

Department of Legislative Services
Maryland General Assembly
2010 Session

FISCAL AND POLICY NOTE

Senate Bill 351 (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, 2012, for the Board of Directors of the Kettering Largo Boys and Girls Club, as grantee, to present evidence of a matching fund as required by the Kettering Largo Boys & Girls Club Storage Facility Loan of 2001. The bill also extends the deadline to June 1, 2012, for the grantee to expend or encumber these funds.

The bill takes effect June 1, 2010.

Fiscal Summary

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

Local Effect: The bill does 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, authorizes up to \$150,000 in matching funds for the planning, design, construction, and capital equipping of a storage facility for the Kettering Largo Boys and 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 219 of 2008 extended the deadlines to present matching funds, and to expend or encumber these funds, to June 1, 2010.

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 facility in Largo will allow the Kettering Largo Boys and Girls Club to store athletic and other equipment in one location accessible to its membership. The grantee advises that it is partnering with the Maryland-National Capital Park and Planning Commission (M-NCPPC) to use a large historic house located on four acres of land in Largo as a storage facility for athletic equipment and as a location to offer mentoring services and SAT preparation courses to local youths. The grantee advises that necessary matching funds have been raised and renovation of the building is slated to begin this year after the agreement with M-NCPPC is finalized.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Kettering Largo Boys and Girls Club, Prince George's County, Department of General Services, Department of Legislative Services

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ncs/ljm

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