HB 249

Department of Legislative Services

Maryland General Assembly
2013 Session

FISCAL AND POLICY NOTE

House Bill 249 (Delegate Kaiser, *et al.*)
Appropriations

Maryland Consolidated Capital Bond Loan of 2006 - Montgomery County - Our House Youth Home

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This bill prohibits two grants for the Board of Directors of Our House Youth Home, Inc. as specified in the Maryland Consolidated Capital Bond Loan of 2006, as amended, from terminating before June 1, 2015.

The bill takes effect June 1, 2013.

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 Montgomery County.

Small Business Effect: None.

Analysis

Current Law: Chapter 46 of 2006 (SB 370) authorized a total of up to $425,000 in matching funds to the Board of Directors of Our House Youth Home, Inc., for the construction and capital equipping of a new dormitory at Our House Home in Olney. The grantee was to present evidence to the Board of Public Works by June 1, 2008, for the provision of the matching funds. This deadline was extended through several amendments to June 1, 2012. The grantee is required to grant and convey an historic easement to the Maryland Historical Trust as a condition of award. The proceeds of the loans must be expended or encumbered by the Board of Public Works by June 1, 2013.

If any funds remain unexpended or unencumbered after June 1, 2013, the amount of the unexpended or unencumbered authorizations must be canceled. Chapter 46 authorized two separate grants totaling $425,000 for this project. The bill's changes apply to both grants.

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: Our House is a residential project that teaches carpentry and building trades to at-risk adolescent males referred by the Department of Juvenile Services and local departments of social services. The program is attempting to expand capacity by an additional eight slots by constructing and equipping a dormitory on the current grounds at Mellwood Farm.

Due to a zoning issue, the grantee required extensions to its matching fund deadlines. The grantee advises that these issues were resolved in January 2011 and matching funds have been certified for the full $425,000. However, the grantee advises it needs an extension of the termination date of the grants to have enough time to build the dormitory. The grantee is currently in the process of receiving building permits and anticipates that building will begin in fall 2013.

Additional Information

Prior Introductions: None.

Cross File: SB 256 (Senator Montgomery) - Budget and Taxation.

Information Source(s): Department of General Services, Our House Youth Home, Department of Legislative Services

Fiscal Note History: First Reader - February 4, 2013
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