



HB 247- St. Mary's County - Transfer Tax - Sunset Extension

DATE: February 7, 2023

St. Mary's County is requesting to revise Chapter 138 of the St. Mary's Code that imposes a sunset date of October 1, 2024 on the imposition of transfer taxes so that the sunset date is October 1, 2028. Transfer taxes form a critical non-debt component of the capital plan. Loss of this revenue stream has an annual impact of approximately \$8 million on the annual capital program. The Commissioners of St. Mary's County have maintained low debt ratios by being able to use transfer taxes to fund capital projects, in addition to other local sources such as impact fees, dedicated recordation tax, pay-go and bonds.

Annually, over a \$1 million of the transfer tax is used for land preservation (helping to maximize the State allocation). Additionally, in the FY 2023 to FY 2028 capital plan, as part of the FY2023 approved budget, transfer taxes were used to fund:

- *Facility projects: \$6.6 million for a variety of projects, including major repair and minor renovations to County facilities – including \$900,000 to the F & R Revolving Loan Fund
- *Roads Projects: \$26.8 million, including Roadway & Safety Improvements, Retrofit Sidewalk Program, Water Quality & Nutrient Removal and Southampton Neighborhood Revitalization
- *School Projects: \$2.5 million, Building Infrastructure Critical & Programmatic

Transfer taxes are often used for those capital needs that do not lend themselves to bond financing and are often the local match to state or federal funds. Absent transfer taxes, the County would need to sell general obligation bonds in order to fund the equivalent of these sources for the necessary capital projects. Over a 5-year period, that would have increased the amount of debt by approximately \$42.8 million, with an annual debt service costs of \$3.2 million.

An extension is needed to be able to plan for the capital needs of the County. The full capital budget for FY2023 Approved and the capital plan for FY2024 to FY2028 is attached.

Continued ability to assess transfer taxes allows the County to avoid approximately \$42.8 million in general obligation bonds that would otherwise need to be sold in order to fund necessary capital projects. The annual operating impact of *not* extending the transfer tax would be to add \$3.2 million annually to the operating budget for the equivalent debt.

I request a favorable report on HB 247 for St. Mary's County.

/s/L. Jeannett Cudmore

L. Jeannett Cudmore, Chief Financial Officer

/s/John Sterling Houser

John Sterling Houser, Assistant County Attorney