

Department of Legislative Services
 Maryland General Assembly
 2006 Session

FISCAL AND POLICY NOTE

House Bill 1666 (Chairman, Appropriations Committee)
 (By Request – Departmental – University System of Maryland)

Appropriations

Budget and Taxation

Academic Facilities Bonding Authority

This departmental bill increases the bonding authority of the University System of Maryland (USM) by \$25 million, from \$1.025 billion to \$1.050 billion. The bill authorizes USM to use \$25 million of the bond proceeds to finance specified academic capital improvement projects. In addition, the bill increases the bonding authority for St. Mary’s College of Maryland by \$15 million, from \$45 million to \$60 million.

The bill takes effect June 1, 2006.

Fiscal Summary

State Effect: Bond revenues and expenditures would increase by \$25 million in FY 2007 due to the increased debt limit for USM. The revenues and expenditures are assumed in the proposed FY 2007 capital budget. Bond revenues and expenditures would increase by an estimated \$4 million in FY 2008 due to the increased debt limit for St. Mary’s College. Higher education expenditures would increase by an estimated \$2.1 million in FY 2008 and by an estimated \$2.5 million annually thereafter (\$2.1 million for USM and \$400,000 for St. Mary’s College) due to debt service on the bonds.

(\$ in millions)	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Bond Rev.	\$25.0	\$4.0	\$0	\$0	\$0
Higher Ed Exp.	0	2.1	2.5	2.5	2.5
Bond Exp.	25.0	4.0	0	0	0
Net Effect	\$0	(\$2.1)	(\$2.5)	(\$2.5)	(\$2.5)

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 note. A revised fiscal note will be submitted when USM's assessment becomes available.

Analysis

Current Law: The aggregate principal amount of bonds issued by USM may not exceed \$1.025 billion. The aggregate principal amount of bonds issued by St. Mary's College of Maryland may not exceed \$45 million.

Background: Academic revenue bonds for USM will be used to support construction of a new dental school at the University of Maryland, Baltimore (\$7 million), construction of a new liberal arts complex at Towson University (\$3 million), and facility renewal projects (\$15 million) at a number of USM institutions.

St. Mary's College of Maryland advises that it is seeking a higher bond ceiling to ensure that it has enough room under its limit to build a small residence hall. It expects to build the new hall sometime in the next two to three years at an estimated cost of \$4 million. The college had \$40.5 million in outstanding debt at the end of fiscal 2005 and has used \$3 million for a capital lease this year. Aside from the new residence hall, St. Mary's College advises that it has no other plans for the increased debt authority.

State Fiscal Effect: Bond revenues and expenditures at USM would increase by \$25 million in fiscal 2007. The revenues and expenditures are included in the proposed fiscal 2007 capital budget. Beginning in fiscal 2008, higher education expenditures to pay debt service on the revenue bonds would increase by an estimated \$2.1 million annually for 20 years.

Based on information from the college, it is assumed that St. Mary's College of Maryland will use the increased debt limit to issue \$4 million in bonds in fiscal 2008. Higher education expenditures to pay debt service on the bonds would increase by an estimated \$400,000 annually for 15 years and would begin in fiscal 2009.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): St. Mary's College of Maryland, University System of Maryland, Department of Legislative Services

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ncs/rhh

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