

Department of Legislative Services
Maryland General Assembly
2019 Session

FISCAL AND POLICY NOTE
Third Reader

House Bill 997

(Cecil County Delegation)

Ways and Means

Budget and Taxation

Cecil County – Special Taxing Districts – Internet Service

This bill authorizes Cecil County to establish special taxing districts for the purpose of providing Internet service in unincorporated areas of the county. A proposed special taxing district may be established if the proposal is petitioned by the property owners in the area. The county is authorized to impose *ad valorem* or special taxes and issue bonds. **The bill takes effect July 1, 2019.**

Fiscal Summary

State Effect: None.

Local Effect: Potential increase in Cecil County property tax revenues and bond proceeds beginning in FY 2020 to the extent special property tax rates are imposed in a special taxing district. Expenditures for Internet service in the county and debt service will increase by a commensurate amount. The net fiscal impact would be minimal since revenues from special taxing districts would be used to fund these expenditures.

Small Business Effect: Minimal.

Analysis

Current Law: Cecil County may only establish a special taxing district in a designated growth area as defined in the county comprehensive plan. Cecil County must hold at least one public hearing on a bill establishing a special taxing district. At the public hearing, the county may consider the following elements of a proposed development that would receive the proceeds of a bond: (1) development design standards; (2) the use of transfer of development rights or other methods of increasing the density of development; (3) design

and use of open space; and (4) availability and design of recreational and educational facilities. A law enacted by Cecil County establishing a special taxing district must require that adequate debt service reserve funds be maintained. Before Cecil County may establish a special taxing district, all of the owners of real property in the proposed special taxing district must petition the county to establish the special taxing district.

Background: Special taxing districts are defined geographic areas within which a special tax is imposed on property owners to fund infrastructure improvements or services. Most special taxing districts are created by local governments, but a small number of State-created special taxing districts also exist. A county or municipality must have enabling authority from the General Assembly to create a special taxing district.

The General Assembly has authorized counties and municipalities to create special taxing districts for many different purposes. These purposes include infrastructure improvements, commercial district management, road construction, water and sewer systems, drainage, erosion prevention and control, waterway improvement, street lighting, and stormwater management. The authority to create special taxing districts varies considerably among counties because some enabling statutes apply only to certain counties and not others. Municipalities have more limited authority to create special taxing districts than counties.

The enabling statutes vary greatly in the requirements that they impose for the creation and operation of special taxing districts. One particularly broad statute, codified in § 10-314 of the Local Government Article, simply authorizes charter and code counties to “establish, modify, or abolish” special taxing districts for any of the broad range of purposes listed in Title 10 of the Local Government Article. This statute does not specify any further requirements. However, no counties indicate that they have exercised their authority under this statute.

A frequently used statute, codified in Title 21, Subtitle 5 of the Local Government Article, authorizes 12 specified counties (including Cecil County) to create special taxing districts for infrastructure improvements. A comprehensive overview on special taxing districts in Maryland can be found in Chapter 6 of the [*Guide to the Property Tax Structure in Maryland*](#).

Local Fiscal Effect: Parts of Cecil County, particularly areas south of the Chesapeake and Delaware Canal, lack access to Internet service. Cecil County’s broadband task force identified over 2,400 unserved customers in over 80 different locations throughout the county. The different cable companies that serve Cecil County use business models that determine the amount of funds available to spend on Internet expansion, with the remaining cost being paid for by the customers.

The bill allows county residents in underserved areas to petition the county government to establish special taxing districts to pay for the installation of Internet service. By establishing special taxing districts, the county government will not have to cover the cost of providing Internet service through its general fund.

It is estimated that installing fiber optic cable for Internet can cost up to \$45,000 to \$60,000 per mile and that providing Internet service to all underserved areas of the county may cost between \$10.8 million and \$14.4 million. Since June 2018, Internet service has been extended to 106 homes.

Potential Property Tax Yield

Cecil County collects approximately \$1 million in revenue for each one cent on the county's real property tax rate. In fiscal 2019, the property tax rate in Cecil County totals \$1.041 per \$100 of assessed value. Approximately 71% of county residents live within unincorporated areas.

Additional Information

Prior Introductions: None.

Cross File: SB 259 (Cecil County Senators) - Budget and Taxation.

Information Source(s): Cecil County; *Cecil Whig*; Department of Legislative Services

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