

Department of Legislative Services
 Maryland General Assembly
 2023 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

House Bill 735

(Chair, Appropriations Committee)(By Request -
 Departmental - University System of Maryland)

Appropriations

Budget and Taxation

University System of Maryland - Facilities - Bonding Authority and Sale

This departmental bill authorizes the use of \$30.0 million in academic facilities bonds for the purpose of financing and refinancing construction, renovation, and renewal projects at University System of Maryland (USM) buildings and campuses. In addition to current uses, with the approval of the Board of Regents of USM, money received from the sale of property by a nonresidential campus in USM, may be used for operating expenses at the nonresidential campus. **The bill takes effect June 1, 2023.**

Fiscal Summary

State Effect: No likely impact in FY 2023. Revenues and expenditures from bond proceeds increase by \$30.0 million in FY 2024. The revenues and expenditures are included in the FY 2024 *Capital Improvement Program* (CIP) as introduced. Higher education expenditures increase by an estimated \$2.5 million annually, beginning in FY 2025, to pay debt service on the revenue bonds. To the extent property sales of a nonresidential USM campus (*i.e.*, University of Maryland Global Campus (UMGC) or the University of Maryland Center for Environmental Science) increase because of the bill’s expansion of authorized uses of money from a sale, higher education revenues and (potentially) expenditures increase, as explained below.

(\$ in millions)	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Bond Rev.	\$30.0	\$0	\$0	\$0	\$0
Higher Ed Exp.	\$0	\$2.5	\$2.5	\$2.5	\$2.5
Bond Exp.	\$30.0	\$0	\$0	\$0	\$0
Net Effect	\$0.0	(\$2.5)	(\$2.5)	(\$2.5)	(\$2.5)

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 (DLS) concurs with this assessment. (The attached assessment does not reflect amendments to the bill.)

Analysis

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

The maximum aggregate principal amount of bonds that USM may issue was increased by \$300.0 million, from \$1.4 billion to \$1.7 billion, by Chapter 233 of 2022. 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 fiscal 2024 CIP as introduced](#) proposes \$30.0 million in ARBs in fiscal 2024 and \$30.0 million each year from fiscal 2025 through 2028. The proposed amount of debt is consistent with the Capital Debt Affordability Committee recommendation for fiscal 2024.

With the approval of the Board of Public Works (BPW), the Board of Regents may sell or exchange any part of its real properties. Money received from the sale of property may be used, if approved by BPW, only to purchase or improve property and facilities. This money may not be applied to the Annuity Bond Fund Account.

State Fiscal Effect: USM revenues and expenditures from bond proceeds increase by \$30.0 million in fiscal 2024. The revenues and expenditures are included in the fiscal 2024 capital budget as introduced. Beginning in fiscal 2025, USM expenditures to pay debt service on the ARBs increase by an estimated \$2.5 million annually for 20 years. USM advises that total annual debt service is limited since at least an equal amount of previously authorized debt will be retired. However, DLS advises that, absent the bill, annual debt service payments by USM would decrease as outstanding debt is retired unless new debt is authorized. Thus, debt service costs increase due to the bill.

Under the bill, a nonresidential USM campus may use the money received from the sale of property for operating expenses with approval of the Board of Regents of USM in addition to the purposes allowed under current law (the purchase of property and the improvement of property and facilities). As under current law the sale of property must be approved by BPW.

UMGC, a nonresidential USM campus, recently announced the sale of its Largo properties to the Maryland-National Capital Park and Planning Commission for \$75 million. This action occurred during the same period that UMGc laid off 43 workers, a cost-savings measure of \$5 million. Thus, it is assumed that, under the bill and with the required approval, UMGc uses at least a portion of the \$75 million in property sale proceeds to cover operating expenses. In this instance, as the sale has already been announced, the bill has no effect on overall revenues from it. Nevertheless, the bill may encourage future property sales to allow for proceeds to also be used for operating expenses. Likewise, to

the extent that these monies are used to *replace* planned higher education operating spending (as is likely in this instance), higher education expenditures are not directly affected. However, the bill may allow for a higher level of higher education operating expenditures.

Additional Information

Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: None.

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

Fiscal Note History: First Reader - March 7, 2023
rh/ljm Third Reader - March 30, 2023
Revised - Amendment(s) - March 30, 2023

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ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: University System of Maryland – Facilities – Bonding Authority and Sale

BILL NUMBER: **HB 735**

PREPARED BY: University System of Maryland

PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

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