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Lieutenant Governor

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PUBLIC DEBT
FY 2017 Budget Hearing

Testimony of
David R. Brinkley, Secretary
Department of Budget and Management

House Appropriations Committee
February 12, 2016

Chairman McIntosh and members of the Committee, thank you for this opportunity to respond to the Department of Legislative Services (DLS) analysis of Public Debt. I would also like to thank the analyst for his recommendation to concur with the Governor's allowance.

The Administration remains concerned with growing debt levels and steeply rising general fund debt service subsidies, which are projected to exceed \$600 million annually by FY 2025. To that end, the Governor's FY 2017 – 2021 Capital Improvement Plan holds new general obligation bond authorizations under \$1 billion annually, which will begin to bend the curve back towards sustainable, affordable levels of debt service. Holding general obligation bond authorizations to \$995 million annually will save Maryland taxpayers over \$200 million through FY 2025. (See graph on reverse)

As noted in the analysis, the FY 2017 Public Debt allowance assumes \$77.6 million in bond premium from the May sale. This premium estimate was provided by the State's Financial Advisor. Assuming bond premium from the first bond sale of the calendar year is a longstanding practice of the State, and the Department of Budget and Management (DBM) is comfortable that the Financial Advisor's estimate is attainable. The Administration is committed to maintaining the State's AAA bond rating and will always ensure that the Annuity Bond Fund contains sufficient funding to meet its debt service obligations.

Thank you for your consideration of the Administration's position. We look forward to continuing to work with you on these important issues.

~Effective Resource Management~

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Cumulative General Fund Debt Service Savings Under Hogan Capital Plan, FY 2016 - 2025

