

Department of Legislative Services
Maryland General Assembly
2006 Session

FISCAL AND POLICY NOTE

House Bill 358
Ways and Means

(St. Mary's County Delegation)

Budget and Taxation

St. Mary's County - Special Taxing Districts - Creation

This bill authorizes St. Mary's County to create special taxing districts for developing and financing infrastructure improvements. The county may impose *ad valorem* or special taxes and issue bonds or other obligations to finance the improvement projects.

Fiscal Summary

State Effect: None.

Local Effect: St. Mary's County could realize an increase in revenues due to the collection of special taxes and bond proceeds, and an increase in expenditures due to the financing of infrastructure improvements and debt service. The net fiscal impact would be minimal since revenues from the special taxing districts would be used to fund these expenditures.

Small Business Effect: Potential meaningful positive impact on small businesses in St. Mary's County.

Analysis

Current Law: Other counties authorized to create special taxing districts for infrastructure improvements include: Anne Arundel, Calvert, Charles, Garrett, Howard, Prince George's, Washington, and Wicomico.

Background: St. Mary's County advises that it has limited authority to create special assessment districts for specified uses, such as street lighting and erosion control; the

county's fiscal 2006 approved budget includes 17 such assessment districts affecting 915 properties.

St. Mary's County Department of Economic and Community Development advises that while there are no specific projects that have been acted upon by the county, this authority will most likely be used to promote development or redevelopment of certain areas.

Special taxing districts encompass a broad range of units including entities created by the General Assembly and those created by a county and municipality. Some special taxing districts resemble municipalities and provide a range of public services. Other districts exist for a limited purpose, such as the financing of public drainage within a limited area or the creation and maintenance of street lighting in a particular neighborhood. Despite sharing some features similar to counties and municipalities, these entities lack home rule authority and must come to the legislative body that created them in order to change the scope of their powers. According to the U. S. Census Bureau, Maryland has 241 special taxing districts. Anne Arundel, Caroline, and Dorchester counties have the most special taxing districts.

Local Fiscal Effect: To the extent that St. Mary's County undertakes financing infrastructure improvements, expenditures would increase. To the extent that the county issues bonds as a result of this authority, debt service expenditures could increase. The county could offset the costs of these infrastructure improvements and debt service through the imposition of *ad valorem* or special taxes, as well as bond proceeds from special taxing districts. To the extent that the county imposes these taxes or issues bonds, revenues would increase. In any event, the net impact is likely to be minimal since revenues generated by the special taxing districts would be used to fund the financing of the infrastructure improvements.

The county advises that expenditures associated with creating and administering the special taxing districts would likely be minimal and absorbable within existing resources.

Small Business Effect: To the extent that the creation of special taxing districts allows St. Mary's County to finance infrastructure improvement projects, small businesses contracting with the county to design and construct the improvements could benefit. If the focus of the special taxing districts is on commercial property and the private sector is one of the expected beneficiaries of any improvements, there could be a potential positive impact of these special taxing districts on small businesses. For example, if a district is created to fund road improvements in a certain area of the county, small businesses could benefit from increased traffic.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): St. Mary's County, Department of Legislative Services

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ncs/hlb

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