

Department of Legislative Services
Maryland General Assembly
2007 Session

FISCAL AND POLICY NOTE
Revised

Senate Bill 905

(Carroll County Senators)

Budget and Taxation

Appropriations

Carroll County - Public Facilities Bonds

This bill authorizes the Carroll County Commissioners to issue up to \$80.0 million in general obligation bonds for (1) the acquisition, construction, improvement, or renovation of public buildings, facilities, and public works projects; (2) installment purchase agreements (IPA) for the acquisition of easements on agricultural and forestry lands; and (3) to make loans to volunteer fire departments. The date of maturity of the bonds cannot exceed 30 years.

The bill takes effect June 1, 2007.

Fiscal Summary

State Effect: None.

Local Effect: Carroll 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.

Analysis

Background: Chapter 28 of 2003 and Chapter 140 of 2004 authorized the county commissioners to issue up to \$23 and \$31 million, respectively, in public facilities bonds. Chapter 480 of 2005 authorized the county to issue up to \$35 million in public facilities bonds and Chapter 75 of 2006 authorized the county to issue up to \$52 million. **Exhibit**

1 shows the planned project areas for which bond proceeds would be used, as advised by the county.

Exhibit 1
Carroll County Fiscal 2008 Preliminary Bonding Plan
(\$ in Millions)

<u>Project</u>	<u>Amount</u>
General Government	\$23.2
Roads and Bridges	4.2
Public Schools	27.8
Conservation and Open Space	10.9
Enterprise Funds – Solid Waste	0.8
Enterprise Funds – Utilities	8.1
Fire Companies	<u>5.0</u>
Total	\$80.0

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.

Local Fiscal Effect: Carroll County revenues could increase by up to \$80.0 million due to bond proceeds. Annual debt service costs for the bonds would total approximately \$6.0 million. The estimate assumes 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 Carroll County does not have a legal debt limit, the county has self-imposed recommended debt limit of 6% of the total county assessable base. According to the county's fiscal 2006 *Comprehensive Annual Financial Report*, at the end of fiscal 2006, Carroll County had approximately \$246.8 million in total general bonded debt, which represents approximately 1.8% of the county's fiscal 2006 total assessable base and is

\$1,464 per capita. The county has an AA bond rating from Standard and Poor's, an AA+ from Fitch Ratings, and an Aa2 from Moody's Investors Service.

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. Also, 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 1,058 farms in Carroll County with an average of 139 acres per farm.

Additional Information

Prior Introductions: None.

Cross File: None.

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

Fiscal Note History: First Reader - March 8, 2007
mll/hlb Revised - Enrolled Bill - May 4, 2007

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