

Department of Legislative Services
Maryland General Assembly
2013 Session

FISCAL AND POLICY NOTE

House Bill 1380
Appropriations

(Delegates Proctor and Vallario)

**Maryland Consolidated Capital Bond Loan of 2003 - Prince George's County -
Bethel Recreation Center**

This bill specifies that State grant funds authorized for the Bethel Senior Facilities loan, as established by the Maryland Consolidated Capital Bond Loan of 2003, may be used for the installation of a sewer pipeline. The bill also specifies that the grant may not terminate before June 1, 2014.

The bill takes effect June 1, 2013.

Fiscal Summary

State Effect: The bill does not materially 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 204 of 2003 (HB 140), as amended by Chapter 707 of 2009 (HB 1081), authorizes 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 Senior Facilities, located in Brandywine. The matching fund may include real property, in-kind contributions, or funds expended prior to the June 1, 2004 effective date of Section 12 Chapter 204.

The original grant funding was preauthorized as part of the Community Based Regional Initiatives Loan of 2004 (Section 12 of Chapter 204). That funding was for the planning, design, construction, and capital equipping of the Bethel Recreation Center as a gymnasium, cafe and bookstore, and community meeting area. The grantee had until June 1, 2006, to present evidence that a matching fund would be provided; the funds had to be expended or encumbered by the Board of Public Works by June 1, 2011. Chapter 707 of 2009 repurposed the grant to be used for the planning, design, construction, and capital equipping of Bethel Senior Facilities. The grantee was also given until June 1, 2011, to present evidence that a matching fund would be provided. The June 1, 2011 deadline to expend or encumber the funds was not extended at that time.

Additionally, Chapter 582 of 2000 (HB 291), Chapter 650 of 2001 (HB 259), and Chapter 445 of 2005 (HB 340), 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. Chapter 707 of 2009 also repurposed all of these grants to be used for the Bethel Senior Facilities instead of the Bethel Recreation Center, each with a deadline of June 1, 2011, to present evidence of matching funds. Likewise the deadlines to expend or have the Board of Public Works encumber funds were extended to June 1, 2011, except for the authorization from 2005, which still had until June 1, 2012, to do so.

Chapter 153 of 2003 (HB 444) 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 more than seven years old has resulted in the State earning arbitrage interest on the bond proceeds, creating a federal tax rebate liability.

Background: The Bethel Senior Facilities loan, as established by the Maryland Consolidated Capital Bond Loan of 2003, has a balance of \$159,308, of which \$130,800 has been encumbered by RLG Architects, LLC and \$28,508 has been encumbered by Capital Development Design, Inc.

The grant authorized under Chapter 445 of 2005 expired and was canceled in 2012. The grants authorized under Chapter 582 of 2000 and Chapter 650 of 2001 were fully expended.

Union Bethel A.M.E. Church utilizes a drainage field sewer system, which has been in place since 1991. The Prince George's County Health Department will not allow Union Bethel A.M.E. Church to expand building without increasing capacity in its drainage field, so the church plans to install a sewer pipeline to connect to a public sewage system. Union Bethel A.M.E. Church is requesting additional funding of \$100,000 for Bethel Senior Facilities in SB 1017/HB 1378 of 2013.

Additional Information

Prior Introductions: None.

Cross File: None.

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

Fiscal Note History: First Reader - March 18, 2013
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