Department of Legislative Services
Maryland General Assembly
2014 Session

FISCAL AND POLICY NOTE

Senate Bill 132 (Senator McFadden)
Budget and Taxation

Maryland Consolidated Capital Bond Loan of 2006 - Baltimore City - Forest Park Senior Center

This bill removes the matching fund requirement for a grant to the Board of Directors of The Forest Park Senior Center, Inc. for the Forest Park Senior Center project, as established by the Maryland Consolidated Capital Bond Loan of 2006. The bill also prohibits the grant from terminating before June 1, 2015.

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 Baltimore City.

Small Business Effect: None.

Analysis

Current Law: Chapter 46 of 2006 (the fiscal 2007 capital budget) authorized up to $100,000 in matching funds to the Board of Directors of The Forest Park Senior Center, Inc., as grantee, for the repair, renovation, and capital equipping of the Forest Park Senior Center project, located in Baltimore City. The grantee had until June 1, 2008, to provide evidence that matching funds would be provided. Matching funds may consist of funds expended prior to the June 1, 2006 effective date of Chapter 46. Matching funds may not consist of real property or in-kind contributions. The proceeds of the loan were required to be expended or encumbered by the Board of Public Works (BPW) by June 1, 2013. If any funds authorized remained unexpended or unencumbered after June 1, 2013, the amount of unexpended or unencumbered authorizations were required to be cancelled.

The grantee was required to grant and convey a perpetual preservation easement to the Maryland Historical Trust.

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 grantee is a nonprofit organization that provides services to Baltimore City's senior population. The Forest Park Senior Center facility hosts a number of activities that promote the social, mental, and physical well-being of seniors. The original 2006 bond bill was to renovate the facility.

BPW advises that the grantee presented evidence of a matching fund prior to June 1, 2008. The Department of General Services (DGS) advises that the funds were fully encumbered by the grantee prior to the June 1, 2013 cancellation date, but the grantee has yet to proceed. DGS further advises that the grantee certified a cash match but expended the cash on ineligible items. In addition, the grantee has been unable to obtain a loan because of a State lien on the facility.

The grantee advises that it has expended approximately $89,000 in funds, including those funds it used to evidence the match, on necessary repairs to the facility. Currently, the grantee is unable to raise the requisite amount of cash to again meet the matching fund requirement of Chapter 46.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Board of Public Works, The Forest Park Senior Center, Department of General Services, Department of Legislative Services

Fiscal Note History: First Reader - March 14, 2014
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