

Department of Legislative Services
Maryland General Assembly
2017 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

House Bill 1055
Appropriations

(St. Mary's County Delegation)

Budget and Taxation

St. Mary's County - Bonds and Other Evidences of Indebtedness - Limitations
and Repayment

This bill updates the Public Local Laws of St. Mary's County to modify the calculation of the debt limit in St. Mary's County. The bill adds specified debt of the St. Mary's County Metropolitan Commission for inclusion within the county's new debt limit calculation. The bill also specifies that the metropolitan commission remains responsible for the repayment of the bonds that it issues.

Fiscal Summary

State Effect: None.

Local Effect: To the extent the bill's new county debt limit calculation and inclusion of specified debt of the St. Mary's County Metropolitan Commission within that calculation serves to lower the total debt that either St. Mary's County or the metropolitan commission planned to issue in the future, total debt proceeds, as well as total debt service expenditures, may decrease. However, any potential impact would vary by year, and the result cannot be reliably estimated.

Small Business Effect: None.

Analysis

Bill Summary: The bill changes St. Mary's County's debt limit from 5% of the county's total assessable base to the total sum of 2.15% of the county's real property assessable base other than the operating real property of the metropolitan commission plus 5% of the assessable personal property and operating real property of the metropolitan commission.

All bonds or other evidences of indebtedness issued by the metropolitan commission must be included within the county's new debt limit calculation.

Current Law: In St. Mary's County, the aggregate amount of bonds and other outstanding debt at any time may not exceed 5% of the county's assessable base. All bonds and other forms of indebtedness issued by the St. Mary's County Metropolitan Commission, which is authorized upon the approval of the St. Mary's County Commissioners to issue tax-free general obligation bonds on the full faith and credit of the county for capital improvements, are exempt from the county's debt limitation. However, the metropolitan commission is itself subject to a separate debt limit when issuing bonds. The metropolitan commission's total issue of bonds may not exceed 25% of the total value of the property assessed for county taxation purposes within all of the sanitary districts in which public water or sewer facilities are located.

The following forms of indebtedness are also exempt from the county's debt limitation:

- tax anticipation notes and other evidences of indebtedness with a maturity of less than 12 months;
- bonds or other evidences of indebtedness issued or guaranteed by the county payable primarily from taxes levied in special taxing districts;
- bonds or other evidences of indebtedness payable from proceeds of charges for special benefits or services; and
- agreements or other forms of indebtedness executed or guaranteed by the county payable from investment instruments purchased by the county that are guaranteed to return proceeds equal to or exceeding the county's indebtedness.

In addition, all bonds and other evidences of indebtedness issued by the county for the benefit of St. Mary's Hospital of St. Mary's County are exempt from the county's debt limitation.

Background: Chapter 247 of 2003 changed St. Mary's County's debt limit from 5% of the county's total assessable base to 2% of the county's real property assessable base other than operating real property of a public utility and 5% of the assessable base of personal property and operating real property of a public utility. However, when Chapter 526 of 2005 was enacted, the debt limitation changes from Chapter 247 of 2003 were not reflected within the language of the 2005 Act. As such, the county's debt limitation language appearing in the Public Local Laws of St. Mary's County since 2005 has included a debt limit of 5% of the county's total assessable base.

St. Mary's County Metropolitan Commission

The St. Mary's County Metropolitan Commission, a component unit of St. Mary's County, was established by the General Assembly in 1957 as a quasi-governmental, nonprofit body, to supply water and sewer service to St. Mary's County. The Metropolitan Commission has been providing water and sewer service since 1964.

Local Fiscal Effect: To the extent the bill's new county debt limit calculation and inclusion of specified debt of the St. Mary's County Metropolitan Commission within that calculation serves to lower the total debt that either St. Mary's County or the metropolitan commission planned to issue in the future, total debt proceeds, as well as total debt service expenditures, may decrease. However, any potential impact would vary by year, and the result cannot be reliably estimated.

As of July 1, 2016, St. Mary's County's ratio of debt to assessed value was 0.58% based on its current debt limit calculation. St. Mary's County estimates that if specified debt of the metropolitan commission were retroactively included within this calculation, the county's ratio of debt to assessed value would have increased to 1.57%.

Additional Information

Prior Introductions: None.

Cross File: SB 737 (Senator Waugh) - Budget and Taxation.

Information Source(s): St. Mary's County; Department of Legislative Services

Fiscal Note History: First Reader - February 26, 2017
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