

**Department of Legislative Services**  
Maryland General Assembly  
2004 Session

**FISCAL AND POLICY NOTE**  
**Revised**

Senate Bill 399 (Senator Jimeno) (Chairman, Anne Arundel County Delegation)

Budget and Taxation

Appropriations

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**Anne Arundel County - Wiley H. Bates High School Loan of 1997**

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This emergency bill extends the deadline, to June 1, 2005, by which the loan proceeds for the Anne Arundel County – Wiley H. Bates High School Loan of 1997 must be encumbered by the Board of Public Works or expended for the project’s purposes.

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**Fiscal Summary**

**State Effect:** Extending the deadline for the encumbrance or expenditure of funds would not materially affect State finances.

**Local Effect:** Anne Arundel County would continue to be eligible to receive approximately \$932,100 related to the rehabilitation of Wiley H. Bates High School.

**Small Business Effect:** None.

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**Analysis**

**Current Law:** Chapter 221 of 1997 authorized up to \$1 million in matching funds to the County Executive and County Council of Anne Arundel County, as grantee, for the repair, renovation, rehabilitation, reconstruction, and capital equipping, including asbestos removal and other infrastructure improvements, of the historic Wiley H. Bates High School, located in Annapolis, for use as a senior center, adult day care center, gymnasium, community center, and site for specific newly formed small businesses from within the community.

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.

**Background:** 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 and becoming subject to a federal tax rebate liability. Chapter 153 was enacted to help prevent the State from incurring this liability in the future.

The matching funds for this project were certified in March 1998. The entire amount of the project expense must be encumbered or expended before the State's matching funds are released; however, only part of the amount has been encumbered or expended. To date, approximately \$1,067,900 has been encumbered or expended. Under Chapter 153, approximately \$932,100 in State matching funds would no longer be available to the grantee.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** HB 436 (Anne Arundel County Delegation) – Appropriations.

**Information Source(s):** Anne Arundel County, Department of General Services, Comptroller's Office, Department of Legislative Services

**Fiscal Note History:** First Reader - February 13, 2004  
ncs/jr Revised - Senate Third Reader - March 27, 2004

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