

Department of Legislative Services
Maryland General Assembly
2008 Session

FISCAL AND POLICY NOTE

Senate Bill 752 (Senator Dyson)
Budget and Taxation

St. Mary's County - St. Clement's Island Lighthouse Memorial Loan of 2001

This bill extends the deadline to June 1, 2010 for the Board of Directors of St. Clement's Hundred, Inc., as grantee, to expend or encumber funds provided in the St. Clement's Island Lighthouse Memorial 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: The bill would not affect the finances or operations of St. Mary's County.

Small Business Effect: None.

Analysis

Current Law: Chapter 162 of 2001 authorized up to \$50,000 in matching funds for the planning, design, and construction of a memorial structure that replicates the outline of the former St. Clement's Island Lighthouse in size and shape, to be located near the original site at St. Clement's Island State Park. The grantee was required to present evidence to the Board of Public Works by June 1, 2003 that a matching fund would be provided. The fund was authorized to consist of in-kind contributions.

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 grantee is constructing a replica of the Blackistone Lighthouse on St. Clement's Island, which operated from 1851 to 1932. In addition to the 2001 authorization, a total of \$225,000 in State debt was authorized in 2006 and 2007.

The required matching fund for the project was certified in April 2003 and the grantee advises that invoices have been submitted as required to expend State grant funds. The extension would ensure that all paperwork is complete before the authorization for State debt expires in June.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of General Services, St. Clement's Hundred, Board of Public Works, Department of Legislative Services

Fiscal Note History: First Reader - February 25, 2008
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