Department of Legislative Services

Maryland General Assembly
2004 Session

FISCAL AND POLICY NOTE

House Bill 874 (Frederick County Delegation)
Appropriations

Frederick County - Borrowing Powers - Employee Health Care Benefits

This bill permits Frederick County Commissioners to use their borrowing powers to fund the costs of employee health care benefits, pursuant to a multiyear contract that terminates by June 30, 2014 and requires the county commissioners to make payments in two or more fiscal years.

The bill takes effect July 1, 2004.

Fiscal Summary

State Effect: None.

Local Effect: To the extent the county issues bonds to fund employee health benefits, county debt and debt service expenditures would increase.

Small Business Effect: None.

Analysis

Bill Summary: In addition to using borrowing powers to fund employee health benefits, the Frederick County Commissioners may: (1) borrow or pledge money from any source for any purpose relating to the provision of employee health care benefits; (2) pay interest as part of any payments in accordance with the terms of the contract; (3) enter into contracts or agreements of any kind and execute all instruments necessary and convenient to carry out the powers granted, including trust indentures, conditional funding agreements, or other payment agreements; and (4) contract with or engage the services of any person for any financing, including underwriters, placement agents, financial institutions, issuers of letters of credit or insurers, issuers of certificates of participation, health insurers, or health care providers. The bill places limitations on when the commissioners may use borrowing powers to fund health benefits.

Current Law: State and local laws provide several limitations on county debt. Frederick County Commissioners may borrow up to $1 million to pay bond interest, and may borrow up to $5 million to pay any county expense without special legislative authority. All other debt must first be authorized by the General Assembly.

Background: Frederick County has considered the potential use of bond funding to pay employee health care costs over several years.

As of June 30, 2002, Maryland counties and Baltimore City had $10.5 billion in outstanding debt, including general obligation bonds, revenue and enterprise debt, federal loans, State loans, capital leases, and short-term debt. Long-term debt generally serves as a funding source for capital projects such as highways, schools, sewer and water facilities, and other urban development projects. Short-term debt usually serves as a cash management tool. In fiscal 2002, Frederick County's debt was about $304 million. Its bond ratings are AA, Aa2, and AA+ by Standard and Poors, Moody's, and Fitch respectively.

Local Fiscal Effect: *Frederick County did not respond to Legislative Services' request for information.* To the extent the county issues bonds to fund employee health benefits, county debt and debt service expenditures would increase. It is unknown what type(s) of health benefits are provided to employees, or the terms or length of any existing contract to provide benefits.

Additional Information

Prior Introductions: None.

Cross File: SB 700 (Senators Brinkley and Mooney) – Budget and Taxation.

Information Source(s): Department of Legislative Services

Fiscal Note History: First Reader - March 2, 2004
mh/jr

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