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PUBLIC DEBT
FY 2020 BUDGET HEARING

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

House Appropriations Committee
March 1, 2019

Senate Budget and Taxation Committee
March 5, 2019

The Administration appreciates this opportunity to respond to the Department of Legislative Services' (DLS) analysis of the FY 2020 Public Debt budget. The Administration's testimony is in full support of the Governor's FY20 allowance for debt service.

While we thank the DLS analyst for once again performing a thorough analysis of this aspect of the State budget, the Administration would like to submit the following points for the budget committees' consideration.

First, the Hogan Administration will not support any increase in the property tax rate—a proposal that was recommended by DLS in their February 26, 2019 "Additional Reduction Recommendations" report prepared in anticipation of a significant revenue writedown by the Board of Revenue Estimates this month.

After the prior administration oversaw the implementation of more than 40 tax, toll, and fee increases, the voters made it clear by reelecting Governor Hogan that the people of Maryland have been overtaxed long enough.

In addition, the specter of raising the property tax rate by DLS only arose because the prior administration stretched our bonding capacity to the limit by overspending on capital projects funded by General Obligation bonds. By keeping our debt spending under control, we will drive down our future debt service payments and restore breathing room to our bonding capacity, thus rendering the idea of a property tax rate increase moot.

Second, the Administration would like to assure the budget committees that we will fulfill the State's obligations to bondholders in FY20 and each year thereafter. Although we have assumed in the FY20 proposed budget a certain level of debt premiums—following the example set last year by the General Assembly—we do so in full understanding of the actions we would need to take to hold the State's annuity bond fund harmless should bond premiums underperform our conservative expectations over the next year and into the future.

DLS Recommendations

The Administration concurs with the sole operating budget recommendation made by the analyst to adopt committee narrative tasking the Capital Debt Affordability Committee with convening a study group to examine the best approach to evaluating the cost of increasing General Obligation bond authorizations without undervaluing the costs of expanding the program. The Department of Budget and Management would be happy to work with the Comptroller and with the Treasurer to compile a report related to the State's debt affordability policies.