HB 386

Department of Legislative Services

Maryland General Assembly
2005 Session

FISCAL AND POLICY NOTE

House Bill 386 (Delegate Minnick)
Appropriations Budget and Taxation

Baltimore County - Camp Puh'Tok Loan of 1998

This bill changes the purpose of the Camp Puh'Tok Loan of 1998 by authorizing the Salvation Army, as grantee, to use the proceeds for the planning, design, construction, and capital equipping of multiple new facilities at Camp Puh'Tok in Monkton. The bill also requires the proceeds to be expended or encumbered by the Board of Public Works by June 1, 2006.

The bill takes effect June 1, 2005.

Fiscal Summary

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

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: Chapter 170 of 1998 authorized up to $250,000 in matching funds to the grantee for the planning, design, construction, and capital equipping of a new facility at Camp Puh'Tok in Monkton. The facility is to be used as an environmental and educational center with programs for children from Baltimore County schools, as well as for children who attend the camp, which is nonprofit and open to the public.

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 on May 10, 2000; however, no venders have been approved for expenditures on the project. The entire amount of the project expense must be encumbered or expended before the State's funds are released. To date, no expenditures have been made, and no money has been encumbered. Under Chapter 153, the entire amount of the State money will no longer be available to the grantee on June 1, 2005.

Because of the projected cost of the project, the grantee does not anticipate breaking ground on the environmental center before June 2006. The grantee does intend to break ground before then on another project, a historic-style fort that would include sleeping facilities, at a projected cost of approximately $270,000.

Additional Information

Prior Introductions: None.

Cross File: SB 236 (Senator Stone, *et al.*) – Budget and Taxation.

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

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