

HOUSE BILL 1064

B5

4lr2046

By: **Delegates Serafini, Aumann, Bates, Eckardt, Elliott, Frank, George, Jacobs, Kipke, Krebs, McComas, McConkey, McDermott, Myers, Schulz, Stocksdale, and Szeliga**

Introduced and read first time: February 6, 2014

Assigned to: Appropriations

A BILL ENTITLED

1 AN ACT concerning

2 **Capital Budget – Payment of State Debt Service**

3 FOR the purpose of requiring the Board of Public Works, beginning with a certain
4 fiscal year, to certify the rates of State tax on assessable property that are
5 sufficient to pay at least a certain percentage of certain State debt service
6 requirements; requiring the Capital Debt Affordability Committee to consider
7 certain requirements for payment of State debt service in making a certain
8 estimate; and generally relating to the payment of debt service on State bonds.

9 BY repealing and reenacting, with amendments,
10 Article – State Finance and Procurement
11 Section 8–112 and 8–134
12 Annotated Code of Maryland
13 (2009 Replacement Volume and 2013 Supplement)

14 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
15 MARYLAND, That the Laws of Maryland read as follows:

16 **Article – State Finance and Procurement**

17 8–112.

18 (a) The Committee shall review on a continuing basis the size and condition
19 of the State tax supported debt as well as other debt of State units, including the
20 University System of Maryland, Morgan State University, St. Mary’s College of
21 Maryland, and the Baltimore City Community College.

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 (b) On or before October 1 of each year, the Committee shall submit to the
2 Governor and the General Assembly the Committee's estimate of the total amount of
3 new State debt that prudently may be authorized for the next fiscal year.

4 (c) In making the estimate, the Committee shall consider:

5 (1) the amount of State bonds that, during the next fiscal year:

6 (i) will be outstanding; and

7 (ii) will be authorized but unissued;

8 (2) the capital program prepared by the Department of Budget and
9 Management;

10 (3) capital improvement and school construction needs during the next
11 5 fiscal years, as projected by the Interagency Committee on School Construction;

12 (4) projections of debt service requirements during the next 10 fiscal
13 years, **INCLUDING THE REQUIREMENTS FOR PAYMENT OF DEBT SERVICE UNDER**
14 **§ 8-134(C) OF THIS SUBTITLE;**

15 (5) the criteria that recognized bond rating agencies use to judge the
16 quality of issues of State bonds;

17 (6) any other factor that is relevant to:

18 (i) the ability of the State to meet its projected debt service
19 requirements for the next 5 fiscal years; or

20 (ii) the marketability of State bonds;

21 (7) the effect of authorizations of new State debt on each of the factors
22 set out in this subsection; and

23 (8) the amount of issuances, debt outstanding, and debt service
24 requirement of other classes of State tax supported debt as well as other debt of State
25 units, including the University System of Maryland, Morgan State University, St.
26 Mary's College of Maryland, and the Baltimore City Community College.

27 (d) The estimate of the Committee:

28 (1) is advisory; and

29 (2) does not bind the General Assembly, the Board, or the Governor.

1 (e) (1) In addition to its other duties under this section, the Committee
2 shall review on a continuing basis the size and condition of any debt of the University
3 System of Maryland, Morgan State University, St. Mary's College of Maryland, and
4 the Baltimore City Community College.

5 (2) In preparing an estimate with respect to the authorization of any
6 new State debt, the Committee shall take into account as part of the affordability
7 analysis any debt for academic facilities to be issued by a System.

8 (3) At the same time that the Committee makes its report as required
9 under subsection (b) of this section, the Committee shall submit to the Governor and
10 the General Assembly the Committee's estimate of the amount of new bonds for
11 academic facilities that prudently may be authorized in the aggregate for the next
12 fiscal year by the University System of Maryland, Morgan State University, St. Mary's
13 College of Maryland, and the Baltimore City Community College.

14 (4) For purposes of this subtitle, the terms "System" and "academic
15 facilities" have the meanings stated in § 19-101 of the Education Article.

16 (5) The Committee may request any needed information from a
17 System and shall consider the information in making its estimates, including any
18 information submitted by a System at its own initiative.

19 (6) This estimate:

20 (i) is advisory; and

21 (ii) does not bind the General Assembly, the Board, or the
22 Governor.

23 8-134.

24 (a) (1) Subject to the provisions of [subsection (b)] **SUBSECTIONS (B)**
25 **AND (C)** of this section, on or before May 1 of each year, the Board shall certify to the
26 governing body of each county the rates of State tax on assessable property needed to
27 meet the debt service requirements during the next taxable year on all the State bonds
28 that the Board anticipates will be outstanding during that year.

29 (2) Each governing body immediately shall collect the tax at the rates
30 the Board certifies under this section.

31 (b) If, on or before May 1 of any year, the Comptroller certifies to the Board
32 that the General Assembly has appropriated enough money to meet the debt service
33 requirements during the next taxable year on an issue of State bonds:

34 (1) the Board, by resolution, may determine that the tax otherwise
35 required by the enabling act under which those State bonds are issued need not be

1 imposed for that year, **EXCEPT AS REQUIRED UNDER SUBSECTION (C) OF THIS**
2 **SECTION**; and

3 (2) the Governor, by proclamation issued under the resolution, shall
4 declare that the taxes otherwise required by the enabling act may not be collected
5 during that year, **EXCEPT AS REQUIRED UNDER SUBSECTION (C) OF THIS**
6 **SECTION**.

7 (c) (1) **FOR FISCAL YEAR 2017, THE BOARD SHALL CERTIFY TO THE**
8 **GOVERNING BODY OF EACH COUNTY THE RATES OF STATE TAX ON ASSESSABLE**
9 **PROPERTY THAT ARE SUFFICIENT TO PAY AT LEAST 70% OF THE DEBT SERVICE**
10 **REQUIREMENTS ON ALL THE STATE BONDS THAT THE BOARD ANTICIPATES**
11 **WILL BE OUTSTANDING DURING THAT YEAR.**

12 (2) **FOR FISCAL YEAR 2018, THE BOARD SHALL CERTIFY TO THE**
13 **GOVERNING BODY OF EACH COUNTY THE RATES OF STATE TAX ON ASSESSABLE**
14 **PROPERTY THAT ARE SUFFICIENT TO PAY AT LEAST 80% OF THE DEBT SERVICE**
15 **REQUIREMENTS ON ALL THE STATE BONDS THAT THE BOARD ANTICIPATES**
16 **WILL BE OUTSTANDING DURING THAT YEAR.**

17 (3) **FOR FISCAL YEAR 2019, THE BOARD SHALL CERTIFY TO THE**
18 **GOVERNING BODY OF EACH COUNTY THE RATES OF STATE TAX ON ASSESSABLE**
19 **PROPERTY THAT ARE SUFFICIENT TO PAY AT LEAST 90% OF THE DEBT SERVICE**
20 **REQUIREMENTS ON ALL THE STATE BONDS THAT THE BOARD ANTICIPATES**
21 **WILL BE OUTSTANDING DURING THAT YEAR.**

22 (4) **FOR FISCAL YEAR 2020, THE BOARD SHALL CERTIFY TO THE**
23 **GOVERNING BODY OF EACH COUNTY THE RATES OF STATE TAX ON ASSESSABLE**
24 **PROPERTY THAT ARE SUFFICIENT TO PAY AT LEAST 95% OF THE DEBT SERVICE**
25 **REQUIREMENTS ON ALL THE STATE BONDS THAT THE BOARD ANTICIPATES**
26 **WILL BE OUTSTANDING DURING THAT YEAR.**

27 (5) **FOR FISCAL YEAR 2021 AND EACH FISCAL YEAR THEREAFTER,**
28 **THE BOARD SHALL CERTIFY TO THE GOVERNING BODY OF EACH COUNTY THE**
29 **RATES OF STATE TAX ON ASSESSABLE PROPERTY THAT ARE SUFFICIENT TO PAY**
30 **100% OF THE DEBT SERVICE REQUIREMENTS ON ALL THE STATE BONDS THAT**
31 **THE BOARD ANTICIPATES WILL BE OUTSTANDING DURING THAT YEAR.**

32 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
33 October 1, 2014.