Department of Legislative Services

Maryland General Assembly
2014 Session

FISCAL AND POLICY NOTE

House Bill 266 (Delegate Love)
Appropriations

Maryland Consolidated Capital Bond Loan of 2007 - Anne Arundel County - Hope House

This bill allows matching funds for the Hope House project, as specified in the Maryland Consolidated Capital Bond Loan of 2007, as amended, to consist of real property and funds expended prior to the June 1, 2007 effective date of Chapter 488 (the fiscal 2008 capital budget). The bill further specifies that the grants may not terminate 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 Anne Arundel County.

Small Business Effect: None.

Analysis

Current Law: Chapter 488 of 2007, as amended by Chapter 707 of 2009, authorized two separate grants for up to $100,000 each, for a total of $200,000, to the Board of Directors of Addiction Recovery, Inc. for the repair, renovation, and capital equipping of Hope House, located in Crownsville. Each grant is subject to the requirement that the grantee must provide and expend a matching fund of $50,000, for a total of $100,000. Matching funds may consist of in-kind contributions. Chapter 707 provided that the grantee had until June 1, 2011, instead of June 1, 2009, to present evidence that matching funds would be provided. The proceeds of the loan must be expended or encumbered by the Board of Public Works by June 1, 2014. If any funds remain unexpended or unencumbered after June 1, 2014, the amount of unencumbered authorizations must be cancelled. The bill's changes apply to both of the grants.

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: Accredited by the Commission on Accreditation of Rehabilitative Facilities, Hope House is a facility operated by Addiction Recovery, Inc. that provides detoxification, short-term inpatient care, and extended care to persons suffering from alcoholism and drug addiction. Located on the grounds of the now-closed Crownsville State Hospital, Hope House, at 57 years old, is having a number of issues related to building maintenance and utility servicing.

While it has met the $50,000 match requirement for one of the grants and is progressing on some of the facility's renovations and repairs as a result, Hope House advises that it has not yet raised the balance required to meet the matching fund requirement to enable it to draw down on the second $100,000 grant.

Additional Information

Prior Introductions: None.

Cross File: SB 330 (Senator Astle) - Budget and Taxation.

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

Fiscal Note History: First Reader - February 16, 2014
mc/ljm

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