

Department of Legislative Services
Maryland General Assembly
2008 Session

FISCAL AND POLICY NOTE

Senate Bill 923 (Senator Jacobs)
Budget and Taxation

Cecil County - Special Taxing Districts - Creation

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

The bill takes effect June 1, 2008.

Fiscal Summary

State Effect: None.

Local Effect: Cecil 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 special taxing districts would be used to fund these expenditures.

Small Business Effect: Potential meaningful.

Analysis

Bill Summary: This bill authorizes Cecil County to create special taxing districts for the purpose of infrastructure improvements. The types of infrastructure improvements authorized include storm drainage systems; water and sewer systems; roads; lighting; parking; parks and recreational facilities; libraries; schools; transit facilities; and solid waste facilities.

A local law creating a special taxing district must be enacted by a bill adopted by the county governing body. Before the county may establish a special taxing district, all owners of real property within the proposed special taxing district must petition the county for the creation of the special taxing district. The area must be a designated growth area as defined in the county comprehensive plan.

The county governing body must hold a public hearing on a bill creating a special taxing district; at the hearing the governing body may consider, among other things, the development design standards, the use of transfer of development rights or other methods of achieving density of development, design and usage of open space, and the availability and design of recreational and educational facilities.

A law enacted by the county creating a special taxing district must require reasonable disclosure of any special assessment, special tax, or other fee or charge that a buyer of real property within the district would be liable due to the special taxing district. A seller's failure to provide this information renders the contract voidable at the option of the buyer before the date of settlement. Adequate debt service reserve funds must be maintained.

Current Law: All counties have authority to establish special taxing districts for limited purposes, such as providing drainage improvements or providing street lighting. In addition, the governing bodies of counties that have adopted charter home rule or code home rule also have broad authority under the Express Powers Act to create special taxing districts to carry out most municipal services.

The General Assembly has granted nine counties (Anne Arundel, Calvert, Charles, Garrett, Howard, Prince George's, St. Mary's, Washington, and Wicomico) and Baltimore City broad authority to create special taxing districts and to levy *ad valorem* taxes and issue bonds and other obligations for purposes of financing infrastructure improvements. The types of infrastructure improvements authorized include storm drainage systems; water and sewer systems; roads; lighting; parking; parks and recreational facilities; libraries; schools; transit facilities; and solid waste facilities. In Prince George's County, this authority has been expanded to include levying hotel rental taxes and financing the cost for the construction, renovation, and maintenance of convention, conference, and visitors' centers.

As it applies to financing projects in special taxing districts, the definition of "cost" generally includes the construction, reconstruction, renovation, and all lands, structures, or property acquired or to be acquired by the county. It also includes extensions, enlargements, improvements, necessary services, plans and studies, administrative expenses, and certain finance charges and interest associated with the project.

Background: 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 broad range of public services. Other districts exist for a limited purpose, such as the financing specific infrastructure improvements. 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.

Local Fiscal Effect: To the extent that Cecil 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 that any additional expenses would be passed on to the special taxing district.

Small Business Effect: To the extent that the creation of special taxing districts allows Cecil 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: HB 1562 (Delegate Rudolph, *et al.*) – Ways and Means.

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

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