Department of Legislative Services

Maryland General Assembly
2006 Session

FISCAL AND POLICY NOTE

Senate Bill 861 (Chairman, Anne Arundel County Senators)
Budget and Taxation Appropriations

Maryland Consolidated Capital Bond Loan of 1999 - Local Jails and Detention Centers - Anne Arundel County Detention Center

This bill authorizes Anne Arundel County, as grantee, to use money from the Anne Arundel County Detention Center project in the Maryland Consolidated Capital Bond Loan of 1999 for the design, construction, and capital equipping of the Anne Arundel County Detention Center Annex on Ordnance Road. The bill authorizes the grantee to use funds that were expended prior to June 1, 1999 but after June 1, 1993. The bill also extends the termination for expending money, from June 1, 2006 to June 1, 2007.

The bill takes effect June 1, 2006.

Fiscal Summary

State Effect: Altering the purpose of the project and extending the termination date of the grant would not materially affect State finances or operations.

Local Effect: The bill would make more money available for improvements at Anne Arundel County detention facilities.

Small Business Effect: None.

Analysis

Current Law: Chapter 212 of 1999 authorized up to $1,904,000 in matching funds to the grantee to assist in the expansion and renovation of the Anne Arundel County Detention Center on Jennifer Road. The match may include funds expended prior to June 1, 1999.

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: Chapter 125 of 1996, as amended by Chapter 508 of 2000, authorized $12,140,000 to the grantee for both the Ordnance Road and Jennifer Road facilities. The total project costs at both facilities were less than the grantee anticipated, and therefore less than requested in State grants under Chapter 125 and 212 combined. The grantee does not have enough project costs remaining at the Jennifer Road facility to use the amount authorized under Chapter 212 for that purpose; however, there are still project costs at the Ordnance Road facility. The bill would authorize the grantee to use the bond proceeds from Chapter 212 to cover those costs instead.

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 have not yet been certified. The entire amount of the project expense must be encumbered or expended before the State's matching funds are released. Under Chapter 153, the entire amount of the State matching funds will no longer be available to the grantee after June 1, 2006.

Additional Information

Prior Introductions: None.

Cross File: HB 641 (Delegate Love) (Chairman, Anne Arundel County Delegation – Appropriations.

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

Fiscal Note History: First Reader - February 17, 2006
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