

Department of Legislative Services
Maryland General Assembly
2014 Session

FISCAL AND POLICY NOTE

Senate Bill 956 (Senator Pinsky)
Budget and Taxation

Maryland Consolidated Capital Bond Loan of 2007 - Prince George's County -
Historic Greenbelt Theater

This bill prohibits two separate grants for the Historic Greenbelt Theater project, as specified in the Maryland Consolidated Capital Bond Loan of 2007, from terminating before June 1, 2015, rather than June 1, 2014.

The bill takes effect June 1, 2014.

Fiscal Summary

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

Local Effect: Absent this bill, the City of Greenbelt may lose access to \$300,000 in funds.

Small Business Effect: None.

Analysis

Current Law: Chapter 488 of 2007 (the fiscal 2008 capital budget) authorized two separate grants for a total of up to \$300,000 in matching funds to the Mayor and City Council of the City of Greenbelt for the construction, repair, renovation, reconstruction, and capital equipping of the Historic Greenbelt Theater, located in the City of Greenbelt. Matching funds may not consist of real property, in-kind contributions, or funds expended prior to the June 1, 2007 effective date of Chapter 488. The grantee had until June 1, 2009, to present evidence that a matching fund would be provided; however, the proceeds of the loans must be expended or encumbered by the Board of Public Works by

June 1, 2014. If any funds remain unexpended or unencumbered after June 1, 2014, the amount of the unexpended or unencumbered authorization must be cancelled. The grants are subject to a requirement that the grantee grant and convey an historic easement to the Maryland Historical Trust.

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 more than seven years old has resulted in the State earning arbitrage interest on the bond proceeds, creating a federal tax rebate liability.

The bill's changes apply to both grants.

Background: Built in 1937, the Historic Greenbelt Theatre is one of the last single-screen movie theaters in the State. The purpose of the original 2007 bond bill was to address code, life safety, and Americans with Disabilities Act requirement issues, in addition to lobby, concession, and restroom renovations.

The grantee advises that the project has taken much longer to complete than anticipated. During the design process, the grantee, through a number of consultations with the Potomac Electric Power Company, found that the theater needed a major electrical upgrade. As a result, the theater's renovations were substantially delayed, necessitating the need for an extension of the termination date.

Additional Information

Prior Introductions: None.

Cross File: HB 1152 (Delegate Gaines, *et al.*) - Appropriations.

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

Fiscal Note History: First Reader - March 5, 2014
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Analysis by: Matthew B. Jackson

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