

Department of Legislative Services
 Maryland General Assembly
 2015 Session

FISCAL AND POLICY NOTE

Senate Bill 821 (Chair, Budget and Taxation Committee)(By Request -
 Departmental - University System of Maryland)

Budget and Taxation

Academic Facilities Bonding Authority

This departmental bill authorizes the use of \$34.5 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, 2015.

Fiscal Summary

State Effect: Revenues and expenditures from bond proceeds increase by \$34.5 million in FY 2016. The revenues and expenditures are included in the Governor’s proposed FY 2016 *Capital Improvement Program* (CIP). Higher education expenditures increase by an estimated \$2.9 million annually beginning in FY 2017 to pay debt service on the revenue bonds.

| (\$ in millions) | FY 2016 | FY 2017 | FY 2018 | FY 2019 | FY 2020 |
|------------------|---------|---------|---------|---------|---------|
| Bond Rev. | \$34.5 | \$0 | \$0 | \$0 | \$0 |
| Higher Ed Exp. | \$0 | \$2.9 | \$2.9 | \$2.9 | \$2.9 |
| Bond Exp. | \$34.5 | \$0 | \$0 | \$0 | \$0 |
| Net Effect | \$0 | (\$2.9) | (\$2.9) | (\$2.9) | (\$2.9) |

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

Local Effect: None.

Small Business Effect: A small business impact statement was not provided by USM in time for inclusion in this fiscal and policy note. A revised fiscal and policy note will be issued when USM’s assessment becomes available.

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 \$1.200 billion to \$1.400 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 2016 CIP proposes \$34.5 million in ARBs in fiscal 2016 and \$32.0 million annually from fiscal 2017 through 2020. The 2011 Capital Debt Affordability Committee (CDAC) final report approved a \$5.0 million annual increase in USM ARB authorizations from \$27.0 million to \$32.0 million beginning in fiscal 2013. The 2014 CDAC report approved an increase to \$34.5 million for fiscal 2016 only. The proposed fiscal 2016 capital budget includes \$34.5 million in ARBs: \$17.0 million for facilities renewal projects budgeted within the USM system office; \$12.5 million for the New Academic Commons building at Salisbury University; and \$5.0 million for campuswide building system and infrastructure improvements at the University of Maryland, College Park.

State Fiscal Effect: USM revenues and expenditures from bond proceeds increase by \$34.5 million in fiscal 2016. The revenues and expenditures are included in the Governor's proposed fiscal 2016 capital budget. Beginning in fiscal 2017, USM expenditures to pay debt service on the revenue bonds increase by an estimated \$2.9 million annually for 20 years.

Additional Information

Prior Introductions: None.

Cross File: HB 1182 (Chair, Appropriations Committee)(By Request - Departmental - University System of Maryland) - Appropriations.

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

Fiscal Note History: First Reader - March 16, 2015
min/rhh

Analysis by: Caroline L. Boice

Direct Inquiries to:
(410) 946-5510
(301) 970-5510