

Department of Legislative Services
Maryland General Assembly
2009 Session

FISCAL AND POLICY NOTE

House Bill 432 (Delegates Branch and Harrison)
Appropriations

**Baltimore City - East Baltimore Community Recreation and Learning Center
Loan of 2001**

This bill requires that the proceeds of the East Baltimore Community Recreation and Learning Center Loan, as specified in Chapter 715 of 2001, must be expended or encumbered by the Board of Public Works by June 1, 2011. Funds that are unexpended or unencumbered after that date will be canceled.

The bill takes effect June 1, 2009.

Fiscal Summary

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

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

Small Business Effect: None.

Analysis

Current Law: Chapter 715 of 2001 authorized up to \$500,000 in matching funds to the Mayor and City Council of the City of Baltimore, as grantee, for the acquisition, planning, design, and construction of a facility to be located at 2101 East Biddle Street in Baltimore to be used as a community recreation center. Under Chapter 715, no part of the matching funds may consist of real property, in-kind contributions, or funds expended prior to June 1, 2001. However, Chapter 94 of 2002 specified that the required match for the project may be real property.

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 over seven years old has resulted in the State earning arbitrage interest on the bond proceeds, creating a federal tax rebate liability.

Background: The project is funded by grants from the State and the City of Baltimore, and private loans and equity.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Baltimore City, Board of Public Works, Department of General Services, Department of Legislative Services

Fiscal Note History: First Reader - February 15, 2009
mcp/rhh

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