

Department of Legislative Services  
Maryland General Assembly  
2008 Session

FISCAL AND POLICY NOTE

Senate Bill 934

(Senator Harrington)

Budget and Taxation

Ways and Means

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Prince George's County - Tax Increment Financing - Application of Bond  
Proceeds

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This bill authorizes Prince George's County to apply the proceeds from the issuance of specified bonds to the installation of infrastructure improvements for the purpose of encouraging redevelopment in specified areas.

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Fiscal Summary

**State Effect:** None.

**Local Effect:** None. The bill expands the uses of funds received from bonds issued by Prince George's County, but does not alter the amount of bonds that may be issued.

**Small Business Effect:** None.

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Analysis

**Bill Summary:** All proceeds received from bonds issued by Prince George's County or the county's revenue authority may be applied for installation of any infrastructure improvements, including streets, parking structures, utilities, street lights, stormwater management and storm drain facilities, fencing, noise walls, retaining walls, trails, sidewalks, pedestrian and vehicular bridges, and park facilities.

The purpose of the infrastructure improvements is to encourage redevelopment in

- revitalization areas designated by the county;
- mixed use centers;
- blighted areas; and

- the developed tier, growth corridors, and growth centers, as defined in the county general plan.

**Current Law:** County and municipal governments are authorized to borrow money by issuing and selling bonds for the purpose of financing the development of an industrial, commercial, or residential area.

Except as otherwise provided by law, all proceeds received from any bonds issued and sold must be applied solely for • the cost of purchasing, leasing, condemning, or otherwise acquiring land or other property, or an interest in them, in the designated development district area or as necessary for a right-of-way or other easement to or from the development district area; • site removal; • surveys and studies; • relocation of businesses or residents; • installation of utilities, construction of parks and playgrounds, and other necessary improvements including streets and roads to, from, or within the development district, parking, lighting, and other facilities; • construction or rehabilitation of buildings provided that such buildings are to be devoted to a governmental use or purpose; • reserves or capitalized interest; • necessary costs of issuing bonds; and • payment of the principal and interest on loans, money advanced, or indebtedness incurred by a county or municipality.

In Prince George’s County, all proceeds received from any bonds issued and sold by the county may also be applied for • convention centers, conference centers, and visitors’ centers; • maintenance of infrastructure improvements, convention centers, conference centers, and visitors’ centers; and • marketing the development district facilities and other improvements.

**Background:** Tax increment financing is a method of public project financing whereby the increase in the property tax revenue generated by new commercial development in a specific area, the tax increment financing (TIF) district, pays for bonds issued to finance site improvements, infrastructure, and other project costs located on public property.

The TIF district typically consists of a blighted area in need of economic revitalization. Usually, a sponsoring jurisdiction creates a TIF district in order to demonstrate a public commitment to the economic and social viability of an area, thereby encouraging privately financed economic development. In a TIF district, the local government “freezes” the existing property tax base and uses the property tax revenue from this base as it would normally use such funds. Over time, the partnership between the private sector and local government leads to enhanced economic growth which increases the district’s taxable real property valuation above its frozen base. The difference between the current tax base and the frozen base in each future year is termed the incremental valuation. The local government apportions the property tax revenue on the incremental

valuation to a special account to pay debt service on the bonds and to potentially pay for additional public expenditures in the TIF district. The TIF district ceases to exist upon the retirement of the bonds, and after that time, all property tax revenue may be appropriated by normal means.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** HB 1126 (Prince George's County Delegation) – Environmental Matters.

**Information Source(s):** Prince George's County, Department of Legislative Services

**Fiscal Note History:** First Reader - March 14, 2008  
mll/hlb

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