

Department of Legislative Services
 Maryland General Assembly
 2018 Session

FISCAL AND POLICY NOTE
 Third Reader - Revised

Senate Bill 1064

(Chair, Budget and Taxation Committee)(By Request -
 Departmental - University System of Maryland)

Budget and Taxation

Appropriations

Academic Facilities Bonding Authority

This departmental bill authorizes the use of \$24.0 million in academic facilities bonds for the purpose of financing construction, renovation, and renewal projects at University System of Maryland (USM) buildings and campuses. **The bill takes effect June 1, 2018.**

Fiscal Summary

State Effect: Revenues and expenditures from bond proceeds increase by \$24.0 million in FY 2019. The revenues and expenditures are included in the FY 2019 *Capital Improvement Program (CIP)*. Higher education expenditures increase by an estimated \$1.2 million in FY 2020 and by \$2.0 million annually from FY 2021 to 2039, to pay debt service on the revenue bonds.

(\$ in millions)	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Bond Rev.	\$24.0	\$0	\$0	\$0	\$0
Higher Ed Exp.	\$0	\$1.2	\$2.0	\$2.0	\$2.0
Bond Exp.	\$24.0	\$0	\$0	\$0	\$0
Net Effect	\$0.0	(\$1.2)	(\$2.0)	(\$2.0)	(\$2.0)

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease

Local Effect: None.

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

Analysis

Current Law: USM must gain legislative approval to use academic revenue bond (ARB) proceeds for certain capital improvement projects at academic facilities.

Background: The maximum aggregate principal amount of bonds that USM may issue was increased by \$200.0 million, from \$1.2 billion to \$1.4 billion, by Chapter 357 of 2011. 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.

The Governor's fiscal 2019 CIP proposes \$24.0 million in ARBs in fiscal 2019 and \$34.0 million in fiscal 2020, \$32.0 million in fiscal 2021, and \$30.0 million in each of fiscal 2022 and 2023. The proposed amount of debt is consistent with the Capital Debt Affordability Committee recommendation for fiscal 2019.

The fiscal 2019 capital budget includes \$24.0 million in ARBs: \$17.0 million for facilities renewal projects budgeted within the USM System Office; \$2.0 million for the New Science Facility at Towson University; and \$5.0 million for the Interdisciplinary Life Sciences Building at the University of Maryland Baltimore County.

State Fiscal Effect: USM revenues and expenditures from bond proceeds increase by \$24.0 million in fiscal 2019. The revenues and expenditures are included in the fiscal 2019 capital budget. USM expenditures to pay debt service on the revenue bonds increase by an estimated \$1.2 million in fiscal 2020 (the first payment is interest only) and by \$2.0 million annually thereafter for 19 years, assuming a 5.00% interest rate and bonds that mature in 20 years.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): University System of Maryland; Department of Legislative Services

Fiscal Note History: First Reader - March 8, 2018
mag/rhh Third Reader - April 2, 2018
Revised - Amendment(s) - April 2, 2018
Revised - Budget Information - April 2, 2018

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ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Academic Facilities Bonding Authority

BILL NUMBER: SB 1064

PREPARED BY: Weems McFadden, Executive Accountant, University System of Maryland

PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

 x WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND
SMALL BUSINESS

OR

 WILL HAVE MEANINGFUL ECONOMIC IMPACT ON MARYLAND SMALL
BUSINESSES

PART B. ECONOMIC IMPACT ANALYSIS