

Department of Legislative Services
Maryland General Assembly
2006 Session

FISCAL AND POLICY NOTE

Senate Bill 898

(Senator Colburn)

Budget and Taxation

Ways and Means

Dorchester County - Transfer Tax Revenues - Use for Costs of School Buildings

This bill adds to the list of authorized uses of Dorchester County transfer tax revenues certain costs associated with school buildings, including renovations, facilities maintenance, and new construction.

The bill takes effect July 1, 2006.

Fiscal Summary

State Effect: None.

Local Effect: Dorchester County expenditures associated with school buildings could increase significantly beginning in FY 2007. Revenues would not be affected.

Small Business Effect: Potential minimal.

Analysis

Bill Summary: At the end of each fiscal year, Dorchester County must: (1) review the transfer tax account after all bills for maintenance and debt service for the county court house have been paid; (2) determine school building needs based on the approved 10-year capital improvement plan; and (3) determine the amount from any remaining balance in the transfer tax account to be dedicated to school building costs.

The amount of transfer tax dedicated to the school buildings may not exceed the amount needed to fund those costs specific to the next fiscal year. A public hearing must be held before any revenues are used to pay for school building costs.

Current Law: Dorchester County transfer tax revenue can only be used to pay debt service on general obligation bonds related to capital improvements or pay-as-you-go capital improvements related to the county court house.

Local Expenditures: Allowing Dorchester County transfer tax revenues to be used for costs associated with school buildings could significantly increase county expenditures beginning in fiscal 2007. **Exhibit 1** provides the county actual transfer tax revenues in fiscal 2004 and 2005 and related expenditures for the county court house.

Exhibit 1
County Transfer Tax Fund Activity

<u>Fiscal Year</u>	<u>Transfer Tax Revenue</u>	<u>Court House Expenditures *</u>	<u>Remaining Balance</u>
2004	\$1,133,086	\$686,123	\$446,963
2005	\$1,947,210	\$738,894	\$1,208,316

* - includes debt service for bonds on court house construction

Based on the above information, Dorchester County would be able to increase funding for costs associated with school buildings significantly beginning in fiscal 2007 if the transfer tax fund revenues and expenditure trends remain consistent.

Additional Information

Prior Introductions: None.

Cross File: HB 1537 (Delegates Eckardt, *et. al.*) – Ways and Means.

Information Source(s): State Department of Assessments and Taxation, Department of Legislative Services

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ncs/hlb

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