

Department of Legislative Services

Maryland General Assembly

2013 Session

FISCAL AND POLICY NOTE

House Bill 1035

(Delegate Love)

Appropriations

**Maryland Consolidated Capital Bond Loan of 2006 - Anne Arundel County -
Hancock's Resolution Visitor Center**

This bill prohibits a grant for the County Executive and County Council of Anne Arundel County for the Hancock's Resolution Visitor Center as specified in the Maryland Consolidated Capital Bond Loan of 2006, as amended, 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, Anne Arundel County may lose access to the \$100,000 in matching funds authorized for this project.

Small Business Effect: None.

Analysis

Current Law: Chapter 46 of 2006 (SB 370), as amended by Chapter 64 of 2007 (HB 23), authorized up to \$100,000 in matching funds to the County Executive and County Council of Anne Arundel County for the planning and design of a new visitor center at Hancock's Resolution, including related site work, located in Pasadena. Matching funds may consist of real property, but they may not consist of in-kind contributions or funds expended prior to the June 1, 2006 effective date of Chapter 46.

The grantee is required to grant and convey an historic easement to the Maryland Historical Trust as a condition of award. The grantee had until June 1, 2008, to *present evidence* that matching funds would be provided; however, the *proceeds* of the loan must be expended or encumbered by the Board of Public Works by June 1, 2013. If any funds remain unexpended or unencumbered after June 1, 2013, the amount of the unexpended or unencumbered authorizations must be canceled.

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: Hancock's Resolution is an authentic small family farm *circa* 1785 located in Pasadena that does historic interpretations. The grant is to build a new visitor's center to expand the use of the site. The project has been delayed due to difficulties in determining a suitable site for the visitor's center, as described below.

Anne Arundel County owns the site, but it has been working closely with the Friends of Hancock's Resolution to determine a suitable location for a visitor's center within the existing historic waterfront parcel on Bodkin Creek. However, the original location desired by the Friends was restricted by forest conservation covenants within the Critical Area of the Bay. After exhausting all options to mitigate the impacts of the proposed visitors center, the Friends of Hancock's Resolution have agreed to change the location of the visitors center to a location satisfactory to Anne Arundel County and its Critical Area planner. The county has encumbered 94% of the required local match on preliminary planning and design, and it is now in a position to complete the design effort as intended. The two-year extension will allow the county and the Friends to complete the visitor center design within the terms of the amended grant.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of General Services, Friends of Hancock's Resolution, Department of Legislative Services

Fiscal Note History: First Reader - March 12, 2013
mlm/ljm

Analysis by: Caroline L. Boice

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