

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE

House Bill 881 (Montgomery County and Prince George's County Delegations)
Ways and Means

**Maryland-National Capital Park and Planning Commission - Miscellaneous Taxes -
Cap
MC/PG 40-97**

This bill limits the authority of Montgomery and Prince George's counties to increase the rates of park, administration, recreation (Prince George's only), and advance land acquisition taxes levied for the Maryland-National Capital Park and Planning Commission (M-NCPPC).

The counties may not increase any of these taxes beyond the rate in effect on June 30, 1997 unless enabling legislation is passed by the General Assembly.

This bill is effective July 1, 1997.

Fiscal Summary

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

Local Effect: Indeterminate impact on M-NCPPC and Montgomery and Prince George's counties.

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

Fiscal Analysis

Local Effect: Prince George's County levies four taxes for M-NCPPC: 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 1997 rates per \$100 assessed value in the counties are as follows:

	Prince George's County	Montgomery County
Administration Tax	.1103	.0630
Park Tax	.3534	.1540
Recreation Tax	.1401	N/A
Advance Land Acquisition Tax	.0062	.0040
Total	.61	.221

These property taxes will account for 82% of M-NCPPC revenues in fiscal 1997. 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 M-NCPPC expenditures, inflation, and growth in the assessable base. However approximately 13% of M-NCPPC fiscal 1997 budget is reserved for funding future programs that are not currently in place. Therefore, any potential decrease in tax revenues as a result of this legislation could be partially or fully offset by reducing the amount of budgeted reserves. A breakdown of M-NCPPC expenditures by function is set forth below:

Administration/Planning	\$35.8 million	19%
Park and Recreation	\$112.2 million	60%
Debt Service \$14.8 million	8%	
Reserves	\$23.8 million	13%
Total	\$186.6 million	100%

Since this bill would limit a revenue source (Advance Land Acquisition) that is partially pledged to pay debt service on M-NCPPC'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.

Small Business Effect: The commercial real property tax base in Montgomery and Prince George's counties in fiscal 1996 totaled \$9.7 billion or roughly 24% of the total base in the two counties. In addition, business personal property in Montgomery and Prince George's counties totals \$2.9 billion. A sizable, but unquantifiable, portion of this base is attributable to small businesses. To the extent that property tax rates for M-NCPPC would have risen, small businesses could benefit from the fixed tax rate required by this bill.

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

Fiscal Note History: First Reader - February 12, 1997

nrd

Analysis by: Hiram L. Burch Jr.

Reviewed by: John Rixey

Direct Inquiries to:

John Rixey, Coordinating Analyst

(410) 841-3710

(301) 858-3710