

Department of Legislative Services
Maryland General Assembly
2021 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

House Bill 862
Appropriations

(St. Mary's County Delegation)

Budget and Taxation

St. Mary's County and Metropolitan Commission – Debt Limitations

This bill updates the Public Local Laws of St. Mary's County to increase the debt limit of the county. The bill requires that *at least* 40% of the percent limitation on indebtedness for assessable real property in the county other than the operating real property of a public utility must be made available to the St. Mary's County Metropolitan Commission (MetCom) for all bonds or other evidences of indebtedness of MetCom, as specified. **The bill takes effect July 1, 2021.**

Fiscal Summary

State Effect: None.

Local Effect: To the extent the bill's increase in the debt limit of St. Mary's County and changes to the debt limit of MetCom serve to increase the total debt that either the county or MetCom plan to issue in the future, total debt proceeds, as well as total debt service expenditures, may increase. However, any potential impact would vary by year, and the result cannot be reliably estimated.

Small Business Effect: None.

Analysis

Bill Summary/Current Law: Under § 27-11 of the Code of St. Mary's County, the debt limit of St. Mary's County is currently calculated by summing two figures: (1) 2.15% of the assessable real property in the county *other than* the operating real property of a public utility (*i.e.*, MetCom); and (2) 5% of the assessable personal property and operating real property of a public utility. The bill increases, from 2.15% to 3.15%, the percentage

used in the calculation of the first figure, thereby increasing the total debt limit of St. Mary's County. All bonds or other evidences of indebtedness issued by MetCom are included in the total debt subject to the county's debt limit as calculated above; however, MetCom is responsible for the repayment of its own debt.

The following forms of indebtedness are 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;
- agreements or other evidences 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; and
- all bonds and other evidences of indebtedness issued by the county for the benefit of St. Mary's Hospital of St. Mary's County.

While the bill decreases MetCom's individual debt limit for specified debt under § 113-6 of the Code of St. Mary's County from 25% to 2% of the total value of the property assessed within all of the sanitary districts in which public water or sewer facilities are located, the bill also requires that *at least* 40% of the percent limitation on indebtedness for assessable real property in the county other than the operating real property of a public utility must be made available to MetCom for all bonds or other evidences of indebtedness of the commission. The total combined debt of MetCom and the county cannot exceed the total debt limit calculated under § 27-11.

All debt incurred by MetCom must mature within 40 years of the date of issue.

Local Fiscal Effect: To the extent the bill's increase in the debt limit of St. Mary's County and changes to the debt limit of MetCom serve to increase the total debt that either the county or MetCom plan to issue in the future, total debt proceeds, as well as total debt service expenditures, may increase. However, any potential impact would vary by year, and the result cannot be reliably estimated.

As of the tax year beginning July 1, 2020, St. Mary's County's total debt limit (including specified debt of MetCom) is calculated under current law as \$293,515,531. This debt limit is calculated by summing (1) 2.15% of the total assessable real property in the county *other than* the operating real property of public utility (*i.e.*, MetCom) and (2) 5% of the assessable personal property and operating real property of a public utility.

Under the bill, the county’s total debt limit (including specified debt of MetCom) would increase to an estimated total of \$422,750,871 which is calculated by summing (1) 3.15% of the total assessable real property in the county *other than* the operating real property of a public utility (*i.e.*, MetCom) and (2) 5% of the assessable personal property and operating real property of a public utility.

The calculation of total county debt limit under current law and under the bill appears below:

	Assessable Base for the tax year beginning July 1, 2020 ¹	Current Law		Under the Bill	
		Rate	Total	Rate	Total
		Real Property (not including operating real property of a public utility)	\$ 12,923,534,000	0.0215	277,855,981
Personal Property and Operating Real Property of a Public Utility)	313,191,000	0.05	15,659,550	0.05	15,659,550
Total County Debt Limit			<u>\$ 293,515,531</u>		<u>\$ 422,750,871</u>

¹ = Source: State Department of Assessments and Taxation

Under the bill, *at least* 40% of the percent limitation on indebtedness for assessable real property in the county other than the operating real property of a public utility, or approximately \$162,836,528, must be made available to MetCom for all bonds or other evidences of indebtedness of the commission. MetCom’s total debt outstanding cannot exceed 2%, or \$242,815,955 as estimated by the county, 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.

According to St. Mary’s County, as of July 1, 2020, the outstanding debt of the county (\$113,588,014) and MetCom (\$101,971,629) applicable to the county’s debt limit totaled \$215,559,643. The total outstanding debt of the county and MetCom as of July 1, 2020, represents approximately 73% of the county’s debt limit under current law and 51% of the debt limit under the bill.

Additional Information

Prior Introductions: None.

Designated Cross File: None.

Information Source(s): St. Mary’s County; State Department of Assessments and Taxation; Department of Legislative Services

Fiscal Note History: First Reader - February 22, 2021
rh/hlb Third Reader - March 25, 2021
Revised - Amendment(s) - March 25, 2021

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