

Department of Legislative Services
 Maryland General Assembly
 2015 Session

FISCAL AND POLICY NOTE
Revised

House Bill 1182

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

Appropriations

Budget and Taxation

Academic Facilities Bonding Authority

This departmental bill authorizes the use of \$54.5 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 also states the General Assembly’s intent that the Capital Debt Affordability Committee (CDAC) reduce the recommended maximum amount of academic facilities bonds for fiscal 2017 and 2018 by \$10.0 million in each year.

The bill takes effect June 1, 2015.

Fiscal Summary

State Effect: Revenues and expenditures from bond proceeds increase by \$54.5 million in FY 2016. The revenues and expenditures are included in the Governor’s proposed *Capital Improvement Program* (CIP) for FY 2016 for \$34.5 million; the additional \$20.0 million for the New Bioengineering Building is included in the CIP for FY 2017 and 2018. Higher education expenditures increase by an estimated \$4.5 million annually for 20 years 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.	\$54.5	\$0	\$0	\$0	\$0
Higher Ed Exp.	\$0	\$4.5	\$4.5	\$4.5	\$4.5
Bond Exp.	\$54.5	\$0	\$0	\$0	\$0
Net Effect	\$0	(\$4.5)	(\$4.5)	(\$4.5)	(\$4.5)

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 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 (UMCP). The Governor's fiscal 2016 CIP also includes \$15.0 million in ARBs in fiscal 2017 and \$15.0 million in ARBS in fiscal 2018 for UMCP's New Bioengineering Building (a total of \$30.0 million).

New Bioengineering Building

The New Bioengineering Building will house the Robert E. Fischell Department of Bioengineering and the Fischell Institute for Biomedical Devices, providing needed space and allowing for the continued expansion and growth of the bioengineering program. The project leverages \$20.0 million in private donations and \$1.9 million in institutional funds.

The General Assembly included \$5.0 million in each of the 2012 and 2013 capital budgets to complete design of the facility. Construction funding was deferred from fiscal 2015 to 2017 in the 2014 CIP and was programmed to be split funded over fiscal 2017 and 2018, totaling \$108.6 million. However, the General Assembly accelerated the project schedule and added language in the 2014 capital budget to provide \$2.5 million to begin construction and also required UMCP to provide an equal and matching fund from either UMCP or a nonbudgeted fund source. In addition, language was included to provide pre-authorizations of \$42.2 million and \$41.4 million for the Maryland Consolidated Capital Bond Loan of

2015 (fiscal 2016) and 2016 (fiscal 2017), respectively. However, the Governor's fiscal 2016 capital budget only included \$1.0 million in general obligation (GO) bond funding to begin construction of the New Bioengineering Building. The House amended the fiscal 2016 capital budget to include an additional \$9.0 million in GO bonds as well as the \$20.0 million in ARBs for construction. The remaining GO bond funds needed to complete construction of the building are pre-authorized for fiscal 2017 and 2018.

State Fiscal Effect: USM revenues and expenditures from bond proceeds increase by \$54.5 million in fiscal 2016. The Governor's proposed fiscal 2016 capital budget includes \$34.5 million in ARBs. The additional \$20.0 million for the New Bioengineering Building at College Park is included in the CIP for fiscal 2017 and 2018. This bill accelerates \$20.0 million of this ARB funding so that \$20.0 million is available for construction of the New Bioengineering Building in fiscal 2016. Beginning in fiscal 2017, USM expenditures to pay debt service on the revenue bonds increase by an estimated \$4.5 million annually for 20 years.

The bill's intent language reduces the annual ARB authorization in fiscal 2017 and 2018 by \$20.0 million total. To the extent that CDAC implements the intent language, future debt service payments will be less than they otherwise would be by roughly the same amount that debt service payments increase under the bill, \$1.6 million annually, to issue the additional \$20.0 million in ARBs in fiscal 2016.

Additional Information

Prior Introductions: None.

Cross File: SB 821 (Chair, Budget and Taxation Committee)(By Request - Departmental - University System of Maryland) - Budget and Taxation.

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

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