

**Department of Legislative Services**  
Maryland General Assembly  
2012 Session

**FISCAL AND POLICY NOTE**

House Bill 1354  
Appropriations

(Delegate Rosenberg)

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**Maryland Consolidated Capital Bond Loan of 2005 - Baltimore City - Babe Ruth Birthplace and Museum**

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This bill prohibits the grant for the Babe Ruth Birthplace and Museum project, specified in the Maryland Consolidated Capital Bond Loan of 2005, from terminating before June 1, 2015.

The bill takes effect June 1, 2012.

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**Fiscal Summary**

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

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

**Small Business Effect:** None.

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**Analysis**

**Current Law:** Chapter 445 of 2005 authorized a \$250,000 grant to the Board of Directors of the Babe Ruth Birthplace Foundation, Inc. to assist in the design, construction, renovation, and equipping of improvements to the Babe Ruth Birthplace and Museum. The proceeds of the loan must be expended or encumbered by the Board of Public Works by June 1, 2012. If any funds remain unexpended or unencumbered after June 1, 2012, the amount of the unexpended or unencumbered authorization must be canceled.

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 unless otherwise provided in an enabling act. 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 Babe Ruth Birthplace and Museum is located in Baltimore City's Ridgely's Delight neighborhood, two blocks west of Oriole Park at Camden Yards. The museum consists of four small interconnected rowhouses: the birthplace, with a brick façade dating to the 1850s, and three adjacent rowhouses.

The proposed reconstruction will be the first major work to the facility in 30 years. The project will add office and meeting space, create a handicapped-accessible entrance, add an elevator, and provide handicapped-accessible bathrooms. The construction will also bring the building up to the safety code by adding fire suppression systems and egress stairs. The entire project is anticipated to cost approximately \$3.5 million.

The grantee reports that the capital campaign for the project was delayed due to the recession. To help it meet its fundraising goal, the grantee has recently hired a consultant to do a capital campaign case study. Active fundraising will begin once the case study is complete and a fundraising strategy is developed. The grantee also reports it has recently received an extension on a \$200,000 grant from Baltimore City. With the extra time granted by the bill, the grantee anticipates it will be able to successfully complete the project.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** Department of General Services, Babe Ruth Birthplace Foundation, Department of Legislative Services

**Fiscal Note History:** First Reader - March 14, 2012  
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