

Department of Legislative Services
Maryland General Assembly
2014 Session

FISCAL AND POLICY NOTE

Senate Bill 372 (Senators Currie and Benson)
Budget and Taxation

Maryland Consolidated Capital Bond Loan of 2006 - Prince George's County -
White Rose Foundation Service Center

This bill prohibits the grant for the White Rose Foundation Service Center project, as specified in the Maryland Consolidated Capital Bond Loan of 2006, as amended, from terminating before June 1, 2018, 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 Prince George's County.

Small Business Effect: None.

Analysis

Current Law: Chapter 46 of 2006 (the fiscal 2007 capital budget) authorized a grant of \$375,000 to the Board of Directors of the White Rose Foundation, Inc. for the acquisition, repair, renovation, and capital equipping of a service center for the White Rose Foundation, located in Upper Marlboro. Chapter 430 of 2013 prohibited the grant from terminating before June 1, 2014. If any funds authorized remain unexpended or unencumbered after June 1, 2014, the amount of unexpended or unencumbered authorizations 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: The White Rose Foundation is a nonprofit organization that promotes women's health, education, and career development. The foundation awards scholarships to those pursuing women's health or related issues, as well as contributes to organizations that share a similar purpose to the foundation's own. The original purpose of the 2006 bond bill was for the acquisition of a property where the foundation could carry out its mission. The organization advises that, due to a number of issues, it has been unable to acquire a property. The organization further advises that it has now located a property; however, the acquisition process will take approximately 24 months.

Additional Information

Prior Introductions: None.

Cross File: None.

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

Fiscal Note History: First Reader - March 14, 2014
mc/ljm

Analysis by: Matthew B. Jackson

Direct Inquiries to:
(410) 946-5510
(301) 970-5510