

Department of Legislative Services
Maryland General Assembly
2018 Session

FISCAL AND POLICY NOTE
Third Reader

House Bill 1321
Appropriations

(Delegate Corderman)

Budget and Taxation

Washington County - Public Facilities Bonds

This bill authorizes the Washington County Commissioners to issue up to \$70.0 million in general obligation (GO) bonds for the acquisition, construction, improvement, or renovation of public buildings, facilities, and public works projects. The date of maturity of the bonds cannot exceed 30 years. **The bill takes effect June 1, 2018.**

Fiscal Summary

State Effect: None.

Local Effect: Washington County revenues increase by \$70.0 million in bond proceeds. County debt service expenditures increase by an estimated \$4.5 million annually over a 20-year period.

Small Business Effect: None.

Analysis

Current Law: Commission counties do not have the legislative power to create debt; General Assembly authorization is required before any bonds can be sold. Washington County is one of six counties that still operates under the commission form of government.

Background: Since 2004, Washington County has received authorization by the General Assembly to issue up to \$215.0 million in GO bonds for public facilities, as shown in **Exhibit 1**.

Exhibit 1
Bond Authorizations for Washington County

| <u>Session</u> | <u>Chapter Number</u> | <u>Authorized Amount</u> |
|----------------|---------------------------|------------------------------|
| 2004 | Ch. 205 | \$75.0 million |
| 2007 | Ch. 392 | 80.0 million |
| 2013 | Ch. 60 | 60.0 million |
| Total | | \$215.0 million |

Washington County indicates that it still has approximately \$24 million remaining from prior bond authorizations. Funds derived from bonds issued under this authority will be used mainly for infrastructure projects, as well as public safety, public facilities, educational, and environmental projects. The county notes that at this time there is not a specific list of projects to be funded by this bond authorization as the county commissioners have not made any formal approval of projects. The county's capital program is approved on an annual basis.

Local Fiscal Effect: Washington County revenues increase by up to \$70.0 million from bond proceeds. Annual debt service costs for the bonds total approximately \$4.5 million. This estimate is based on a 2.63% interest rate and a 20-year term of maturity. To the extent that the bond issuance, interest rate, or term of maturity deviates from this assumption, expenditures would adjust accordingly.

At the end of fiscal 2016, Washington County had approximately \$200.7 million in total outstanding debt, which represents approximately 1.6% of the county's assessable base and \$1,342 on a per capita basis. The county currently has an AA+ credit rating from Standard and Poor's, an Aa1 credit rating from Moody's Investors Service, and an AA+ credit rating from Fitch Ratings.

Information on local debt measures for Maryland counties and Baltimore City can be found in Chapter 9 of the [Overview of Maryland Local Governments](#) report. A copy of the report can be found on the Department of Legislative Services website.

Additional Information

Prior Introductions: None.

Cross File: SB 889 (Washington County Senators) - Budget and Taxation.

Information Source(s): Washington County; Department of Legislative Services

Fiscal Note History: First Reader - February 19, 2018
md/hlb Third Reader - March 20, 2018

Analysis by: Trevor S. Owen

Direct Inquiries to:
(410) 946-5510
(301) 970-5510