

Department of Legislative Services
Maryland General Assembly
2013 Session

FISCAL AND POLICY NOTE

Senate Bill 999 (Senator Astle)
Budget and Taxation

Maryland Consolidated Capital Bond Loan of 2003 - Anne Arundel County -
Annapolis Recreational Center at 9 St. Mary's Street

This bill alters the authorized use of a grant specified in the Maryland Consolidated Capital Bond Loan of 2003, as amended, so it may be used for Annapolis City Hall rather than the Annapolis Recreational Center at 9 St. Mary's Street.

The bill also extends the deadline by a year – from June 1, 2013, to June 1, 2014 – for the grantee to present evidence that a matching fund will be provided. Likewise, the bill specifies that the proceeds of the loan must be encumbered by the Board Public Works or expended by June 1, 2014.

The bill takes effect June 1, 2013.

Fiscal Summary

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

Local Effect: Absent the bill, the City of Annapolis could lose access to the \$250,000 in matching funds authorized for this project.

Small Business Effect: None.

Analysis

Bill Summary: The bill also makes a technical change to the name of the grantee.

Current Law/Background: Chapter 204 of 2003 (HB 140), as amended by Chapter 432 of 2004 (SB 191) and Chapter 396 of 2011 (HB 71), authorized up to \$250,000 in matching funds as a grant to the Mayor and City Council of Annapolis for the planning, design, repair, renovation, reconstruction, and capital equipping of the Recreational Center at 9 St. Mary's Street, located in Annapolis. Matching funds may consist of real property, in-kind contributions, or funds expended prior to the June 1, 2004 effective date of Section 13 of Chapter 204. The grantee has until June 1, 2013, to present evidence that a matching fund will be provided. The proceeds of the loan must be expended or encumbered by the Board of Public Works by June 1, 2013.

The original grant funding was preauthorized as part of the \$17.7 million Legislative Community Initiatives Loan of 2004 (Section 13 of Chapter 204), and it had no specific grantee attached to the authorization. Chapter 432 designated that \$250,000 of that authorization was for the Mayor and City Council of Annapolis for the planning, design, repair, renovation, reconstruction, and capital equipping of the Eastport Fire Station and Paramedic Unit. Chapter 396 repurposed that authorization for the Recreational Center at 9 St. Mary's Street. The bill repurposes the grant again. Information on why the grant is being repurposed has not been provided by the City of Annapolis.

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.

Additional Information

Prior Introductions: None.

Cross File: HB 1458 (Delegate Busch) - Appropriations.

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

Fiscal Note History: First Reader - March 14, 2013
mc/ljm

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