

Department of Legislative Services
Maryland General Assembly
2010 Session

FISCAL AND POLICY NOTE

Senate Bill 1079 (Senator Madaleno)
Budget and Taxation

Maryland Consolidated Capital Bond Loans of 2003, 2004, and 2007 -
Montgomery County - MacDonald Knolls Center

This bill specifies that, by June 1, 2012, the Board of Directors of the CHI Centers, Inc. must present evidence of a matching fund for, and expend the proceeds of, the MacDonald Knolls Center loan as established by the Maryland Consolidated Capital Bond Loan of 2003. If matching funds are not expended by the deadline, grant proceeds must be encumbered by the Board of Public Works.

The bill also extends the deadline, to June 1, 2012, for the Board of Directors of the CHI Centers, Inc. to present evidence of a matching fund for the MacDonald Knolls Center as established by the Maryland Consolidated Capital Bond Loan of 2007.

The bill takes effect June 1, 2010.

Fiscal Summary

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

Local Effect: The bill does not directly affect the finances or operations of Montgomery County.

Small Business Effect: None.

Analysis

Current Law: Chapter 204 of 2003 (as amended, in particular by Chapter 707 of 2009), and Chapter 488 of 2007 (as amended, also by Chapter 707 of 2009) each authorize up to

\$200,000 in matching funds for the repair, renovation, reconstruction, construction, and capital equipping of the MacDonald Knolls Center, located in Silver Spring. Matching funds may not consist of real property, in-kind contributions, or funds expended prior to the effective dates of the Acts – June 1, 2004 and June 1, 2007, respectively – that created the original loans. Chapter 707 repurposed grants for other projects to the MacDonald Knolls Center.

Chapter 707 of 2009 repurposes an additional \$175,000 in matching funds for this project. The bill's provisions do not affect this grant. In addition, Chapter 485 of 2009 and Chapter 336 of 2008 authorize a total of \$525,000 in matching funds for the repair, renovation, reconstruction, and capital equipping of the MacDonald Knolls Center.

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: CHI Centers, Inc. – the grantee – offers services and programs to adults from Howard, Montgomery, and Prince George's counties who have developmental disabilities. Services offered relate to vocational training, job placement, life skills, and recreation. According to the grantee, the MacDonald Knolls renovation project is necessary as minimal renovations have been undertaken since the facility was built in the 1950s. Various upgrades to the facility are needed, including (1) renovating the interior of the building so that services may be offered to more local residents; (2) addressing electrical, plumbing, and mechanical issues; (3) becoming compliant with local and State building codes; and (4) meeting accessibility requirements of the Americans with Disabilities Act.

The grantee advises that the project is slated to receive \$200,000 in matching funds from Montgomery County in fiscal 2011; the grantee expects to receive an additional \$200,000 in matching funds from the county in fiscal 2012.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): CHI Centers, Inc.; Montgomery County; Department of General Services; Department of Legislative Services

Fiscal Note History: First Reader - March 22, 2010
mlm/ljm

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