

Department of Legislative Services
Maryland General Assembly
2010 Session

FISCAL AND POLICY NOTE

House Bill 1447
Appropriations

(Delegate Jones)

Prior Authorizations of State Debt to Fund Capital Projects - Alterations

This bill amends prior authorization bond bills and capital projects by extending matching fund deadlines, extending deadlines for expending or encumbering funds, modifying or removing certification requirements, renaming grant recipients, altering project locations, or altering the purposes for which funds may be used. In some cases altering the purpose of grant funds merely adds greater specification for how the funds may be used; in other cases grant funds may be reassigned to an entirely different project.

The bill takes effect June 1, 2010.

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. Most of these prior authorizations had at least one bill introduced in the 2010 session as shown below, for which individual fiscal and policy notes are available. Prior to the 2008 session, individual prior authorization bills were passed by the General Assembly.

Exhibit 1
Prior Authorization Bond Bills Consolidated into the Bill

| <u>SB</u> | <u>Sponsor</u> | <u>HB</u> | <u>Sponsor</u> | <u>Current Project</u> | <u>County</u> | <u>Initial Authorization</u> | <u>Change</u> |
|-----------|----------------|-----------|----------------|--|-----------------|------------------------------|--|
| 113 | Kelley | 104 | Robinson | Ivy Family Support Center | Baltimore City | 2001 | Deadline ¹ |
| 351 | Currie | – | – | Kettering Largo Boys and Girls Club Storage Facility | Prince George's | 2001 | Deadline ^{1,2} |
| 423 | Colburn | 99 | Conway | Wicomico County Library | Wicomico | 2003 | Purpose |
| 962 | Raskin | 718 | Hixson | Old Blair High School Auditorium | Montgomery | 2005 | Deadline ² |
| 506 | Pinsky | 643 | Gaines | YMCA Renaissance Square | Prince George's | 2006 | Grantee, Purpose, Location, Certification ³ , Deadline ² |
| – | – | 1366 | Bohanan | St. Mary's College Amphitheater | St. Mary's | 2006 | Amount ⁵ , Grantee, Purpose, Location, Deadline ² |
| 115 | Gladden | 196 | Rosenberg | Baltimore Clayworks | Baltimore City | 2006 | Deadline ² |
| 138 | Della | – | – | Peale Museum | Baltimore City | 2006 | Grantee, Deadline ² |
| 32 | Forehand | 628 | Simmons | Public Safety Memorial | Montgomery | 2007 | Location |
| 873 | Middleton | – | – | Old Waldorf School Community Center | Charles | 2007 | Certification ³ , Deadline ² |

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|-----------|----------------|-----------|----------------|--|-----------------|------------------------------|--|
| 380 | Rosapepe | – | – | Historic Laurel Mill Ruins | Prince George's | 2007/2008 | Amount ⁵ , Purpose, Deadline ² |
| 304 | Munson | – | – | Chesapeake and Ohio Canal National Historical Park | Washington | 2007 | Certification ³ |
| 937 | Garagiola | – | – | Button Farm Historic Preservation and Rehabilitation | Montgomery | 2008 | Deadline ² |
| 100 | Muse | 883 | V. Turner | Forest Heights Municipal Building | Prince George's | 2008 | Removal of Match ⁴ |
| – | – | – | – | Goshen House | Anne Arundel | 2008 | Deadline ² |
| – | – | 105 | Glenn | Youth Sports Program Facility | Baltimore City | 2008 | Removal of Match ⁴ |
| – | – | – | – | Waters Barn Rehabilitation | Montgomery | 2008 | Deadline ² |
| – | – | – | – | Rosaryville Conservancy Tack House and Stables | Prince George's | 2008 | Removal of Match ⁴ |
| – | – | 1364 | Bohanan | St. Mary's College Amphitheater | St. Mary's | 2008 | Amount ⁵ , Purpose, Grantee, Location, Certification ³ , Deadline ² |
| – | – | – | – | Anne Arundel Community College | Anne Arundel | 2009 | Purpose, Removal of Match ⁴ |

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|-----------|----------------|-----------|----------------|--|---------------|------------------------------|--------------------------------------|
| 168 | Raskin | 177 | Hixson | Easter Seals Inter-Generational Center | Statewide | 2009 | Removal of Match ⁴ |
| 269 | Simonaire | 1220 | Schuh | Historical Freetown Renovation | Anne Arundel | 2009 | Certification ³ |
| – | – | 212 | Costa | Southern High School Field House | Anne Arundel | 2009 | Certification ³ |
| 459 | Middleton | – | – | Hospice House | Charles | 2009 | Location, Certification ³ |
| 950 | Brinkley | 21 | G. Clagett | John Hanson Memorial | Frederick | 2009 | Location |

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.

⁴Removes the requirement that grantee raise matching funds; makes technical changes to certification requirements as appropriate.

⁵Redistributes all or a portion of the grant amount to another project or projects.

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: SB 1018 (Senator DeGrange) - Budget and Taxation.

Information Source(s): Department of Legislative Services

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ncs/ljm

Analysis by: Michael T. Vorgetts

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