

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE

House Bill 693 (Prince George's County and Montgomery County Delegations)
Ways and Means

**Maryland-National Capital Park and Planning Commission -
Miscellaneous Taxes - Cap
PG/MC 49-96**

This bill limits the authority of Prince George's and Montgomery counties to increase the rates of park, administration, and recreation (Prince George's only) taxes levied for the Maryland-National Capital Park and Planning Commission (MNCPPC). The counties could not increase any of those taxes beyond the rate in effect on June 30, 1996 unless enabling legislation is passed by the General Assembly.

This bill is effective July 1, 1996.

Fiscal Summary

State Effect: None. This bill would not affect State operations.

Local Effect: Indeterminate impact on MNCPPC and Prince George's and Montgomery counties.

Fiscal Analysis

Local Effect: Prince George's County levies four taxes for MNCPPC: the administration tax, the park tax, the recreation tax, and the advance land acquisition tax. Montgomery County levies administration, park, and advance land acquisition taxes. The fiscal 1996 rates per \$100 assessed value in the counties are as follows:

	Prince George's County	Montgomery County
Administration Tax	.1103	.0610
Park Tax	.3587	.1460
Recreation Tax	.1348	N/A
Advance Land Acquisition Tax	.0062	.0040

These property taxes will account for 86% of MNCPPC revenues in fiscal 1996. The proposed cap on the tax rates will limit the growth of this revenue source to only the growth in the counties' assessable bases. This could lead to a revenue shortfall sometime in the future, depending upon MNCPPC expenditures, inflation, and growth in the assessable base.

Since this bill would limit a revenue source that is partially pledged to pay debt service on MNCPPC's bonds, it could lower the marketability of outstanding bonds and increase future costs of borrowing. Bonds that are supported by a limited revenue source are more risky for investors and are thus rated less favorably by rating agencies.

MNCPPC advises that the fiscal 1996 tax rates for Montgomery County are artificially low and that capping the rates at this level will lead to a revenue shortfall of \$3.4 million in fiscal 1997. The combined rate was reduced to 21.1 cents in fiscal 1996 because of a one-time \$3.4 million surplus in fiscal 1995 operating funds. Accordingly, if the combined rate for Montgomery County is not raised to 22.4 cents in fiscal 1997, the Montgomery County operating departments will suffer a shortfall. The Department of Fiscal Services cannot verify this shortfall.

MNCPPC has refused to provide the Department of Fiscal Services with sufficient information to evaluate whether the capped tax rates would provide enough revenue to cover current or future operating costs and debt service requirements. Information that has been requested but not provided includes current and future revenue estimates of the MNCPPC taxes, debt service requirements, and operating expenses funded from the taxes. Absent this information, Fiscal Services cannot provide an estimate of the fiscal consequences of this bill.

Information Source(s): Maryland-National Capital Park and Planning Commission, Prince George's and Montgomery counties, Department of Fiscal Services

Fiscal Note History: First Reader - February 13, 1996

ncs

Analysis by: Lisa Kleinschmidt

Reviewed by: John Rixey

Direct Inquiries to:

John Rixey, Coordinating Analyst

(410) 841-3710

(301) 858-3710