

Department of Legislative Services
Maryland General Assembly
2009 Session

FISCAL AND POLICY NOTE

Senate Bill 945 (Senator Exum, *et al.*)
Budget and Taxation

Prince George's County - Palmer Park Boys and Girls Club Loan of 2001 and
Maryland Consolidated Capital Bond Loans of 2007 and 2008

This bill removes the matching fund requirement for the Board of Directors of the Palmer Park Boys and Girls Club, Inc. for State capital grants authorized in 2001, 2007, and 2008. The bill also extends the deadline to expend or encumber the funds originally authorized in 2001 to June 1, 2011.

The bill takes effect June 1, 2009.

Fiscal Summary

State Effect: The bill does not directly affect governmental operations or finances.

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

Small Business Effect: None.

Analysis

Current Law: Chapter 680 of 2001, as amended by Chapter 32 of 2003 and Chapter 30 of 2004, authorized up to \$200,000 in matching funds for the planning, design, repair, renovation, and capital equipping of a facility to house the Palmer Park Boys and Girls Club. Required matching funds 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, 2005, that matching funds would be provided. Chapter 219 of 2008 extended the deadline to June 1, 2009, for the

Board of Directors of the Palmer Park Boys and Girls Club, Inc., as grantee, to expend or encumber funds provided in the Palmer Park Boys and Girls Club Loan of 2001.

The Maryland Consolidated Capital Bond Loans of 2007 and 2008 included an additional \$375,000 for the planning, design, repair, renovation, and capital equipping of the Palmer Park facility, with specified matching fund requirements.

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: The Prince George's County Boys and Girls Club, which includes the Palmer Park Boys and Girls Club, is a private, nonprofit organization that provides recreational opportunities for local youth. Matching funds of \$200,000 for the 2001 Palmer Park facility were certified by the Board of Public Works in April 2005.

Additional Information

Prior Introductions: None.

Cross File: None.

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

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mcp/rhh

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