

In 1978, the Capital Debt Affordability Committee was created to study the State's debt structure and to recommend maximum limitations on annual debt authorizations. Although the recommendations of the Committee are not binding on the State's General Assembly, the amounts of annual general obligation bond authorizations for 1985 were within the limits established by the Committee. During the 1985 regular legislative session, new general obligation bond authorizations amounted to \$219,837,000. An additional \$100,000,000 in emergency authorization was enacted by the General Assembly on May 17, 1985 in connection with the situation involving nonfederally insured savings and loan associations. However, at this time there appears to be no need to issue the amount authorized.

At the committee's latest meeting they urged the Governor and the General Assembly to:

- cancel nearly \$50 million in state bonds which were authorized but never issued and reduce proposed authorization levels by an additional \$50 million over the next five years,
- begin a long-term program to eliminate the need to sell general obligation bonds for the State's capital construction program, thereby reducing Maryland's general obligation debt,
- exercise more control over special authority debt and make the State's housing bond program more self-supporting, and
- authorize a maximum of \$220 million in general obligation bonds to support the Fiscal Year 1986 Capital Budget.

The following tabulation shows the general obligation bonds issued during the past three fiscal years.

State of Maryland – General Obligation Bonds

<u>Date of Issue</u>	<u>Amount</u>	<u>Average Life in Years</u>	<u>Effective Interest Rate</u>	<u>Interest Cost Per Borrowed Dollar</u>
July 1, 1982	\$140,495,000	10.4	11.10%	115.6¢
December 1, 1982	126,735,000	10.3	8.37	86.0
June 30, 1983	125,000,000	10.1	8.31	83.9
March 1, 1984	116,700,000	10.1	8.18	82.7
September 1, 1984	138,990,000	10.1	8.78	88.9

Since June 30, 1983 the State has redeemed more general obligation bonds than it has issued, resulting in a decline in general obligation bonds outstanding of \$178,595,000.

Maryland's general obligation bonds have been rated Aaa by Moody's Investors Service and AAA by Standard and Poor's for a number of years.

Additionally, limited obligation bonds issued by the Department of Transportation and self-supporting revenue bonds issued by enterprise agencies amounted to \$24,210,000 and \$360,195,000, respectively, during 1985.

Cash Management

During the year, temporary surpluses of cash in general governmental funds were invested in repurchase agreements and U.S. Treasury and Agency obligations with maturities ranging from one to 181 days and in time deposits ranging from 180 to 365 days. For the fiscal year ended June 30, 1985 the State's cash resources for general governmental funds were invested as follows: in repurchase agreements, 42.0 percent; in United States Treasury and Agency obligation, 57.8 percent; and in certificates of deposits, 0.2 percent. The average yield on maturing investments during the year was 9.1 percent, as compared to 9.8 percent in the prior year, and the amount of investment income was \$104,262,000, which was \$19,841,000 more than the previous year.

Capital Projects Fund

Proceeds of general obligation bond issues are accounted for in the capital projects fund. Completed projects and uncompleted construction in progress at year end which are assets of the State are capitalized in the general fixed assets account group, the appropriate enterprise fund for self-supporting projects or the higher education fund. During fiscal year 1985, state projects costing \$49,915,000, were completed. State grants for capital projects of local governments and other public organizations amounted to \$83,105,000 in the fiscal year, a decrease of \$16,544,000 from 1984.

Authorized but unissued general obligation bonds at June 30, 1985 totaled \$831,343,000.