

Department of Legislative Services
Maryland General Assembly
2008 Session

FISCAL AND POLICY NOTE

Senate Bill 307 (Senator Glassman)
Budget and Taxation

Harford County - Hosanna School Loan of 2001

This bill extends the deadline to June 1, 2009 for the Board of Commissioners of the Harford County Historic Preservation Commission, as grantee, to expend or encumber funds provided in the Hosanna School 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 Harford County.

Small Business Effect: None.

Analysis

Current Law: Chapter 466 of 2001 authorized up to \$186,000 in matching funds for the planning, design, construction, reconstruction, and capital equipping of the Hosanna School in Berkley. 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: Hosanna School, established in 1867, was the first public school to educate African-American children living in Harford County. Matching funds for the 2001 authorization were certified by the Board of Public Works in July 2002. Of the \$186,000 authorized for the project, \$2,883 remains to be encumbered or expended.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Board of Public Works, *The Examiner*, Department of Legislative Services

Fiscal Note History: First Reader - February 4, 2008
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