Department of Legislative Services

Maryland General Assembly
2009 Session

FISCAL AND POLICY NOTE

House Bill 1514 (Delegates Proctor and Vallario)
Appropriations

Prince George's County - Bethel Recreation Center Loans of 2000 and 2001 and the Maryland Consolidated Capital Bond Loans of 2003 and 2005

This bill changes the purpose and authorized uses for the Bethel Recreation Center Loans of 2000 and 2001 and the Maryland Consolidated Capital Bond Loans of 2003 and 2005. The bill also extends the deadline to expend or encumber the proceeds of the 2000 and 2001 grants to June 1, 2011. Any funds that are unencumbered or unexpended after that date are cancelled. Likewise, the deadline for the 2003 and 2005 grants to present evidence that a matching fund will be provided is extended to June 1, 2011.

The bill specifies that each grant is for the creation of a senior center, rather than a recreation center, and that the grantee may use the funds for the planning, design, construction, and capital equipping of the Bethel Senior Facilities.

The bill takes effect June 1, 2009.

Fiscal Summary

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

Local Effect: The bill does not directly affect the finances or operations of Prince George’s County.

Small Business Effect: None.

Analysis

Current Law: Chapter 582 of 2000, Chapter 650 of 2001, Chapter 204 of 2003, and Chapter 445 of 2005, each authorized up to $250,000 in matching funds to the Board of Trustees of Union Bethel A.M.E. Church for the planning, design, construction, and capital equipping of the Bethel Recreation Center for use as a gymnasium, cafe and bookstore, and community meeting area, located in Brandywine. The matching funds may consist of real property, in-kind contributions, or funds expended before the effective dates of these acts.

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.

Background: 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. Chapter 153 was enacted to help prevent the State from incurring this liability in the future.

The grantee advises that the recreation center was to share a sewer system with a neighboring residential building complex that was to be constructed nearby. Due to the weakness of the housing market, that complex was not built. Therefore, the recreation center project could not move forward; instead the grantee plans to use the funds to build a senior living facility, and will move forward with the recreation center later.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of General Services, Union Bethel A.M.E. Church, Department of Legislative Services

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mcp/rhh

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