

(3) A TRANSFERRING HEALTH MAINTENANCE ORGANIZATION MAY FILE NEW CONTRACT FORMS WITH THE COMMISSIONER ON OR BEFORE THE EFFECTIVE DATE OF THE TRANSFER, OR MAY USE ANY EXISTING CONTRACT FORM PREVIOUSLY FILED WITH THE COMMISSIONER WITH APPROPRIATE ENDORSEMENTS IF ALLOWED BY AND UNDER SUCH CONDITIONS AS APPROVED BY THE COMMISSIONER.

(4) A FOREIGN HEALTH MAINTENANCE ORGANIZATION TRANSFERRING ITS DOMICILE TO ANOTHER STATE SHALL NOTIFY THE COMMISSIONER OF THE DETAILS OF THE PROPOSED TRANSFER, AND SHALL FILE PROMPTLY ANY RESULTING AMENDMENTS TO CORPORATE DOCUMENTS AND OTHER ITEMS ON FILE WITH THE COMMISSIONER.

SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect ~~October~~ July 1, 1993.

May 27, 1993

The Honorable Thomas V. Mike Miller, Jr.
President of the Senate
State House
Annapolis, Maryland 21401

Dear Mr. President:

In accordance with Article II, Section 17 of the Maryland Constitution, I have today vetoed Senate Bill 607.

This bill would provide that a recorded covenant or deed restriction that prohibits or restricts commercial or business activity in general, but does not expressly apply to family day care homes, may not be construed to prohibit or restrict the establishment or operation of family day care homes. It would further provide that the operation of a family day care home would be considered a residential activity for purposes of construing such covenants or restrictions. If signed into law, the bill would apply retroactively to all recorded covenants and restrictions in deeds.

Unfortunately, despite the salutary purpose of Senate Bill 607, which was to enhance opportunities for access to family day care in the State, the bill as enacted by the General Assembly would have serious unintended consequences. The bill could have a profoundly negative impact on a major State residential loan program and the obligations of a State agency to a large number of bondholders.

The Community Development Administration (CDA) of the Department of Housing and Community Development has financed more than 35,000 single family homes in Maryland through a very large tax-exempt revenue bond program that is governed by the United States Internal Revenue Code. I have been advised by the Office of the Attorney General that the Internal Revenue Code restricts business use of bond-financed residences and treats family day care as a business use. Consequently, the recorded deeds for CDA's bond-financed homes restrict business use in order to maintain CDA compliance with the Internal Revenue Code and thereby the tax-exempt status of the revenue bonds. These