bonds issued. Series A had a par amount of \$194.0 million and Series B had a par amount of \$34.0 million for a total par value of \$228.0. The proceeds will be used to complete all 28 projects. The security pledge for the bonds is the same as the first and second series. The transaction generated about \$114.3 million in premium that will be used for the project costs. The annual debt service is approximately \$11.5 million. Bonds outstanding as of June 30, 2025, totaled \$227.8 million.

In July 2020, the Authority also issued a federally taxable refunding bond for certain maturities from the Series 2016 and Series 2018A bonds. Series 2020C had a par amount of \$296.3 million. These proceeds will be used to pay off the Series 2016 and Series 2018A bonds that were refunded under this series. The series 2016 bonds are callable in 2026 and the series 2018A bonds are callable in 2028. The security pledge for the bonds is the same as the other series. Debt service will range from \$11.8 to \$23.6 million annually. Together with the other series, total debt service is \$60.0 million. Bonds outstanding as of June 30, 2025, totaled \$269.7 million.

In July 2022, the Authority issued \$66.1 million, Series 2022C Baltimore City Public Schools Construction and Revitalization Program Revenue Bonds (Capital Appreciation Bonds). The proceeds will be used to finance and refinance a portion of the costs of the renovation and replacement of Frederick Douglass HS. The security pledge for the bonds is the same as the first, second, and third series. The annual debt service is approximately \$60.0 million, beginning in fiscal year 2051. Bonds outstanding as of June 30, 2025, totaled \$66.1 million.

Racing and Community Development Act of 2020. During the 2020 legislative session, the Racing and Community Development Act of 2020 was passed. Under the Act, MSA is authorized to issue up to \$375.0 million in revenue bonds with the proceeds being used to fund the replacement of the Pimlico Race Course and Laurel Park. Starting in fiscal year 2022, and continuing annually until the bonds have matured, \$17.0 million in lottery funds will be deposited into the Racing and Community Development Financing Fund which will be used primarily for the payment of debt service. Funds from the Race Tracks Facility Renewal Account, the Purse Dedication Account and the Park Heights Community Development will be used to repay lottery as received by the Maryland Stadium Authority. MSA anticipates issuing bonds in 2026.

Built to Learn Act of 2020. In October 2021, MSA issued \$257.0 million, Series 2021 Maryland Stadium Authority Built to Learn Revenue Bonds. Approximately \$36.0 million in bond premium was generated from the transaction. The proceeds of \$293.0 million were used for issuance costs and construction costs for Built to Learn schools. Interest is payable semiannually at the varying rates from 2.75% to 5.00% per annum on June 1st and December 1st. This bond will mature June 1, 2051. The annual debt service is secured by the funds received from the State of Maryland Education Trust Fund; therefore, they are not considered tax-supported debt and not included in the CDAC affordability analysis. The annual debt service is approximately \$14.8 million. Bonds outstanding as of June 30, 2025, totaled \$243.0 million.

In February 2022, MSA issued \$373.1 million, Series 2022A Maryland Stadium Authority Built to Learn Revenue Bonds. Approximately \$45.3 million in bond premium was generated from the transaction. The proceeds of \$418.4 million were used for issuance costs and construction costs for Built to Learn schools. Interest is payable semiannually at the varying rates from 3.00% to 5.00% per annum on June 1st and December 1st. This bond will mature June 1, 2052. The annual debt service is secured by the funds received from the State of Maryland Education Trust Fund; therefore, they are not considered tax-supported debt and not included in the CDAC affordability analysis. The annual debt service is approximately \$21.7 million. Bonds outstanding as of June 30, 2025, totaled \$357.5 million.

In October 2024, MSA issued \$410.7 million, Series 2024 Maryland Stadium Authority Built to Learn Revenue Bonds. Approximately \$34.9 million in bond premium was generated from the transaction. The proceeds of \$445.6 million were used for issuance costs and construction costs for Built to Learn schools. Interest is payable semiannually at varying rates from 4.0% to 5.25% per annum on June 1st and December 1st. This bond will mature June 1, 2054. The annual debt service is secured by the funds received from the State of Maryland Education Trust Fund; therefore, they are not considered tax-supported debt and not included in the CDAC affordability analysis. The annual debt service is approximately \$25.6 million. Bond outstanding as of June 30, 2025, totaled \$410.7 million.

Hagerstown Multi-Use Sports and Events Facility. In February 2022, MSA issued \$57.6 million, Series 2022A Maryland Stadium Authority Multi-Use Stadium and Events Facility Lease Revenue Bonds. Approximately \$12.1 million in bond premium was generated from the transaction. The proceeds of \$69.6 million were used for issuance costs and construction costs for Hagerstown Multi-Use Sports and Events Facility. Interest is payable semiannually at the varying rates from 4.00% to 5.00% per annum on June 1st and December 1st. This bond will mature June 1, 2052. The annual debt service is secured by the general funds. The annual debt service is approximately \$3.8 million. Bonds outstanding as of June 30, 2025, totaled \$55.3 million.

Sports Entertainment Facility - During the 2022 legislative session, the Sports and Entertainment Facility bill (HB 200M SB441) was passed. This bill allows MSA to issue up to \$220.0 million in bonds with the proceeds being used for site acquisition design, and construction of any portion of a certain sports entertainment facility. The debt service will be funded with lottery up to \$25.0 million until the bonds are retired.

In November 2023, MSA issued \$20.1 million, Series 2023A Sports Entertainment Facilities (Hagerstown Project). Approximately \$0.6 million in bond premium was generated from the transaction. Proceeds of the Series 2023A bonds were used for costs of issuance, capitalized interest, and to finance a portion of the costs of the construction, renovation, development and improvement of the Hagerstown Multi-Use Sports and Events Facility in Washington County, MD. Interest is payable semiannually at 5.0% per annum on June 15th and December 15th. This bond will mature June 15, 2052. MSA's share of lottery revenues are pledged for these bonds; therefore, they are not considered tax-supported debt and not included in the CDAC affordability analysis. The annual debt service is approximately \$1.4 million. Bonds outstanding as of June 30, 2025, totaled \$19.8 million.

In November 2023, MSA issued \$78.4 million, Series 2023B Sports Entertainment Facilities (Minor League Baseball Projects) Revenue Bonds. Approximately \$4.5 million in

bond premium was generated from the transaction. Proceeds of the Series 2023B bonds were used for costs of issuance, capitalized interest, and to finance a portion of the costs of the design, renovation, development, improvement and construction of capital improvements to (i) Nymeo Field at Harry Grove Stadium in Frederick County, MD, (ii) Prince George's Stadium in Prince George's County, MD, (iii) Arthur W. Perdue Stadium in Wicomico County, MD, and (iv) Regency Furniture Stadium in Charles County, MD. Interest is payable semiannually at 5.0% per annum on June 15th and December 15th. This bond will mature June 15, 2033. MSA's share of lottery revenues are pledged for these bonds; therefore, they are not considered tax-supported debt and not included in the CDAC affordability analysis. The annual debt service is approximately \$11.0 million. Bonds outstanding as of June 30, 2025, totaled \$71.3 million.

In June 2025, MSA issued \$121.5 million, Series 2025 Sports Entertainment Facilities (Minor League Baseball Projects) Revenue Bonds. Approximately \$11.1 million in bond premium was generated from the transaction. Proceeds of the Series 2025 bonds were used for costs of issuance, capitalized interest, and to finance a portion of the costs of the design, renovation, development, improvement and construction of capital improvements to (i) Nymeo Field at Harry Grove Stadium in Frederick County, MD, (ii) Prince George's Stadium in Prince George's County, MD, (iii) Arthur W. Perdue Stadium in Wicomico County, MD, and (iv) Regency Furniture Stadium in Charles County, MD. Interest is payable semiannually at 5.0% per annum on June 15th and December 15th. This bond will mature June 15, 2037. MSA's share of lottery revenues are pledged for these bonds; therefore, they are not considered tax-supported debt and not included in the CDAC affordability analysis. The annual debt service is approximately \$12.6 million through 2023, increasing to \$23.6 million until maturity. Bonds outstanding as of June 30, 2025, totaled \$121.5 million.

Blue Line Corridor - During the 2022 legislative session, the Prince George's County Blue Line Corridor facilities bill was passed. This bill allows MSA to issue up to \$400.0 million in bonds with the proceeds being used for site acquisition design, and construction of any portion of a certain sports entertainment facility. The debt service will be funded with lottery up to \$27.0 million until the bonds are retired. MSA anticipates issuing the bonds in late 2026.

IX. SCHEDULES

Schedule A-1: Maryland Personal Income and Population

Calendar Year	Personal Income	% Change	Population	% Change
2011	\$295,749,650,000		5,818,380	
2012	307,624,985,000	4.02%	5,864,740	0.80%
2013	309,329,474,000	0.55%	5,963,434	1.68%
2014	318,983,090,000	3.12%	6,010,059	0.78%
2015	332,956,246,000	4.38%	6,050,280	0.67%
2016	344,195,091,000	3.38%	6,080,556	0.50%
2017	356,078,970,000	3.45%	6,113,486	0.54%
2018	367,831,289,000	3.30%	6,139,211	0.42%
2019	380,447,191,000	3.43%	6,163,769	0.40%
2020	400,576,357,000	5.29%	6,177,935	0.23%
2021	426,578,341,000	6.49%	6,179,403	0.02%
2022	439,741,284,000	3.09%	6,192,440	0.21%
2023	465,936,759,000	5.96%	6,217,062	0.40%
2024	493,464,257,500	5.91%	6,263,220	0.74%
2025	512,680,616,808	3.89%	6,309,619	0.74%
2026	528,264,263,566	3.04%	6,320,295	0.17%
2027	548,019,711,521	3.74%	6,317,386	-0.05%
2028	569,956,007,604	4.00%	6,311,561	-0.09%
2029	593,690,006,529	4.16%	6,304,856	-0.11%
2030	617,670,417,424	4.04%	6,306,581	0.03%
2031	641,695,746,436	3.89%	6,311,706	0.08%
2032	667,975,633,138	4.10%	6,315,043	0.05%
2033	693,942,441,047	3.89%	6,317,280	0.04%
2034	719,167,792,546	3.64%	6,318,922	0.03%
2035	744,421,432,067	3.51%	6,319,370	0.01%
4.42%	Average Rate of personal income growth for 10-year period 2016 through 2025			
3.67%	Median rate of personal income growth for 10-year period 2016 through 2025			

Sources: Board of Revenue Estimates

Schedule A-2: Maryland State Tax-Supported Revenue Projections

Maryland State Tax-Supported Revenue Projections (\$ in millions)

Fiscal Year	General Fund	% Change	Property Taxes	% Change	Use of Premium and Misc. ABF Receipts	Federal Interest Subsidy	Educational Trust Fund (VLT revenues)	Transfer Taxes	Blueprint Fund (Online Sales Tax)	Total	Transportation Revenues	Stadium Related Revenues	GARVEE Revenues	Bay Restoration Fund	Total Revenues	% Change
2021	\$20,831.0	11.8%	\$892.2	3.7%	\$115.8	10.9	\$281.4	\$267.2	\$506.9	\$22,905.3	\$3,801.0	\$13.2	-	\$109.3	\$26,828.8	7.79%
2022	24,044.5	15.4%	919.2	3.0%	149.0	10.1	195.4	354.3	556.8	26,229.3	4,317.0	13.2	-	115.4	30,674.9	14.34%
2023	23,672.7	-1.5%	904.6	-1.6%	71.0	8.9	-	227.0	1,446.2	26,330.4	4,278.0	12.6	-	115.7	30,736.7	0.20%
2024	24,862.8	5.0%	985.3	8.9%	139.5	6.4	-	198.7	786.3	26,978.9	4,128.0	12.1	-	108.4	31,227.4	1.60%
2025	25,715.7	3.4%	1,041.5	5.7%	86.8	4.1	-	220.0	941.0	28,009.0	4,314.0	12.3	-	115.0	32,450.3	3.92%
2026	26,672.1	3.7%	1,115.6	7.1%	2.1	2.4	-	198.3	1,048.5	29,039.1	5,005.0	11.3	-	115.0	34,170.4	5.30%
2027	27,127.8	1.7%	1,160.8	4.0%	2.1	0.8	-	222.1	1,098.2	29,611.8	5,113.0	3.4	-	115.0	34,843.2	1.97%
2028	28,126.6	3.7%	1,198.7	3.3%	2.1	0.2	-	240.3	1,044.5	30,612.4	5,143.0	3.4	-	115.0	35,873.8	2.96%
2029	29,163.3	3.7%	1,222.7	2.0%	2.1	-	-	254.4	1,063.9	31,706.4	5,215.0	3.4	-	115.0	37,039.8	3.25%
2030	30,147.4	3.4%	1,247.1	2.0%	2.1	-	-	291.3	1,086.2	32,774.2	5,317.0	3.4	-	115.0	38,209.6	3.16%
2031	31,377.8	4.1%	1,272.1	2.0%	2.1	-	-	300.2	1,107.9	34,060.0	5,445.0	3.4	-	58.0	39,566.4	3.55%
2032	32,319.1	3.0%	1,297.5	2.0%	2.1	-	-	309.2	1,130.1	35,058.0	5,531.0	3.4	-	58.0	40,650.4	2.74%
2033	33,288.7	3.0%	1,323.5	2.0%	2.1	-	-	318.4	1,152.7	36,085.4	5,618.0	3.4	-	58.0	41,764.8	2.74%
2034	34,287.3	3.0%	1,349.9	2.0%	2.1	-	-	328.0	1,175.8	37,143.1	5,701.0	3.4	-	58.0	42,905.5	2.73%
2035	35,316.0	3.0%	1,376.9	2.0%	2.1	-	-	337.8	1,199.3	38,232.1	5,787.0	3.4	-	58.0	44,080.5	2.74%

Schedule B-1: Proposed General Obligation Authorizations and Estimated Issuances

Proposed Authorization (in \$ Millions)

FY	Legislative Session	Proposed Authorization	Rate of Increase
2026	2025	\$1,750	
2027	2026	1,750	0%
2028	2027	1,750	0%
2029	2028	1,750	0%
2030	2029	1,750	0%
2031	2030	1,750	0%
2032	2031	1,750	0%
2033	2032	1,750	0%
2034	2033	1,750	0%
2035	2034	1,750	0%

Projected Bond Sales by Fiscal Year (in \$ Millions)

	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	Total
1st Sale	\$-	\$600	\$600	\$620	\$635	\$655	\$675	\$695	\$715	\$740	\$5,935
2nd Sale	800	600	600	620	635	655	675	695	715	740	6,735
Total	\$800	\$1,200	\$1,200	\$1,240	\$1,270	\$1,310	\$1,350	\$1,390	\$1,430	\$1,480	\$12,670

Schedule B-2: Projected General Obligation Authorized But Unissued Debt

Projected General Obligation Authorized But Unissued Debt (\$ in millions)

	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	Total
Beginning Balance	\$4,694	\$5,644	\$6,194	\$6,744	\$7,254	\$7,734	\$8,174	\$8,574	\$8,934	\$9,254	
PLUS: New Authorizations^(a)	1,750	1,750	1,750	1,750	1,750	1,750	1,750	1,750	1,750	1,750	17,500
LESS: Total Bonds Issued^(b)	800	1,200	1,200	1,240	1,270	1,310	1,350	1,390	1,430	1,480	12,670
Ending Balance	\$5,644	\$6,194	\$6,744	\$7,254	\$7,734	\$8,174	\$8,574	\$8,934	\$9,254	\$9,524	

Summary

Authorized but Unissued as of 7/1/2025	\$4,693,595
Total Authorizations	17,500,000
Total Issuances	<u>-12,670,000</u>
Total Authorized but Unissued as of 6/30/35	<u>\$9,523,595</u>

(a) Authorizations are shown in the fiscal year of the legislative session to support the capital program of the following year.

(b) As projected in Appendix B-1

Schedule B-3: Projected General Obligation Debt Outstanding

General Obligation Debt Outstanding (\$ in thousands)

Fiscal Year	Outstanding at Beginning of FY	PLUS: New GO Debt Issues	LESS: Redemptions	LESS: Refundings	Outstanding at End of FY
2026	\$9,954,098	\$800,000	\$1,023,491	-	\$9,730,606
2027	9,730,606	1,200,000	1,040,898	-	9,889,708
2028	9,889,708	1,200,000	1,024,838	-	10,064,870
2029	10,064,870	1,240,000	1,017,558	-	10,287,311
2030	10,287,311	1,270,000	1,044,885	-	10,512,427
2031	10,512,427	1,310,000	1,061,571	-	10,760,856
2032	10,760,856	1,350,000	1,020,249	-	11,090,607
2033	11,090,607	1,390,000	1,070,576	-	11,410,031
2034	11,410,031	1,430,000	1,083,230	-	11,756,801
2035	11,756,801	1,480,000	1,107,395	-	12,129,407

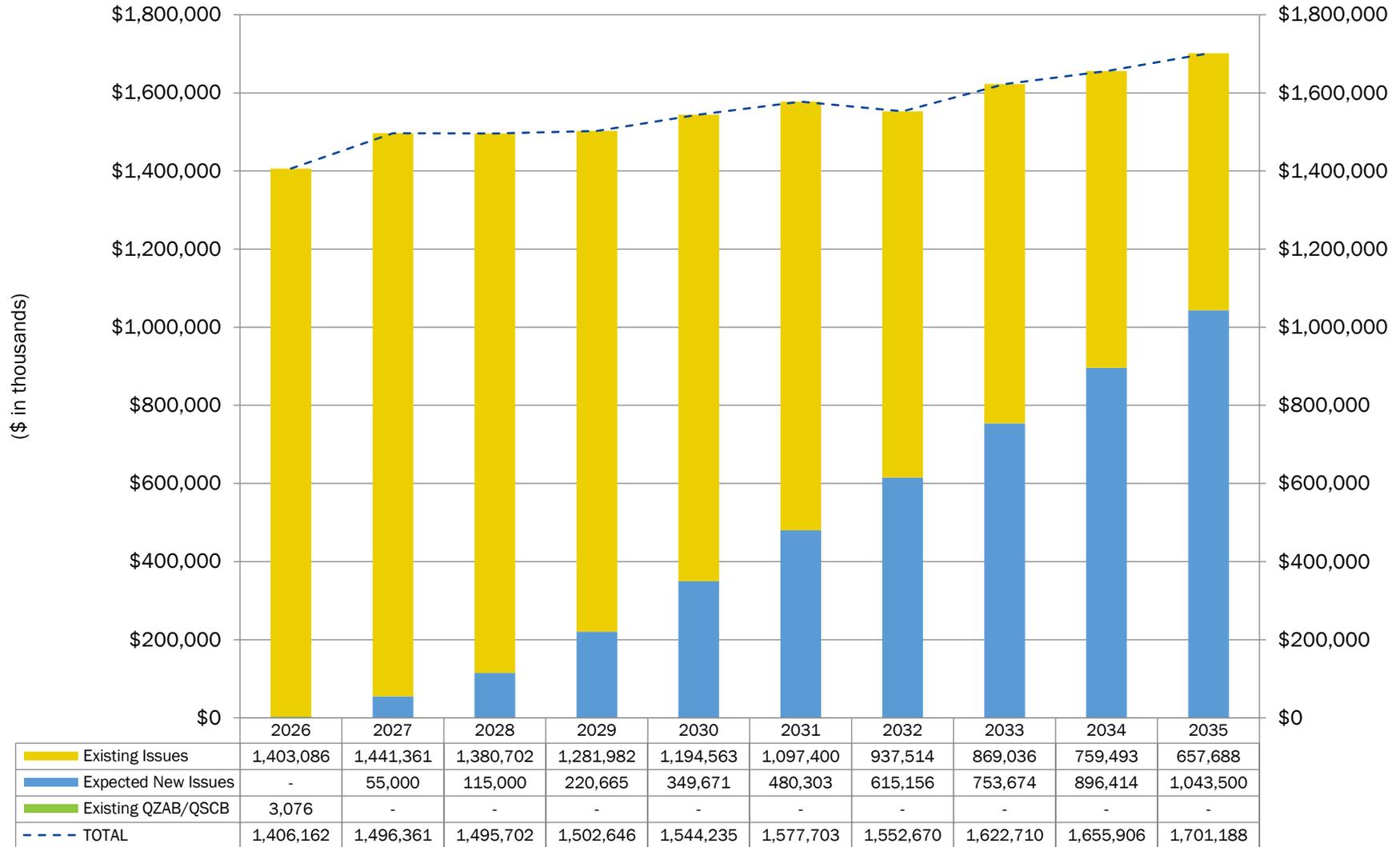
Summary

Outstanding at 7/1/2025	\$9,954,098
Total GO Issued ^(a)	12,670,000
Total GO Redeemed	<u>-10,494,691</u>
Outstanding at 6/30/35	<u>\$12,129,407</u>

(a) As projected in Appendix B-1

Schedule B-4: Projected General Obligation Debt Service and Sinking Fund Payments

Projected General Obligation Debt Service and Sinking Fund Payments
Fiscal Years 2026 - 2035



Schedule C-1: Historical Data – General Obligation Debt

Fiscal Year	Summary of Authorizations (\$ in thousands)				Summary of Debt Activity (\$ in thousands)					Total Debt Service
	Authorized ^(a)	Cancelled	New Issuances	Authorized but Unissued	New Issuances	Refunding	Redeemed	Refunded	Outstanding at Fiscal Year End	
2009	\$1,112,000	\$1,939	\$845,563	\$2,328,350	\$845,563	\$65,800	\$464,725	\$66,825	\$5,873,643	\$744,799
2010	1,214,543	7,026	140,883	2,394,984	1,140,883	798,080	482,754	806,630	6,523,222	777,523
2011	940,902	4,127	974,718	2,357,041	974,718	-	515,094	-	6,982,846	834,833
2012	1,090,324	4,525	1,112,400	2,330,440	1,112,400	393,295	542,179	405,260	7,541,102	878,208
2013	1,079,549	6,116	1,043,230	2,360,643	1,043,230	348,930	564,299	363,160	8,005,803	915,982
2014	1,164,625	7,305	979,549	2,538,413	979,549	236,855	613,979	245,880	8,362,348	980,738
2015	1,047,625	3,694	1,022,625	2,559,720	1,022,625	1,015,074	658,368	,064,465	8,677,214	1,027,003
2016	1,001,680	3,307	1,540,625	2,017,467	1,540,625	-	752,554	-	9,465,285	1,120,994
2017	1,069,823	1,345	679,680	2,406,265	679,680	465,685	786,139	490,305	9,334,205	1,190,728
2018	1,075,000	2,300	1,079,823	2,399,142	1,079,823	785,340	835,446	884,515	9,479,407	1,234,921
2019	1,085,000	1,337	1,000,000	2,507,805	1,000,000	-	872,498	-	9,606,909	1,290,652
2020	1,095,000	25,153	1,095,000	2,482,652	1,095,000	232,230	904,346	257,325	9,772,468	1,323,196
2021	1,105,000	0	1,015,000	2,572,652	1,015,000	471,390	851,598	494,330	9,912,930	1,270,433
2022	1,424,766	-	1,665,000	2,332,418	1,665,000	237,125	950,732	275,730	10,588,593	1,376,257
2023	1,234,100	-	400,000	3,166,518	400,000	-	987,355	-	10,001,238	1,428,935
2024	1,750,000	13,057	1,200,000	3,703,461	1,200,000	-	1,005,999	-	10,195,238	1,432,654
2025	1,890,134		900,000	4,693,595	900,000	656,730	1,112,034	685,835	9,954,099	1,547,393

(a) Authorizations for a fiscal year represent those authorizations effective for that fiscal year.

Schedule C-2: History of Affordability Ratios

Tax-Supported Debt

Calendar Year	Debt as a % of Personal Income ⁽¹⁾	Debt Service as % of Revenues ⁽²⁾
2009	3.21%	6.21%
2010	3.34%	6.85%
2011	3.14%	6.57%
2012	3.23%	6.64%
2013	3.33%	6.60%
2014	3.39%	6.86%
2015	3.40%	6.90%
2016	3.49%	7.27%
2017	3.54%	7.58%
2018	3.51%	7.42%
2019	3.44%	7.56%
2020	3.42%	7.44%
2021	3.29%	6.62%
2022	3.31%	6.98%
2023	3.25%	6.67%
2024	2.92%	6.18%
2025	2.62%	6.31%

(1) The criterion for debt outstanding to personal income was 3.2% from 1979-2007 and increased to 4.0% in 2008.

(2) The criterion for debt service to revenues has been 8.0% since 1979.

Schedule C-3: Historical Data – Department of Transportation Debt

Historical Data - Department of Transportation Debt												
Consolidated Transportation Bonds												
(\$ in thousands)												
Summary of Debt Activity							Summary of Debt Service (a)					
Gross Debt			Gross Debt				Net Debt		Deposits to			
Outstanding			Outstanding		Sinking	Outstanding		Refunding Sinking Fund				
Fiscal	Beginning		End		Fund(s)	End		Principal		Interest		Total
Year	of Year	Issued	Defeased	Redeemed	of Year	Balance	of Year	Fund	Redeemed	Interest	Total	
2009	\$1,268,815	\$390,000	\$0	\$76,210	\$1,582,605	\$0	\$1,582,605	\$0	\$76,210	\$66,145	\$142,355	
2010	1,582,605	140,000	0	77,595	1,645,010	0	1,645,010	0	77,595	73,358	150,953	
2011	1,645,010	0	0	83,170	1,561,840	0	1,561,840	0	83,170	75,492	158,662	
2012	1,561,840	276,435	(b) 172,800	102,845	1,562,630	0	1,562,630	0	102,845	71,370	174,215	
2013	1,562,630	165,000	0	109,340	1,618,290	0	1,618,290	0	109,340	70,968	180,308	
2014	1,618,290	325,000	0	130,620	1,812,670	0	1,812,670	0	130,620	76,614	207,234	
2015	1,812,670	661,250	(c) 301,255	152,415	2,020,250	0	2,020,250	0	152,415	79,989	232,404	
2016	2,020,250	300,000	0	174,165	2,146,085	0	2,146,085	0	174,165	90,193	264,358	
2017	2,146,085	892,525	(d) 253,040	207,185	2,578,385	0	2,578,385	0	207,185	100,030	307,215	
2018	2,578,385	555,000	0	221,710	2,911,675	0	2,911,675	0	221,710	118,350	340,060	
2019	2,911,675	630,680	0	199,410	3,342,945	0	3,342,945	0	199,410	138,156	337,566	
2020	3,342,945	490,000	0	205,755	3,627,190	0	3,627,190	0	205,755	151,166	356,921	
2021	3,627,190	300,000	0	254,860	3,672,330	0	3,672,330	0	254,860	157,580	412,440	
2022	3,672,330	486,610	(e) 239,960	275,505	3,643,475	0	3,643,475	0	275,505	155,648	431,153	
2023	3,643,475	143,585	161,910	328,120	3,297,030	0	3,297,030	0	328,120	152,341	480,461	
2024	3,297,030	0	0	292,120	3,004,910	0	3,004,910	0	292,120	134,134	426,454	
2025	3,004,910	200,000	0	309,860	2,895,050	0	2,895,050	0	309,860	119,846	429,706	

(a) Amounts may differ from budgetary amounts
 (b) MDOT issued \$161,435 million refunding bonds
 (c) MDOT issued \$259,715 million refunding bonds
 (d) MDOT issued \$242,525 million refunding bonds
 (e) MDOT issued \$191,610 million refunding bonds