

Department of Legislative Services
Maryland General Assembly
2013 Session

FISCAL AND POLICY NOTE

House Bill 546
Appropriations

(Washington County Delegation)

Washington County - Public Facilities Bonds

This bill authorizes the Washington County Commissioners to issue up to \$60.0 million in general obligation bonds for the acquisition, construction, improvement, or renovation of public buildings, facilities, and public works projects, including (1) public school buildings, a school for the arts, administrative facilities, sites, and grounds; (2) community college buildings, sites, and grounds; (3) buildings and facilities for public safety, health and social services, libraries, county administration purposes, county airport purposes, refuse collection, recycling or disposal purposes, and park and recreation purposes; (4) acquisition of land or interests in land and any improvement; and (5) easements or similar or related rights in land, including transferable development rights, that restrict the use of agricultural land or woodland to maintain the character of the land as agricultural land or woodland. The date of maturity of the bonds cannot exceed 30 years.

The bill takes effect June 1, 2013.

Fiscal Summary

State Effect: None.

Local Effect: Washington County revenues increase by \$60.0 million in bond proceeds. County debt service expenditures increase by an estimated \$3.9 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 seven counties that still operate under the commission form of government.

Background: Since 1999, Washington County has received authorization by the General Assembly to issue up to \$205.0 million in general obligation bonds for public facilities, as shown in **Exhibit 1**.

Exhibit 1 Bond Authorizations for Washington County

<u>Session</u>	<u>Chapter Number</u>	<u>Bill Number</u>	<u>Authorized Amount</u>
1999	Ch. 110	HB 933	\$50.0 million
2004	Ch. 205	HB 794	75.0 million
2007	Ch. 392	HB 352	80.0 million
3-year Total			\$205.0 million

Washington County indicates that funds derived from bonds issued under this authority will be used mainly for infrastructure and school construction. The authorization is based on an average capital plan of approximately \$39 million to \$52 million each year. 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 \$60.0 million from bond proceeds. Annual debt service costs for the bonds total approximately \$3.9 million. This estimate is based on a 2.6% 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 2011, Washington County had approximately \$190.9 million in total outstanding debt, which represents approximately 1.3% of the county's assessable base and \$1,294 on a per capita basis. The county currently has an AA credit rating from Standard and Poor's, an Aa2 credit rating from Moody's Investors Service, and an AA credit rating from Fitch Ratings.

Additional Information

Prior Introductions: None.

Cross File: SB 508 (Senator Shank, *et al.*) - Budget and Taxation.

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

Fiscal Note History: First Reader - February 14, 2013
mc/hlb

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