

Department of Legislative Services
Maryland General Assembly
2011 Session

FISCAL AND POLICY NOTE

House Bill 733 (Delegates Conway and Cane)
Appropriations

Community Based Regional Initiatives Loan of 2004 - Wicomico County -
Salisbury City Park

This bill specifies that the proceeds of the Community Based Regional Initiatives Loan of 2004 for the Salisbury City Park project must be expended by the mayor and city council of the City of Salisbury, as grantee, or encumbered by the Board of Public Works by June 1, 2013.

The bill takes effect June 1, 2011.

Fiscal Summary

State Effect: The bill does not materially affect governmental operations or finances.

Local Effect: Absent the bill, the City of Salisbury loses access to the \$150,000 in matching funds authorized for this project as the seven-year timeframe to utilize these monies expires June 30, 2011.

Small Business Effect: None.

Analysis

Current Law: Chapter 204 of 2003 preauthorizes up to \$150,000 in matching funds to the mayor and city council of the City of Salisbury for the repair and reconstruction of the historic bandstand pavilion, pedestrian bridges, the Beaverdam Bridge, the Picnic Island Bridge, and the Memorial Drive bridges located in the city park. The city, as grantee, must grant and convey an historic easement to the Maryland Historical Trust (MHT). Matching funds may include in-kind contributions but may not consist of real property or

funds expended prior to the June 1, 2004 effective date of the Community Based Regional Initiatives Loan of 2004 (Section 12 of Chapter 204 of 2003).

Chapter 153 of 2003 established a seven-year limitation on the authority to spend an appropriation for a capital expenditure and a seven-year limitation on the authorization for State debt. The Act applies to all debt authorized on or after June 1, 1997.

Under the Internal Revenue Code, an entity that sells tax-exempt bonds must spend down the proceeds within 18 to 24 months, depending on the project. The law prohibits entities that sell tax-exempt bonds from earning arbitrage, by which an entity earns a higher rate of interest from the investment of bond proceeds than the interest paid on the bonds. The accumulation of unexpended bond proceeds for projects over seven years old has resulted in the State earning arbitrage interest on the bond proceeds and becoming subject to a federal tax rebate liability. Chapter 153 was enacted to help prevent the State from incurring this liability in the future.

Background: The City of Salisbury advises that it is actively working on the project. The city has provided a preservation easement to MHT for all structures in the park. Currently, the city is in the process of replacing the Beaverdam Creek footbridge. The replacement footbridge will meet the specifications and approval of MHT and offer a safe conveyance for pedestrians in the park. The current structure has been closed to vehicle traffic due to structural deficiencies.

The city has provided evidence of the existence of a matching fund and has so far received about \$7,000 in matching funds through the State grant. The city advises that it is possible that the full amount of matching funds may be encumbered by June 1, 2011 (the grantee's current deadline). However, the extension provided by the bill may be needed to ensure that the city will have access to the full amount of authorized matching funds.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): City of Salisbury, Worcester County, Department of General Services, Department of Legislative Services

Fiscal Note History: First Reader - March 8, 2011
ncs/ljm

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