HB 1100

Department of Legislative Services

Maryland General Assembly
2014 Session

FISCAL AND POLICY NOTE

House Bill 1100 (Delegate Bohanan)
Appropriations

Maryland Consolidated Capital Bond Loan of 2007 - St. Mary's County - SMARTCO's Computer Technology Learning Center

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This bill prohibits a grant for SMARTCO's Computer Technology Learning Center facility, as specified in the Maryland Consolidated Capital Bond Loan of 2007, from terminating before June 1, 2015, rather than June 1, 2014.

The bill takes effect June 1, 2014.

Fiscal Summary

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

Local Effect: The bill does not affect the finances or operations of St. Mary's County.

Small Business Effect: None.

Analysis

Current Law: Chapter 488 of 2007 (the fiscal 2008 capital budget) authorized up to $50,000 in matching funds to the Board of Directors of The Southern Maryland Applied Research and Technology Consortium, Inc. for the planning, repair, renovation, and capital equipping of SMARTCO's Computer Technology Learning Center, located in Lexington Park. Matching funds may consist of in-kind contributions 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 loans 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 cancelled.

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 more than seven years old has resulted in the State earning arbitrage interest on the bond proceeds, creating a federal tax rebate liability.

Background: SMARTCO is a nonprofit organization that refurbishes electronic devices and donates those devices free of charge to schools and a number of other nonprofit community service organizations. In addition, SMARTCO provides computer literacy classes to a number of persons throughout the community. The purpose of the original 2007 bond bill was to build an Internet café for general public use, as well as equip its facility with electronic recycling equipment.

SMARTCO advises that it did not expend the grant money because of leasing issues with its old facility. Specifically, SMARTCO and the owner of the facility were unable to agree to a long-term lease. SMARTCO further advises that it recently relocated to a facility where the owner will allow for a long-term lease or purchase of the facility. As a result, SMARTCO advises that it will now be able to expend the grant money.

Additional Information

Prior Introductions: None.

Cross File: None.

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

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