

Department of Legislative Services
 Maryland General Assembly
 2020 Session

FISCAL AND POLICY NOTE
Third Reader

Senate Bill 344

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

Budget and Taxation

Appropriations

University System of Maryland - Academic Facilities Bonding Authority

This departmental bill authorizes the use of \$32.0 million in academic facilities bonds for the purpose of financing and refinancing construction, renovation, and renewal projects at University System of Maryland (USM) buildings and campuses. **The bill takes effect June 1, 2020.**

Fiscal Summary

State Effect: Revenues and expenditures from bond proceeds increase by \$32.0 million in FY 2021. The revenues and expenditures are included in the Governor’s proposed FY 2021 *Capital Improvement Program* (CIP). Higher education expenditures increase by an estimated \$2.7 million annually, beginning in FY 2022, to pay debt service on the revenue bonds.

(\$ in millions)	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
Bond Rev.	\$32.0	\$0	\$0	\$0	\$0
Higher Ed Exp.	\$0	\$2.7	\$2.7	\$2.7	\$2.7
Bond Exp.	\$32.0	\$0	\$0	\$0	\$0
Net Effect	\$0.0	(\$2.7)	(\$2.7)	(\$2.7)	(\$2.7)

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 2021 CIP proposes \$32.0 million in ARBs in fiscal 2021 and \$30.0 million each year from fiscal 2022 through 2025. The proposed amount of debt is consistent with the Capital Debt Affordability Committee recommendation for fiscal 2021.

The proposed fiscal 2021 capital budget includes \$32.0 million in ARBs: \$12.0 million for facilities renewal projects statewide that are budgeted within the USM System Office; \$5.0 million for an infrastructure project for the University of Maryland, College Park Campus; \$5.0 million for an Education and Health Sciences building at Frostburg State University; and \$10.0 million for a flood mitigation project for the University of Maryland, Eastern Shore.

State Fiscal Effect: USM revenues and expenditures from bond proceeds increase by \$32.0 million in fiscal 2021. The revenues and expenditures are included in the Governor's proposed fiscal 2021 capital budget. Beginning in fiscal 2022, USM expenditures to pay debt service on the ARBs increase by an estimated \$2.7 million annually for 20 years. 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 costs increase due to the bill.

Additional Information

Prior Introductions: None.

Designated Cross File: None..

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

Fiscal Note History: First Reader - March 2, 2020
af/rhh Third Reader - March 17, 2020

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ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Academic Facilities Bonding Authority

BILL NUMBER: SB 344

PREPARED BY: Samantha Norris, Debt Manager, University System of Maryland

PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

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