

As a matter of public policy and as a fundamental principle of government, tax exempt property is entitled to the benefits of normal governmental services, such as police and fire protection which are traditionally the responsibilities of local units of government, despite the tax exempt status of the property. House Bill 1090, by imposing on the Maryland Port Authority the duty to provide fire service, would be contrary to this principle and create an undesirable precedent. At present, the tax exempt port facilities of the Maryland Port Authority are presently located in the Port of Baltimore and owned by the State of Maryland. If these State properties are to be assessed a special levy in the form of the cost of providing fire fighting services, then this procedure could logically extend to other State properties, not only in Baltimore City but throughout the State.

The Governor's Council of Economic Advisers has written me concerning the potential economic consequences of House Bill 1090. The relevant part of the Council's letter is as follows:

"The requirement of House Bill 1090 that the Maryland Port Authority now pay for a governmental service formerly provided without charge is the fiscal equivalent of the imposition of a tax on the property of the Maryland Port Authority. \* \* \* Widespread local taxation of state property would increase the cost of state government and increase local revenue or reduce local tax rates. In particular,

- if in fy 1969 the state paid for local government public safety services (fire, police, etc.) in proportion to the value of state property (to the value of all property in the subdivision), the state expenditure would have been \$3.25 million.
- if in fy 1970 the county governments (1) taxed state owned and *all* privately owned property and (2) reduced local property tax rates so as to yield the same total property tax revenue, the state expenditure would have been \$12.3 million."

It is difficult to assess the chaotic situation that could result from the precedent that would be established by House Bill 1090.

Moreover, the Attorney General has advised me that certain difficult legal questions are presented by this bill. On February 13, 1963, the Maryland Port Authority and Baltimore City entered into a lease agreement for a term of 40 years. Under the agreement the Authority, for a rent of one dollar per year, leased to the City a portion of a marine fire station. The City further agreed in this lease to furnish marine fire prevention service to the Port Authority without cost. The Attorney General, in his opinion on House Bill 1090, has commented that this set of circumstances gave rise to several legal questions. The pertinent portion of the Attorney General's opinion is as follows:

"First, as to marine fire protection at least, it could be argued that the bill is of no effect. The bill provides that the Port Administration, by agreement with political subdivisions, may obtain the fire protection which is the subject of the bill. By virtue of the aforementioned lease, the City of Baltimore is already obliged by agreement to furnish marine fire protection without cost to the Port Administration."

"If the City argues that the bill requires the Port Administration to pay for marine fire protection, another question arises.