

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE

House Bill 952 (Howard County Delegation)
Commerce and Government Matters

Howard County - Economic Development Incentive Fund
Ho. Co. 12-96

This bill authorizes Howard County to establish an issuer fee for issuing or refinancing revenue bonds under the authority of the Maryland Economic Development Revenue Bond Act. The county may, however, exempt certain categories of revenue bonds from these fees.

For revenue bonds providing initial financing, an issuer fee may not exceed .125% annually of the outstanding principal balance, discounted to the date of issuance. For revenue bonds used to refund existing revenue bonds, the fee may not exceed .25% of the principal amount of the bonds. The fee cannot exceed an amount that is in excess of the amount allowed under the arbitrage limitations under the Internal Revenue Code and regulations.

If the county establishes an issuer fee, it must create an Economic Development Incentive Fund. Any issuer fees collected by the Howard County Director of Finance must be deposited in the fund for use in retaining, expanding, or relocating existing businesses in the county.

The bill is effective July 1, 1996.

Fiscal Summary

State Effect: None.

Local Effect: Howard County revenues could increase up to \$50,000 annually, while expenditures could increase by an indeterminate amount as discussed below.

Fiscal Analysis

Local Effect: Howard County revenues could increase depending upon the amount of the issuer fee and the principal amount of the bonds. Based on the activity of bonds issued or refinanced over the past three years, Howard County estimates that issuer fees could generate up to \$50,000 annually in fees to be deposited in the Economic Development Incentive Fund. This estimate reflects an average of \$20 million in refunding revenue bonds annually and an issuer fee of .25% of the principal amount.

Howard County expenditures could also increase depending upon the scope of the economic development program and the costs of retaining, expanding, or relocating businesses in the county. At this time, the expenditure increase cannot be determined. These costs could, however, be partially offset by the issuer fees.

Information Source(s): Howard County, Department of Fiscal Services

Fiscal Note History: First Reader - February 20, 1996

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