HB 290

Department of Legislative Services

Maryland General Assembly
2005 Session

FISCAL AND POLICY NOTE
Revised

House Bill 290 (Frederick County Delegation)
Appropriations Budget and Taxation

Frederick County - Public Facilities Bonds

This bill authorizes the County Commissioners of Frederick County to issue up to $66 million in general obligation bonds for (1) the construction or reconstruction of capital projects; (2) installment purchase agreements (IPAs) for the acquisition of easements on agricultural and forestry lands; or (3) financing the payment of any unfunded liability of the county to the State Retirement and Pension System (SRPS). The date of maturity of the bonds cannot exceed 30 years.

The bill takes effect June 1, 2005.

Fiscal Summary

State Effect: None.

Local Effect: Frederick County would receive up to $66 million in bond proceeds. County debt service expenditures could increase by an estimated $5 million annually over a 20-year period.

Small Business Effect: Potential minimal.

Analysis

Background: Frederick County advises that funds derived from bonds issued under this authority will be used for capital improvements to libraries, emergency facilities, roads and bridges among other projects. In addition, $22.5 million would be used to finance installment purchase agreements to purchase easements on agricultural and forestry land to preclude development in these areas, and $6 million would be used to finance payment of any unfunded liability to SRPS.

Several measures have passed the General Assembly in recent years authorizing Frederick County to issue bonds for public facilities. Chapter 76 of 1997 authorized the county to issue $40.5 million; Chapter 373 of 1999 authorized the county to issue up to $90 million; Chapter 208 of 2001 authorized the county to issue up to $43 million; and Chapter 37 of 2003 authorized the county to issue up to $101 million.

Local Fiscal Effect: Frederick County revenues could increase by up to $66 million due to bond proceeds. The county expects to issue the bonds over a three-year period. Annual debt service costs for the bonds would total approximately $5 million for a $66 million bond issuance. This estimate is based on a 4.5% interest rate and a 20-year term of maturity.

While Frederick County does not have a statutory debt limit, two common analytical measures of local debt capacity are debt as a percent of assessable base and debt per capita. At the end of fiscal 2004, Frederick County had approximately $280.7 million in general long-term debt. County debt as a percent of assessable base is 1.9% and county debt per capita is approximately $1,314. Frederick County currently has a bond rating of AA from Standard and Poor's, an Aa2 rating from Moody's Investors Service, and an AA+ rating from Fitch ratings.

Small Business Effect: To the extent that capital improvements would make certain areas more attractive to customers, small business revenues could increase for businesses located in these areas. Additionally, since most farms are small businesses, the increased money for purchasing easements through IPAs would enable more farmers to sell easements on agricultural and forestry lands to the county. As of 2002, there were 1,273 farms in Frederick County with an average of 154 acres per farm.

Additional Information

Prior Introductions: None.

Cross File: SB 359 (Senators Brinkley and Mooney) – Budget and Taxation.

Information Source(s): Frederick County, Department of Legislative Services

Fiscal Note History: First Reader - February 3, 2005
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