

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

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

Senate Bill 264

(Senator Britt)

Budget and Taxation

Appropriations

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**Prince George's County - North Brentwood Town Hall and Museum Project**  
**Loan of 1996**

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This emergency bill extends the deadline, to June 1, 2006, by which the loan proceeds for the Prince George's County – North Brentwood Town Hall and Museum Project Loan of 1996 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:** North Brentwood would continue to be eligible to receive \$175,000 related to the North Brentwood Town Hall and Museum.

**Small Business Effect:** None.

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**Analysis**

**Current Law:** Chapter 93 of 1996 authorized up to \$175,000 to the Mayor and Town Council of North Brentwood, as grantee, for the acquisition of a site and demolition of an existing structure; the design, planning, and renovation of a building that will contain a town office, museum, kitchen, and policy office for North Brentwood; and associated street work.

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 1997. The entire amount of the project expense must be encumbered or expended before the State's matching funds are released; however, to date, no amount has been certified as having been encumbered or expended. Under Chapter 153, the entire \$175,000 in State matching funds is no longer available to the grantee.

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### Additional Information

**Prior Introductions:** None.

**Cross File:** HB 184 (Delegate Niemann, *et al.*) – Appropriations.

**Information Source(s):** Department of Budget and Management, Comptroller's Office, Department of Legislative Services

**Fiscal Note History:** First Reader - February 9, 2004  
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