

Department of Legislative Services
Maryland General Assembly
2011 Session

FISCAL AND POLICY NOTE

Senate Bill 640 (Senator Benson)
Budget and Taxation

Prince George's County - Palmer Park Boys and Girls Club Loan of 2001

This bill extends the deadline – from June 1, 2011, to June 1, 2013 – for the Board of Directors of the Palmer Park Boys and Girls Club, Inc. to expend or the Board of Public Works (BPW) to encumber the funds authorized by the Palmer Park Boys and Girls Club Loan of 2001.

The bill takes effect June 1, 2011.

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 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 allowed to consist of real property, in-kind contributions, or funds expended prior to June 1, 2001. Chapter 32 of 2003 extended the deadline to present evidence of a matching fund to June 1, 2004. Chapter 30 of 2004 extended the deadline to present evidence of a matching fund to June 1, 2005. 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 BPW

to encumber funds provided in the Palmer Park Boys and Girls Club Loan of 2001. Chapter 707 of 2009 removed the matching fund requirement and extended the deadline to expend or encumber the grant monies to June 1, 2011.

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 707 of 2009 removed the matching fund requirements for the monies issued in 2007 and 2008 as well.

Chapter 485 of 2009 authorized a grant of \$100,000 for the planning, design, repair, renovation, and capital equipping of the Palmer Park facility.

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. The grantee advises that the planning stage for the construction of the facility is complete and the grantee is about to begin the process of taking bids from contractors to perform the construction work. Once completed, the facility will include a playground, a day care center, and a building to offer youth-services related programs to serve members of the community.

Additional Information

Prior Introductions: None.

Cross File: HB 978 (Delegate Vaughn, *et al.*) - Appropriations.

Information Source(s): Palmer Park Boys and Girls Club, Inc.; Prince George's County; Department of Legislative Services

Fiscal Note History: First Reader - March 8, 2011
ncs/ljm

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