

Department of Legislative Services
Maryland General Assembly
2008 Session

FISCAL AND POLICY NOTE
Revised

Senate Bill 780

(Carroll County Senators)

Budget and Taxation

Appropriations

Carroll County - Public Facilities Bonds

This bill authorizes the Carroll County Commissioners to issue up to \$120.0 million in general obligation bonds for • the acquisition, construction, improvement, or renovation of public buildings, facilities, and public works projects; • installment purchase agreements (IPAs) for the acquisition of easements on agricultural and forestry lands; and • loans to volunteer fire departments. Contingent on the failure of SB 659/HB 1135 during the 2008 session, proceeds from the bonds may not be used for construction of a Criminal Justice Building. SB 659/HB 1135 would submit to voter referendum an ordinance enacted by the county commissioners creating a county police department. The date of maturity of the bonds cannot exceed 30 years.

The bill takes effect June 1, 2008.

Fiscal Summary

State Effect: None.

Local Effect: Carroll County would receive up to \$120.0 million in bond proceeds. County debt service expenditures could increase by an estimated \$10.8 million annually over a 15-year period.

Small Business Effect: None.

Analysis

Background: Chapter 58 of 2007 authorized the Carroll County Commissioners to issue up to \$80 million in public facilities bonds. Additionally, Chapter 75 of 2006 and

Chapter 480 of 2005 authorized the county commissioners to issue up to \$52 million and \$35 million in public facilities bonds, respectively. **Exhibit 1** shows the planned project areas for which bond proceeds would be used under this bill, as advised by the county.

Exhibit 1
Carroll County Public Facilities Bonds

<u>Purpose</u>	<u>Amount</u>
General Government	\$17,200,000
Public Works	10,700,000
Public Schools	65,200,000
Conservation and Open Space	21,700,000
Enterprise Funds	3,600,000
Fire Company Loans	<u>1,600,000</u>
Total	\$120,000,000

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 \$120.0 million due to bond proceeds. Annual debt service costs for the bonds would total approximately \$10.8 million. The estimate is based on a 4.25% interest rate and a 15-year term to maturity. To the extent that the bond issuance, interest rate, or term of maturity deviate from this assumption, expenditures would adjust accordingly.

At the end of fiscal 2006, Carroll County had approximately \$249.2 million in outstanding debt, which represents approximately 1.9% of the county's assessable base. County debt per capita is approximately \$1,480. The county currently has an AA rating from Standard and Poor's, an Aa2 credit rating from Moody's Investors Service, and an AA+ rating from Fitch Ratings.

Additional Information

Prior Introductions: None.

Cross File: None.

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

Fiscal Note History: First Reader - February 25, 2008
mcp/hlb Revised - Senate Third Reader - March 24, 2008

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