HB 992

Department of Legislative Services

Maryland General Assembly
2013 Session

FISCAL AND POLICY NOTE

House Bill 992 (Delegate Bohanan)
Appropriations

Maryland Consolidated Capital Bond Loan of 2006 - St. Mary's County - Pathway's Facility Renovation

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This bill prohibits a grant for the Board of Directors of Pathway's Inc., as specified in the Maryland Consolidated Capital Bond Loan of 2006, as amended, from terminating before June 1, 2014.

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 St. Mary's County.

Small Business Effect: None.

Analysis

Current Law: Chapter 46 of 2006 (SB 370), as amended by Chapter 372 of 2010 (SB 1018), authorized up to $125,000 in matching funds as a grant to the Board of Directors of Pathway's Inc., for the construction, repair, renovation, and capital equipping of the Pathway's facility. Matching funds may consist of real property, but they may not consist of in-kind contributions or funds expended prior to the June 1, 2006 effective date of Chapter 46. The grantee had until June 1, 2012, to present evidence that a matching fund would be provided. The proceeds of the loan 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 authorization must be canceled.

Chapter 485 of 2009 (HB 102) authorized up to $175,000 in matching funds to the Board of Directors of Pathway's, Inc. for the construction, repair, renovation, and capital equipping of the Pathway's facility.

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: Pathway's Inc. is the longest operating provider of community-based mental health services in St. Mary's County. The purpose of the project is to perform extensive renovation to facilities to enable the operation of a Psychiatric Rehabilitation Program. The grantee advises that renovations are planned for two buildings at the Pathway's facility; 2009 State grant funding will be used to renovate one of the buildings, and funding authorized by the bill will be used for needed renovations to the second building. The grantee further advises that matching funds are in place for grant funding authorized by the bill; however, an extension on the termination date is needed to ensure that there is sufficient time to obtain all the required county permits and complete construction. The grantee anticipates construction will begin in May or June of 2013 and will be completed in four to five months.

The original grant in Chapter 46 was for St. Mary's College Amphitheater; Chapter 372 repurposed that authorization to two other projects in St. Mary's County, one of which was the Pathway's facility renovation.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of General Services, Pathway's Inc., Department of Legislative Services

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