

**Department of Legislative Services**  
Maryland General Assembly  
2008 Session

**FISCAL AND POLICY NOTE**

House Bill 671  
Appropriations

(Delegate O'Donnell, *et al.*)

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**Calvert County - The Boys and Girls Clubs of Southern Maryland Loan of 2001**

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This bill extends the deadline to June 1, 2010 for the Board of Directors of The Boys and Girls Clubs of Southern Maryland, Inc., as grantee, to expend or encumber funds provided in the Boys and Girls Clubs of Southern Maryland Loan of 2001.

The bill takes effect June 1, 2008.

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**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 Calvert County.

**Small Business Effect:** None.

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**Analysis**

**Current Law:** Chapter 673 of 2001 authorized up to \$100,000 in matching funds for the planning, design, construction, reconstruction, and capital equipping of a building in Calvert County to house a Boys and Girls Club. The grantee was required to present evidence to the Board of Public Works by June 1, 2003 that required matching funds would be provided.

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, creating a federal tax rebate liability.

**Background:** The Boys and Girls Clubs of Southern Maryland, which includes the Calvert County organization, offer youth development programs in clubs in a tri-county area. Matching funds for the grant were certified by the Board of Public Works in April 2003. The grantee advises that a site has been secured and fundraising is continuing for the new construction.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** Board of Public Works, Boys and Girls Clubs of Southern Maryland, Department of Legislative Services

**Fiscal Note History:** First Reader - February 15, 2008  
mam/ljm

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