

Department of Legislative Services
Maryland General Assembly
1999 Session

FISCAL NOTE

Senate Bill 560 (Senator Hogan)

Finance

Higher Education - Utility Services

This bill exempts from Public Service Commission regulation a person who enters into an agreement or lease with a public institution of higher education to finance, own, operate, generate, construct, distribute, or maintain an on-site steam or electric generation, production, or distribution system.

The bill is effective July 1, 1999.

Fiscal Summary

State Effect: The University System of Maryland (USM) could save \$50 million in capital outlays for the replacement of energy infrastructure at the University of Maryland, College Park (UMCP).

Local Effect: None.

Small Business Effect: None.

Fiscal Analysis

State Effect: Currently, UMCP, manages and operates steam, cooling, and electric distribution systems. In 1996 USM's Board of Regents authorized the administration to study methods of improving UMCP's energy system without reducing the USM's borrowing capacity or its bond rating. Subsequently, the administration planned to make energy system improvements through operating budget savings resulting from the efficiencies of a public-private partnership. Under this partnership, the Maryland Economic Development Corporation (MEDCO) acting as a financing intermediary would issue bonds and hire a

private sector operator for the benefit of USM. The Maryland Higher Education Commission expects this partnership to save USM \$50 million in capital outlays.

Under current law, MEDCO could be considered a “public service company” under the partnership and therefore subject to the regulatory jurisdiction of the Public Service Commission (PSC). However, MEDCO will not agree to enter the partnership if it is to be considered a regulated public service company. Thus, the bill would exempt MEDCO from PSC regulation and allow the partnership to form.

Information Sources: Public Service Commission, Maryland Higher Education Commission, University System of Maryland

Fiscal Note History: First Reader - March 7, 1999

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