

Department of Legislative Services
Maryland General Assembly
2008 Session

FISCAL AND POLICY NOTE

House Bill 1551
Appropriations

(Delegate Busch, *et al.*)

Anne Arundel County - Severn Danza Recreational Complex Loan of 2001

This bill extends the deadline to June 1, 2010 for the County Executive and County Council of Anne Arundel County, as grantee, to expend or encumber funds provided in the Severn Danza Recreational Complex Loan of 2001.

The bill takes effect June 1, 2008.

Fiscal Summary

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

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

Small Business Effect: None.

Analysis

Current Law: Chapter 268 of 2001, as amended by Chapter 432 of 2004, authorized up to \$250,000 in matching funds for the planning, design, construction, and capital equipping of the Severn Danza Recreational Complex and related facilities and parking in Severn. The grantee was required to present evidence to the Board of Public Works by June 1, 2005 that a matching fund would be provided. The matching fund was authorized to consist of funds expended prior to June 1, 2001.

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 Severn Danza Recreational Complex is a community park in Anne Arundel County. State grant funds are part of an effort to install lighting at the complex's athletic fields. The grantee advises that this project has been completed.

An item to encumber the \$250,000 provided in the grant will be presented to the Board of Public Works at its March 12, 2008 meeting. This bill extends the deadline for encumbering or expending grant funds in the event that board approval is delayed.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of General Services, Anne Arundel County, Department of Legislative Services

Fiscal Note History: First Reader - March 6, 2008
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