

**X00A00
Public Debt**

Operating Budget Data

(\$ in Thousands)

| | FY 02 | FY 03 | FY 04 | | % Change |
|--------------------|----------------------|-----------------------|-------------------------|----------------------|--------------------------|
| | <u>Actual</u> | <u>Working</u> | <u>Allowance</u> | <u>Change</u> | <u>Prior Year</u> |
| General Funds | \$103,455 | \$94,020 | \$82,100 | \$-11,920 | -12.7% |
| Special Funds | 408,815 | 632,263 | 340,584 | -291,680 | -46.1% |
| Reimbursable Funds | 100,523 | 89,862 | 104,910 | 15,047 | 16.7% |
| Total Funds | \$612,792 | \$816,146 | \$527,593 | -\$288,552 | -35.4% |

- The allowance for the Annuity Bond Fund is \$288.6 million less than the fiscal 2003 working appropriation. The decline is due primarily to an accounting transaction that recognized for fiscal 2003 the \$315 million in special funds derived from the State refunding bonds.
- Despite the 35% decline in the fiscal 2004 allowance when compared to fiscal 2003, debt service costs increases by 6.1% or \$30.3 million over fiscal 2003.
- General funds for debt service payment increase a total of \$3.1 million or 1.7% over fiscal 2003 to \$187 million. These general funds include both the funds credited directly to the Annuity Bond Fund and those budgeted in the Maryland State Department of Education (MSDE) and received as reimbursable funds. General funds, both in fiscal 2003 and 2004, are substantially lower than the fiscal 2002 actual due to the State's receipt of large premium payments in the bond sales occurring in 2001 and 2002. Also, reducing the growth in general funds is an increase in property tax receipts (\$18.6 million or 6.6% over fiscal 2003).
- The fiscal 2004 allowance does not provide funds for the remittance of arbitrage earnings and penalties. The fiscal 2003 working appropriation includes \$3.5 million for that purpose.

Note: Numbers may not sum to total due to rounding.

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Analysis in Brief

Issues

Altering the Accounting for General Obligation Bond Proceeds: Legislation introduced this session seeks to alter the accounting method for general obligation bond proceeds. The new method is expected to minimize federal rebate liability. The fiscal 2004 allowance does not provide funds for the remittance of arbitrage or tax rebate penalties. **The State's Treasurer's Office should brief the committees on the pending legislation and address the potential for an unfunded liability.**

Annuity Bond Fund Projections: A review of the projected activity in the Annuity Bond Fund from fiscal 2004 through 2008 reveals that the growth rate for debt service payments outpaces its supporting revenues. Moreover, the debt service projections show a growing reliance on the increasingly competitive general funds. These factors signal a need to review the current State policy to maintain a stable property tax rate. **The Department of Legislative Services recommends a statutory change to cap the general funds credited to the Annuity Bond Fund at 2% of the estimated general fund revenues for that year.**

State's Deficit Creates General Fund Premium – Property Tax and Other Special Funds for Debt Service: The State's deficit places a premium on all general fund expenditures. Debt service payments have a dedicated revenue source that allows for the annual alignment of the estimated expenditure to revenue generation. **The Department of Legislative Services recommends that the fiscal 2004 debt service payment be derived solely from special fund revenue sources including property tax receipts and bond premiums.**

Recommended Actions

1. Add contingent reduction language to reduce the general funds for debt service.

Updates

Public Bond Market Could Be Impacted by the Proposed Tax Plan: Within President's Bush tax proposal is a provision that would create a disincentive for corporations to invest in municipal bonds.

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Operating Budget Analysis

Program Description

The Annuity Bond Fund provides for debt service payments on the State's general obligation bond debt. Funds for this purpose are provided from property tax revenues, general funds, and repayments from certain State agencies, subdivisions, and private organizations. General fund appropriations to the Annuity Bond Fund allow the property tax rate to be lower than it otherwise would be since the property tax is the dedicated source of revenue the State pledges to pay debt service. General funds to pay debt service on public school construction loans are also appropriated to the Maryland State Department of Education (MSDE) and credited to this program as reimbursable funds.

Since fiscal 1996, bond discount and penalty and rebate expenses have been budgeted in a program separate from that which pays debt service. This program also contains the budgeted special funds resulting from refunded bonds. The funds are used to purchase government securities that provide the debt service payment to the bondholders.

Governor's Proposed Budget

The fiscal 2004 allowance of \$527.6 million represents a decrease of \$288.6 million (35.4%) below the fiscal 2003 working appropriation. The decline is due primarily to an accounting transaction that recognized in fiscal 2003 the \$315 million in special funds derived from the State refunding bonds. These proceeds were brought in through a budget amendment that authorized the purchase of securities to pay the bondholders upon maturity.

Despite the appearance of a decline in the fiscal 2004 allowance, debt service payment increases by 6.1% or \$30.3 million over fiscal 2003. Debt service is estimated to be \$527.6 million in fiscal 2004. In contrast, the related expenses on State bonds are budgeted to decline. The fiscal 2004 allowance does not include funds for the remittance of arbitrage earnings whereas \$3.5 million was provided in fiscal 2003. The arbitrage remittance results from high bond cash balances that the State carried for several years. Legislation introduced during the 2003 session is purporting to minimize the likelihood of the State being assessed arbitrage earnings in the future (discussed further in the Issues section).

General funds for debt service payment increase a total of \$3.1 million or 1.7% over fiscal 2003 to \$187 million. These general funds include both the funds credited directly to the Annuity Bond Fund and those budgeted in the MSDE and received as reimbursable funds. The last two years' general funds have been substantially (8%-10%) lower than the fiscal 2002 actual of \$204 million. The decline is attributable to the State's receipt of large premium payments in the bond sales occurring in 2001 (\$29.8 million) and 2002 (\$46.9 million). Also, reducing general funds is the growth in the property tax receipts (\$18.6 million or 6.6%) over fiscal 2003. **Exhibit 1** lists the sources and uses of revenues appropriated to the

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Annuity Bond Fund for fiscal 2002 through 2004.

Exhibit 1

| Annuity Bond Fund Revenues | | | |
|---|----------------------|-----------------------|-------------------------|
| Debt Service, Discount/Penalties, and Refunded Bond Proceeds | | | |
| | FY 2002 | FY 2003 | FY 2004 |
| | <u>Actual</u> | <u>Working</u> | <u>Allowance</u> |
| Special Fund Income | | | |
| Balance Beginning | \$10,178,753 | \$14,040,453 | \$14,806,746 |
| Property Taxes | | | |
| Receipts | 270,009,145 | 282,503,990 | 301,069,669 |
| Interest and Penalties | 1,703,632 | 1,200,000 | 1,200,000 |
| Other Repayments | 3,852,147 | 2,915,520 | 2,769,018 |
| Miscellaneous Receipts | 295,744 | 589,610 | 777,472 |
| Accrued Interest on Bonds Sold | 1,234,652 | | |
| Prior Year's Discount | -8,053 | -23,195 | |
| Bond Premium* | 18,373,467 | 30,515,851 | 20,142,133 |
| Transfer to Reserve | -14,040,453 | -14,806,746 | -181,264 |
| Subtotal Special Funds | 291,599,034 | 316,935,483 | 340,583,774 |
| General Fund Support | | | |
| Approp. Directly to Annuity Bond Fund | 103,094,800 | 90,500,000 | 82,100,000 |
| Budgeted in MSDE | 100,522,850 | 89,862,347 | 104,909,714 |
| Subtotal General Funds | 203,617,650 | 180,362,347 | 187,009,714 |
| Total Funds -- Debt Service | 495,216,684 | 497,297,830 | 527,593,488 |
| Penalty\Discount Expenses (General Funds) | | | |
| Discount | 0 | 0 | |
| Penalty and Arbitrage | 360,000 | 3,520,000 | |
| Total Discount\Penalty Expenses | 360,000 | 3,520,000 | |
| Total Refunded Bond Proceeds | 117,215,608 | 315,327,874 | |
| Total Discount\Penalty Expenses\Refunded Bond Proceeds | 117,575,608 | 318,847,874 | |
| Total -- All Fund Debts Service\Discount\Refunded Proceeds | 612,792,292 | 816,145,704 | 527,593,488 |
| Total -- Direct General Funds to Annuity Bond Fund | \$203,977,650 | \$183,882,347 | \$187,009,714 |

*Bond premiums received during a sale are allocated over multiple fiscal years to comply with Internal Revenue Services regulations. Of the \$18 million allocated in fiscal 2002, \$2.6 million is from the 2000 bond sales and \$15.7 million is from sales during 2001. Of the \$30.5 million allocated in fiscal 2003, \$14 million is from sales during 2001 and \$16.5 million is from the 2002 sales. The \$20 million allocated in fiscal 2004 derives from the 2002 sales and an additional \$10.3 million will be applied in fiscal 2005.

Source: State Budget Books

Issues

1. Altering the Accounting for General Obligation Bond Proceeds

The General Assembly authorizes specific capital projects or programs within the Maryland Consolidated Capital Bond Loan (MCCBL), commonly referred to as the capital bond bill, as well as, in separate local bond bills. To fund the authorized projects or programs, the State issues on a consolidated basis bonds that provide the proceeds for each of the specified capital items. A separate account is established for each authorized capital item for the purpose of tracking expenditures from the bond sale proceeds.

Due to the current accounting method, the State has had to remit payment to the Internal Revenue Service (IRS) for arbitrage (federal taxes on unused bonds). An issuer is obligated to compute arbitrage rebate obligations at least every five years after the bonds are sold. This required remittance has resulted from the State deriving earnings (greater than the bond rate) from the accumulation of proceeds from a particular sale and the specified projects not moving forward in a timely manner to expend the cash proceeds. Currently, the proceeds of each individual State bond sale can only be used for the specified projects or programs.

Legislation introduced this session (Senate Bill 126/House Bill 139) seeks to alter the accounting method for general obligation bond proceeds from a project accounting basis to a cash flow basis. The proposed legislation requires the Comptroller to establish the State and Local Facilities Loan Fund. This fund will allow for a new account method that broadens the uses of the bond proceeds beyond that of the specifically stated projects for that particular State bond sale. The proposed act, specifically, calls for the establishment of an account in the Fund where the proceeds of the sale of State bonds will be allocated amongst broad categorical project accounts. Although the fund will continue to make use of appropriate subaccounts that reflect the individual capital projects, the establishment of the fund will allow the authorized bond proceeds to be transferred to and expended from the fund. In practice this means that the Comptroller, with approval from the Board of Public Works (BPW), will be able to expend money from the fund for any authorized project or program regardless of whether that current State bond sale included that specifically funded project or program. This will prevent the occurrence of high bond cash balances since the proceeds can be used to finance projects ready to move forward. The legislation also proposes to allow the Comptroller to restate prior expenditures of bond proceeds to comply with the Internal Revenue Code and avert the anticipated State liability for arbitrage earnings.

The fiscal 2004 allowance does not provide funds for the remittance of arbitrage earnings and tax rebate penalties. The fiscal 2003 working appropriation included \$3.5 million for that purpose. Arbitrage remittance results from high bond cash balances that the State carries for several years. The proposed legislation purports to minimize the likelihood of the State being assessed with arbitrage earnings in the future. If the proposed accounting change does not meet the IRS compliance standards, the State will have an unfunded liability estimated at \$5 million in fiscal 2004. **The State Treasurer's Office should brief the committees on the need for the pending legislation, including its assessment of IRS compliance, and discuss the impact of implementation, both administrative and budgetary. Also, the State Treasurer's Office should address the potential of an unfunded liability estimated at \$5**

million, if the legislation is not passed in time and/or the proposed change does not meet IRS compliance standards.

2. Annuity Bond Fund Projections

The Annuity Bond Fund provides for debt service payments on the State's general obligation bond debt. The fund's sources of revenue are property taxes, general funds, and other special funds. Property tax receipts are the constitutionally pledged dedicated revenue for debt service payment. In contrast, general funds are used to make up the difference between actual debt service costs and the other available fund sources. Since 1982, the State has maintained a constant property tax rate by using general funds. Other special funds are primarily monies collected from bond premiums, interest on bonds sold and other miscellaneous receipts.

Debt service is estimated for fiscal 2004 to be \$527.6 million. That projected amount is up by 6.5% from the actual expenditure in fiscal 2002 of \$495 million. Debt service in fiscal 2003 (\$497 million) is expected to remain fairly constant with fiscal 2002 due to the savings achieved from refunding existing general obligation debt.

As shown in **Exhibit 2**, the out-year debt service projections for fiscal 2004 through fiscal 2008 reveal that the average annual growth rate will remain at 6.3% or on average an annual increase of \$36 million. The largest annual increase in debt service is anticipated to occur between fiscal 2005 and 2006 (9% or up \$51 million over the previous year). That increase is directly attributable to the State's current plan to issue more debt in fiscal 2003, 2004, and possibly 2005. The State's pattern of issuance of debt is greatly impacted by the replacement of debt for previously authorized PAYGO projects and the anticipated substitution of debt for planned PAYGO for fiscal 2004. Prior to the State's current need for additional debt capacity, debt service increased between fiscal 1999 and 2002 at an average annual rate of 5.9% or on average about \$26 million per year.

Exhibit 2

Projected Annuity Bond Fund
(\$ in Millions)

| | Debt Service | | Property Tax | | | General Funds | | | Other Funds | |
|---------|--------------|---------------|---------------|---------------|--------------------------|---------------|---------------|--------------------------|-------------|--------------------------|
| | | <u>% Inc.</u> | <u>% Inc.</u> | <u>% Inc.</u> | <u>% of Debt Service</u> | <u>% Inc.</u> | <u>% Inc.</u> | <u>% of Debt Service</u> | | <u>% of Debt Service</u> |
| FY 2004 | \$527.6 | | \$301.1 | | 57.1% | \$187.0 | | 35.4% | \$39.5 | 7.5% |
| FY 2005 | 557.4 | 5.7% | 320.5 | 6.5% | 57.5% | 223.6 | 19.6% | 40.1% | 13.3 | 2.4% |
| FY 2006 | 608.0 | 9.1% | 333.3 | 4.0% | 54.8% | 271.7 | 21.5% | 44.7% | 3.0 | 0.5% |
| FY 2007 | 645.0 | 6.1% | 343.3 | 3.0% | 53.2% | 298.7 | 9.9% | 46.3% | 3.0 | 0.5% |
| FY 2008 | 672.4 | 4.2% | 351.9 | 2.5% | 52.3% | 317.5 | 6.3% | 47.2% | 3.0 | 0.4% |

Source: Department of Budget and Management

Also illustrated in the table are the proportional changes amongst the three main revenue sources that provide for the State's debt service payment. In the next five years, barring no changes in the State's policy to maintain the current property tax rate and assuming a discontinuation of the recent trend of the State receiving large premiums at the time of sale, the proportion of debt service provided directly from the property tax receipts will decline from 57% to 52%. The decline occurs simply because the average annual growth in debt service at 6% outpaces the anticipated growth rate in property tax revenues of 4%. In contrast to that decline is the rise in the proportion of debt service met from general funds. It is estimated to climb from 35% in fiscal 2004 to 47% in fiscal 2008.

As a result of the widening gap between property tax receipts and the debt service requirement, reliance on general funds for the annuity bond fund will increase at an average annual rate of 14% or \$33 million more per year. Specifically, the projections indicate that general funds for debt service will rise from \$187 million in 2004 to nearly \$318 million in fiscal 2008. The general fund revenue forecast for fiscal 2004 through 2008 provides for an average annual growth rate of 4.7%. Hence, when placing the general funds required for debt service into the overall context of the State's general fund expenditures, debt service will account for 1.86% of general fund revenues in fiscal 2004 and will rise steadily to 2.63% in fiscal 2008. Few general fund expenditures in the budget are forecasted to grow at such a high rate. Moreover, the growth in the demands for general funds to support other high priority policy areas such as education, public safety, and the environment are expected to continue and intensify. Consequently, these factors signal the need to review the current State policy of maintaining a stable property tax rate at the expense of other general fund expenditures. With the increasing competition for general funds and the anticipated declining proportion that property tax represents of debt service, which adds to the strain on the general fund, the State should consider modifying its use of general funds by capping the general fund allocation for debt service at 2% of the total estimated general revenues. A 2% cap allows the State to

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continue to provide a strong moderating factor on the growth rate in the property tax rate while also stabilizing the proportion of debt service met through general funds to roughly 36%.

The Department of Legislative Services recommends adding language to the Maryland code that establishes the Annuity Bond Fund (State Finance and Procurement Article Section 8-132). The language would indicate that the general funds credited to the Annuity Bond Fund by the Comptroller could not exceed 2% of the estimated general fund revenues (Bureau of Revenues) for that fiscal year. If the credited amount (general and special) is insufficient to meet the debt service requirement on State bonds, the Comptroller will send notification to the Board of Public Works, prior to May 1. This change can be effectuated through the Budget Reconciliation and Financing Act of 2003.

3. State's Deficit Creates General Fund Premium – Property Tax and Other Special Funds for Debt Service

The State faces a budget shortfall of nearly \$900 million in the 2003 session for fiscal 2004. As a result, general fund expenditures need to be carefully examined to determine appropriateness and where if applicable, alternative funding can be sought (federal or special funds). The State's debt service payments with its use of general funds (35% of the proposed debt service payment in fiscal 2004) should not be excluded from this critical examination.

The current State property tax rate is 8.4 cents and revenues from the tax are dedicated to cover debt service costs for State general obligation bonds. The fiscal 2004 allowance includes an estimated \$301 million in property tax receipts. Since 1982, the property tax rate has not been adjusted. While the rate has not changed, debt service costs have increased, with general funds making up the bulk of that difference to cover the required costs. The fiscal 2004 allowance provides \$187 million in general funds. These general funds are proposed to meet the estimated total debt service costs while maintaining the current property tax rate and utilizing the other available special funds (\$39.5 million) including bond premiums. The general funds include both the funds credited directly to the Annuity Bond Fund and those budgeted in MSDE and received as reimbursable funds.

There are numerous instances throughout the proposed fiscal 2004 budget where special funds are being used in place of general funds. The use of special funds, in this manner, is in recognition of the scarcity of general funds in fiscal 2004. The State's payment of debt service is an expenditure that has its own dedicated revenue source. General obligation bonds are secured by the State property tax (Article III, Section 34). This revenue source has the built-in administrative mechanisms that provides for an annual alignment of the estimated expenditure (debt service requirement) with revenue generation. Annually the Board of Public Work (BPW) is tasked with setting a State tax rate (by May 1 of each year) sufficient to provide revenues to meet debt service requirements on outstanding general obligation bonds during the next fiscal year. In setting the rate, BPW considers the general funds appropriated in the recently enacted budget as well as special fund projections including the property tax receipts.

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If special funds, in particular property tax receipts, were to be provided in lieu of the proposed general funds, the resulting impact on the property tax rate and receipts might be as follows:

| | Fiscal 2004 | |
|--------------------------------------|-----------------------|-------------------------|
| | <u>Current</u> | <u>Estimated</u> |
| Real Property Assessable Base | \$359,472,676 | \$359,472,676 |
| Homestead Credit | -2,513,000 | -2,513,000 |
| Tax Rate per \$100 assessed | 0.084 | 0.137142432 |
| Subtotal Real Property | \$299,846,128 | \$489,543,182 |
| Utilities Assessable Base | 1,605,235 | 1,605,235 |
| Tax Rate per \$100 assessed | 0.210 | 0.220 |
| Subtotal Utilities | \$3,370,994 | \$3,531,517 |
| Estimated Property Tax Revenues | 303,217,121 | 493,074,699 |
| Less 1.5% not collected | 4,548,257 | 7,396,120 |
| Estimated Collections | 298,668,865 | 485,678,579 |
| Collections from Prior Years | 2,400,805 | 2,400,805 |
| Total Property Tax | \$301,069,670 | \$488,079,384 |
| General Funds | 187,009,714 | 0 |
| Other Special Funds | 39,514,105 | 39,514,105 |
| Debt Service Requirement | \$527,593,489 | \$527,593,489 |

The above scenario is only an example of the various ways to generate additional receipts. As this example illustrates, the real property tax rate would increase on the magnitude of 63% (5.3 cents) and the utilities rate at nearly 5% (one cent). Attempts to mitigate the tax rate increases, in particular the real property tax rate, will result in a continuation of general fund support. A one-cent increase in both the property tax rate for the real and utilities assessable base is estimated to yield \$35 million.

In light of the State's current fiscal condition, the Department of Legislative Services recommends that a greater portion of debt service payment for fiscal 2004 be derived from special funds, including the revenues from the dedicated property tax and other special monies such as bond premiums available for fiscal 2004. This recommendation is consistent with the options considered by the commission on Maryland's Fiscal Structure, chaired by Fred Puddester. The commission, in its 2002 interim report, included increasing the State property tax rate to cover more debt service among its list of short-term revenue measures to fill the budget shortfall during recessionary periods. The proposed general funds of \$187,009,714 for this purpose should be reduced by \$100,000,000 contingent on the availability of an alternative funding source of equivalent amount. It is anticipated that the alternative funding source, necessitated by the reduction in general funds support for fiscal 2004, will derive from the annual levy and collection of the property tax. The continuation of general fund support for debt service mitigates the property tax rate increase (estimated at 33%).

Recommended Actions

1. Add the following language to the general fund appropriation:

, provided that \$100,000,000 of this appropriation shall be deleted contingent on the availability of an alternative funding source of an equivalent amount.

Explanation: This language provides for the reduction of general funds for debt service, if an alternative funding source is provided. Special funds in the form of property tax revenues could be levied and collected.

Updates

1. Public Bond Market Could Be Impacted by the Proposed Tax Plan

Within President's Bush tax proposal is a component that would create a disincentive for corporations to invest in municipal bonds. Under the plan, corporations could pay out tax-exempt dividends to investors if they have paid full corporate tax on their income. By allowing this new exemption, it creates greater competition for municipal bonds. It is expected that the municipal bond issuers will be forced to pay higher interest rates on debt in order to remain attractive to individual as well as institutional investors. Institutional investors make up 21% of the bond market.

Early estimates predict a rise in interest rate for municipal bonds of on average .25 - .50 percentage points. Using the base interest rate of 4.5% (interest costs over 15 years are estimated at \$43.3 million per \$100 million sold), an increase of .25 percentage points result in an additional \$2.6 million per \$100 million sold. Similarly, an increase of an additional .50 percentage points on the base rate results in \$5.1 million more in interest costs. Increases in the cost of borrowing also impacts a state's capacity to issue more bonds since debt service becomes more expensive.

Current and Prior Year Budgets

Current and Prior Year Budgets Public Debt (\$ in Thousands)

| | <u>General Fund</u> | <u>Special Fund</u> | <u>Federal Fund</u> | <u>Reimb. Fund</u> | <u>Total</u> |
|----------------------------------|-------------------------|-------------------------|-------------------------|------------------------|------------------|
| Fiscal 2002 | | | | | |
| Legislative Appropriation | \$103,455 | \$293,607 | \$0 | \$100,523 | \$497,585 |
| Deficiency Appropriation | 0 | 0 | 0 | 0 | 0 |
| Budget Amendments | 0 | 117,216 | 0 | 0 | 117,216 |
| Reversions and Cancellations | 0 | -2,008 | 0 | 0 | -2,008 |
| Actual Expenditures | \$103,455 | \$408,815 | \$0 | \$100,523 | \$612,793 |
| Fiscal 2003 | | | | | |
| Legislative Appropriation | \$94,020 | \$311,357 | \$0 | \$89,862 | \$495,239 |
| Budget Amendments | 0 | 320,906 | 0 | 0 | 320,906 |
| Working Appropriation | \$94,020 | \$632,263 | \$0 | \$89,862 | \$816,146 |

Note: Numbers may not sum to total due to rounding.

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Fiscal 2002

In fiscal 2002, the Annuity Bond Fund was increased by \$117,215,608. The increase was in special funds and was a result of proceeds received from the March 6, 2002, bond sale that included the refunding of general obligation bonds. The budget amendment authorized the expenditure of the proceeds on government-backed securities that are held in escrow for the bondholders. Funds not needed for debt service at the end of the year are cancelled and remain in the annuity bond fund for use in the next year.

Fiscal 2003

The fiscal 2003 special fund adjustment reflects the Annuity Bond Fund receiving proceeds from the July 31, 2002, bond sale (\$315,327,874) that included refunding general obligation bonds. It also reflects the net adjustment in special funds resulting from a revision in the estimates for debt service (downward due to refunding), property tax receipts and premiums.

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**Object/Fund Difference Report
Public Debt**

| <u>Object/Fund</u> | <u>FY02 Actual</u> | <u>FY03 Working Appropriation</u> | <u>FY04 Allowance</u> | <u>FY03 - FY04 Amount Change</u> | <u>Percent Change</u> |
|----------------------|------------------------|---|---------------------------|--------------------------------------|---------------------------|
| Objects | | | | | |
| 13 Fixed Charges | \$ 612,792,292 | \$ 816,145,704 | \$ 527,593,488 | -\$ 288,552,216 | -35.4% |
| Total Objects | \$ 612,792,292 | \$ 816,145,704 | \$ 527,593,488 | -\$ 288,552,216 | -35.4% |
| Funds | | | | | |
| 01 General Fund | \$ 103,454,800 | \$ 94,020,000 | \$ 82,100,000 | -\$ 11,920,000 | -12.7% |
| 03 Special Fund | 408,814,642 | 632,263,357 | 340,583,774 | -291,679,583 | -46.1% |
| 09 Reimbursable Fund | 100,522,850 | 89,862,347 | 104,909,714 | 15,047,367 | 16.7% |
| Total Funds | \$ 612,792,292 | \$ 816,145,704 | \$ 527,593,488 | -\$ 288,552,216 | -35.4% |

Note: Fiscal 2003 appropriations and fiscal 2004 allowance do not include cost containment and contingent reductions.

| Fiscal Summary Public Debt | | | | | | | | | |
|---|-----------------------|-----------------------|-----------------------|-----------------------|--------------------|-----------------------|--------------------|--|--|
| <u>Unit/Program</u> | <u>FY02</u> | <u>FY03</u> | <u>FY03</u> | <u>FY03</u> | <u>FY02 - FY03</u> | <u>FY04</u> | <u>FY03 - FY04</u> | | |
| | <u>Actual</u> | <u>Legislative</u> | <u>Working</u> | <u>Appropriation</u> | <u>% Change</u> | <u>Allowance</u> | <u>% Change</u> | | |
| 01 Redemption and Interest on State Bonds | \$ 495,216,684 | \$ 491,719,499 | \$ 497,297,830 | \$ 497,297,830 | 0.4% | \$ 527,593,488 | 6.1% | | |
| 05 Related Expenses on State Bonds | 117,575,608 | 3,520,000 | 318,847,874 | 318,847,874 | 171.2% | 0 | -100.0% | | |
| Total Expenditures | \$ 612,792,292 | \$ 495,239,499 | \$ 816,145,704 | \$ 816,145,704 | 33.2% | \$ 527,593,488 | -35.4% | | |
| General Fund | \$ 103,454,800 | \$ 94,020,000 | \$ 94,020,000 | \$ 94,020,000 | -9.1% | \$ 82,100,000 | -12.7% | | |
| Special Fund | 408,814,642 | 311,357,152 | 632,263,357 | 632,263,357 | 54.7% | 340,583,774 | -46.1% | | |
| Total Appropriations | \$ 512,269,442 | \$ 405,377,152 | \$ 726,283,357 | \$ 726,283,357 | 41.8% | \$ 422,683,774 | -41.8% | | |
| Reimbursable Fund | \$ 100,522,850 | \$ 89,862,347 | \$ 89,862,347 | \$ 89,862,347 | -10.6% | \$ 104,909,714 | 16.7% | | |
| Total Funds | \$ 612,792,292 | \$ 495,239,499 | \$ 816,145,704 | \$ 816,145,704 | 33.2% | \$ 527,593,488 | -35.4% | | |

Note: Fiscal 2003 appropriations and fiscal 2004 allowance do not include cost containment and contingent reductions.