

**Department of Legislative Services**  
Maryland General Assembly  
2012 Session

**FISCAL AND POLICY NOTE**

Senate Bill 1079 (Senator Young)  
Budget and Taxation

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**Department of Health and Mental Hygiene - Facilities Capital Program - State's  
Right of Recovery**

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This bill alters procedures regarding the State's right to recover funds disbursed under the Community Mental Health, Addiction, and Developmental Disabilities Facilities Capital Program.

The bill takes effect June 1, 2012.

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**Fiscal Summary**

**State Effect:** The change is procedural in nature and does not materially affect governmental finances.

**Local Effect:** The change is procedural in nature and does not directly affect governmental finances.

**Small Business Effect:** None.

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**Analysis**

**Bill Summary:** On receipt of a written request from the recipient of funds disbursed for a project or facility or the owner of a property that received funds under the program, the Department of Health and Mental Hygiene (DHMH) must prepare and send to the requestor a written estimate of the amount subject to the State's right to recovery and the formula used by DHMH to calculate the estimated amount. DHMH may require that a request sent to the department include a copy of an appraisal of the property prepared within six months of the date of the request.

The Board of Public Works (BPW) may – at the request of DHMH, the recipient of funds disbursed for a project or facility, or the owner of a property that received funds under the program – subordinate the State’s right of recovery to the lien of a mortgage or deed of trust securing a loan made by an institutional lender to the grantee or property owner if two requirements are met. Specifically, (1) BPW must determine that there is good cause for the subordination; and (2) the amount of the loan plus the amount subject to the State’s right of recovery must not exceed the current fair market value of the property.

**Current Law:** The Community Mental Health, Addiction, and Developmental Disabilities Facilities Capital Program authorizes BPW to – upon recommendation of the Secretary of Health and Mental Hygiene – make grants to qualified applicants for the construction, acquisition, renovation, and equipping of specified facilities.

The State has the right to recover funds disbursed under the program in the event of a failure to complete a project or a failure to commence operation of a facility, or under specified circumstances in which a facility is sold or transferred. All funds recovered as a result of the State’s right of recovery must be deposited in the Annuity Bond Fund and applied to the debt service requirements of the State.

BPW may waive the State’s right of recovery if the board determines that there is good cause for releasing the transferor, transferee, or owner from this obligation.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** State Department of Assessments and Taxation, Board of Public Works, Department of General Services, Department of Health and Mental Hygiene, Judiciary (Administrative Office of the Courts), Maryland State Treasurer’s Office, Department of Legislative Services

**Fiscal Note History:** First Reader - March 19, 2012  
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