

**Department of Fiscal Services**  
Maryland General Assembly

**FISCAL NOTE**  
**Revised**

House Bill 534 (Delegate Conroy, *et al.*)

Commerce and Government Matters

Referred to Econ. & Environmental Affairs

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**Municipal Corporations - Incorporation Process**

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This amended bill changes the process by which an organizing community can become an incorporated municipality.

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**Fiscal Summary**

**State Effect:** None. The Attorney General’s Office could create standard petition forms with existing resources.

**Local Effect:** Indeterminate effect on local government finances as discussed below.

**Small Business Effect:** None. The bill would not directly affect small businesses.

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**Fiscal Analysis**

**Bill Summary:** The Office of the Attorney General must create a standard petition form. An organizing community must obtain the minimum number of valid signatures within two years after receiving the form. The bill also establishes an organizing committee. An “organization committee” means the group of individuals from the county and the organizing community that is responsible for working with the county government in the proposed municipal corporation.

Within 60 days after receiving a petition, the county must verify the petition. If the petition meets the requirements, the county may appoint one or more appointed county officials to represent the county as liaisons with the organizing committee.

The bill also requires the county and the organizing committee to share information on issues related to incorporation. Within 45 days after receiving the county's position statement, the organizing committee must give the county a proposed charter to be used in the referendum election. Between 40 and 60 days after receiving the proposed charter, the county may specify, by resolution, the day and hours for a special referendum election on the proposed incorporation for the voters of the area to be incorporated.

If a majority of the voters cast their vote in favor of incorporation under the proposed charter, the area is deemed to be a municipal corporation.

The county must defray the costs of (1) the referendum election; (2) the original election of officers; and (3) any third party consultants hired by the county to analyze the issues related to the proposed incorporation. If the referendum vote results in incorporation, the municipal corporation must repay these expenses within one year of the date of incorporation. After one year the county may withhold any payments due to the municipal corporation to cover unpaid expenses.

The bill also establishes a disbursement schedule for income taxes owed to the municipal corporation.

**Background:** Currently, there are 156 incorporated municipalities in Maryland, located throughout 21 counties. Baltimore and Howard counties are the only counties that do not have any municipalities within their jurisdictions. Since municipalities were granted home rule in 1954, there have been six municipal incorporation efforts that have made it to referendum. Five of these efforts were successful, all in Montgomery County, with the latest being North Chevy Chase in 1995.

**Local Effect:** If the bill allows for more municipalities to be created, county governments would be significantly impacted. A county would most likely have to share a portion of its revenues from income taxes, highway user revenues, State police and fire aid, and possibly other local charges and fees with the new municipality. In addition, property tax revenues could also decrease if a county imposes a lower tax rate in the new municipality in order to compensate for services provided by the municipality that would otherwise be provided by the county (i.e., tax differential or offset). However, since the county would not provide certain services in the municipality, the revenue decrease would be partially, if not fully, offset by a decrease in expenditures. These amounts would depend upon the number of municipalities, the size of the municipalities, and the types of services provided by the municipalities.

County expenditures could also increase due to the costs associated with referendum

elections, original elections of officers for new municipalities, and third party consultants to analyze proposed incorporations. However, if a referendum vote leads to incorporation, the new municipality must repay the county for these costs within one year after incorporation. These costs would depend upon the number of referendum elections and original municipal elections. The costs would also depend upon the number of consultants hired by the county and the scope of their activities.

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**Information Source(s):** Maryland Municipal League; Baltimore, Montgomery, and Prince George's counties; Department of Fiscal Services

**Fiscal Note History:** First Reader - February 12, 1997

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Analysis by: Thomas Himler

Reviewed by: John Rixey

Direct Inquiries to:

John Rixey, Coordinating Analyst

(410) 841-3710

(301) 858-3710