

Department of Legislative Services
 Maryland General Assembly
 2008 Session

FISCAL AND POLICY NOTE

House Bill 1444 (Chair, Appropriations Committee)
 (By Request – Departmental – University System of Maryland)

Appropriations Budget and Taxation

Academic Facilities Bonding Authority

This departmental bill authorizes the use of \$33.0 million in academic facilities bonds for the purpose of financing construction, renovation, and renewal projects at University System of Maryland buildings and campuses.

The bill takes effect June 1, 2008.

Fiscal Summary

State Effect: Academic bond revenues and expenditures would increase by \$33.0 million in FY 2009. The revenues and expenditures are included in the proposed FY 2009 *Capital Improvement Program*. Higher education expenditures would increase by an estimated \$2.6 million annually beginning in FY 2010 to pay debt service on the revenue bonds.

(\$ in millions)	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Bond Rev.	\$33.0	\$0	\$0	\$0	\$0
Higher Ed Exp.	0	2.6	2.6	2.6	2.6
Bond Exp.	33.0	0	0	0	0
Net Effect	\$0	(\$2.6)	(\$2.6)	(\$2.6)	(\$2.6)

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: USM must gain legislative approval to use academic revenue bond proceeds for certain capital improvements projects at academic facilities.

Background: The maximum aggregate principal amount of bonds that USM may issue was increased from \$1.025 billion to \$1.050 billion by Chapter 415 of 2006. 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.

Since 1989 the General Assembly has authorized \$611.2 million in academic revenue bonds (ARBs) for USM, including \$30.0 million authorized by the General Assembly for fiscal 2008. The Capital Debt Affordability Committee recommended a limit of \$33.0 million for new ARBs for USM for fiscal 2009 as part of its annual report on new debt authorizations.

The Administration's fiscal 2009 *Capital Improvement Program* proposes \$33.0 million in ARBs, including • \$17.0 million for facilities renewal projects budgeted within the USM system office; • \$6.0 million for the new journalism building at the University of Maryland, College Park; • \$5.0 million for safety and circulation improvements at Towson University; and • \$5.0 million for the renovation of and addition to Pharmacy Hall at the University of Maryland, Baltimore.

State Fiscal Effect: Bond revenues and expenditures at USM would increase by \$33.0 million in fiscal 2009. The revenues and expenditures are included in the proposed fiscal 2009 capital budget. Beginning in fiscal 2010, higher education expenditures to pay debt service on the revenue bonds would increase by an estimated \$2.6 million annually for 20 years.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): University System of Maryland, Maryland Higher Education Commission, Department of Legislative Services

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mll/rhh

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