

Department of Legislative Services
Maryland General Assembly
2013 Session

FISCAL AND POLICY NOTE

House Bill 94 (Delegate Busch)
Appropriations

Maryland Consolidated Capital Bond Loan of 2006 - Anne Arundel County -
Chesapeake Children's Museum

This bill expands the authorized use of a grant for the Board of Directors of the Chesapeake Children's Museum (CCM) specified in the Maryland Consolidated Capital Bond Loan of 2006 to include the repair of the roof of the museum. The bill also prohibits the grant 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 Anne Arundel County.

Small Business Effect: None.

Analysis

Current Law: Chapter 46 of 2006 (SB 370) authorized up to \$115,000 in matching funds to the Board of Directors of CCM for the planning, design, construction, installation, and capital equipping of an owl habitat, roof-top deck, and elevator, and for the repair, renovation, reconstruction, and capital equipping of the multipurpose room at the museum. The matching funds may not consist of real property or funds expended prior to the June 1, 2006 effective date of Chapter 46, but they may consist of in-kind contributions. The proceeds of the loan must be expended or encumbered by the

Board of Public Works by June 1, 2013. Any funds unexpended or unencumbered by June 1, 2013, must be canceled.

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: CCM, incorporated in May 1994, is a hands-on children's museum with grassroots beginnings located in Annapolis. After a number of temporary homes in the area, the museum moved into the 50-year-old WYRE building – owned by the City of Annapolis. The building is surrounded by 5.25 acres of city-owned parkland at the head of Spa Creek. In June 2001, CCM reached a long-term lease agreement with the city; building improvements and maintenance are the responsibility of CCM in lieu of rent. After eight months of renovations, CCM opened to the public in November 2002.

Since receiving the grant in 2006, CCM has faced several challenges. The recession forced the relocation of a key volunteer and slowed donations. The building's roof leaked, ruining walls and flooring. However, building repairs are now again moving forward. CCM has found a new volunteer to lead the project, and an assessment of the damage caused by the leaky roof has been completed. Although no mold was found, repairing the roof before more damage can occur is a top priority for CCM. Due to the nature of the project, repairs have been ongoing, and roof repairs are anticipated to begin soon.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of General Services, Chesapeake Children's Museum, Department of Legislative Services

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ncs/ljm

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