Department of Legislative Services

Maryland General Assembly
2011 Session

FISCAL AND POLICY NOTE

House Bill 579 (Delegate Hammen, *et al.*)
Appropriations

Maryland Consolidated Capital Bond Loan of 2006 - Baltimore City - The Powerhouse

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This bill changes the grantee of the Powerhouse project, as specified by the Maryland Consolidated Capital Bond Loan of 2006. The current grantee is the Board of Directors of The East Harbor Community Development Community; the bill specifies that the project's grantee is the Board of Trustees of the Living Classrooms Foundation, Inc.

The bill also extends the deadline by three years – from June 1, 2010, to June 1, 2013 – for the grantee to present evidence that a matching fund will be provided.

The bill takes effect June 1, 2011.

Fiscal Summary

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

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

Small Business Effect: None.

Analysis

Current Law: Chapter 46 of 2006, as amended by Chapter 219 of 2008, authorized up to $250,000 in matching fund to the Board of Directors of The East Harbor Community Development Corporation for the planning, design, construction, repair, renovation, reconstruction, and capital equipping of a community center in Baltimore City, subject to the requirement that the grantee convey an historic easement to the Maryland Historical Trust. Matching funds may not consist of in-kind contributions or real property but may consist of funds expended prior to the June 1, 2008 effective date of Chapter 46 of 2006 – as amended by Chapter 219 of 2008.

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 Living Classrooms Foundation advises that the grant funds will be used to renovate a building that will serve as a community center. Once completed, the community center will sponsor financial education and after-school programs and a program for senior citizens. The Living Classrooms Foundation advises that fundraising efforts successfully raised monies from public and private sources. As a result, matching funds should be certified in advance of the June 1, 2013 deadline established by the bill.

The Living Classrooms Foundation further advises that altering the name of the grantee for this project accurately reflects the entity responsible for managing and operating the community center.

Additional Information

Prior Introductions: None.

Cross File: SB 379 (Senator Ferguson) - Budget and Taxation.

Information Source(s): The Living Classrooms Foundation, Baltimore City, Department of General Services, Department of Legislative Services

Fiscal Note History: First Reader - March 6, 2011
ncs/ljm

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