

Department of Legislative Services
Maryland General Assembly
2013 Session

FISCAL AND POLICY NOTE

House Bill 731 (Delegate Parrott, *et al.*)
Rules and Executive Nominations

Capital Projects - Eliminating Individual Bond Bills

This proposed constitutional amendment prohibits members of the General Assembly from introducing legislation to create State debt for the benefit of an individual project or entity.

Fiscal Summary

State Effect: It is assumed that the potential for increased costs to include any constitutional amendments proposed by the General Assembly on the ballot at the next general election will have been anticipated in the State Board of Elections' budget.

Local Effect: It is assumed that the potential for increased costs to notify voters of any constitutional amendments proposed by the General Assembly, and to include any proposed constitutional amendments on the ballot at the next general election, will have been anticipated in local boards of elections' budgets.

Small Business Effect: Potential meaningful for individual projects or entities that are small businesses.

Analysis

Current Law/Background: Historically, the annual capital budget bill includes an earmark for "local" projects as determined by the legislature. To be considered for funding, a legislator must submit a bond bill request for the individual project or entity, which details the amount of State debt authorized and the allowable uses of the funds. Bond bills may be requested (1) as a grant with no matching funds required; (2) with an unequal match, under which the grantee must raise a portion of the award; or (3) with an equal match, under which the grantee must raise an equivalent amount of matching funds.

Once the General Assembly determines which local projects will receive funding, the projects are amended into the capital budget bill. Some projects that are initially introduced as bond bills are ultimately funded as miscellaneous projects in the capital budget rather than within the earmark for legislative local projects. Local projects must expend their matching funds before State funds are distributed, and State funds are provided as reimbursement for expenditures.

The Governor’s proposed fiscal 2014 capital budget includes a total of \$1.556 billion, of which \$38.9 million is designated for Administration local projects and \$15.0 million is designated for legislative projects. **Exhibit 1** summarizes bond bill requests over the past eight legislative sessions, including the approximate number of projects submitted, the amount of funding requested, and the amount of funding ultimately provided. In total, since the 2004 session, the General Assembly has considered more than 1,385 local projects and funding requests totaling more than \$686.0 million.

Exhibit 1
Summary of Bond Bill Funding
Fiscal 2005-2013
(\$ in Millions)

<u>Legislative Session</u>	<u>Fiscal Year</u>	<u>Bond Bills</u>	<u>Funding Requested</u>	<u>Funding Provided</u>
2004	2005	150+	\$75.0+	\$30.4
2005	2006	180+	150.0+	25.0
2006	2007	220+	140.0+	30.0
2007	2008	200+	112.0+	20.0
2008	2009	150+	72.0+	25.0
2009	2010	110+	34.0+	15.0
2010	2011	125+	35.0+	15.0
2011	2012	130+	34.0+	15.0
2012	2013	120+	34.0+	15.0
Total		1,385+	\$686.0+	\$190.4

Source: Department of Legislative Services

State Fiscal Effect: To the extent that the proposed constitutional amendment is adopted by voters in the November 2014 general election, no bond bill could be introduced beginning in the 2015 legislative session. In the absence of bond bills, the total amount of the capital budget could be reduced by approximately \$15.0 million annually (based on the earmark for legislative projects authorized in each of the past four years). This would

result in minimal long-term savings on State debt service. Alternatively, this \$15.0 million could be used to fund other capital projects. State agency capital funding requests consistently exceed the State's ability to fund such projects.

The Department of General Services manages grants and loans to local projects with a staff of four full-time employees. However, local projects have up to seven years to use State funds provided through the capital budget. Therefore, management of these projects would continue for the foreseeable future. Furthermore, any operational efficiencies would allow staff to be reassigned to assist with management and oversight of public school and community college capital construction projects.

State costs of printing absentee and provisional ballots may increase to the extent inclusion of the proposed constitutional amendment on the ballot at the next general election would result in a need for a larger ballot card size or an additional ballot card for a given ballot (the content of ballots varies across the State, depending on the offices, candidates, and questions being voted on). Any increase in costs, however, is expected to be relatively minimal, and it is assumed that the potential for such increased costs will have been anticipated in the State Board of Elections' budget. Pursuant to Chapter 564 of 2001 (HB 1457), the State Board of Elections shares the costs of printing paper ballots with local boards of elections.

Local Fiscal Effect: Local boards of elections' printing and mailing costs may increase to include information on the proposed constitutional amendment with specimen ballots mailed to voters prior to the next general election and to include the proposed amendment on absentee and provisional ballots. It is assumed, however, that the potential for such increased costs will have been anticipated in local boards of elections' budgets.

Additional Information

Prior Introductions: HB 752 of 2012 received a hearing in the House Rules and Executive Nominations Committee, but no further action was taken.

Cross File: None.

Information Source(s): Department of Budget and Management, Department of General Services, Department of Legislative Services

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