

Department of Legislative Services  
Maryland General Assembly  
2013 Session

FISCAL AND POLICY NOTE

Senate Bill 159 (Senator Middleton)  
Budget and Taxation

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Maryland Consolidated Capital Bond Loan of 2007 - Charles County -  
Mattawoman Creek Art Center

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This bill expands the authorized use of a grant to the Board of Directors of the Mattawoman Creek Art Center (MCAC) as specified in the Maryland Consolidated Capital Bond Loan of 2007 to include the construction, repair, renovation, and capital equipping of MCAC. The bill also specifies that the grant may not terminate before June 1, 2015.

The bill takes effect June 1, 2013.

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Fiscal Summary

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

**Local Effect:** The bill does not directly affect the finances or operations of Charles County.

**Small Business Effect:** None.

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Analysis

**Current Law:** Chapter 488 of 2007 (HB 51) authorized up to \$15,000 in matching funds to the Board of Directors of MCAC for the planning, design, and construction of road paving improvements; for the renovation, repair, reconstruction, and capital equipping of improvements to the bathroom; and for the capital equipping and installation of security lights, safety rails, and signage at MCAC, located in Marbury. Matching funds may consist of in-kind contributions but may not consist of real property or funds expended

prior to the June 1, 2007 effective date of Chapter 488. The grantee had until June 1, 2009, to *present evidence* that a matching fund would be provided; however, the *proceeds* of the loan must be expended or encumbered by the Board of Public Works by June 1, 2014. If any funds remain unexpended or unencumbered after June 1, 2014, the amount of the unexpended or unencumbered authorization must be canceled.

Chapter 46 of 2006 (SB 370) authorized up to \$15,000 to the Board of Directors of MCAC for the planning, design, and construction of roadway improvements; for the renovation, repair, reconstruction, and capital equipping of improvements to the bathroom; and for the capital equipping and installation of security lights, safety rails, and at MCAC, located in Marbury. Matching funds may consist of in-kind contributions but may not consist of real property or funds expended before the June 1, 2007 effective date of Chapter 46.

Chapter 126 of 1997 (SB 48) authorized a \$100,000 grant to the Board of Directors of MCAC for the planning, design, renovation, repair, and capital equipping of and parking for MCAC.

Chapter 153 of 2003 (HB 444) 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 more than seven years old has resulted in the State earning arbitrage interest on the bond proceeds, creating a federal tax rebate liability.

**Background:** MCAC is a not-for-profit organization which seeks to encourage the practice and appreciation of the visual arts in Southern Maryland by maintaining and operating the permanent facility (which will provide exhibition and studio space for working artists), providing innovative programming, and presenting art exhibits.

MCAC reports that the terms of the bond bill need to be expanded to encompass the full extent of the construction, repair, and renovations that have been or need to be done to the building. In accordance with the current bond bill terms, MCAC installed a new handicap-accessible bathroom in a space that had been a storage area. MCAC still needed a space for storage, so a new shed was installed; however, the construction of the shed is not allowed under the current bond bill terms. In addition, the building's outside

doors need to be replaced because the current doors are not meant to be used as outside doors.

MCAC reports that most of the work is complete and the match has been met; however, an extension may be necessary to complete the paperwork required to receive the bond bill funds.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** Department of General Services, Mattawoman Creek Art Center, Department of Legislative Services

**Fiscal Note History:** First Reader - February 7, 2013  
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