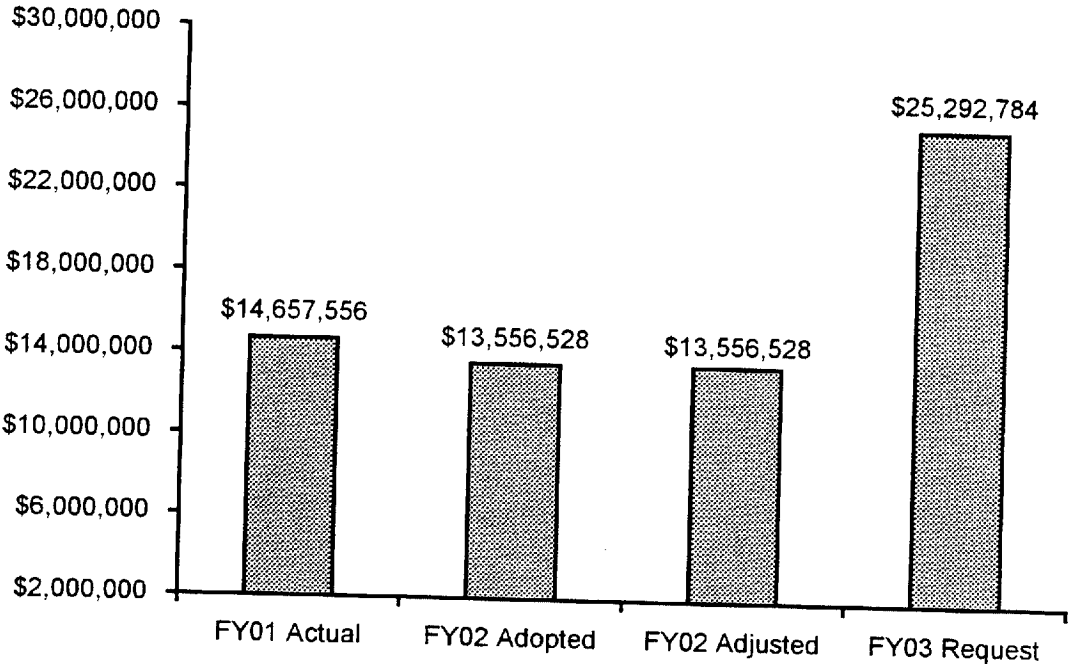


Debt Service Fund

The Debt Service Fund is required for State reporting purposes to account for the payment of interest and principal on long-term general obligation debt. Debt results from the sale of bonds used for construction and renovation through the Capital Budget.



Debt Service Fund

	FY01 Actual	FY02 Adjusted	FY03 Request
Revenue			
Local Sources	14,657,556	13,556,528	25,292,784
State Sources	0	0	0
Total Revenue	\$14,657,556	\$13,556,528	\$25,292,784
Expenditures			
Debt Service - County			
Principal	9,152,000	8,500,000	14,950,000
Interest	5,505,556	5,056,528	10,342,784
	14,657,556	13,556,528	25,292,784
Debt Service - State			
Principal	0	0	0
Interest	0	0	0
	0	0	0
Total Expenditures	\$14,657,556	\$13,556,528	\$25,292,784

Debt Obligation

The Board of Education of Baltimore County has no taxing authority and may not issue long-term debt instruments. Consequently, the Board is fiscally dependent upon county, state, and federal governments to finance the operation of the Baltimore County Public Schools.

The Board has no contingent liability for the repayment of long-term debts incurred by the State and County to finance the construction of public schools in the county. Therefore, the Board has no legal debt margin. The reporting of annual county debt service and related revenues pertaining to the Board in the Debt Service Fund is required by State Law.

The Statement of General Obligation Debt Outstanding and the Statement of Legal Debt Limit has been provided by the Baltimore County Budget Message, April 16, 2001, for the FY02, and following is the County's description of the Debt Service.

1. The County will seek to maintain its Triple A bond rating by establishing maximum debt ratios, a limit above which it will not issue additional debt, but would decrease capital spending or increase Pay-As-You-Go financing, in order to control the future debt service burden.
2. The County will update its debt affordability study each year in conjunction with its capital budget process. The study helps the County monitor its debt position & compliance with debt policies.
3. The County will not use short-term borrowing to finance operating budget requirements. The County has never issued tax or revenue anticipation notes.
4. The County does not intend to have any fixed rate bond anticipation notes outstanding for a period of longer than two years or Commercial Paper outstanding more than three years.
5. The County will maintain a Debt to Full Value ratio in the range of 1.4% to 2.0% and Debt to Personal Income ratio in the range of 2% to 2.5%.
6. The County will maintain a Debt Service to Revenues ratio in the range of 8% to 9%.
7. The County will ensure that the rapidity of debt repayment on new net tax-supported debt does not fall below 25% retired in 5 years and 50% retired in 10 years. The County currently retires 42.6% of net tax-supported debt in 5 years and 71.0% in 10 years.
8. The County will budget contributions to Pay-As-You-Go financing of the Capital Budget in each fiscal year.

The County has used Pay-As-You-Go financing since 1964.

<u>Fiscal Year</u>	<u>Paygo Amt</u>
1992	\$1.1 million
1993	\$1.1 million
1994	\$9.4 million
1995	\$4.4 million
1996	\$1.2 million
1997	\$20.3 million
1998	\$40.4 million
1999, Revised	\$93.9 million
2000	\$121.6 million
2001	\$110.3 million
2002	\$65.7 million

9. The County will maintain the self-supporting status of the Metropolitan District operations.

Statement of General Obligation Debt Outstanding

Information Provided by the Baltimore County Budget Message, April 2001.

	As of June 30, 1999	As of June 30, 2000	Estimated As of June 30, 2001
Public Facility Bonds	214,821,000	189,236,000	193,145,000
Community College Bonds	8,082,000	7,150,000	6,433,000
Public School Bonds	123,187,000	113,584,000	104,432,000
Pension Liability Funding Bonds	125,750,000	119,785,000	113,475,000
Commercial Paper Notes	65,000,000	27,000,000	27,000,000
Total Debt Applicable to Debt Limit	\$536,840,000	\$456,755,000	\$444,485,000

Statement of Legal Debt Limit

	As of June 30, 1999	As of June 30, 2000	Estimated As of June 30, 2001
Estimated Assessable Basis as of June 30th	17,932,691,805	18,567,299,052	19,092,573,000
Legal Margin for Creation of Additional Debt Debt Limit (10% of Assessable Basis) *	1,793,269,181	1,856,729,905	1,909,257,000
Total Applicable Debt	536,840,000	456,755,000	444,485,000
Total Legal Margin for Creation of Additional Debt	\$1,256,429,181	\$1,399,974,905	\$1,464,772,000

* General obligation indebtedness of the County issued pursuant to "full faith and credit" authority granted under Article VII, Section 717 of the Baltimore County Charter may not exceed 10% of the assessed value of all real and personal property subject to assessment for unlimited taxation by the County.