

Department of Legislative Services
Maryland General Assembly
2010 Session

FISCAL AND POLICY NOTE
Revised

Senate Bill 897

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

Budget and Taxation

Appropriations

Academic Facilities Bonding Authority

This departmental bill increases the bonding authority of the University System of Maryland (USM) by \$150.0 million, from \$1.050 billion to \$1.200 billion. The bill also authorizes the use of \$27.0 million in academic facilities bonds for the purpose of financing construction, renovation, and renewal projects at USM buildings and campuses.

The bill takes effect June 1, 2010.

Fiscal Summary

State Effect: Revenues and expenditures from bond proceeds and capital leases increase by \$150.0 million in FY 2011 due to the increased debt limit for USM, of which \$123.0 million will be auxiliary bonds and capital leases, and \$27.0 million will be academic bonds. The academic bond revenues and expenditures are included in the Governor's proposed FY 2011 *Capital Improvement Program* (CIP). Beginning in FY 2012, higher education expenditures to pay debt service on the revenue bonds increase by an estimated \$12.4 million annually for 20 years, of which \$10.1 million will be from auxiliary funds and \$2.3 million will be from State-supported funds.

(\$ in millions)	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Bond Rev.	\$150.0	\$0	\$0	\$0	\$0
Higher Ed Exp.	\$0	\$12.4	\$12.4	\$12.4	\$12.4
Bond Exp.	\$150.0	\$0	\$0	\$0	\$0
Net Effect	\$.0	(\$12.4)	(\$12.4)	(\$12.4)	(\$12.4)

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

Local Effect: None.

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

Analysis

Current Law: The aggregate principal amount of outstanding bonds issued by USM and the present value of capital lease payments may not exceed \$1.050 billion. USM must gain legislative approval to issue academic revenue bonds (ARBs) for capital improvement projects at academic facilities. Academic and auxiliary bonds are not an obligation of the State.

Background: USM reports that the annual amount of bonds it issues is determined after consulting with the bond rating agencies. USM issues approximately \$120.0 million in academic and auxiliary bonds annually and to continue to issue this amount of bonds it needs to increase its bonding authority. USM's bonding authority was last increased in 2006 (Chapter 415); at that time it was increased by \$25.0 million, from \$1.025 billion to \$1.050 billion.

The Governor's proposed fiscal 2011 CIP includes \$27.0 million in ARBs annually in fiscal 2011 through 2015. In fiscal 2011, CIP includes \$17.0 million for facilities renewal projects budgeted within the USM system office and \$10 million for the College of Liberal Arts Complex at Towson University. The Capital Debt Affordability Committee's recommendations for fiscal 2011 included \$27.0 million for ARBs at USM.

Auxiliary bond revenues finance construction, renovation, and renewal of auxiliary buildings including dining facilities, student dormitories, and athletic facilities. USM anticipates \$123.0 million in auxiliary capital projects in fiscal 2011. Auxiliary and other system-funded projects are approved by USM's Board of Regents.

Debt service on ARBs is paid from State-supported funds, which is made up primarily by State appropriations and tuition and fees. Auxiliary debt service is supported by auxiliary revenues including auxiliary fees, room and board, and other revenue generating activities.

USM reports that it intends to issue \$120.0 million in academic and auxiliary bonds in March 2010 (fiscal 2010), which will bring USM to its current debt limit of \$1.050 billion in outstanding bonds and capital lease payments. In fiscal 2011, if its debt limit is increased, USM intends to issue another \$100.0 million in academic and auxiliary bonds and incur \$50.0 million in capital lease payments for energy performance contracts, which will bring its total outstanding debt to \$1.200 billion.

Additional Information

Prior Introductions: None.

Cross File: HB 843 (Chair, Appropriations Committee)(By Request - Departmental - University System of Maryland) - Appropriations.

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

Fiscal Note History: First Reader - February 19, 2010
mlm/rhh Revised - Senate Third Reader - April 2, 2010

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ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Academic Facilities Bonding Authority

BILL NUMBER: SB 897

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

The proposed legislation will have no impact on small business in Maryland.