

Department of Legislative Services
Maryland General Assembly
2012 Session

FISCAL AND POLICY NOTE

Senate Bill 326

(Senator DeGrange)

Budget and Taxation

Appropriations

**Maryland Consolidated Capital Bond Loan of 2005 - Anne Arundel County -
Benson-Hammond House**

This emergency bill removes the matching fund requirement for the Board of Directors of the Anne Arundel County Historical Society (AACHS), for a State capital grant authorized in 2005. The proceeds must be encumbered by the Board of Public Works or expended by the grantee by June 1, 2014.

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 Anne Arundel County.

Small Business Effect: None.

Analysis

Current Law: Chapter 445 of 2005, as amended by Chapter 707 of 2009, authorized up to \$100,000 to the Board of Directors of AACHS for the repair, renovation, reconstruction, and capital equipping of the Benson-Hammond House and related outbuildings, located in Linthicum. The matching funds may 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, creating a federal tax rebate liability.

Background: Chapter 707 of 2009 modified the grantee, project, purpose, and matching fund requirements for this grant. The original grantee was the Anne Arundel County Tipton Airport Authority.

The Benson-Hammond House is a two-and-a-half story, six bay by two bay, nineteenth century brick house, constructed in the Greek Revival style. The house was constructed of bricks made by hand from a clay bank on the farm. The property also has a number of outbuildings and is listed on the Maryland Inventory of Historic Places.

The Benson-Hammond House and its farm are significant for their association with truck farming, which was the dominant agricultural activity in northern Anne Arundel County from the second quarter of the nineteenth century until after World War II. Truck farming was a method of harvesting and marketing produce and relied heavily on seasonal immigrant labor from Baltimore City.

AACHS rescued the house from demolition in 1972 and now operates the property as a museum that focuses on its history as a truck farm. A preservation plan for the building was developed in 2001, and repairs to the house and its outbuildings began in 2002. Using county and other funds, AACHS was able to stabilize three outbuildings on the site: a summer kitchen, a tack house, and a corn crib; however, funds were exhausted before work could begin on two other outbuildings. AACHS has also repaired the roof, walls, and gutters of the house.

Some of the funds for this grant will be used to restore two outbuildings: the log cabin meat house and the three-seat outhouse. The remaining funds will be used for door repairs, plaster work, and to replace obsolete heating, ventilation, and air-conditioning units.

AACHS believed that the matching fund requirements of the original grant had been met and the match had been approved by the Department of General Services. However, under the current terms of the grant, AACHS advises that it has to expend \$100,000 in

operating funds in order to receive the grant. AACHS reports it has selected a contractor for the project, and the project will begin once it has the grant funds.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of General Services, Anne Arundel County Historical Society, Department of Legislative Services

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ncs/ljm

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