

Department of Legislative Services
 Maryland General Assembly
 2017 Session

FISCAL AND POLICY NOTE
Third Reader

House Bill 717

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

Appropriations

Budget and Taxation

Academic Facilities Bonding Authority

This departmental bill authorizes the use of \$32.0 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, 2017.

Fiscal Summary

State Effect: Revenues and expenditures from bond proceeds increase by \$32.0 million in FY 2018. The revenues and expenditures are included in the Governor’s proposed FY 2018 *Capital Improvement Program* (CIP). Higher education expenditures increase by an estimated \$2.7 million annually, beginning in FY 2019, to pay debt service on the revenue bonds.

(\$ in millions)	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Bond Rev.	\$32.0	\$0	\$0	\$0	\$0
Higher Ed Exp.	\$0	\$2.7	\$2.7	\$2.7	\$2.7
Bond Exp.	\$32.0	\$0	\$0	\$0	\$0
Net Effect	\$0.0	(\$2.7)	(\$2.7)	(\$2.7)	(\$2.7)

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.

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 2018 CIP proposes \$32.0 million in ARBs in fiscal 2018 and \$24.0 million in fiscal 2019, \$34.0 million in fiscal 2020, \$32.0 million in fiscal 2021, and \$30.0 million in fiscal 2022. The proposed amount of debt is consistent with the Capital Debt Affordability Committee (CDAC) recommendation for fiscal 2018. In 2011, CDAC approved a \$5.0 million annual increase in USM ARB authorizations from \$27.0 million to \$32.0 million beginning in fiscal 2013. The 2014 CDAC report approved an increase to \$34.5 million for fiscal 2016 only. Chapter 471 of 2015 stated the General Assembly's intent that CDAC reduce the recommended maximum amount of USM ARBs for fiscal 2017 and 2018 by \$10.0 million in each year. The amount of ARBs authorized in fiscal 2017 was \$24.5 million; although the fiscal 2018 amount is not consistent with Chapter 471, the CIP projects a reduction of \$8.0 million in new ARB authorizations for fiscal 2019, which, in the aggregate (in fiscal 2017 and 2019), generally meets the General Assembly's intent.

The proposed fiscal 2018 capital budget includes \$32.0 million in ARBs: \$17.0 million for facilities renewal projects budgeted within the USM System Office; \$10.0 million for the Brendan Iribe Center for Computer Science and Innovation at the University of Maryland, College Park Campus; and \$5.0 million for the New Bioengineering Building at the University of Maryland, College Park Campus.

State Fiscal Effect: USM revenues and expenditures from bond proceeds increase by \$32.0 million in fiscal 2018. The revenues and expenditures are included in the Governor's proposed fiscal 2018 capital budget. Beginning in fiscal 2019, USM expenditures to pay debt service on the revenue bonds increase by an estimated \$2.66 million annually for 20 years, assuming a 5.50% interest rate.

Additional Information

Prior Introductions: None.

Cross File: None.

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

Fiscal Note History: First Reader - February 26, 2017
fn/rhh Third Reader - March 21, 2017

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ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Academic Facilities Bonding Authority

BILL NUMBER: HB 717

PREPARED BY: Weems McFadden, Executive Accountant, 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