Department of Legislative Services
Maryland General Assembly
2013 Session

FISCAL AND POLICY NOTE

House Bill 111 (Delegate Pena-Melnyk, *et al.*)
Appropriations

Maryland Consolidated Capital Bond Loan of 2006 - Prince George's County - College Park City Hall

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This bill expands the authorized uses of a grant for the Mayor and City Council of the City of College Park specified in the Maryland Consolidated Capital Bond Loan of 2006, as amended, so that the grant can be used for the design, engineering, construction, and renovation of the existing City Hall of College Park. The bill also prohibits the grant from terminating before June 1, 2015.

The bill takes effect June 1, 2013.

Fiscal Summary

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

Local Effect: Absent the bill, the City of College Park could lose access to the $400,000 in matching funds authorized for this project.

Small Business Effect: None.

Analysis

Current Law: Chapter 46 of 2006 (SB 370), as amended by Chapter 707 of 2009 (HB 1081), authorized up to $400,000 in matching funds to the Mayor and City Council of the City of College Park for the design, engineering, and construction of a new City Hall for the City of College Park. Matching funds may not consist of real property, in-kind contributions, or funds expended prior to the June 1, 2006 effective date of

Chapter 46. If any funds remain unexpended or unencumbered after June 1, 2013, the amount of the unexpended or unencumbered authorization must be canceled.

Chapter 432 of 2004 (SB 191) authorized up to $100,000 in matching funds for this project in addition to the 2006 grant.

Chapter 153 of 2003 (HB 444) 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 more than seven years old has resulted in the State earning arbitrage interest on the bond proceeds, creating a federal tax rebate liability.

Background: Originally, the city selected the old Calvert Road Elementary School as the site of its new city hall. The historic nature of the building and neighborhood caused complications, so the original plan was rejected. Therefore, the city decided to expand upon the existing city hall building. However, in order to use the monies authorized by Chapter 46 for this purpose the authorized uses of the grant must be altered, which the bill does.

Changing the location from the old elementary school to the existing city hall building also caused significant delays, but construction has now begun. The city reports that the entire $100,000 grant authorized by Chapter 434 has been spent, and it has spent approximately $64,700 of the $400,000 grant authorized by Chapter 46. The city estimates that it will have spent approximately $150,000 by the end of spring 2013 and, with the extension, the city will use the entirety of the grant funds.

Additional Information

Prior Introductions: None.

Cross File: Although designated as a cross file**,** SB 45 (Senator Rosapepe - Budget and Taxation), is not identical.

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

Fiscal Note History: First Reader - January 30, 2013
mm/ljm

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