

Department of Legislative Services
Maryland General Assembly
2008 Session

FISCAL AND POLICY NOTE

House Bill 267 (Kent County Delegation)
Appropriations

Kent County - Echo Hill Outdoor School Improvements Loan of 2001

This bill extends the deadline to June 1, 2010 for the Board of Directors of Echo Hill Outdoor School, Inc., as grantee, to encumber or expend funds provided in the Echo Hill School Improvements 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 Kent County.

Small Business Effect: None.

Analysis

Current Law: Chapter 243 of 2001, as amended by Chapter 219 of 2004, authorized up to \$300,000 in matching funds for the construction and capital equipping of an addition to Harris Hall, construction and capital equipping of an agricultural demonstration area including a barn, renovation of staff housing facilities, and renovation of nature preserve facilities at Echo Hill Outdoor School in Worton. Required matching funds of \$161,000 were authorized to consist of real property, in-kind contributions, or funds expended prior to June 1, 2001. The grantee was required to present evidence to the Board of Public Works by June 1, 2003 that 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 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: Echo Hill Outdoor School is a private nonprofit organization that provides outdoor classes and residential programs to elementary and middle school students. Classes focus on the science and ecology of the area, local history, and individual and group development. Matching funds for the project were certified by the Board of Public Works in May 2002. The grantee has expended the majority of funds authorized for the project, with approximately \$60,000 unexpended as of January 2008.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Board of Public Works, Echo Hill Outdoor School, Department of Legislative Services

Fiscal Note History: First Reader - January 28, 2008
mam/ljm

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