

Department of Legislative Services
Maryland General Assembly
2008 Session

FISCAL AND POLICY NOTE

Senate Bill 833 (Senator Gladden)
Budget and Taxation

Baltimore City - Ivy Family Support Center Loan of 2001

This bill extends the deadline to June 1, 2010 for the Board of Directors of the Epsilon Omega Foundation, Inc., as grantee, to expend or encumber funds provided in the Ivy Family Support Center Loan of 2001.

The bill takes effect June 1, 2008.

Fiscal Summary

State Effect: Extending the deadline would not materially affect State finances or operations.

Local Effect: The bill would not affect the finances or operations of Baltimore City.

Small Business Effect: None.

Analysis

Current Law: Chapter 163 of 2001 authorized up to \$225,000 in matching funds for the planning, design, construction, renovation, and capital equipping of the Ivy Family Support Center located at 3515 Dolfield Avenue in Baltimore City. The grantee was required to present evidence of a matching fund to the Board of Public Works by June 1, 2003. The matching fund was authorized to include real property, in-kind contributions, or funds expended prior to June 1, 2001.

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: State grant funds are intended to support renovation of a 6,000 square foot space adjacent to the Ivy Family Support Center for use as a multipurpose fitness, health, and recreational facility. The matching fund for the project was certified in September 2002, but all funds have not yet been encumbered.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of General Services, Board of Public Works, Baltimore City, Department of Legislative Services

Fiscal Note History: First Reader - March 10, 2008
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