Department of Legislative Services

Maryland General Assembly
2001 Session

FISCAL NOTE
Revised

Senate Bill 733 (Senator McFadden, *et al.*)
(Baltimore City Administration)

Budget and Taxation Ways and Means

Baltimore City Charter Amendment - General Powers - Tax Increment Financing

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This bill makes several changes to the city's tax increment financing provisions. The bill authorizes the city to use proceeds from tax increment financing for parking facilities that are either publicly or privately owned but serve a public purpose. The bill also eliminates the requirement that the development district be a contiguous area. Finally, the bill makes a technical adjustment required by the State's change from fractional property assessment to full value property assessment.

The bill is effective July 1, 2001.

Fiscal Summary

State Effect: Potential minimal increase in individual and corporate income revenues as a result of economic development and decrease in State aid to Baltimore City due to an increase in the city's wealth base.

Local Effect: Potential significant increases in property, income, and parking revenues. Potential decrease in State aid. Potential significant increase in annual debt service expenditures.

Small Business Effect: Potential meaningful.

Analysis

Current Law: The city may not use proceeds from tax increment financing for parking facilities. Purchases of infrastructure improvements, goods, or services payable from tax increment financing proceeds are subject to the city's competitive bidding requirements. Development districts must be contiguous areas.

Background: Tax increment financing is a method of public project financing whereby the increase in the property tax revenue generated by new commercial development in a specific area, the tax increment financing (TIF) district, pays for bonds issued to finance site improvements, infrastructure, and other project costs located on public property. Chapter 624 of 1994 provided Baltimore City with the authority to participate in tax increment financing projects but prohibited it from pledging its full faith and credit or unlimited taxing power for the payment of such bonds. However, Article XI, Section 7 of the Constitution of Maryland provides that the Mayor and City Council of Baltimore may not create any public debt for Baltimore City without first seeking authorization from the General Assembly, and then submitting a proposed ordinance on the issue to the voters of Baltimore City for their required majority approval. Chapter 66 of 2000 allowed Baltimore City to more easily participate in tax increment financing by permitting the issuance of appropriation risk bonds. The pledge of tax increment revenues for the payment of these bonds is subject to an annual appropriation by the Mayor and City Council. The bonds may not be backed by the full faith and credit or unlimited taxing authority of the city.

State Fiscal Effect: Depending upon the number of additional TIF projects that the city undertakes as result of this bill, the resulting economic development could increase individual and corporate income taxes for the State. For example, if a parking facility were constructed in a renovated area, corporate income revenues could potentially increase. The Department of Legislative Services has not been provided any information on the potential increase in the number of projects as a result of the bill.

Local Fiscal Effect: With each additional project undertaken as a result of this bill, there would potentially be a significant increase in property tax revenues and annual debt service expenditures. Property tax revenues would increase as additional renovations are made because the development district no longer need be contiguous. As the assessed value of the properties in the area increase, however, the increase in these revenues would be used to offset the related debt service. That is, the city would issue appropriation risk bonds in order to finance development and, consequently, their annual debt service payments would increase. The Department of Legislative Services has not been provided any information on the potential increase in the number of projects as a result of the bill.

However, it is likely that any construction of parking facilities would significantly impact the city's property tax revenue and debt service payments.

There could be a decrease in State aid provided to the city due to additional property tax assessments included in the city's wealth base used for several aid programs.

Small Business Effect: As this bill would allow Baltimore City to more easily participate in tax increment financing, it would likely spawn economic development in the areas designated by the city. This economic development could have a meaningful impact on multiple types of small businesses. It could provide renovation and building projects for existing small construction businesses or could provide incentives for the establishment of new small businesses that could locate in the renovated districts.

Additional Information

Prior Introductions: None.

Cross File: HB 1145 (Delegate Rawlings) – Ways and Means.

Information Source(s): Department of Legislative Services

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