

Department of Legislative Services
Maryland General Assembly
2013 Session

FISCAL AND POLICY NOTE

Senate Bill 903 (Senator Raskin)
Budget and Taxation

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

This bill extends the deadline – from June 1, 2013, to June 1, 2014 – for the Board of Directors of the Old Blair Auditorium Project, Inc., as grantee, to present 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, 2013.

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.

Analysis

Current Law: Chapter 445 of 2005 (HB 340) authorized a total of 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 (HB 94) extended the deadline to present evidence that a matching fund would be provided to June 1, 2009. Chapter 219 of 2008 (SB 795) repealed a requirement for the grantee to convey an historic easement to the Maryland Historical Trust. Chapter 707 of 2009 (HB 1081) extended the deadline to present evidence of a matching fund to June 1, 2011, and Chapter 372 of 2010 (SB 1018) extended the deadline another year to June 1, 2012. Finally, Chapter 639 of 2012 (SB 1037) extended the deadline yet another year to June 1, 2013. Chapter 445 authorized two separate grants totaling \$600,000 for this project. The bill's changes apply to both grants.

Chapter 153 of 2003 (HB 444) 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 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 advises that matching funds for the project were provided in Montgomery County's fiscal 2013 budget. The grantee advises that it anticipates that it will meet the matching fund requirement and expend the grant funds by February or March of 2013; however, it may need additional time to complete the required paperwork to receive the grant funds. The grantee further advises that it intends to hire a contractor consultant soon.

Additional Comments: The Department of Legislative Services advises that is unclear whether the planning and design work expenses on which the grantee intends to expend the matching and grant funds are authorized expenses under the current bill. Further amendment to the authorized purposes may be needed.

Additional Information

Prior Introductions: HB 830 of 2012 received a hearing in the House Appropriations Committee. That bill was voted unfavorable, but a one-year extension (rather than the requested two-year extension) was incorporated into the omnibus bill that amended prior authorizations (Chapter 649 of 2012).

Cross File: HB 1359 (Delegate Hixson, *et al.*) - Appropriations.

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

Fiscal Note History: First Reader - March 14, 2013
ncs/ljm

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