

Department of Legislative Services
Maryland General Assembly
2012 Session

FISCAL AND POLICY NOTE

Senate Bill 963 (Senator Ramirez)
Budget and Taxation

Maryland Consolidated Capital Bond Loan of 2005 - Prince George's County -
Historic Bostwick House

This bill extends the deadline – from June 1, 2012, to June 1, 2014 – by which the proceeds of the loan to the Mayor and Town Council of the Town of Bladensburg for the Historic Bostwick House, as approved in the Maryland Consolidated Capital Bond Loan of 2005, must be encumbered by the Board of Public Works or expended by the grantee.

The bill takes effect June 1, 2012.

Fiscal Summary

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

Local Effect: In the absence of this bill, the Town of Bladensburg will not be able to access up to \$100,000 in grant funds after June 1, 2012. The bill does not materially affect the operations or finances of Prince George’s County.

Small Business Effect: None.

Analysis

Current Law: Chapter 445 of 2005 authorized up to \$100,000 in matching funds to the Mayor and Town Council of Bladensburg for the design, repair, renovation, reconstruction, and capital equipping of the Historic Bostwick House, including grounds stabilization, structural rehabilitation, fire protection systems and utility improvements, air conditioning, and other improvements to make the facility compliant with the Federal Americans With Disabilities Act, subject to a requirement that the grantee grant and

convey an historical easement to the Maryland Historical Trust. The required matching funds may consist of in-kind contributions. The proceeds of the loan must be expended or encumbered by the Board of Public Works by June 1, 2012.

Chapter 250 of 1997 authorized up to \$350,000 in State bond proceeds as a grant to the Mayor and Town Council of the Town of Bladensburg to acquire, plan, design, repair, renovate, restore, reconstruct, construct, and equip the historic Bostwick House, to be used for historic preservation and cultural programs. The Town of Bladensburg was required to provide matching funds by June 1, 1999, which could include real property, in-kind contributions, or funds expended prior to June 1, 1997. However, Chapter 52 of 1999 decreased, from \$350,000 to \$150,000, the amount of the matching fund that the Town of Bladensburg must provide, and authorized the town to receive the total and principal amount of the \$350,000 grant, as authorized by Chapter 250 of 1997.

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 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.

Background: Historic Bostwick House is a pre-Revolutionary War home completed in 1746 by Christopher Lowndes, a prominent merchant in colonial Bladensburg. The structure was listed on the National Register of Historic Places in 1975. Now owned by the Town of Bladensburg, in 2008, the University of Maryland, College Park's Historic Preservation Program began a partnership with the town to use the site as a teaching center for anthropology students and to assist in the historic preservation of the site.

The Town of Bladensburg has received several grants for this project, including two State Community Legacy grants and a federal grant that required significant archeological surveys of the property. As the timeframes for these grants were shorter, the State funds authorized under Chapter 445 of 2005 have not yet been accessed by the town.

During the August 2011 earthquake, part of the structure's chimney collapsed, damaging the roof of the porch on the north side of the house. A structural engineer has just completed a scope of work evaluation so that restoration can begin. Due to the age of the

property, limitations on the materials that can be used, and the unanticipated damage in 2011, the timeline for restoration of the property has exceeded initial projections.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Town of Bladensburg, Prince George's County, Department of General Services, Department of Legislative Services

Fiscal Note History: First Reader - March 11, 2012
ncs/ljm

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