

Department of Legislative Services
Maryland General Assembly
2004 Session

FISCAL AND POLICY NOTE
Revised

Senate Bill 784

(Carroll County Senators)

Budget and Taxation

Appropriations

Carroll County - Public Facilities Bonds

This bill authorizes the County Commissioners of Carroll County to issue up to \$31 million in general obligation bonds for the construction, improvement, and development of public facilities in Carroll County and retirement of unfunded obligations owed to the State Retirement and Pension System. The date of maturity cannot exceed 30 years.

The bill takes effect June 1, 2004.

Fiscal Summary

State Effect: State Retirement and Pension System assets and liabilities would not be affected.

Local Effect: Carroll County would receive up to \$31 million in bond proceeds for capital projects. County debt service expenditures would increase by an estimated \$2.8 million annually for the next 15 years. County expenditures would decrease by \$6 million due to avoided interest costs of unfunded obligations to the State Retirement and Pension System.

Small Business Effect: Minimal.

Analysis

Background: Carroll County advises that \$19 million of the bond proceeds would be used for projects in the county's Capital Improvement Plan, including \$7.2 million for county government facilities, \$8.6 million for roads and bridges, \$3.1 million for conservation and open space projects, and \$0.1 million for water and sewer projects. The

remaining \$12 million would be used to retire obligations to the State Retirement and Pension System.

Although Carroll County withdrew from the State Retirement and Pension System as a participating employer on June 30, 1985, 240 active and deferred employees and 159 retired county employees are still in the system.

Local Fiscal Effect: Carroll County revenues could increase by up to \$31 million due to the bond proceeds. Annual debt service costs for the bonds would total approximately \$2.8 million. This estimate is based on a 4.25% annual interest rate over 15 years. At the end of fiscal 2003, Carroll County had approximately \$202 million in outstanding debt which represents approximately 2.2% of the county's assessable base. The statewide average is approximately 3.1%. The county currently has an AA credit rating from Standards and Poor's, an Aa2 credit rating from Moody's Investors Service, and an AA+ credit rating from Fitch.

The county makes an annual payment to the State Retirement and Pension System on December 31 of each year; as of April 2004 the county has 16 annual payments remaining to retire its obligation to the system. Based on current payment information, the county would make payments totaling \$22.5 million over the next 16 years to the system. Retiring this obligation with approximately \$12 million in bond proceeds under the bill would result in payments totaling approximately \$16.5 million over the next 15 years. The net savings to the county would be approximately \$6 million in avoided interest costs over the next 15 years.

Additional Comments: One cent on Carroll County's property tax rate yields approximately \$1,186,843 in fiscal 2005. Accordingly, the \$2.8 million expenditure increase for debt service on the bonds issued in fiscal 2005 is equivalent to almost a 2.4 cent increase in the county's property tax rate.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Carroll County, Milliman USA, State Retirement Agency, Department of Legislative Services

Fiscal Note History: First Reader - March 24, 2004
mh/ljm Revised - Senate Third Reader - April 7, 2004

Analysis by: Christopher J. Kelter

Direct Inquiries to:
(410) 946-5510
(301) 970-5510