

Department of Legislative Services
Maryland General Assembly
2009 Session

FISCAL AND POLICY NOTE

Senate Bill 876 (Senator DeGrange)
Budget and Taxation

Prior Authorizations of State Debt to Fund Capital Projects - Alterations

This bill amends prior authorization bond bills by extending matching fund deadlines, extending deadlines for expending or encumbering funds, altering the purposes for which funds may be used, modifying certification requirements, renaming grant recipients, or altering project locations.

The bill takes effect June 1, 2009.

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. Prior to the 2008 session, individual prior authorization bills were passed by the General Assembly. Most of these prior authorizations had at least one bill introduced in the 2009 session as shown below, for which individual fiscal and policy notes are available, or will be for the individual bill hearing.

Prior Authorization Bond Bills Consolidated into HB 1081

<u>SB</u>	<u>Sponsor</u>	<u>HB</u>	<u>Sponsor</u>	<u>Project</u>	<u>County</u>	<u>Year Authorized</u>	<u>Purpose</u>
		403	V. Clagett	Historic London Town Visitors Center and Museum	Anne Arundel	2001	Grantee, Purpose
		432	Branch	East Baltimore Community Recreation and Learning Center	Balt. City	2001	Deadline ¹
459	Madaleno			Wheaton Multi-Purpose Youth Center	Montgomery	2002/3/4/7	Purpose, Location, Deadline ¹
283	Peters	460	Hubbard	Knights of St. John Hall	Prince George's	2005	Purpose
738	Garagiola	321	Hixson	Old Blair High School Auditorium	Montgomery	2005	Deadline ²
13	Astle			Annapolis Underground Wiring	Anne Arundel	2006/7/8	Location
246	Rosapepe	256	Pena-Melnyk	College Park City Hall	Prince George's	2006	Purpose
416	Currie			New Revival Center of Renewal	Prince George's	2006	Location, Deadline ²
36	Lenett	1523	Heller	Agriculture Activity Center Expansion	Montgomery	2007	Deadline ²
28	Garagiola			Warren Historical Site – Loving Charity Hall	Montgomery	2007	Grantee, Deadline ²
312	Kramer	324	Taylor	Damascus Heritage Museum	Montgomery	2007	Deadline ²

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225	McFadden	291	Stukes	Sojourner-Douglass College	Balt. City	2008	Certification ³
33	Zirkin			Weinberg Village V Senior Apartment Building	Balt. County	2008	Purpose
30	Glassman			Churchville Library Green Building and Science Center	Harford	2008	Grantee
313	Kramer	132	Kaiser	Sharp Street United Methodist Church Modular Building	Montgomery	2008	Location, Certification ³
198	Garagiola	239	Taylor,	The Arc of Montgomery County Group Homes	Montgomery	2008	Location, Purpose

¹Extends the seven-year 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.

⁴The bill specifies that the U.S. Department of the Interior may not be required to become a party to the grant agreement.

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 Information

Prior Introductions: None.

Cross File: HB 1081 (Delegate Jones, *et al.*) - Appropriations.

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

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ncs/rhh

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