

Department of Legislative Services
Maryland General Assembly
2013 Session

FISCAL AND POLICY NOTE
Revised

House Bill 1372
Appropriations

(Delegates Jones and Griffith)

Budget and Taxation

Prior Authorizations of State Debt to Fund Capital Projects - Alterations

This bill amends prior authorization bond bills and capital projects by extending matching fund deadlines, removing or lowering matching fund requirements, extending deadlines for expending or encumbering funds, modifying or removing certification requirements, renaming grant recipients, altering project locations, or altering the purposes for which funds may be used. In some cases altering the purpose of grant funds merely adds greater specification for how the funds may be used; in other cases grant funds may be reassigned to an entirely different project.

The bill also makes technical changes for several items included in the 2012 Capital Budget.

The bill takes effect June 1, 2013.

Fiscal Summary

State Effect: The bill amends the conditions under which State grant funds may be used. These changes do not materially affect State finances or operations.

Local Effect: None, unless the grantee is a local government.

Small Business Effect: None.

Analysis

Bill Summary/Background: Several prior authorizations are consolidated into an omnibus bill (which is consistent with action taken at the 2008, 2009, 2010, and 2012 sessions). Most of these prior authorizations had at least one bill introduced in the

2013 session as shown in **Appendix 1**, for which individual fiscal and policy notes are available. Prior to the 2008 session, individual prior authorization bills were passed by the General Assembly. In the 2011 session, most were amended into the capital budget.

The bill also identifies 46 items requiring changes that are solely technical in nature (*e.g.*, correcting the name of the grantee and/or location). Changes of this nature are not identified in Appendix 1; however, some of the projects in Appendix 1 might have also required a technical change in addition to the substantive changes presented.

Current Law: In general, a grantee must present evidence of a matching fund to the Board of Public Works within two years of the authorization for State debt. The matching fund must be certified prior to the grantee's expending or encumbering State funds.

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 unless otherwise provided in an enabling act. 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.

Additional Information

Prior Introductions: None.

Cross File: SB 934 (Senator DeGrange) - Budget and Taxation.

Information Source(s): Department of Legislative Services

Fiscal Note History: First Reader - March 14, 2013
ns/ljm Revised - House Third Reader/Clarification - March 28, 2013
Revised - Enrolled Bill/Clarification - April 29, 2013

Analysis by: Trevor S. Owen

Direct Inquiries to:
(410) 946-5510
(301) 970-5510

Appendix 1 – Prior Authorization Bond Bills Needing Amendments Other than Technical Consolidated into the Bill

| <u>SB</u> | <u>Sponsor</u> | <u>HB</u> | <u>Sponsor</u> | <u>Current Project</u> | <u>County</u> | <u>Initial Authorization</u> | <u>Change</u> |
|-----------|----------------|-----------|----------------|--|-----------------|------------------------------|--|
| - | - | 1380 | Proctor | Bethel Senior Facilities | Prince George's | 2003 | purpose, deadline ¹ |
| - | - | 1516 | McHale | Carroll Mansion Museum | Baltimore City | 2003 | deadline ¹ |
| 999 | Astle | 1458 | Busch | Annapolis Recreational Center at 9 St. Mary's Street | Anne Arundel | 2003 | purpose, deadline ^{1, 2} |
| - | - | 1163 | Conway | Salisbury City Park | Wicomico | 2003 | deadline ¹ |
| 903 | Raskin | 1359 | Hixson | Old Blair High School Auditorium | Montgomery | 2005 | deadline ^{1, 2} |
| - | - | 1521 | Rosenberg | Babe Ruth Birthplace and Museum | Baltimore City | 2005 | deadline ¹ |
| - | - | 94 | Busch | Chesapeake Children's Museum | Anne Arundel | 2006 | grantee, purpose, deadline ¹ |
| 1034 | Conway | 1504 | McIntosh | Assisted Living on the Green | Baltimore City | 2006 | deadline ¹ |
| 1061 | Klausmeier | - | - | Perry Hall Mansion | Baltimore | 2006 | removal of match ⁵ , grantee, deadline ¹ |
| 101 | Peters | - | - | White Rose Foundation Service Center | Prince George's | 2006 | deadline ¹ |
| - | - | 1035 | Love | Hancock's Resolution Visitor Center | Anne Arundel | 2006 | deadline ¹ |
| 45 | Rosapepe | 111 | Pena-Melnyk | College Park City Hall | Prince George's | 2006 | purpose, deadline ¹ |
| - | - | 992 | Bohanan | Pathway's Facility Renovation | St. Mary's | 2006 | deadline ¹ |

| <u>SB</u> | <u>Sponsor</u> | <u>HB</u> | <u>Sponsor</u> | <u>Current Project</u> | <u>County</u> | <u>Initial Authorization</u> | <u>Change</u> |
|-----------|----------------|-----------|----------------|---|-----------------|------------------------------|---|
| 256 | Montgomery | 249 | Kaiser | Our House Youth Home | Montgomery | 2006 | deadline ¹ |
| 159 | Middleton | - | - | Mattawoman Creek Art Center | Charles | 2007 | purpose, deadline ¹ |
| - | - | - | - | Rosaryville Conservancy Tack House and Stables | Prince George's | 2008 | removal of match ⁵ |
| - | - | - | - | Homeport Farm Park Building Rehabilitation Project | Anne Arundel | 2009 | purpose, deadline ¹ |
| 201 | Gladden | 406 | Rosenberg | Roland Park Fire Station Rehabilitation | Baltimore City | 2009 | purpose, deadline ^{1,2} |
| - | - | - | - | Robert E. Lee Park | Baltimore | 2009 | purpose, grantee |
| - | - | 63 | Cardin | Owings Mills High School Stadium | Baltimore | 2010 | grantee, deadline ^{1,2} |
| - | - | 65 | Busch | Annapolis High School Booster Club Concession Stand | Anne Arundel | 2010 | deadline ^{1,2} |
| - | - | 991 | Rosenberg | Glen Avenue Firehouse | Baltimore City | 2010 | deadline ^{1,2} |
| - | - | 1196 | Guzzone | Symphony Woods Park | Howard | 2010 | deadline ^{1,2} |
| 257 | Montgomery | 358 | Zucker | Sandy Spring Museum | Montgomery | 2010 | deadline ^{1,2} |
| 925 | Pinsky | 1369 | Gaines | Community Forklift Facility | Prince George's | 2010 | grantee, deadline ^{1,2} |
| - | - | - | - | La Vida Sana (Healthy Living Farm) | Prince George's | 2010 | removal of match ⁵ , deadline ¹ |

| <u>SB</u> | <u>Sponsor</u> | <u>HB</u> | <u>Sponsor</u> | <u>Current Project</u> | <u>County</u> | <u>Initial Authorization</u> | <u>Change</u> |
|-----------|----------------|-----------|--------------------------|--|-----------------|------------------------------|--|
| 1000 | Currie | 1530 | Griffith | Walker Mill Daycare and Training Center | Prince George's | 2010 | purpose, deadline ^{1,2} |
| - | - | 1344 | Griffith | Prince George's County Fire Department | Prince George's | 2010 | grantee, purpose, certification ³ , deadline ^{1,2} |
| 1036 | Edwards | 1517 | Beitzel | Cumberland City Market | Allegany | 2011 | grantee, removal of match ⁵ |
| - | - | 1419 | Howard County Delegation | Linwood Center | Howard | 2011 | purpose, deadline ² |
| 933 | McFadden | - | - | Mary Harvin Transformation Center | Baltimore City | 2011 | deadline ² |
| - | - | - | - | Todd's Inheritance | Baltimore | 2011 | removal of match ⁵ , deadline ¹ |
| 983 | Young | 118 | Clagett | Cultural Arts Center | Frederick | 2011 | grantee, deadline ² |
| 250 | Brinkley | 76 | Clagett | Frederick Alliance For Youth – Youth and Community Center | Frederick | 2011 | grantee, purpose, deadline ^{1,2} |
| 1046 | Benson | - | - | Capitol Heights Seat Pleasant Boys and Girls Club Initiative | Prince George's | 2011 | purpose, deadline ² |
| 122 | Peters | - | - | Community Safety and Surveillance Systems | Prince George's | 2011 | grantees |

| <u>SB</u> | <u>Sponsor</u> | <u>HB</u> | <u>Sponsor</u> | <u>Current Project</u> | <u>County</u> | <u>Initial Authorization</u> | <u>Change</u> |
|-----------|----------------|-----------|----------------|--|-----------------|------------------------------|--|
| - | - | 1473 | Griffith | Arthur & Mary E. Ridgley, Sr. Museum Phase I | Prince George's | 2011 | grantee, purpose, certification ³ , deadline ^{1,2} |
| - | - | - | - | Charles E. Smith Life Communities | Montgomery | 2012 | grantee ⁴ |
| - | - | - | - | Maryland Science Center – Planetarium Improvements | Baltimore City | 2012 | certification ³ |
| - | - | - | - | Friends Aware, Inc. | Allegany | 2012 | purpose ⁴ |
| 5 | DeGrange | 1506 | Sophocleus | Meade High School Concession Stand | Anne Arundel | 2012 | certification ³ |
| - | - | - | - | Neighbor-Space of Baltimore County | Baltimore | 2012 | removal of match ⁵ |
| 866 | Middleton | - | - | Indian Head Center for the Arts Renovation | Charles | 2012 | grantee, purpose |
| - | - | 1483 | Hixson | Quebec Terrace Lighting | Montgomery | 2012 | location |
| 952 | Benson | 1410 | Vaughn | Labor of Love Learning Center | Prince George's | 2012 | certification ³ |
| - | - | - | - | Lockhouse 44, Lock 44, and Western MD Railroad Lift Bridge | Washington | 2012 | grantee ⁴ |
| - | - | - | - | Maryland Alliance of Boys & Girls Clubs - Renovations | Statewide | 2012 | certification ³ |
| 91 | Astle | 82 | Busch | Shiplap House | Anne Arundel | 2012 | removal of match ⁵ |
| - | - | - | - | Acorn Hill Natural Play Area | Baltimore | 2012 | removal of match ⁵ |

| <u>SB</u> | <u>Sponsor</u> | <u>HB</u> | <u>Sponsor</u> | <u>Current Project</u> | <u>County</u> | <u>Initial Authorization</u> | <u>Change</u> |
|-----------|----------------|-----------|----------------|--------------------------------|---------------|------------------------------|-------------------------------|
| - | - | - | - | Turf Field Security Investment | Baltimore | 2012 | removal of match ⁵ |

¹Extends the deadline to expend or encumber funds.

²Extends the deadline to present evidence that a matching fund will be provided.

³Modifies the requirement for certifying matching funds.

⁴Clarification recommended by the Attorney General.

⁵Removes the requirement that the grantee raise matching funds; makes technical changes to certification requirements as appropriate.