

Department of Legislative Services
 Maryland General Assembly
 2019 Session

FISCAL AND POLICY NOTE
 First Reader

House Bill 1352

(Chair, Appropriations Committee)(By Request -
 Departmental - University System of Maryland)

Appropriations

University System of Maryland - Academic Facilities Bonding Authority

This departmental bill authorizes the use of \$34.0 million in academic facilities bonds for the purpose of financing construction, renovation, and renewal projects at University System of Maryland (USM) buildings and campuses. **The bill takes effect June 1, 2019.**

Fiscal Summary

State Effect: Revenues and expenditures from bond proceeds increase by \$34.0 million in FY 2020. The revenues and expenditures are included in the Governor’s proposed FY 2020 *Capital Improvement Program (CIP)*. Higher education expenditures increase by an estimated \$3.0 million annually, beginning in FY 2021, to pay debt service on the revenue bonds.

| (\$ in millions) | FY 2020 | FY 2021 | FY 2022 | FY 2023 | FY 2024 |
|------------------|---------|---------|---------|---------|---------|
| Bond Rev. | \$34.0 | \$0 | \$0 | \$0 | \$0 |
| Higher Ed Exp. | \$0 | \$3.0 | \$3.0 | \$3.0 | \$3.0 |
| Bond Exp. | \$34.0 | \$0 | \$0 | \$0 | \$0 |
| Net Effect | \$0.0 | (\$3.0) | (\$3.0) | (\$3.0) | (\$3.0) |

Note: () = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease

Local Effect: None.

Small Business Effect: USM has determined that this bill has minimal or no impact on small business (attached). The Department of Legislative Services concurs with this assessment.

Analysis

Current Law: USM must gain legislative approval to use academic revenue bond (ARB) proceeds for certain capital improvement projects at academic facilities.

Background: The maximum aggregate principal amount of bonds that USM may issue was increased by \$200.0 million, from \$1.2 billion to \$1.4 billion, by Chapter 357 of 2011. This bill does not affect the cap on bond principal; it only authorizes the issuance of bonds within the existing limit for specific capital projects.

The Governor's fiscal 2020 CIP proposes \$34.0 million in ARBs in fiscal 2020, \$32.0 million in fiscal 2021, and \$30.0 million in each of fiscal 2022, 2023, and 2024. The proposed amount of debt is consistent with the Capital Debt Affordability Committee recommendation for fiscal 2020.

The proposed fiscal 2020 capital budget includes \$34.0 million in ARBs: \$18.6 million for facilities renewal projects budgeted within the USM System Office; \$2.0 million for a new science facility at Towson University; \$6.0 million for a new building School of Pharmacy and Health Professions building and flood mitigation project for the University of Maryland, Eastern Shore; \$2.4 million for utility upgrades at the University of Maryland Baltimore County; and \$5.0 million for an academic building at the Southern Maryland Higher Education Center.

State Fiscal Effect: USM revenues and expenditures from bond proceeds increase by \$34.0 million in fiscal 2020. The revenues and expenditures are included in the Governor's proposed fiscal 2020 capital budget. Beginning in fiscal 2021, USM expenditures to pay debt service on the revenue bonds increase by an estimated \$2.992 million annually for 20 years, assuming a 5.5% interest rate. USM advises that total annual debt service does not increase overall since at least an equal amount of previously authorized debt will be retired. However, the Department of Legislative Services advises that, absent the bill, annual debt service payments by USM would decrease as outstanding debt is retired unless new debt is authorized. Thus, debt service increases due to the bill.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): University System of Maryland; Department of Legislative Services

Fiscal Note History: First Reader - March 6, 2019
an/rhh

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ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: University System of Maryland – Academic Facilities Bonding Authority

BILL NUMBER: HB1352

PREPARED BY: Weems McFadden, Executive Accountant, University System of Maryland

PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

 x WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND
SMALL BUSINESS

OR

 WILL HAVE MEANINGFUL ECONOMIC IMPACT ON MARYLAND SMALL
BUSINESSES

PART B. ECONOMIC IMPACT ANALYSIS