

How a Bond Bill Can Help Fund Your Capital Project

Department of Legislative Services
Office of Policy Analysis
Annapolis, Maryland

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What Is a Bond Bill?

- Local legislative initiatives, often referred to as bond bills, are bond authorization bills filed by members of the General Assembly to support specific local or non-State-owned capital projects
- Although not submitted as part of the Governor's capital budget, the authorization to fund a bond bill is provided in the State's annual capital budget bill
- The Department of Legislative Services (DLS) reviews bond bill requests in accordance with procedures established by the Governor and the General Assembly

Types of Projects/Expenditures

State or Local Public Purpose

- Examples
 - Community Centers
 - Health Facilities
 - Historic Preservation Projects
 - Museums
 - Sports and Recreational Facilities

Eligible Expenditures

- Examples
 - Real Property Acquisition
 - Project Planning and Design
 - Construction and Renovation
 - Certain Capital Equipment and Furnishings
 - **Operating Expenses Are Not eligible**

Project Eligibility and Strategies for Achieving Success

- A project must
 - Be capital in nature (land and/or structures)
 - Have a 15-year service life
 - Have a State or Local Public Purpose
- Funds may not be used for religious/sectarian purposes
- Certain structures may be subject to a Maryland Historical Trust easement

Project Eligibility and Strategies for Achieving Success (Cont.)

- Project Readiness
 - Adequate funding
 - Two-year match certification
 - Encumbrance and expenditures deadlines
- Employment Creation/Retention
- Matching Funds
 - Equal is better than unequal
 - Hard match is better than soft match
- Alternative Funding Sources (*Guidelines for the Submission of Individual Bond Bill Requests*)
- Delegation Support
- Grantee Must Own Property or Have Long-term Lease

Legislative Schedule

- **July 1**
 - Legislators may begin to prefile bond bills
- **Mid-November**
 - Deadline to request that bills be drafted in time to meet the prefile deadline
- **Mid-January**
 - Deadline for bond bills to be requested to guarantee bills are drafted by the filing deadline (known as the guarantee date)
- **Early February**
 - Deadline for bond bills to be introduced without having to go to the Rules Committee

Legislative Schedule (Cont.)

- **March**

- Bond Bill Saturday – committee hearings on bond bills are held

- **Early April**

- Budget committees vote on bond bills

- **Mid-April**

- Both chambers vote on the final package of bond bills as part of the Capital Budget

- **June 1**

- Effective date for bond bills

Bond Bill Process

- Organizations seek sponsorship from a Senator and Delegate
- Sponsor submits the “Project Request Form” to initiate bill drafting process
- Sponsor introduces the bond bill (bills should be cross-filed)
- Bills are introduced and heard on Bond Bill Saturday
- Projects selected for funding are included as line-item authorizations in the capital budget bill

Bond Bill Project Request Form

Name of Project: _____ Amount Requested: _____
 County: _____ Contact Person (include address and phone number): _____

Name of Recipient: _____

- Legal name (if a corporation, the name should be exactly as it appears in the Article of Incorporation)
- Legal status (e.g., corporation, local government, etc.)
- If a corporation, is the board a board of directors or a board of trustees?

Address of project and recipient: _____
 If project and recipient have different addresses, include both.

Purpose: Check all that apply:

<input type="checkbox"/> acquisition	<input type="checkbox"/> reconstruction
<input type="checkbox"/> planning	<input type="checkbox"/> capital equipping
<input type="checkbox"/> design	
<input type="checkbox"/> construction	Other: _____
<input type="checkbox"/> repair	
<input type="checkbox"/> renovation	

Matching Fund:

Amount:

equal

unequal (amount: _____)

Type (check all that apply.)

<input type="checkbox"/> money	<input type="checkbox"/> in kind (e.g., donated services)
<input type="checkbox"/> real property	<input type="checkbox"/> funds expended before June 1

Does the project involve a historic structure?

Does the project or grantee have any religious affiliation or involvement?

Previous bond bill requests (year and bill number): _____

Matching Funds

- “Hard” Match
 - Cash in hand
 - Must be from a non-State source
 - A hard match is always an acceptable match form even if a soft match is specified
 - Certification can include bank statements, letters of commitment, certified records of approved county/municipal appropriations, or invoices for prior-expended funds if applicable
- “Soft” Match
 - Real property
 - In-kind contributions (donated services or materials)
 - Funds expended prior to June 1 of the year the grant is authorized
 - A soft match must be requested when the bill is requested
 - Important: Although the Department of General Services (DGS) is responsible for match certification, the Board of Public Works (BPW) makes the final determination

Matching Funds (Cont.)

- Equal (Preferred Method)
 - Dollar-for-dollar match
 - Any combination of the match type requested
- Unequal
 - Any amount less than the amount of the funding requested
- Grant
 - The grantee does not expend any funds on the project (completely State funded) – NOT PREFERRED

Bond Bill Fact Sheet

- Grantee **must** complete and submit a *Bond Bill Fact Sheet* to DLS
 - Provides information needed by budget committees at the time of bond bill hearings
 - Legislators use this information to make funding decisions – failure to submit a fact sheet may result in a decision not to fund a project

Bond Bill Fact Sheet (Cont.)

- Automated Bond Bill Fact Sheet System
 - Grantees receive an email from DLS that provides a link and access to the applicant's fact sheet – information in fields 1 through 9 are hard coded and cannot be changed by applicant
 - Fact sheet submission is completed through an email link toolbar – once submitted, no further changes may be made to the fact sheet through the link
 - If a project was requested in the previous legislative session, the fact sheet will automatically populate with the information already provided

Bond Bill Fact Sheet (Cont.)

- Brevity is as important as accuracy
- The legal name of the grantee on record with the State Department of Assessments and Taxation should match the fact sheet and the grant agreement – project location should match on both forms

Request Form vs. Fact Sheet

Bond Bill Request Form

- Submitted
 - By the sponsor when the bill request is made
 - Prior to drafting a bill
- Provides information to DLS to draft a bill
 - Grantee legal name
 - Project title
 - Amount of request and matching fund type
- Form is available on the General Assembly website

Bond Bill Fact Sheet

- Submitted
 - Electronically by the grantee through the fact sheet system
 - **After** bill is drafted – prior to bond bill hearings
- Provides information to the Legislature to evaluate the project
- Grantee receives an email link to fact sheet form

Bond Bill Saturday

- Typically scheduled on the first or second Saturday of March
- Testimony on each project – generally limited to five minutes or less
 - Senate Budget and Taxation Committee
 - House Appropriations Committee

Bond Bill Saturday (Cont.)

- Opportunity to advocate for the project
 - Why is the project important – statewide/local impact?
 - Who will the project serve, what public services will be provided, and what public benefit will be derived?
 - Anticipated funding plan – sources, uses, or matching fund status?
 - What alternative (federal, State, local, or other) funding sources were considered and applied for?
 - Demonstrate readiness to proceed (shovel ready)
 - Local government and delegation support

After Bond Bill Saturday

- Committees make funding decisions
 - House and Senate make separate decisions
 - Committee decisions reflected in committee reports
 - House and Senate decisions reflected in committee reprints of capital budget bill
 - Final decisions reflected as line-item authorizations in signed capital budget bill
- Decisions at each stage can be tracked on the Maryland General Assembly website

After Bond Bill Saturday (Cont.)

- Grantees must enter into a grant agreement with the State
 - administered by DGS
- Maintenance of use provision
- Under certain circumstances, a Notice of Right of Recovery Agreement is required

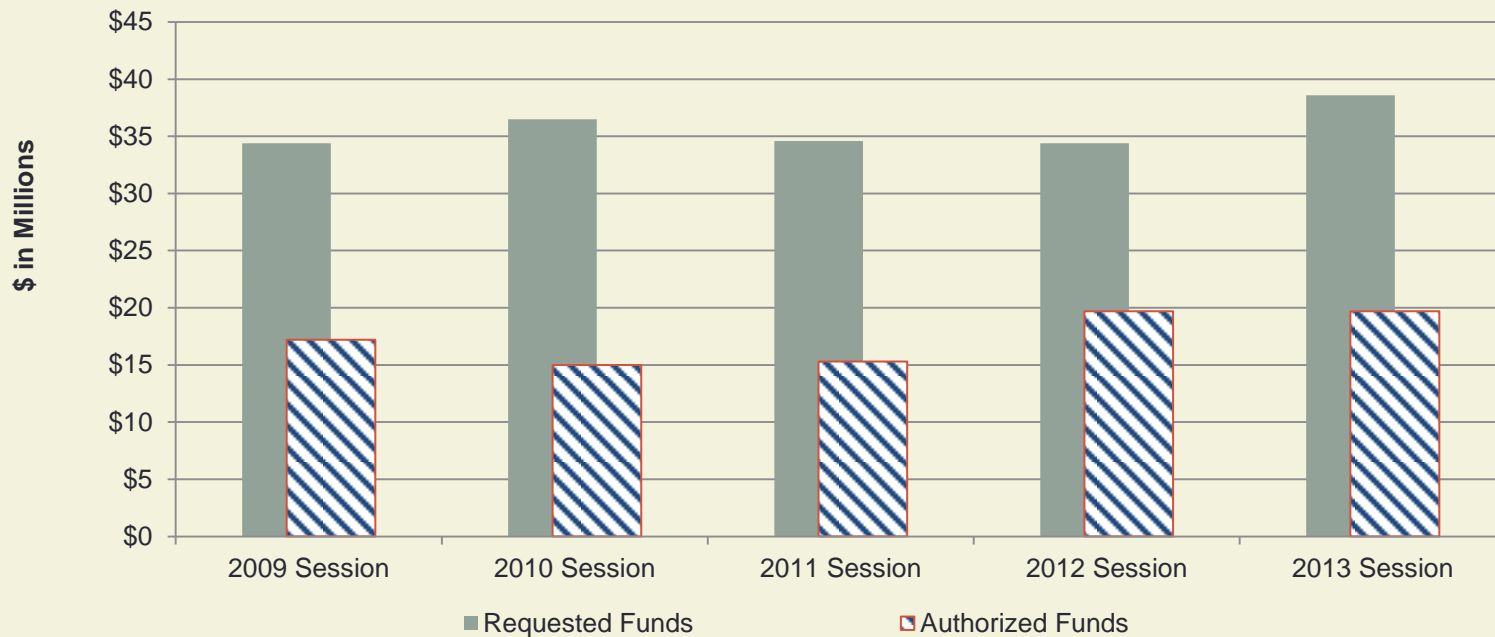
Funding Constraints

- Capital budget bill as introduced typically earmarks a total of \$15 million for bonds bills
 - Project requests averaged 132 annually for the last five years
 - 90% of projects are funded – only 50% receive full funding – funding typically ranges between \$100,000 to \$250,000

Funding Constraints (Cont.)

- Requests annually exceed funding

Bond Bill Request vs. Funding
2009-2013 Session



Source: 2009-2013 Session Maryland Consolidated Capital Bond Loan

Termination Provisions

- Bond authorizations must be expended within statutory timeframes
 - Statutory seven-year limit to encumber and expend grant funds
 - Shorter encumbrance and expenditure requirements have been placed on bond bill authorizations by the General Assembly
 - Two-year termination on projects authorized in the 2009 and 2010 sessions
 - Three-and-one-half-year termination on projects authorized in the 2011 and 2012 sessions

Termination Provisions (Cont.)

- Authorizations may terminate for failure to certify matching funds within the statutory two-year period or if the grantee fails to enter into a grant agreement with the State within two years
- Termination notification
 - The Comptroller's Office sends notification letters to the grantee contacts and any legislative sponsor each January and again approximately 30 days prior to any BPW actions to terminate

Prior Authorization Request Process

- Grantees should contact the legislative sponsor to request amendments to prior authorized projects
- Amendments typically include extension of termination dates and changes to matching fund requirements
- Requests for amendments to prior authorizations require the introduction of a new legislation bill. In recent years, all prior authorizations bills have been combined and then passed in one bill referred to as the “prior authorization bill”