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**Debt Management**

As a product of Maryland's continuing formal debt affordability review process, the State reduced its outstanding general obligation debt during the year. This was accomplished by placing continued reliance upon general fund revenues as a financing source for capital projects and by postponing bond offerings.

As a result of preparing its financial statements in conformity with generally accepted accounting principles and having these statements audited by an independent firm of certified public accountants, Maryland was able to realize interest cost savings on bonds issued during the year that are conservatively estimated at \$600,000. In fact, Maryland's general obligation bonds were sold at the lowest interest rate of comparable offerings by any state during the fiscal year. A summary of changes in the debt follows:

	Millions	
	1980	1979
Outstanding at beginning of year	\$2,154.1	\$2,173.0
Add Bonds Issued	117.3	115.4
Deduct Bonds Redeemed	(162.3)	(134.3)
Outstanding at end of year	<u>\$2,109.1</u>	<u>\$2,154.1</u>

In addition to General Obligation Bonds of Maryland, other long-term obligations of the State at the end of Fiscal Year 1980 included \$560,235,000 of Transportation Bonds, which are serviced solely from certain transportation revenues; \$484,531,000 of Revenue Bonds, which are serviced solely from certain enterprise revenues; and \$375,227,000 of pension liabilities, which represent the excess of retirement costs over retirement expenditures and are being funded on a long-term basis through annual contributions, principally from general revenue sources.

**OUTLOOK**

Revenue prospects for Fiscal Year 1981 have allowed the State to provide new tax relief to income taxpayers by creating an exemption on interest income. This relief is expected to amount to \$11,000,000 in Fiscal Year 1981. Other tax relief granted in Fiscal Year 1981 is expected to amount to \$3,150,000.

The Federal government eliminated state participation in the Federal Revenue Sharing program effective September 30, 1980. Loss of revenues from this source is expected to amount to \$34,700,000 in Fiscal Year 1981.

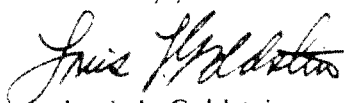
The Transportation Trust Fund, which has historically been served principally by the motor fuels tax, has suffered in recent years from reductions in motor fuel consumption and slow growth in revenues from vehicle registration. Beginning with the Fiscal Year 1981, this fund will be augmented by the inclusion of a portion of the motor vehicle titling tax and a portion of the general fund share of the corporate income tax. Together, these transfers will add \$85,000,000 to Fiscal Year 1981 transportation revenues and will provide much needed financial support for State and local transportation programs.

New bond authorizations to support the 1981 capital budget amounted to \$212,300,000. Maryland should again achieve favorable interest rates on bond sales because of its financial disclosure and reporting practices, independent audit, and its generally strong financial posture.

Although revenues for Fiscal Year 1981 are expected to exceed those of the prior year, national economic conditions will tend to moderate the rate of growth from that experienced in previous years. In response to the general economic conditions and loss of Federal Revenue Sharing funds, Maryland has pared \$50,000,000 from its original spending plans for Fiscal Year 1981. This action of fiscal responsibility, together with Maryland's diversified economic base, will enable the State to continue to provide services to its citizens without impairing its financial condition.

I will be pleased to furnish additional information on the State's finances upon request.

Cordially yours,



Louis L. Goldstein  
 Comptroller of the  
 Treasury of Maryland