

Department of Legislative Services
Maryland General Assembly
2008 Session

FISCAL AND POLICY NOTE

Senate Bill 858 (Senator Kasemeyer)
Budget and Taxation

Baltimore County - Arbutus Community Center Loan of 2000

This bill extends the deadline for Baltimore County, as grantee, to expend or encumber funds provided in the Arbutus Community Facility Loan of 2000.

The bill takes effect June 1, 2008.

Fiscal Summary

State Effect: Extending the deadline would not materially impact State finances or operations.

Local Effect: Potential increase in expenditures for Baltimore County, as grantee, if authorization for State debt expires before funds can be encumbered.

Small Business Effect: None.

Analysis

Current Law: Chapter 317 of 2000 – as amended by Chapter 168 of 2002, Chapter 149 of 2004, and Chapter 76 of 2007 – authorized up to \$250,000 in matching funds for the acquisition, renovation, repair, construction, reconstruction, and capital equipping of an existing building for use as the Arbutus Community Center. The grantee was required to present evidence by June 1, 2009 that a matching fund would be provided.

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

Background: The building the county originally intended for the project was deemed unsuitable. The county now plans to co-locate the community center with a new proposed library. Funds appropriated for the project in 2000 were certified by the Board of Public Works in May 2006.

This bill corrects an oversight in Chapter 76 of 2007, which was intended to extend the seven-year period for expending or encumbering funds provided in the Arbutus Community Center Loan. The Comptroller's Office advises that authorization for the project has not been terminated owing to these circumstances.

Additional Information

Prior Introductions: None.

Cross File: HB 1472 (Delegates Malone and DeBoy) – Appropriations.

Information Source(s): Comptroller's Office, Department of Legislative Services

Fiscal Note History: First Reader - March 3, 2008
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