

Department of Legislative Services
Maryland General Assembly
2011 Session

FISCAL AND POLICY NOTE

House Bill 1198 (Delegate Branch)
Appropriations

**Baltimore City - East Baltimore Community Recreation and Learning Center
Loan of 2001 and Maryland Consolidated Capital Bond Loan of 2005 - East
Baltimore Community Recreation and Learning Center**

The bill changes the purpose of, and the authorized uses for, the East Baltimore Community Recreation and Learning Center Loan of 2001, as amended by Chapter 94 of 2002 and Chapter 707 of 2009, and extends the deadline for the grantee to expend or encumber the proceeds of the grant by one year to June 1, 2012.

The bill also changes the purpose of, and the authorized uses for, the Maryland Consolidated Capital Bond Loan of 2005.

The bill takes effect June 1, 2011.

Fiscal Summary

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

Local Effect: Absent the bill, the City of Baltimore may lose access to the \$500,000 in matching funds authorized in 2001 and the \$300,000 in matching funds authorized in 2005.

Small Business Effect: None.

Analysis

Bill Summary: The bill amends the East Baltimore Community Recreation and Learning Center Loan of 2001 by specifying that the authorized uses of the grant include

“preserving, stabilizing, maintaining, and preparing” the property located at 2101 East Biddle Street in Baltimore. The bill repeals the current authorized uses of the grant. The bill also specifies that matching funds may be used “for future development opportunities in accordance with recommendations offered in prior design and planning studies for the property” and repeals the current purpose, which is for the property to be used as a community recreation and learning center.

The bill similarly amends grant language in the Maryland Consolidated Capital Bond Loan of 2005 for the same project.

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 and learning center. The original authorization specified that matching funds may not consist of real property, in-kind contributions, or funds expended prior to the June 1, 2001 effective date of Chapter 715. However, Chapter 94 of 2002 amended the matching fund requirements to allow the required match to consist of real property. Chapter 707 of 2009 specified that the proceeds of the East Baltimore Community Recreation and Learning Center Loan of 2001 authorized by Chapter 715 must be expended or encumbered by June 1, 2011.

Chapter 445 of 2005 authorized up to \$300,000 in matching funds to the Mayor and City Council of the City of Baltimore for the acquisition, planning, design, and construction of a facility to be used as a community recreation and learning center, subject to the requirement that the grantee grant and convey an historic easement to the Maryland Historical Trust. Matching funds may not consist of real property, in-kind contributions, or funds expended prior to the June 1, 2005 effective date of Chapter 445.

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 and becoming subject to a federal tax rebate liability. Chapter 153 was enacted to help prevent the State from incurring this liability in the future.

Background: Baltimore City advises that steps have been taken to renovate a facility in East Baltimore that was originally intended to serve as a recreation and learning center. The city advises that unexpected infrastructure improvements are necessary to preserve, restore, and maintain the building before beginning construction efforts to create a facility that may serve a different purpose. Although these improvements are needed, expenses to complete this work are not considered qualifying expenditures to meet the matching fund requirement. Thus, the bill changes the authorized uses of the grant so that the work being conducted may qualify, and to allow matching funds to be used for these purposes.

Additional Information

Prior Introductions: None.

Cross File: None.

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

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