

Department of Legislative Services
Maryland General Assembly
2013 Session

FISCAL AND POLICY NOTE

House Bill 1163
Appropriations

(Delegates Conway and Cane)

**Maryland Consolidated Capital Bond Loan of 2003 - Wicomico County -
Salisbury City Park**

This bill extends the deadline by three years – from December 1, 2012, to December 1, 2015 – by which the proceeds of a loan for the Salisbury City Park project, as specified in the Maryland Consolidated Capital Bond Loan of 2003, as amended, must be expended or encumbered by the Board of Public Works.

The bill takes effect June 1, 2013.

Fiscal Summary

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

Local Effect: Absent the bill, the City of Salisbury may lose access to \$150,000 in matching funds.

Small Business Effect: None.

Analysis

Current Law: Chapter 204 of 2003 (HB 140) pre-authorized up to \$150,000 in matching funds to the Mayor and City Council of Salisbury for the repair and reconstruction of the historic bandstand pavilion, pedestrian bridges, the Beaverdam Bridge, the Picnic Island Bridge, and the Memorial Drive bridges located in the city park. The city, as grantee, must grant and convey an historic easement to the Maryland Historical Trust (MHT). Matching funds may consist of in-kind contributions, but they may not consist of real property or funds expended prior to the June 1, 2004 effective

date of the Community Based Regional Initiatives Loan of 2004 (Section 12 of Chapter 204). The grantee had until June 1, 2006, to *present evidence* that matching funds would be provided. Chapter 396 of 2011 (HB 71) established that *proceeds* of the loan had to be expended or encumbered by the Board of Public Works by December 1, 2012.

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 City of Salisbury advises that it is actively working on the project. The city has provided a preservation easement to MHT for all structures in the park. Currently, the city has completed the Beaverdam Bridge and the Picnic Island Bridge, and it plans to begin construction on the pedestrian bridges. The city also advises it is currently in the planning stages for the Memorial Drive Bridge project and the Historic Bandstand project. With the three-year extension, the city anticipates it will be able to complete all of the projects and have access to the full amount of authorized matching funds.

Additional Information

Prior Introductions: None.

Cross File: None.

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

Fiscal Note History: First Reader - March 12, 2013
ncs/ljm

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