

Department of Legislative Services
Maryland General Assembly
2014 Session

FISCAL AND POLICY NOTE

House Bill 260
Appropriations

(Delegate Rosenberg, *et al.*)

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

This bill prohibits the grant for the Babe Ruth Birthplace and Museum project, specified in the Maryland Consolidated Capital Bond Loan of 2005, as amended, from terminating before June 1, 2015, rather than June 1, 2014.

The bill takes effect June 1, 2014.

Fiscal Summary

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

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

Small Business Effect: None.

Analysis

Current Law: Chapter 445 of 2005 (the fiscal 2006 capital budget) 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. 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 639 of 2012 specified that the grant may not terminate before June 1, 2013. Chapter 430 of 2013 specified that the grant may not terminate before June 1, 2014.

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 more than 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 hired a consultant to do a capital campaign case study in 2012. The consultant recommended that the capital campaign for the Babe Ruth Birthplace and Museum be run concurrently with the capital campaign for its sister organization, the Sports Legends Museum. Active fundraising for both projects is presently taking place. The grantee reports that it believes that it will be successful in raising the funds necessary for the project – if given sufficient time – and anticipates starting the project by June 2015.

Additional Comments: The Governor's proposed fiscal 2015 capital budget includes \$500,000 in general obligation bonds for the renovation of the Babe Ruth Birthplace and the Sports Legends Museum.

Additional Information

Prior Introductions: HB 1521 of 2013 received a hearing in the House Appropriations Committee. The bill was voted unfavorable; instead, a one-year extension was

incorporated into the omnibus bill that amended prior authorizations (Chapter 430 of 2013). HB 1354 of 2012 received a hearing in the House Appropriations Committee. The bill was voted unfavorable; instead a one-year extension (rather than the requested three-year extension) was incorporated into the omnibus bill that amended prior authorizations (Chapter 649 of 2012).

Cross File: None.

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

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