

Department of Legislative Services  
Maryland General Assembly  
2009 Session

FISCAL AND POLICY NOTE  
Revised

House Bill 1517

(Montgomery County Delegation and Prince George's  
County Delegation)

Environmental Matters

Budget and Taxation

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Maryland-National Capital Park and Planning Commission - Disbursement of  
Funds to Prince George's County and Montgomery County  
MC/PG 127-09

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This bill transfers \$65 million in local property tax revenues collected by the Maryland-National Capital Park and Planning Commission (M-NCPPC) to Montgomery and Prince George's counties.

The bill takes effect July 1, 2009.

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Fiscal Summary

**State Effect:** None.

**Local Effect:** Montgomery County revenues increase by \$5 million in FY 2010. Prince George's County revenues increase by \$30 million in FY 2010 and by \$30 million in FY 2011. Expenditures for M-NCPPC increase by the same amount.

Transferring property tax revenues from M-NCPPC to Prince George's County may conflict with the intent of the voter-imposed charter limit on county property taxes. **This bill imposes a mandate on a unit of local government.**

**Small Business Effect:** None.

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## Analysis

**Bill Summary:** M-NCPPC must transfer \$5 million to Montgomery County and \$60 million to Prince George's County from taxes levied against the assessable base in each respective county. The transfer of funds may not result in a projected deficit in M-NCPPC funds. On or before October 1, 2009, M-NCPPC must transfer \$5 million to Montgomery County and the funds may only be expended by the county for purchasing interests in real property to prevent nonagricultural uses of lands designated for agricultural preservation.

M-NCPPC must transfer a total of \$60 million to Prince George's County. Payments of \$15 million are due to the county on December 1, 2009; March 1, 2010; December 1, 2010; and March 1, 2011. The bill does not specify how these funds are to be used.

**Current Law:** Prince George's County is authorized to levy four taxes against property in the county and pay the aggregate amount collected from these taxes to M-NCPPC. State law specifies the specific purposes for which M-NCPPC may expend these tax proceeds. These purposes include the acquisition, maintenance, development, and operation of the park system in the county; acquisition of park lands; recreational purposes; administrative purposes; and repayment of outstanding bonds or bonds issued in the future.

M-NCPPC is required to advise Prince George's County of unexpended balances relating to revenues from property taxes. When the county receives notification of the unexpended balance, the county is authorized to decrease tax rates to reduce the amount of property taxes the county remits to M-NCPPC, taking the unexpended fund balance into consideration. The M-NCPPC tax rate may not be reduced to a rate insufficient to produce the amount of money necessary to pay debt service on bonds issued by M-NCPPC and guaranteed by the county.

### *Property Tax Limits in Prince George's County*

The general property tax rate in Prince George's County is capped at \$0.96 per \$100 of assessed value. Special taxing districts, such as M-NCPPC, are not included under the tax cap.

The TRIM amendment was a 1978 ballot initiative (Question G) that was ratified in the general election of that year. The original provision prohibited the Prince George's County Council from levying a real property tax that would result in a total collection of real property taxes greater than the amount collected in fiscal 1979. This provision resulted in the county council reducing the county's property tax rate from \$1.364 per

\$100 of assessed value in fiscal 1978 to \$0.972 in fiscal 1985. (These rates are based on property assessments at 100% of market valuation. Prior to fiscal 2002, property tax rates were based on 40% of market valuation.) In 1984 the county council proposed a replacement charter amendment, Chapter 33 (CB-63-1984), which was Question A on the ballot. This amendment altered the original provision by capping the county's real property tax rate at \$0.96. This amendment was ratified at the November 1984 general election. The Prince George's County general property tax rate has remained at \$0.96 since fiscal 1986.

Several attempts to modify or repeal TRIM have been made in recent years but to no avail. In 1992, a ballot initiative failed (Question D) which would have altered TRIM by basing the property tax limitation on the amount of revenue collected in fiscal 1993 with future year revenue growth tied to the lesser of inflation or 5%. In 1996, the county council proposed a charter amendment, Chapter 27 (CB-61-1996), which would have replaced TRIM with a provision that enabled the county council to increase the county general property tax rate upon the affirmative vote of two-thirds of the members of the full council. This proposal was defeated in the 1996 referendum, but Question I, a citizen's initiative adding a new section (817C) to the county charter, was adopted. This initiative requires any tax or fee increase, with some exceptions, to be ratified by the voters at the next general election. This new initiative has further constrained the council's ability to raise additional revenue by imposing restrictions on other revenue sources besides the property tax.

**Background:** M-NCPPC is a bicounty agency empowered by the State in 1927 to acquire and administer a regional system of parks within the Maryland-Washington Regional District and administer a general plan for the physical development of the area. In 1970, M-NCPPC became responsible for managing the Prince George's County public recreation program. M-NCPPC is governed by a 10-member commission with 5 members appointed by the County Executive of Prince George's County and confirmed by the county council, and 5 members appointed by the Montgomery County Council with the approval of the county executive.

The operating and administrative functions of M-NCPPC are financed primarily through property taxes levied in Montgomery and Prince George's counties. M-NCPPC has authority to sell general obligation bonds to fund approved park acquisition and development projects. M-NCPPC maintains five separate accounts within the general fund to account for primary services. Revenues and expenditures that can be specifically identified with a county are recorded in the appropriate account and expenses that apply to both counties are allocated to the appropriate accounts. Debt is issued on a county basis and is guaranteed by M-NCPPC and by the county government for which the proceeds will be expended.

M-NCPPC levies four property taxes in Prince George’s County and three property taxes in Montgomery County to provide primary funding for its operations.

- The administration tax funds the operating or administrative expenses and planning functions in both counties.
- The park tax funds the acquisition and development of parks in both counties.
- The advance land acquisition tax pays the principal and interest on bonds issued for the acquisition of lands for public uses, such as school sites, arterial limited access highways, streets and roads, and other public uses in both counties.
- The recreation tax only applies in Prince George’s County, and provides funds for operating and maintenance costs of M-NCPPC recreational programs in the county.

**Exhibit 1** shows the tax rates and revenues from the four commission taxes in Montgomery and Prince George’s counties. Property taxes make up approximately 80% of M-NCPPC governmental revenues.

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**Exhibit 1**  
**M-NCPPC Property Tax Rates and Revenues**  
**Fiscal 2009**

<u>Prince George’s County</u>	<u>Area Imposed</u>	<u>Tax Rate</u>	<u>Tax Revenues</u>
Administration	Regional District	\$0.0466	\$39.6 million
Park	Metropolitan District	0.1719	139.5 million
Recreation	Countywide	0.0592	51.7 million
Advance Land Acquisition	Countywide	0.0013	1.1 million
<b>Total</b>		<b>\$0.2790</b>	<b>\$231.9 million</b>

  

<u>Montgomery County</u>	<u>Area Imposed</u>	<u>Tax Rate</u>	<u>Tax Revenues</u>
Administration	Regional District	\$0.0190	\$25.1 million
Park	Metropolitan District	0.0580	76.3 million
Advance Land Acquisition	Countywide	0.0010	1.5 million
<b>Total</b>		<b>\$0.0780</b>	<b>\$102.9 million</b>

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**Local Fiscal Effect:** M-NCPPC is required to transfer \$60 million to Prince George’s County (\$30 million in fiscal 2010 and \$30 million in fiscal 2011). As a result, Prince George’s County revenues increase by \$60 million over the two-year period. M-NCPPC is required to transfer \$5 million to Montgomery County in fiscal 2010, resulting in a \$5 million increase in Montgomery County revenues in that year. Accordingly, M-NCPPC expenditures increase by \$35 million in fiscal 2010 and by

\$30 million in fiscal 2011, reducing general fund balances each year due to the transfer. This may result in a corresponding reduction in M-NCPPC services and park improvements performed by M-NCPPC within each county.

**Exhibit 2** shows the Montgomery and Prince George’s county portions of M-NCPPC general fund balances on a budgetary basis. As of June 30, 2008, Montgomery County had an undesignated fund balance of \$12.9 million and Prince George’s County had an undesignated fund balance of \$54.9 million.

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**Exhibit 2**  
**M-NCPPC County Fund Balances**  
**(\$ in Thousands)**

<b><u>Prince George’s County</u></b>	<b><u>Administration</u></b>	<b><u>Park</u></b>	<b><u>Recreation</u></b>	<b><u>Total</u></b>
	<b><u>Account</u></b>	<b><u>Account</u></b>	<b><u>Account</u></b>	
Designated for Subsequent Years	\$14,336.6	\$18,929.1	\$6,056.0	\$ 9,321.7
Designated for Contingencies	2,829.9	5,643.2	3,679.7	12,152.8
Designated for Future Facilities	-	2,550.0	7,315.0	9,865.0
Undesignated	1,492.1	36,955.7	16,437.0	54,884.8
<b>Total</b>	<b>\$18,658.6</b>	<b>\$64,078.0</b>	<b>\$33,487.7</b>	<b>\$116,224.3</b>

<b><u>Montgomery County</u></b>	<b><u>Administration</u></b>	<b><u>Park</u></b>	<b><u>Total</u></b>
	<b><u>Account</u></b>	<b><u>Account</u></b>	
Designated for Subsequent Years	\$239.4	\$4,790.6	\$5,030.0
Designated for Contingencies	823.9	2386	3,209.9
Designated for Future Facilities	1086.2	3526	4,612.2
Undesignated	2,149.5	10,702.6	12,852.1
<b>Total</b>	<b>\$4,299.0</b>	<b>\$21,405.2</b>	<b>\$25,704.2</b>

Source: M-NCPPC

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Establishing a reoccurring periodic transfer of unexpended property tax revenues from M-NCPPC to Prince George’s County may result in park and planning property taxes being spent in a manner not related to the purposes authorized in State law. Furthermore, the TRIM amendment clearly prohibits Prince George’s County from raising most taxes or fees without ratification by the voters of the county. In the event that property taxes are periodically transferred from M-NCPPC to the county, the limit on the general property tax in Prince George’s County, as specified in the TRIM amendment, is bypassed.

## Additional Information

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** Prince George's County, Maryland-National Capital Park and Planning Commission, Department of Legislative Services

**Fiscal Note History:** First Reader - March 24, 2009  
mlm/mwc Revised - House Third Reader - April 1, 2009

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