

Department of Legislative Services
 Maryland General Assembly
 2001 Session

FISCAL NOTE

Senate Bill 588 (Senator Neall)

Budget and Taxation

Ways and Means

**Maryland Health and Higher Educational Facilities Authority - Community
 Colleges - Tax Exempt Financing**

This bill allows a community college board of trustees to finance or refinance bonds, leases, and purchase agreements through the Maryland Health and Higher Educational Facilities Authority (MHHEFA). Before financing through MHHEFA, a community college board of trustees and the governing body of the county in which the community college is located must adopt an administrative resolution that describes the project being financed and specifies the maximum amount to be financed. The principal and interest paid on a loan financed through MHHEFA is exempt from taxation by the State and by a county or municipality. A loan financed through MHHEFA by a community college does not constitute a debt or obligation of the State or any county or municipality in the State. If requested by MHHEFA, the State Comptroller must withhold a State general fund appropriation owed to a community college board of trustees. The withheld funds must be used as a deposit to a creditor.

Fiscal Summary

State Effect: None. The Maryland Health and Higher Educational Facilities Authority is not funded through the annual State budget.

Local Effect: Community colleges could receive more favorable loan terms. Local governments could adopt resolutions with existing resources.

Small Business Effect: Potential minimal.

Analysis

Current Law: Community colleges are not eligible to use the services of the Maryland Health and Higher Educational Facilities Authority (MHHEFA).

Background: MHHEFA consists of nine members, including the Treasurer of the State of Maryland (ex officio) and eight members appointed by the Governor. According to its *2000 Annual Report*, MHHEFA's mission is "to assist certain non-profit educational institutions as well as hospitals and related health care institutions in construction, financing, and refinancing of projects approved by the Authority." Projects financed by MHHEFA do not confer an obligation on the State or on any of the State's political subdivisions. The faith and credit of the State and its political subdivisions is not pledged to the payment of obligations financed through MHHEFA. MHHEFA is exempt from State and federal taxes and has no taxing authority. During calendar 2000, MHHEFA issued nearly \$450 million of revenue bonds on behalf of 18 institutions in 27 separate loans. MHHEFA is supported by fees paid by institutions using its services.

MHHEFA advises that its authority to work with community colleges would be used primarily for large-scale equipment purchases.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Maryland Health and Higher Educational Facilities Authority, Garrett and Montgomery counties, Department of Legislative Services

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ef/cr

Analysis by: Mark W. Collins

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