

Department of Legislative Services
Maryland General Assembly
2008 Session

FISCAL AND POLICY NOTE

Senate Bill 807 (Senator Currie)
Budget and Taxation

**Prince George's County - Kettering Largo Boys & Girls Club Storage Facility
Loan of 2001**

This bill extends the deadline to June 1, 2010 for the Board of Directors of Kettering Largo Boys & Girls Club, as grantee, to provide evidence that a matching fund will be provided as required by the Kettering Largo Boys & Girls Club Storage Facility Loan of 2001. The bill also extends the deadline to June 1, 2010 for the grantee to expend or encumber these funds.

The bill takes effect June 1, 2008.

Fiscal Summary

State Effect: Extending these deadlines would not materially affect State finances or operations.

Local Effect: The bill would not affect the finances or operations of Prince George's County.

Small Business Effect: None.

Analysis

Current Law: Chapter 326 of 2001, as amended by Chapter 30 of 2003 and Chapter 188 of 2005, authorized up to \$150,000 in matching funds for the planning, design, construction, and capital equipping of a storage facility for the Kettering Largo Boys & Girls Club. The grantee was required to present evidence by June 1, 2007 that a

matching fund would be provided. The matching fund was authorized to include real property or 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 planned facility in Largo will allow the Kettering Largo Boys & Girls Club to store athletic and other equipment in one location accessible to its membership. Four acres in Largo have been donated for the facility, but water and sewer permitting has delayed the transfer of the deed.

The grantee has raised the required matching funds, which were certified by the Board of Public Works in April 2007. Additional time is required to expend or encumber these funds; the grantee advises that this will occur as soon as permitting is complete and the deed is transferred.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of General Services, Comptroller's Office, Board of Public Works, Kettering Largo Boys & Girls Club, Department of Legislative Services

Fiscal Note History: First Reader - March 7, 2008
mcp/ljm

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