

Department of Legislative Services
Maryland General Assembly
1999 Session

FISCAL NOTE
Revised

House Bill 129 (Chairman, Appropriations Committee)
(Departmental - Morgan State University)

Appropriations

Morgan State University and St. Mary's College of Maryland - Auxiliary and Academic Facilities Bonding Authority

This departmental bill increases total bonding authority from \$40 million to \$65 million for Morgan State University (MSU) and from \$25 million to \$45 million for St. Mary's College of Maryland (St. Mary's).

The bill also authorizes MSU to issue \$4 million in academic revenue bonds to finance the construction of a fine arts center; and provides that bonds may not be issued for a new student center until MSU submits a project plan to the budget committees of the General Assembly and 45 days have elapsed to allow the committees an opportunity to review and comment on the plan.

The bill is effective July 1, 1999.

Fiscal Summary

State Effect: MSU will be required to pay debt service of approximately \$1,800,000 annually beginning in FY 2001. St. Mary's does not currently have plans to issue debt above the existing limit.

Local Effect: None.

Small Business Effect: Morgan State University has determined that this bill has minimal or no impact on small business (attached). Legislative Services concurs with this assessment. (The attached assessment does not reflect amendments to the bill.)

Fiscal Analysis

State Effect:

MSU

MSU's bonding authority has an insured AAA rating. Currently, MSU has \$28 million in debt outstanding against a total authorization of \$40 million. MSU plans to issue \$12 million in bonds prior to the end of fiscal 1999 for various projects, of which \$4 million would be used to finance the construction of the fine arts center.

If its bonding authority is increased to \$65 million, MSU plans to issue an additional \$25 million in bonds in fiscal 2001. These proceeds would be used to finance the construction of a student center.

Annual debt payments for the \$12 million of debt to be issued by MSU in fiscal 1999 are estimated at \$1,008,000 (\$5 million @6% for 15 years, \$7 million @6% for 30 years). Annual debt payments for the additional \$25 million are estimated at \$1,800,000 (@6% for 30 years). Six percent is used as a conservative estimate. If rates are lower at the time of actual bond issuances, debt payments would be lower.

St. Mary's

St. Mary's bonding authority has an A2 rating. As of June 30, 1998, St. Mary's had \$17,486,000 in debt outstanding against a total authorization of \$25 million.

St. Mary's advises that, during the latter part of fiscal 2001, it plans to issue approximately \$8 million in debt, to bring its total amount of outstanding debt up to approximately \$25 million. St. Mary's does not currently have plans to issue debt above the current limit of \$25 million. If and when St. Mary's does issue debt above \$25 million, additional debt service expenditures will be incurred.

Information Source(s): Morgan State University, Department of Legislative Services

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Analysis by: Claire E. Rooney

Direct Inquiries to:
John Rixey, Coordinating Analyst
(410) 946-5510
(301) 970-5510