

Department of Legislative Services
Maryland General Assembly
2004 Session

FISCAL AND POLICY NOTE
Revised

House Bill 1333
Appropriations

(Delegate Bohanan)

Budget and Taxation

St. Mary's County – St. Clement's Island – Potomac River Museum Loan of 1997

This emergency bill extends the deadline, to June 1, 2006, for the loan proceeds for the St. Mary's County – St. Clement's Island – Potomac River Museum Loan of 1997 to be encumbered by the Board of Public Works or expended for the project's purposes.

Fiscal Summary

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

Local Effect: St. Mary's County would be eligible to receive the \$75,000 grant authorized by Chapter 205 of 1997.

Small Business Effect: None.

Analysis

Current Law: Chapter 205 of 1997 authorized \$75,000 as a grant to the Board of County Commissioners of St. Mary's County, as grantee, for the continuing planning, design, repair, restoration, and renovation of, and the provision and installation of capital equipment for, the Charles Carroll House.

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 May 1999. The entire amount of the project expense must be encumbered or expended before the State's matching funds are released; however, none of the amount has been encumbered or expended. Under Chapter 153, the entire \$75,000 in State matching funds would no longer be available to the grantee.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): St. Mary's County, Department of Budget and Management, Comptroller's Office, Department of Legislative Services

Fiscal Note History: First Reader - March 12, 2004
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