

Department of Legislative Services
Maryland General Assembly
2004 Session

FISCAL AND POLICY NOTE
Revised

House Bill 757
Appropriations

(Delegate V. Clagett)

Budget and Taxation

Anne Arundel County - London Town Publik House and Gardens Loan of 1996

This bill extends the deadline, to June 1, 2006, by which the loan proceeds for the London Town Publik House and Gardens Loan of 1996 must be encumbered by the Board of Public Works or expended for the project's purposes.

The bill takes effect June 1, 2004.

Fiscal Summary

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

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: Chapter 204 of 1996 authorized up to \$200,000 in matching funds to the Board of Directors of the London Town Foundation, Inc., as grantee, for the renovation, repair, and restoration of the London Town Publik House, including the main building, the gardens, the tobacco barn, and the surrounding site, and for the design of the new visitor center at the site.

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 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 \$171,000 has been encumbered or expended. Under Chapter 153, the entire \$200,000 in State matching funds is no longer available to the grantee.

Additional Information

Prior Introductions: None.

Cross File: None.

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

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mll/ljm Revised - House Third Reader - March 26, 2004
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