HB 1366

Department of Legislative Services

Maryland General Assembly
2008 Session

FISCAL AND POLICY NOTE

House Bill 1366 (Delegate Jones)
Appropriations

Prior Authorizations of State Debt to Fund Capital Projects - Alterations

This bill amends prior authorization bond bills by extending deadlines for expending or encumbering funds, altering the purposes for which funds may be used, renaming grant recipients, or altering the location of a project.

The bill takes effect June 1, 2008.

Fiscal Summary

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

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

Small Business Effect: None.

Analysis

Several prior authorizations are consolidated into one bill. Each of these prior authorizations has at least one bill introduced in the 2008 session as shown below.

Prior Authorization Bond Bills Consolidated into HB 1366

HB	Sponsor	SB	Sponsor	Project	County	Year	Purpose
502	V. Clagett			Historic London Town Visitors Center and Museum	AA	2001	Deadline[1]
671	O'Donnell			Boys and Girls Clubs of Southern Maryland	Calvert	2001	Deadline[1]
267	Delegation			Echo Hill Outdoor School	Kent	2001	Deadline[1]
354	Tarrant	364	Pugh	Waxter Center for Senior Citizens	Balt. City	2005/6	Purpose
341	Pena-Melnyk	295	Rosapepe	Historic Laurel Mill Ruins	PG	2006/7	Grantee
104	Hixson	471	Garagiola	Woodstock Equestrian Park	Montgomery	2007	Grantee
464	Cardin	377	Zirkin	THE ASSOCIATED: Jewish Community Federation	Balt. City	2007	Purpose
477	Bromwell	415	Stone	Northeast Skate Park	Balt. County	2007	Location

[1] Extends the deadline to expend or encumber funds

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.

The authority to spend a capital appropriation authorized on or after June 1, 1997 terminates seven years after the effective date of the bill, per Chapter 153 of 2003. 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 and becoming subject to a federal tax rebate liability.

Additional Comments: Information on the individual projects included in this bill can be found in the fiscal notes prepared for each prior authorization bill.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of Legislative Services

Fiscal Note History: First Reader - March 4, 2008
mcp/ljm

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