Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE

Senate Bill 589 (Senator Dorman)
Select Committee No. 7

Maryland-National Capital Park and Planning Commission - Prince George's County - Tax Proceeds for Education and General Fund Programs

This bill caps the combined Maryland-National Capital Park and Planning Commission (M-NCPPC) property tax rate imposed in Prince George's County to $0.61 per $100 of assessed value, which is the commission's current combined property tax rate. In addition, the bill stipulates that 16.4% of M-NCPPC property tax revenues be dedicated to education programs (11.5%) and county general fund programs (4.9%). The bill takes effect July 1, 1997 and sunsets on June 30, 1999.

Fiscal Summary

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

Local Effect: Indeterminate effect on M-NCPPC revenues in FY 1998 and FY 1999. M-NCPPC expenditures could decrease by $15.7 million in FY 1998 and Prince George's County expenditures could increase by $15.7 million.

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

Fiscal Analysis

Background: 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. The fiscal 1997 rates per $100 assessed value are illustrated in **Exhibit 1**.

Exhibit 1
M-NCPPC Fiscal 1997 Tax Rates and Revenue Yields

M-NCPPC Tax	Areas Tax Imposed	Tax Rate	Revenue Yield
Administration Tax	Regional District	$0.1103	$17,741,350
Park Tax	Metropolitan District	$0.3534	$53,558,111
Recreation Tax	Countywide	$0.1401	$23,252,060
Advance Land Acquisition Tax	Countywide	$0.0062	$1,028,606
Combined Rate		$0.61	$95,580,127

The administration tax funds the administrative expenses and planning functions of the commission. The park tax funds the acquisition and development of parks. The recreation tax funds the operating and maintenance costs of M-NCPPC recreational programs. The advance land acquisition tax pays the principal and interest on bonds issued for the acquisition of lands for public use, such as school sites, arterial limited access highways, streets and roads, and other public uses.

Under current law, the Regional District consists of the entire county, except the area enclosed by the corporate limits of the City of Laurel. The Metropolitan District consists of the entire county, except the areas of the City of Greenbelt, the City of District Heights, the City of Laurel, most of Election District #10 (West of Laurel), Election District #8 (the Aquasco area), and Election District #4 (the Nottingham area).

Local Effect: This bill caps the combined M-NCPPC property tax rate to $0.61 per $100 of assessed value, which is the commission's current combined property tax rate. Property taxes account for approximately 91% of M-NCPPC revenues in fiscal 1997. Establishing a tax rate cap will limit the growth of this revenue source to only the growth in the county's assessable base. This could lead to a revenue shortfall sometime in the future, depending upon M-NCPPC expenditures, inflation, and assessable base growth.

In addition, the bill stipulates that 16.4% of M-NCPPC property tax revenues be dedicated to education programs (11.5%) and county general fund programs (4.9%). Based on fiscal 1997 revenue estimates, $11 million in M-NCPPC revenues would go to fund education programs and $4.7 million would fund other general fund programs in the county. Diverting M-NCPPC revenues to fund education and county programs would result in a $15.7 million decrease in funding for park, recreation, and planning services in Prince George's County.

However, approximately 18% ($22.3 million) of M-NCPPC's fiscal 1997 budget for Prince George's County is reserved for funding future programs that are not currently in place. These reserves could fully offset the reduction in M-NCPPC revenue in fiscal 1998 and slightly offset the revenue decrease in fiscal 1999. In fiscal 1999 (the last year that M-NCPPC revenues would be diverted to education and county programs), approximately $13.5 million of M-NCPPC's expenditures would have to be eliminated, which represents almost 13% of the commission's expenditures. The potential impact in fiscal 1998 and fiscal 1999 is illustrated in **Exhibit 2**. It is important to note that the fiscal impact shown for fiscal 1999 in **Exhibit 2** is based on a zero growth budget for fiscal 1998 and fiscal 1999.

Exhibit 2
Potential Fiscal Impact in Fiscal 1998 and Fiscal 1999

MNCPPC Projected Reserves in FY 1998	$22.3 million
MNCPPC Revenues in FY 1998*	$86.7 million
Total Available MNCPPC Revenues in FY 1998	$109.0 million
MNCPPC Expenditures in FY 1998**	$104.6 million
Ending Balance	$4.4 million
MNCPPC Revenues in FY 1999*	$86.7 million
Total Available MNCPPC Revenues in FY 1999	$91.1 million
MNCPPC Expenditures in FY 1999**	$104.6 million
Potential MNCPPC Deficit in FY 1999	$13.5 million

*based on fiscal 1997 revenue levels, minus amount dedicated for education and other county general fund programs and interest earnings.
**based on fiscal 1997 expenditure levels, minus funds reserved for future years.

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 property in Prince George's County totals $1 billion. A sizeable, 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 flat tax rate required by this bill.

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

Fiscal Note History: First Reader - March 24, 1997

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