

Department of Legislative Services  
Maryland General Assembly  
2013 Session

FISCAL AND POLICY NOTE

Senate Bill 934 (Senator DeGrange)  
Budget and Taxation

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**Prior Authorizations of State Debt to Fund Capital Projects - Alterations**

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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 also makes technical changes for several items included in the 2012 Capital Budget.

The bill takes effect June 1, 2013.

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**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.

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**Analysis**

**Bill Summary/Background:** Several prior authorizations are consolidated into an omnibus bill (which is consistent with action taken at the 2008, 2009, 2010, and 2012 sessions). Most of these prior authorizations had at least one bill introduced in the

2013 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.

The bill also identifies 48 items requiring changes that are solely technical in nature (*e.g.*, correcting the name of the grantee and/or location). Changes of this nature are not identified in **Appendix 1**; however, some of the projects in **Appendix 1** might have also required a technical change in addition to the substantive changes presented.

**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 (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 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 more than seven years old has resulted in the State earning arbitrage interest on the bond proceeds, creating a federal tax rebate liability.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** HB 1372 (Delegates Jones and Griffith) - Appropriations.

**Information Source(s):** Department of Legislative Services

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

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## Appendix 1 – Prior Authorization Bond Bills Needing Amendments Other than Technical 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>
-	-	94	Busch	Chesapeake Children’s Museum	Anne Arundel	2006	purpose, deadline <sup>1</sup>
101	Peters	-	-	White Rose Foundation Service Center	Prince George’s	2006	deadline <sup>1</sup>
45	Rosapepe	111	Pena-Melnyk	College Park City Hall	Prince George’s	2006	purpose, deadline <sup>1</sup>
256	Montgomery	249	Kaiser	Our House Youth Home	Montgomery	2006	deadline <sup>1</sup>
159	Middleton	-	-	Mattawoman Creek Art Center	Charles	2007	purpose, deadline <sup>1</sup>
201	Gladden	406	Rosenberg	Roland Park Fire Station Rehabilitation	Baltimore City	2009	purpose, deadline <sup>1,2</sup>
-	-	63	Cardin	Owings Mills High School Stadium	Baltimore	2010	deadline <sup>1,2</sup>
-	-	65	Busch	Annapolis High School Booster Club Concession Stand	Anne Arundel	2010	deadline <sup>1,2</sup>
257	Montgomery	358	Zucker	Sandy Spring Museum	Montgomery	2010	deadline <sup>1,2</sup>
983	Young	118	Clagett	Cultural Arts Center	Frederick	2011	deadline <sup>2</sup>
250	Brinkley	76	Clagett	Frederick Alliance For Youth – Youth and Community Center	Frederick	2011	location, grantee, purpose, deadline <sup>1,2</sup>
122	Peters	-	-	Community Safety and Surveillance Systems	Prince George’s	2011	grantees
-	-	-	-	Charles E. Smith Life Communities	Montgomery	2012	grantee <sup>4</sup>
-	-	-	-	Friends Aware, Inc.	Allegany	2012	purpose <sup>4</sup>

<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>
5	DeGrange	1506	Sophocleus	Meade High School Concession Stand	Anne Arundel	2012	certification <sup>3</sup>
-	-	-	-	Lockhouse 44, Lock 44, and Western MD Railroad Lift Bridge	Washington	2012	grantee <sup>4</sup>
91	Astle	82	Busch	Shiplap House	Anne Arundel	2012	removal of match <sup>5</sup>

<sup>1</sup>Extends the deadline to expend or encumber funds.

<sup>2</sup>Extends the deadline to present evidence that a matching fund will be provided.

<sup>3</sup>Modifies the requirement for certifying matching funds by allowing the matching fund to include real property, in-kind contributions, and/or previously expended funds.

<sup>4</sup>Clarification recommended by the Attorney General.

<sup>5</sup>Removes the requirement that the grantee raise matching funds; makes technical changes to certification requirements as appropriate.