

Department of Legislative Services

Maryland General Assembly

2001 Session

FISCAL NOTE

House Bill 112 (St. Mary's County Delegation)

Commerce and Government Matters

Budget and Taxation

**St. Mary's County - Capital Revolving Financial Fund for Fire Fighting
Equipment and Facilities**

This bill increases from \$2 million to \$3 million the amount of general obligation bonds that the St. Mary's County Commissioners can issue to fund the St. Mary's County Capital Revolving Financial Fund for Fire Fighting Equipment and Facilities. The bill requires unexpended investment earnings of the capital revolving fund to be credited to that fund at the end of the fiscal year. The St. Mary's County Fire Board and the St. Mary's County Ambulance and Rescue Association must prepare written recommendations to the St. Mary's County Emergency Services Committee for the need, practicality, and financial ability of a loan applicant. The St. Mary's County Emergency Services Committee must forward all loan applications along with its priority recommendations to the county commissioners.

Fiscal Summary**State Effect:** None.

Local Effect: St. Mary's County expenditures could increase by \$54,000 in FY 2002 to cover the debt service cost on a \$1 million bond issuance for the county's Capital Revolving Financial Fund for Fire Fighting Equipment and Facilities. This estimate assumes the county commissioners issue an additional \$1 million in bonds for the fund.

Small Business Effect: None.

Analysis

Current Law: Borrowing authority for funding the St. Mary's County Capital Revolving Financial Fund for Fire Fighting Equipment and Facilities is limited to \$2 million. Investment earnings of the capital revolving fund are returned to the St. Mary's County general fund at the end of the fiscal year. The St. Mary's County Fire Board and St. Mary's County Ambulance and Rescue Association are required to assign an order of priority to loan applicants.

Background: The capital revolving fund has a current balance of \$1,500,000. The county intends to include an additional \$500,000 in the fiscal 2002 budget for the fund. Individual fire and rescue units in St. Mary's County can apply for loans to purchase equipment and improve facilities. The St. Mary's County Volunteer Fire Service has eight stations and approximately 700 volunteers. The St. Mary's County Volunteer Fire Service responded to 2,175 calls in fiscal 1999 with the projected volume increasing to 2,284 calls in fiscal 2000 and 2,398 calls in fiscal 2001.

Local Fiscal Effect: St. Mary's County revenues could increase by \$1 million in fiscal 2002 if the additional borrowing authority is exercised. Debt service payments on the loan amount, including both principal and interest, will total approximately \$101,000 annually for the next 15 years. This estimate assumes debt financing at 6% over 15 years. St. Mary's County distributes these proceeds from the loan to individual fire and rescue companies for the purpose of purchasing additional equipment and making facility improvements. The individual fire and rescue companies must repay the county at a nominal interest rate of 0.5%. Accordingly, the net cost to the county government totals only the interest payments not paid by the individual fire and rescue companies, which is about 5.5%. Therefore, county expenditures would increase by approximately \$54,000 in fiscal 2002 and by \$43,000 in fiscal 2006. Interest payments would decrease in subsequent years as the loan principal is paid down.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): St. Mary's County, Department of Legislative Services

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