

Department of Legislative Services
Maryland General Assembly
2011 Session

FISCAL AND POLICY NOTE

Senate Bill 433 (Senator Rosapepe)
Budget and Taxation

**Legislative Community Initiatives Loan of 2004 - Prince George's County -
College Park City Hall**

This bill extends the deadline to June 1, 2012, for the Mayor and City Council of the City of College Park, as grantee, to present evidence that a matching fund will be provided for the College Park City Hall project as required by the Legislative Community Initiatives Loan of 2004. The bill also specifies that the proceeds of the loan must be encumbered by the Board of Public Works or expended by the grantee by June 1, 2012.

The bill takes effect June 1, 2011.

Fiscal Summary

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

Local Effect: Absent the bill, the City of College Park loses access to the \$100,000 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, as amended by Chapter 432 of 2004, authorizes up to \$100,000 in matching funds to the Mayor and City Council of the City of College Park for the design and engineering of a new city hall building. Matching funds may not consist of in-kind contributions, real property, or funds expended prior to the June 1, 2004 effective date of Chapter 432.

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, creating a federal tax rebate liability.

Background: The City of College Park advises that the matching funds will be used to design a new city hall building that will incorporate various public spaces into the layout. The city advises that the project is in the design and site development phase.

Chapter 46 of 2006 authorized up to \$400,000 in additional matching funds to the Mayor and City Council of the City of College Park for the design and engineering of a new city hall.

Additional Information

Prior Introductions: None.

Cross File: Although designated as a cross file, HB 41 (Delegate Pena-Melnyk, *et al.* – Appropriations) is different.

Information Source(s): City of College Park, Department of General Services, Department of Legislative Services

Fiscal Note History: First Reader - March 10, 2011
mc/ljm

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