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SENATE BUDGET AND TAXATION COMMITTEE

Senate Bill 769

University System of Maryland - Academic Facilities Bonding Authority

March 3, 2026

Information

Chair Guzzone, Vice Chair Rosapepe, and committee members, thank you for the opportunity to provide information regarding Senate Bill 769. Senate Bill 769 authorizes the University System of Maryland (USM) to issue bonds – up to a total principal amount of \$26 million for specific capital projects – related to the acquisition, development, and improvement of academic facilities across USM institutions. These projects include improvements such as an electrical substation expansion at Towson University, construction of the Health and Human Sciences Complex at the University of Maryland, College Park (UMCP), and deferred maintenance at the Rita Colwell Center for the USM Office. The bill also approves \$24 million for system-wide capital facilities renewal projects and specifies that these bonds are not considered State debt and do not obligate Maryland taxpayers outside the System.

As written, Senate Bill 769 alters the long-standing partnership between the state and the USM by reducing state financial participation in selected state-supported capital projects and projecting the additional responsibility for debt service onto the USM institutions and their operating budgets.

For several years, the USM has already absorbed approximately \$30 million annually in Academic Revenue Bonds (ARBs), with annual debt service of about \$40 million, funded through the state-approved operating budget. This bill would shift an additional \$20 million in state-supported capital projects from General Obligation (GO) bonds to ARBs – debt instruments that must be repaid by USM institutions themselves.

Assuming this transfer occurs, USM institutions would incur approximately \$1.7 million in new annual debt service for the next 20 years, totaling roughly \$34 million in unfunded obligations over the life of the bonds. Unlike auxiliary or self-supported projects – such as housing or parking facilities – these projects provide no dedicated revenue stream to offset their debt costs.

Without a clear funding source, the only viable means of repayment in the future would most likely be increased tuition and fees or expanded state operating support. If the state does not intend to increase annual appropriations by the necessary \$1.7 million, campuses will have to absorb these expenses by reducing other expenditures.

This issue is not about whether the USM has the technical capacity to issue the bonds or whether affordability metrics can be met. The central concern is whether our institutions can bear ongoing, mandatory debt costs without corresponding state support.

At the USM Office (USMO), this bill would increase recurring annual ARB expenditures from \$2.5

million to \$4.2 million. Historically, a \$30 million ARB allocation produced annual debt service of just under \$2.5 million. Increasing the ARB obligation to \$50 million raises this to \$4.153 million annually, assuming straight-line amortization over 20 years at an interest rate of 5.5%, with payments beginning in FY2027.

In closing, Senate Bill 769 imposes a new ongoing, unfunded financial burden on USM institutions at a time when operating budgets are already strained.

