

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE

House Bill 630 (Prince George's County Delegation)
Ways and Means

**Prince George's County Board of Education - Limited Fiscal Autonomy -
Capital Improvement Program**

PG 407-97

This bill authorizes the Prince George's County Board of Education to impose a property tax and issue bonds to fund public school capital improvements that are not otherwise funded by the State or county. This authorization is subject to voter approval determined through a referendum held at the next general election.

Fiscal Summary

State Effect: None.

Local Effect: Indeterminate significant increase in Prince George's County revenues and expenditures.

Small Business Effect: Minimal impact on small businesses as discussed below.

Fiscal Analysis

Local Effect: This bill enables the Prince George's County Board of Education to impose a local property tax for public school construction projects. Upon voter approval authorizing a tax at the next general election, the school construction tax would take effect beginning in fiscal 2000. The school construction tax would enable the county board to fund its \$180 million neighborhood school initiative, without waiting for State funding. Assuming the issuance of \$180 million in bonds are spread out over six years, Prince George's County advises that debt service expenditures could increase by approximately \$2.4 million in fiscal 2000 to \$14.4 million by fiscal 2005. The Department of Fiscal Services advises that this

would equate to debt service being financed at 7% interest over 30 years. Debt service on these bonds would increase county property taxes by \$0.015 in fiscal 2000 to \$0.086 by fiscal 2005. This is based on the following:

- \$30 million bond issuance annually for six years;
- debt financed at 7% interest over 30 years; and
- fiscal 1997 county assessable base totaling \$16.7 billion, which generates approximately \$1.67 million for each cent on the property tax rate.

The actual impact on county revenues and expenditures would depend on the number and cost of school construction projects and the level of the school construction property tax.

Small Business Effect: The commercial real property tax base in Prince George’s County in fiscal 1996 totaled \$3.9 billion or roughly 28% of the total county base. In addition, business personal property in Prince George’s County totals \$1 billion. A sizeable, but unquantifiable, portion of this base is attributable to small businesses. Each additional one cent on the county’s property tax rate would increase business costs by \$490,000 annually. A portion of the costs could be passed along to consumers through higher prices or to employees through lower salaries. The total impact on small businesses cannot be reliably determined at this time.

By authorizing bonding authority for the Prince George’s County Board of Education, capital spending would increase in the county. To the extent that small construction businesses bid on school construction contracts, they will benefit from increased funding.

Additional Comments: Due to a charter amendment imposed in 1978 and amended in 1984, Prince George’s County’s general property tax rate is limited to \$2.40 for each \$100 of assessed value. However, Prince George’s County imposes several other property taxes with rates totaling \$0.836 that are not subject to the charter limitation. These special tax rates are listed below:

Pre Trim Debt Service	\$0.026
M-NCPPC	0.61
Stormwater	0.135
WSTC	0.065
Total	\$0.836

In addition to county property taxes, 28 municipalities in Prince George's County also impose a local property tax, with rates ranging from \$0.53 in Forest Heights to \$1.47 in Bladensburg. Based on this department's review of local property tax rates, eight municipalities in Prince George's County had a combined county-special-municipal property tax rate exceeding \$4.00 per \$100 of assessed value.

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

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