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§3–307.

(a) Before it sells any bonds, the Department and the county shall enter into an agreement as required by this section.

(b) The agreement shall specify that:

(1) The bonds to be issued on behalf of the county will be repaid, with interest, within 15 years after their date of issue;

(2) Each issue of bonds on behalf of the county shall be approved by resolution of the Board of Public Works before they are issued;

(3) Unless the county elects to deposit the amount with the State Comptroller under item (4) of this subsection, and except as provided in § 3-104 of this title, the State Comptroller may withhold and deposit money to the credit of a sinking fund maintained to pay the principal of and interest on the bonds from funds allocable to the county under Title 8, Subtitle 4 of this article, after first providing for sinking fund requirements on outstanding and unpaid county highway construction bonds issued pursuant to Chapter 657 of the Laws of 1953, until an amount equal to the debt service payable in the current fiscal year and the next succeeding fiscal year is accumulated and, thereafter, an amount equal to debt service on the bonds in the succeeding fiscal year, but no part of the funds that have been previously pledged for debt service on outstanding and unpaid bonds of the county, as provided in Title 8, Subtitle 4, may be withheld;

(4) In any year in which any bonds covered by the agreement are outstanding and unpaid, the county may make an annual levy on its taxable basis in the rate and amount sufficient to provide a sum equal to the amount to be withheld by the State Comptroller, as provided in item (3) of this subsection, in which event the State Comptroller may not withhold any more of the highway user revenues of the county than necessary to assure payment of the principal of and interest on the bonds in the current fiscal year and the next succeeding fiscal year;

(5) At regular intervals, the State Comptroller shall pay from the sinking fund to the Department amounts sufficient to pay the principal of and interest on the bonds; and

(6) The county shall use and invest its share of the proceeds of the bonds within the parameters established by the Department and take, or refrain from taking, such other and further actions as may be required of it by the Department to maintain the exemption from federal income taxation of interest on the bonds.

(c) If a county violates its agreement with the Department in a manner that causes the bonds to lose their tax-exempt status, the Department may prohibit the county from participating in the Department's county bond program for 3 years from the date the violation is discovered.

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