

Department of Legislative Services
Maryland General Assembly
2012 Session

FISCAL AND POLICY NOTE

House Bill 1384
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, removing or lowering matching fund requirements, 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, 2012.

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 (which is consistent with action taken at the 2008, 2009, and 2010 sessions). Most of these prior authorizations had at least one bill introduced in the 2012 session as shown in **Appendix 1**, for which individual fiscal and policy notes are available. Prior to

the 2008 session, individual prior authorization bills were passed by the General Assembly. In the 2011 session, most were amended into the capital budget.

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.

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 unless otherwise provided in an enabling act. 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, creating a federal tax rebate liability.

Additional Information

Prior Introductions: None.

Cross File: Although designated as a cross file, SB 1037 (Senator DeGrange - Budget and Taxation) is not identical.

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

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

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Appendix 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>
-	-	1354	Rosenberg	Babe Ruth Birthplace and Museum	Baltimore City	2005	deadline ¹
-	-	-	-	Seneca School House Museum	Montgomery	2005	removal of match ⁴ , deadline ¹
963	Ramirez	-	-	Historic Bostwick House	Prince George's	2005	deadline ¹
-	-	830	Hixson	Old Blair High School Auditorium	Montgomery	2005	deadline ^{1,2}
189	Shank	54	Washington County Delegation	Rural Heritage Transportation Museum	Washington	2006	location
-	-	1069	Valentino-Smith	Reid Community Development Center	Prince George's	2007	lower match, deadline ²
-	-	1320	Bohanan	St. Mary's County Fairgrounds	St. Mary's	2007	deadline ²
931	Astle	410	Costa	Deale Elementary School Baseball Fields	Anne Arundel	2008	purpose, location
710	Forehand	1036	Barve	Gaithersburg Upcounty Senior Center	Montgomery	2008	purpose
473	Pinsky	307	Gaines	New Carrollton Recreation Center	Prince George's	2008	purpose
436	McFadden	-	-	Roberta's House	Baltimore City	2008	removal of match ⁴
1007	Astle	1270	Vitale	Goshen House	Anne Arundel	2008	certification ³ , deadline ²
664	Carroll County Senators	-	-	Carroll County Agriculture Center	Carroll	2010	deadline ^{1,2}
946	Colburn	-	-	Richardson Maritime Heritage Center	Dorchester	2010	certification ³ , deadline ^{1,2}

<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>
985	Montgomery	1291	Luedtke	Maydale Nature Center	Montgomery	2010	deadline ^{1,2}
4	Ramirez	503	Niemann	Bladensburg Market Square II	Prince George's	2010	deadline ^{1,2}
268	Pinsky	327	Gaines	Community Forklift Facility	Prince George's	2010	deadline ^{1,2}
-	-	-	-	Kellam's Field	Calvert	2010	grantee, deadline ^{1,2}
-	-	577	James	Nuttal Avenue Park	Harford	2010	deadline ^{1,2}
-	-	178	Bohanan	United States Colored Troops Memorial Monument	St. Mary's	2010	grantee, purpose, deadline ^{1,2}
914	Currie	-	-	Largo High School PTSA Track Renovation	Prince George's	2010	lower match, deadline ^{1,2}
965	Currie	-	-	Forestville Military Academy Track	Prince George's	2010	lower match, deadline ^{1,2}
996	Benson	-	-	John E. Feggans Center Renovation	Prince George's	2010	deadline ^{1,2}
-	-	267	Jones	Liberty Road Corridor Infrastructure Improvements	Baltimore	2011	location, purpose, certification ³
-	-	-	-	Andover Field Renovations	Anne Arundel	2011	certification ³
1068	Ramirez	-	-	Battle of Bladensburg Visitor Center and Monument	Prince George's	2011	grantee

¹Extends the 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 by repealing an historic easement requirement, or allowing the matching fund to include real property, in-kind contributions, and/or previously expended funds.

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