

**Department of Legislative Services**  
Maryland General Assembly  
2014 Session

**FISCAL AND POLICY NOTE**

Senate Bill 990 (Senator Feldman)  
Budget and Taxation

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**Maryland Consolidated Capital Bond Loan of 2007 - Montgomery County -  
Warren Historical Site - Loving Charity Hall**

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This bill prohibits the grant for the Loving Charity Hall Project, as specified in the Maryland Consolidated Capital Bond Loan of 2007, as amended, from terminating before June 1, 2016, rather than June 1, 2014.

The bill takes effect June 1, 2014.

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**Fiscal Summary**

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

**Local Effect:** The bill does not affect the finances or operations of Montgomery County.

**Small Business Effect:** None.

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**Analysis**

**Current Law:** Chapter 488 of 2007 (the fiscal 2008 capital budget) authorized up to \$175,000 in matching funds to the Board of Directors of the Historic Medley District, Inc. and to the Board of Directors of the Warren Historic Site Committee, Inc., as grantees, for the reconstruction, repair, renovation, construction, and capital equipping of the Loving Charity Hall Project, located in Martinsburg. The grantees had until June 1, 2009, to present evidence that matching funds would be provided; however, Chapter 707 of 2009 extended the deadline to present evidence that matching funds would be provided to June 1, 2011. In addition, Chapter 707 removed the “Board of Directors of the Historic Medley District, Inc.” as a grantee.

Matching funds may consist of real property, in-kind contributions, or funds expended prior to the June 1, 2007 effective date of Chapter 488. The proceeds of the loan must be expended or encumbered by the Board of Public Works by June 1, 2014. If any funds authorized remain unexpended or unencumbered after June 1, 2014, the amount of unexpended or unencumbered authorizations must be cancelled.

The grantee is required to grant and convey a perpetual preservation easement to the Maryland Historical Trust.

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 Warren Historic Site Committee, Inc. is an historic preservation organization established to manage and restore buildings at the Warren Historic District in Montgomery County. Constructed in 1914, Loving Charity Hall served as a community center that hosted movie screenings, plays, and other civic activities. The original 2007 bond authorization was for the conversion of the hall into a museum, meeting place, and special events venue.

The grantee advises that the project was delayed due to an issue with the title to Loving Charity Hall. The grantee further advises that the project can now proceed, as a final order has been obtained from the Circuit Court for Montgomery County clearing title to the property.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

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

**Fiscal Note History:** First Reader - March 14, 2014  
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