

Department of Legislative Services
Maryland General Assembly
2007 Session

FISCAL AND POLICY NOTE

House Bill 1396
Appropriations

(Delegate Bromwell)

Budget and Taxation

Redhouse Run Stormwater Systems Loan of 1984

This bill extends the deadline, from June 1, 2007 to June 1, 2009, for the proceeds of the Redhouse Run Stormwater Systems Loan of 1984 to be encumbered by the Board of Public Works or expended by the County Executive and County Council of Baltimore County, as grantee.

The bill takes effect June 1, 2007.

Fiscal Summary

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

Local Effect: Potential increase in expenditures for Baltimore County, as grantee, if authorization for State debt expires before funds can be expended.

Small Business Effect: None.

Analysis

Current Law: Chapter 389 of 1984 – amended by Chapter 138 of 1985, Chapter 28 of 2004, and Chapter 533 of 2006 – authorized up to \$3 million in matching funds to the grantee for the reconstruction, rehabilitation, renovation, reequipping, restoration, and improvement of the stormwater systems along Redhouse Run in Baltimore County.

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 the Redhouse Run project were certified prior to 1990. The grantee has encumbered \$313,700 since the extension provided in Chapter 533 of 2006. An estimated \$208,300 remains to be encumbered or expended. The grantee advises that the extension would allow time to redirect resources from other public works projects that have costs lower than originally projected.

Additional Information

Prior Introductions: None.

Cross File: SB 1006 (Senator Klausmeier) – Budget and Taxation.

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

Fiscal Note History: First Reader - March 19, 2007
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