

Department of Legislative Services
Maryland General Assembly
2000 Session

FISCAL NOTE

House Bill 1213 (Delegate Owings)
(Calvert County Delegation)

Appropriations

**Calvert County - Agricultural Land Preservation Program - General Obligation
Installment Purchase Agreements**

This bill authorizes Calvert County to enter into “installment purchase agreements” for an aggregate purchase price of not more than \$10,300,000 plus interest to acquire transfer development rights. An installment purchase agreement is defined as an agreement pursuant to which the county will acquire transfer development rights from landowners of agricultural or forestry land located in Calvert County, will pay the purchase price for that land either in installments or at the maturity of the agreement, and will pay interest on the unpaid balance. Calvert County is authorized to purchase and set aside in a segregated fund or account U.S. Treasury STRIPs or other obligations specified under current law and county guidelines to apply those funds to the payment of the balance of the purchase price. The county may apply to the payment of the purchase price and interest any funds received from the State, the federal government, or any other source under specified conditions.

The bill takes effect June 1, 2000.

Fiscal Summary

State Effect: None. Only Calvert County finances would be affected.

Local Effect: Calvert County expenditures would increase by an estimated \$2.8 million in FY 2001 for the purchase of U.S. Treasury STRIPs, interest payments, and legal fees. Future year expenditures reflect ongoing investment purchases, interest payments, and legal fees.

Small Business Effect: Minimal.

Analysis

Background: Calvert County operates under the commissioner form of local government. It is not currently authorized to enter into installment purchase agreements for the purchase of development rights. The purchase of development rights is one tool used by local governments to protect land from development. At the end of fiscal 1999, the county had approximately \$74.5 million in outstanding debt.

Local Fiscal Effect: Calvert County expenditures could increase by an estimated \$2.8 million in fiscal 2001 due to installment purchase agreements. This estimate reflects the purchase of STRIPs for investments, interest payments on the future value of the bonds purchased, and legal costs. It assumes that funds available in the county's fiscal 2000 capital budget as well as recordation fees collected will be used to purchase the STRIPs, as provided by the bill. It also assumes that the county will enter into agreements of 15-year terms at an interest rate of 5.5% and that the county will enter into those agreements at the end of the fiscal year. It is assumed that the county will manage this new program with existing resources. Future year estimates reflect ongoing purchases of STRIPs, interest payments, and legal fees.

(in dollars)	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Invest. Purchase	2,625,000	1,000,000	1,000,000	1,000,000	884,300
Interest Payments	199,500	322,300	445,100	567,900	690,700
Legal Costs	25,000	15,000	15,000	15,000	15,000
Total Expend.	\$2,849,500	\$1,337,300	\$1,460,100	\$1,582,900	\$1,590,000

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Calvert County, Maryland Department of Agriculture, Department of Legislative Services

Fiscal Note History: First Reader - February 22, 2000

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