

Department of Legislative Services
Maryland General Assembly
2014 Session

FISCAL AND POLICY NOTE

Senate Bill 1101

(Senator McFadden)

Budget and Taxation

**Maryland Consolidated Capital Bond Loans of 2008 and 2011 - Baltimore City -
Mary Harvin Transformation Center**

This bill adds demolition to the purpose of a grant authorized by the Maryland Consolidated Capital Bond Loan of 2011, as amended, to the Board of Directors of the Mary Harvin Transformation Center Development Corporation, Inc., for the acquisition, planning, design, and construction of the Mary Harvin Transformation Center project. The bill further provides that the grantee must provide and expend a matching fund of \$70,000, rather than an equal match. In addition, the bill extends the deadline – from June 1, 2014, to June 1, 2015 – for the grantee to present evidence that a matching fund will be provided. The bill likewise prohibits the grant from terminating prior to June 1, 2015, rather than December 1, 2014.

The bill also adds demolition to the purpose of a grant authorized by the Maryland Consolidated Capital Bond Loan of 2008 to the Board of Directors of The Mary Harvin Transformation Center Development Corporation, Inc. for the acquisition, planning, design, construction, and reconstruction of the Mary Harvin Transformation Center project.

The bill takes effect June 1, 2014.

Fiscal Summary

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

Local Effect: The bill does not affect the operations or finances of Baltimore City.

Small Business Effect: None.

Analysis

Current Law: Chapter 396 of 2011 (the fiscal 2012 capital budget) authorized a grant of up to \$125,000 in matching funds to the Board of Directors of the Mary Harvin Transformation Center Development Corporation, Inc. for the acquisition, planning, design, and construction of the Mary Harvin Transformation Center, located in Baltimore City. Chapter 430 of 2013 extended the deadline – from June 1, 2013, to June 1, 2014 – for the grantee to present evidence that a matching fund will be provided. Matching funds may consist of real property, in-kind contributions, or funds expended prior to the June 1, 2011 effective date of Chapter 396. The proceeds of the loan must be expended or encumbered by the Board of Public Works by December 1, 2014. If any funds authorized remain unexpended or unencumbered after December 1, 2014, the amount of unexpended or unencumbered authorizations must be cancelled.

Chapter 336 of 2008 (the fiscal 2009 capital budget) authorized a grant of up to \$150,000 in matching funds to the Board of Directors of The Mary Harvin Transformation Center Development Corporation, Inc. for the acquisition, planning, design, construction, and reconstruction of the Mary Harvin Transformation Center, located in Baltimore City. The grantee had until June 1, 2010, to present evidence that a matching fund would be provided. Matching funds may consist of real property, in-kind contributions, or funds expended prior to the June 1, 2008 effective date of Chapter 336. The proceeds of the loan must be expended or encumbered by the Board of Public Works by June 1, 2015. If any funds authorized remain unexpended or unencumbered after June 1, 2015, the amount of the unexpended or unencumbered authorizations must be cancelled.

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 Mary Harvin Transformation Center Community Development Corporation promotes economic and community development in Baltimore City. The original 2008 and 2011 bond bills were for the purpose of constructing a facility to deliver a number of services, including behavioral health counseling, workforce development, and ex-offender re-entry services.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of General Services, Department of Legislative Services

Fiscal Note History: First Reader - March 14, 2014
ncs/ljm

Analysis by: Matthew B. Jackson

Direct Inquiries to:
(410) 946-5510
(301) 970-5510