

Department of Legislative Services  
Maryland General Assembly  
2012 Session

FISCAL AND POLICY NOTE

House Bill 830  
Appropriations

(Delegate Hixson, *et al.*)

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Maryland Consolidated Capital Bond Loan of 2005 - Montgomery County - Old  
Blair High School Auditorium

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This bill extends the deadline – from June 1, 2012, to June 1, 2014 – for the Board of Directors of the Old Blair Auditorium Project, Inc., as grantee, to provide evidence that a matching fund will be provided for the Old Blair High School Auditorium as required in the Maryland Consolidated Capital Bond Loan of 2005. The bill also specifies that the proceeds of the loan must be encumbered by the Board of Public Works or expended by the grantee by June 1, 2014.

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 Montgomery County.

**Small Business Effect:** None.

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Analysis

**Current Law:** Chapter 445 of 2005 authorized up to \$600,000 for the repair, renovation, construction, reconstruction, and capital equipping of the Old Blair High School Auditorium in Silver Spring. The required matching funds may consist of in-kind contributions or funds expended prior to June 1, 2005. Under Chapter 445, the grantee had until June 1, 2007, to present evidence that the required matching funds would be

provided; however, Chapter 65 of 2007 extended the deadline to present evidence that a matching fund would be provided to June 1, 2009. Chapter 219 of 2008 repealed a requirement for the grantee to convey an historic easement to the Maryland Historical Trust. Chapter 707 of 2009 extended the deadline to present evidence of a matching fund to June 1, 2011, and Chapter 372 of 2010 extended the deadline another year to June 1, 2012.

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 Old Blair Auditorium – a 1,000-seat facility built in 1969 – has been closed since June 1998. The building was renovated for use as a combined middle and elementary school, but the auditorium was not included in the renovation. The grantee advises that the auditorium requires a variety of upgrades, including new seats, accessibility improvements, and a new heating and air conditioning system.

The grantee originally planned to raise money from private sources; however, due to fundraising difficulties, the grantee is now planning to rely on a grant from Montgomery County to meet the State matching fund requirement. The grantee advises that Montgomery County intended to include the funds in its fiscal 2012 budget; however, due to unfavorable economic conditions, the county may delay inclusion of the funds to the fiscal 2013 budget (or beyond). Extending the deadline to provide evidence that the matching funds will be provided and extending the deadline that the grant must be encumbered by the Board of Public Works or expended by the grantee allows the project additional time to obtain county funds.

**Additional Comments:** The grantee reports that it will not need the funds for the purposes specified in the bill until fiscal 2016 when it anticipates construction beginning.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** Old Blair Auditorium Project, Department of Legislative Services

**Fiscal Note History:** First Reader - March 2, 2012  
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