

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE

House Bill 1255 (Delegate Edwards)
Appropriations

Garrett County - Bonds for Garrett County Memorial Hospital

This bill authorizes the Garrett County Commissioners to issue up to \$1.5 million in general obligation bonds in order to assist in the financing of the costs of improvements of the Garrett County Memorial Hospital. The county may enter into an agreement with the hospital for the payment of debt service costs on the bonds from the hospital's revenues. The bill also empowers the county to levy ad valorem taxes for payment of debt service costs.

The bill is effective June 1, 1997.

Fiscal Summary

State Effect: None.

Local Effect: Garrett County would receive up to \$1.5 million in bond proceeds to assist in financing improvements of the Garrett County Memorial Hospital. County debt service expenditures would increase by a maximum of \$0.2 million annually; however, the county could be reimbursed for these costs by the hospital. These costs could also be covered by ad valorem taxes.

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

Fiscal Analysis

Local Effect: Garrett County revenues could increase by up to \$1.5 million due to the bond proceeds. However, these proceeds would be directed to the Garrett County Memorial Hospital. As of June 30, 1995, the county had \$14.1 million in outstanding debt. Although the county currently has a Baa credit rating, it is likely that the hospital bonds would have an Aaa credit rating due to municipal bond insurance coverage. The interest rate for Aaa rated

ten-year bonds is estimated to be 4.9%. Assuming the county issues \$1.5 million in bonds, the county's annual debt service costs on these bonds would be \$0.2 million. One cent on the county's property tax yields approximately \$75,116 in fiscal 1998. As a result, this expenditure increase is equivalent to \$0.0253 on the county's property tax rate.

The additional debt service costs would be offset by either ad valorem taxes or reimbursements by the hospital.

Small Business Effect: This bill authorizes Garrett County to issue up to \$1.5 million in general obligation bonds for improvements of the Garrett County Memorial Hospital. To the extent that small construction businesses bid on the hospital's contracts, they will benefit from the hospital's capital spending.

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

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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