

Department of Legislative Services  
Maryland General Assembly  
2005 Session

FISCAL AND POLICY NOTE  
Revised

House Bill 526  
Appropriations

(Chair, Anne Arundel County Delegation)

Budget and Taxation

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Anne Arundel County - Wiley H. Bates High School Loan of 1998

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This bill provides that the loan proceeds for the Anne Arundel County – Wiley H. Bates High School Loan of 1998 must be encumbered by the Board of Public Works or expended for the project’s purposes by June 1, 2006, thus extending the deadline for the encumbrance or expenditure of funds.

The bill takes effect June 1, 2005.

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**Fiscal Summary**

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

**Local Effect:** None.

**Small Business Effect:** None.

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**Analysis**

**Current Law:** Chapter 224 of 1998 authorized up to \$1 million in matching funds to the County Executive and County Council of Anne Arundel County, as grantee, for the repair, renovation, reconstruction, construction, and capital equipping of the historic Wiley H. Bates High School, located in Annapolis, for use as a senior center, adult day care center, gymnasium, community center, and site for specific newly formed small businesses from within the community.

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 grantee's matching funds for Chapter 224 were certified August 5, 1998. Of the \$2 million available under Chapter 224, approximately \$1,485,000 has been encumbered. Under Chapter 153, approximately \$515,000 would no longer be available to the grantee on June 1, 2005.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** SB 497 (Anne Arundel County Senators) – Budget and Taxation.

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

**Fiscal Note History:** First Reader - February 11, 2005  
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