

Department of Legislative Services
Maryland General Assembly
2008 Session

FISCAL AND POLICY NOTE

Senate Bill 870 (Senator Pugh)
Budget and Taxation

Maryland Consolidated Capital Bond Loan of 2003 - Baltimore Zoo

This bill extends the deadline to June 1, 2012 for the Maryland Zoological Society, as grantee, to present evidence that a matching fund will be provided for Baltimore Zoo Redevelopment Projects, as provided in the Maryland Consolidated Capital Bond Loan of 2003.

The bill takes effect June 1, 2008.

Fiscal Summary

State Effect: Extending the deadline would not materially affect State finances or operations.

Local Effect: The bill would not affect the finances or operations of Baltimore City.

Small Business Effect: None.

Analysis

Current Law: Chapter 204 of 2003, as amended by Chapter 176 of 2005, authorized up to \$3.5 million in matching funds to assist in the construction of redevelopment projects at the Baltimore Zoo. The matching funds may be presented and certified in installments of \$1 million or more. The grantee is required to present evidence to the Board of Public Works of the required matching funds by June 1, 2008.

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. The Act applies to all debt authorized on or after June 1, 1997.

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.

Background: The 2003 authorization is one of a series of State grants to the Maryland Zoological Society for redevelopment projects. The Baltimore Zoo's master plan of exhibit and infrastructure improvements includes new structures for birds and other animals as well as redevelopment of the zoo's central plaza. The grantee advises that no funds have been raised to meet the matching fund requirements of the 2003 authorization.

Additional Comments: Although this bill extends the matching fund deadline to June 1, 2012, the authorization for this grant will still terminate on June 1, 2010, per the requirements of Chapter 153 of 2003.

Additional Information

Prior Introductions: None.

Cross File: HB 997 (Delegate Tarrant, *et al.*) – Appropriations.

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

Fiscal Note History: First Reader - March 2, 2008
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