

Department of Legislative Services
Maryland General Assembly
2013 Session

FISCAL AND POLICY NOTE

House Bill 1516
Appropriations

(Delegate McHale, *et al.*)

**Maryland Consolidated Capital Bond Loan of 2003 - Baltimore City - Carroll
Mansion Museum**

This bill extends the deadline – from December 1, 2012, to December 1, 2014 – for the Board of Directors of the Carroll Museums, Inc., as grantee, to expend the proceeds of a grant authorized for the Carroll Mansion Museum project as required by the Maryland Consolidated Capital Bond Loan of 2003, as amended.

The bill takes effect June 1, 2013.

Fiscal Summary

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

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

Small Business Effect: None.

Analysis

Current Law: Chapter 204 of 2003 (HB 140), as amended by Chapter 432 of 2004 (SB 191), Chapter 508 of 2006 (SB 80), and Chapter 396 of 2011 (HB 71), authorized up to \$75,000 in matching funds as a grant to the Board of Directors of the Carroll Museums, Inc., for the acquisition of heating, ventilating, and air conditioning equipment and for the repair and renovation of the Carroll Mansion Museum, located in Baltimore City. The grantee must grant and convey an historic easement to the Maryland Historical Trust. Matching funds may consist of in-kind contributions, but they may not

consist of real property or funds expended prior to the June 1, 2004 effective date of Section 13 of Chapter 204. The grantee had until June 1, 2008, to present evidence that a matching fund would be provided. The proceeds of the loan had to be expended or encumbered by the Board of Public Works by December 1, 2012.

The original grant funding was preauthorized as part of the \$17.7 million Legislative Community Initiatives Loan of 2004 (Section 13 of Chapter 204), and it had no specific grantee attached to the authorization. Chapter 432 designated that \$75,000 of that authorization was for the Board of Directors of the Carroll Museums, Inc., for the acquisition of heating, ventilating, and air conditioning equipment and for the repair and renovation of the Carroll Mansion Museum. Chapter 508 of 2006 extended the deadline, from June 1, 2006, to June 1, 2008, for the grantee to present evidence of the existence of matching funds for the Carroll Mansion Museum project. Chapter 396 extended the deadline to December 1, 2012, by which the proceeds of a grant must be expended or encumbered by the Board of Public Works.

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: The grantee reports that its most recent delays are due to it waiting for its Baltimore City partners to sign a lease. Two years ago, the grantee advised that matching funds had been certified. At that time, the grantee had expended roughly half of the funds necessary to meet the matching fund requirement.

According to the grantee, several factors had delayed the progress of repairing and renovating the museum two years ago. Between 2008 and 2011, revenues received by the museum from donors and other sources decreased by 50%. Accordingly, the museum was forced to cut its staffing level from three employees in 2008 to one part-time employee (an executive director) in 2011. Although funding was available for the project two years ago, the grantee has had difficulty administering the renovation effort with the reduced level of staffing. In addition, the grantee advised that the renovation effort had been slowed due to the tedious process of ensuring that all improvements made to the

building were up to code while also conforming the improvements to the guidelines established by the Maryland Historical Trust.

Founded in 2002, Carroll Museums, Inc., is an educational not-for-profit organization that is charged with revitalizing the Carroll Mansion and Phoenix Shot Tower. The Carroll Mansion was once the home of Charles Carroll, who was the only Catholic signatory to the Declaration of Independence. In the years following Carroll's death in 1832, the mansion was used as a saloon, an immigrant tenement, a vocational school, and a recreation center. The Phoenix Shot Tower, also located in Baltimore City, was built in 1828 and was the tallest structure in the United States until 1846.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of General Services; Carroll Museums, Inc.; Department of Legislative Services

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mlm/ljm

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