

Department of Legislative Services
Maryland General Assembly
2005 Session

FISCAL AND POLICY NOTE

House Bill 1546
Appropriations

(Howard County Delegation)

Budget and Taxation

Howard County - Revenue Authority
Ho. Co. 8-05

This bill authorizes Howard County to establish, through local legislation, the Howard County Revenue Authority for the financing or operating of cultural, recreational (excluding golf courses), and parking facilities.

The bill takes effect on July 1, 2005.

Fiscal Summary

State Effect: None.

Local Effect: Since the revenue authority would probably be considered part of the Howard County government for financial reporting purposes, county revenues and expenditures could increase.

Small Business Effect: Potential minimal.

Analysis

Bill Summary: The Howard County Executive, with the approval of the county council, would be authorized to transfer the county's title to any lands, streets, alleys, buildings, facilities, or other public places to the revenue authority, provided the revenue authority pays the county the reasonable value of the property transferred. Additionally, the revenue authority would be authorized to acquire real and personal property or interests in real and personal property. Of the property it acquires, the revenue authority would be authorized to pledge, mortgage, encumber, sell, lease, transfer, or convey any interest in

it to the county or to any person. In the event of the dissolution of the revenue authority, however, the title to all property financed by the proceeds of bonds, notes, or other evidences of indebtedness issued by the authority will revert to the county.

The revenue authority would have the authority to issue revenue bonds, notes, or other evidences of indebtedness. This indebtedness, however, is not to be construed to constitute a debt of the county, or the pledge of the faith and credit of the county or of the State. Furthermore, the budget for the revenue authority and any proposal by the revenue authority to issue bonds is subject to the approval of the county executive and county council.

The county council would be authorized to advance money from the county's general funds to the revenue authority to defray certain expenses prior to the sale of revenue bonds. These advances are to be repaid out of the first proceeds of the sale of the revenue bonds following the advance. The county executive, with the approval of the county council, may agree to provide sufficient funds from the county's general fund to cover any deficiency in the debt service requirements for any year in which there is a deficit. These advances are to be repaid in the next year in which the revenue authority's revenues are greater than its debt service requirements and operating expenses. In any event, Howard County would be authorized to advance up to \$25,000 per year to the revenue authority from the county's general fund, unless otherwise authorized by local legislation.

The revenue authority would be required to have its books and records audited after the close of each fiscal year. Furthermore, within 90 days after the end of the county's fiscal year, the revenue authority must send to the county executive, county council, and the county delegation to the General Assembly an annual financial report.

The board members receive no compensation for services provided. They are, however, entitled to reimbursement for necessary and reasonable expenses incurred in discharging their duties. The county executive must nominate at least one candidate to be the executive director of the revenue authority. The duties, responsibilities, and compensation of this individual are to be determined by the board.

Current Law: Howard County does not have the authority to establish a revenue authority.

Background: Revenue bonds are bonds in which the interest and principal are paid by the revenue generated from the project which was financed by the bond. As such, they are generally not backed by the full faith and credit of the unit of government.

Other jurisdictions, such as Baltimore, Montgomery, and Prince George's counties have local revenue authorities.

Local Fiscal Effect: The revenue authority would probably be considered part of county government for financial reporting purposes. Therefore, county revenues and expenditures could increase. This increase cannot be reliably quantified at this time, as it would depend on the number, scope, and cost of the projects; the amount, term, and interest rates of any bonds issued; any revenue generated by the projects; as well as the operating expenses of the revenue authority. It can be expected, however, that the increase in revenues and expenditures would be significant.

Small Business Effect: If the revenue authority uses its ability to finance the construction of and operate cultural, recreational, and parking facilities, nearby small businesses could be positively impacted if these developments attract more customers to the areas affected.

Additional Comments: This enabling legislation establishing the county revenue authority includes several provisions that could fiscally tie the county government to the authority. Among these provisions is one which would enable the county council to advance funds to the authority from the county's general funds to defray certain expenses prior to the sale of revenue bonds. Additionally, the county executive, with the approval of the county council, may provide sufficient funds from the county's general funds to pay any deficiency in debt service requirements. While the bill provides for a maximum annual general fund payment, if the bond rating agencies perceive a nexus between the county and the revenue authority, the county's general fund bond rating could be adversely affected if the county government fails to cover any deficiency in the authority's debt service requirement.

Additional Information

Prior Introductions: None.

Cross File: None.

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

Fiscal Note History: First Reader - March 21, 2005
n/hlb

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