

Department of Legislative Services  
Maryland General Assembly  
2007 Session

FISCAL AND POLICY NOTE

House Bill 352  
Appropriations

(Washington County Delegation)

Budget and Taxation

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Washington County - Public Facilities Bonds

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This bill authorizes the Washington County Commissioners to issue up to \$80 million in general obligation bonds for the construction or reconstruction of capital projects, and installment purchase agreements (IPAs) for the acquisition of easements on agricultural and forestry lands. The date of maturity of the bonds cannot exceed 30 years.

The county commissioners must present a plan to implement a county land preservation and landowner equity program to members of the General Assembly representing Washington County by January 1, 2008.

The bill takes effect June 1, 2007.

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Fiscal Summary

**State Effect:** None.

**Local Effect:** Washington County would receive up to \$80.0 million in bond proceeds. County debt service expenditures could increase by an estimated \$6.0 million annually over a 20-year period.

**Small Business Effect:** Potential minimal.

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Analysis

**Background:** Chapter 110 of 1999 and 205 of 2004 authorized Washington County to issue up to \$50 million and \$75 million, respectively, in general obligation bonds.

The fiscal 2007-2012 Washington County Capital Improvement Plan outlines a number of projects for which bond proceeds may be used over the next five years. These include general government projects (\$4.7 million), road improvement (\$34.3 million), bridges (\$4.5 million), board of education projects (\$14.8 million), and water quality projects (\$5.7 million).

Local governments have a variety of tools at their disposal to preserve agricultural and forestry land; among these are IPAs. An IPA allows a local government to acquire the easements (or similar rights) on agricultural or forestry land to restrict its use and development. An IPA is an innovative payment plan that allows jurisdictions to stretch available funds while offering benefits to landowners. It essentially is a contract between a purchaser and a seller to pay unpaid principal at settlement as a balloon payment at the end of the term of the agreement. During the period of the agreement, the purchaser pays the seller tax-exempt interest on the unpaid principal. According to Washington County's December 2005 "Land Preservation, Parks and Recreation Plan," around 18,100 acres in the county have been permanently preserved through various programs, including easement acquisition.

**Local Fiscal Effect:** Washington County revenues could increase by up to \$80 million due to bond proceeds. Annual debt service costs for the bonds would total approximately \$6.0 million for an \$80 million bond issuance. This estimate is based on a 4.35% interest rate and a 20-year term of maturity. To the extent that the bond issuance, interest rate, or term of maturity deviates from this assumption, expenditures would adjust accordingly.

While Washington 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 2006, Washington County had approximately \$125.1 million in outstanding county general obligation bonds, which is around \$881 per capita and 1.4% of assessable base. Washington County's bond ratings were upgraded in 2006 by Standard and Poor's (AA-) and Moody's Investors Service (Aa3). The county received an AA- rating from Fitch Ratings in 2005.

In December 2005, Washington County produced a "Land Preservation, Parks and Recreation Plan," commonly known as a local land preservation and recreation plan. This report included a discussion of the county's agricultural land preservation goals, sources of funding for easement acquisition on agricultural land, and the acreage preserved by program type. Since much of the information that would be presented to the members of the General Assembly representing Washington County is contained in this report, the county may only need to update this information. It is assumed that any

impact associated with updating this information would be minimal and could be absorbed within existing resources.

**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. In addition, 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 the 2002 agriculture census, there were 775 farms in Washington County with an average of 161 acres per farm.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** Washington County, U.S. Department of Agriculture, Department of Legislative Services

**Fiscal Note History:** First Reader - February 9, 2007  
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