

Department of Legislative Services  
Maryland General Assembly  
2018 Session

FISCAL AND POLICY NOTE  
First Reader

Senate Bill 1192 (Senator Klausmeier)  
Budget and Taxation

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**Baltimore County - Development Impact Fees - Authorization**

This bill authorizes the Baltimore County Council to impose, by ordinance or resolution, development impact fees to finance any of the capital costs of additional or expanded public works, improvements, and facilities required to accommodate new construction or development. **The bill takes effect June 1, 2018.**

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**Fiscal Summary**

**State Effect:** None.

**Local Effect:** Baltimore County revenues increase beginning in FY 2019 to the extent development impact fees are imposed. County expenditures are not directly affected.

**Small Business Effect:** None.

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**Analysis**

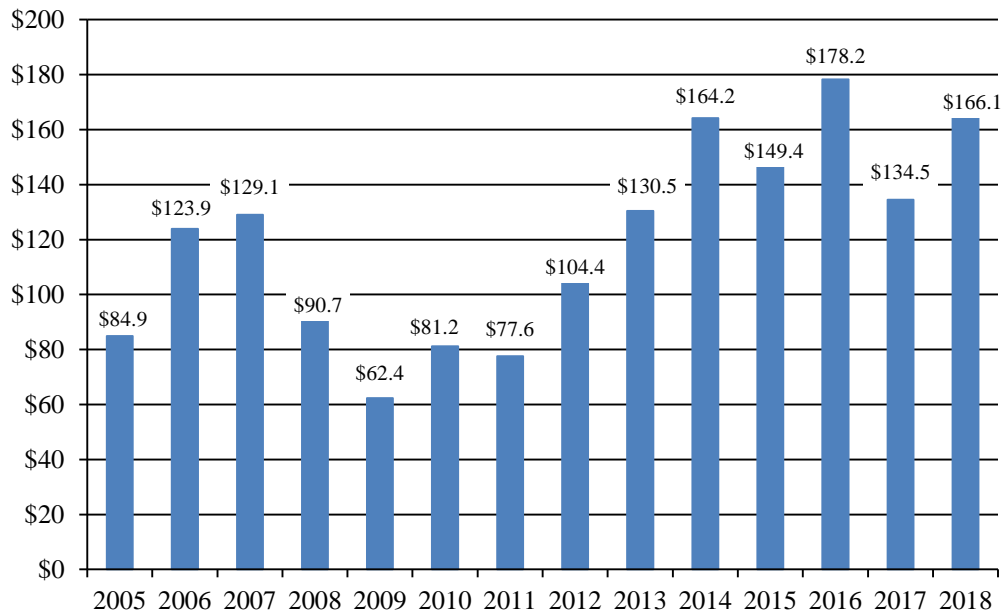
**Current Law:** Local governments in Maryland must have authority from the General Assembly in order to impose a development impact fee or excise tax. Code home rule counties are authorized as a group to impose specified impact fees and excise taxes and a number of other counties have specific authorizations from the General Assembly.

**Background:** Development impact fees and building excise taxes are imposed in 14 counties in Maryland. In addition, Dorchester County has enacted an excise tax but has temporarily suspended collection of the charge. Wicomico County permanently repealed its development impact fee effective January 2, 2017. As shown in **Exhibit 1**, after reaching a peak of \$129.1 million in fiscal 2007, impact fee and excise tax revenues declined to \$62.4 million in fiscal 2009. Revenues have since returned to higher levels and

are projected to total \$134.5 million in fiscal 2017 and \$166.1 million in fiscal 2018. Public services funded by these charges include public school construction, libraries, community colleges, transportation, public safety, parks and recreation, and water/sewer utilities. **Appendix 1** shows the development impact fees and building excise tax rates applicable to a single-family development for each county in fiscal 2016 through 2018. **Appendix 2** shows the revenue collections for fiscal 2016 through 2018.

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**Exhibit 1**  
**Development Impact Fees and Excise Taxes**  
**Maryland Counties**  
**Fiscal 2005-2018**  
**(\$ in Millions)**



Source: Department of Legislative Services; Maryland Association of Counties

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Development impact fees and building excise taxes enable local governments to collect revenue from builders for public facilities necessitated by new residential or commercial development. As a result of these development charges, local governments are able to shift the costs of financing new public facilities from existing taxpayers to individuals responsible for the development. In many situations, the use of such development charges may eliminate the need for jurisdictionwide tax increases. Another benefit of development charges is that local officials can collect the needed revenue for the expansion or construction of new public facilities prior to the construction of any new residential

development. In this manner, payment of an impact fee or excise tax may be required by local officials before the issuance of a building permit or approval of a subdivision plat.

### *Differences Between Impact Fee and Excise Tax*

A development impact fee is a regulatory measure designed to fund facilities specifically required by new development projects in order to mitigate the impact of such development on infrastructure or public facilities. However, there must be a reasonable connection between the amount of the impact fee imposed and the actual cost of providing facilities to the properties assessed. In order to justify the imposition of an impact fee, a jurisdiction must conduct a study that measures the effects that new development will have on public facilities. The amount of an impact fee is subject to judicial review. Moreover, the revenue from the fee must be dedicated to substantially benefit the assessed properties. Thus, a county cannot collect an impact fee in one geographic area and spend the funds in another area.

A building excise tax is another means of raising revenue from new development. Unlike a regulatory impact fee, the amount of an excise tax does not have to be closely related to the actual cost of providing public facilities to serve new development. In addition, excise tax revenues do not have to be spent to specifically benefit the properties that are taxed but can generally be spent throughout the county.

**Local Fiscal Effect:** Baltimore County revenues will increase beginning in fiscal 2019 to the extent development impact fees are imposed. The amount of the revenue increase depends on the amount of the impact fees that are imposed and on the number and types of development projects that are subject to the fees. As a point of reference, if Baltimore County imposes a fee structure similar to Anne Arundel or Prince George's counties, Baltimore County revenues may increase by \$15 million to \$30 million annually.

Baltimore County expenditures are not directly affected; however, to the extent that development impact fees are imposed, the county will have additional funds available to finance improvements and facilities required to accommodate new construction or development.

### *Building Permit Information*

Baltimore County receives residential building permit data from the Baltimore Metropolitan Council on a monthly basis. The building permit data that is provided includes permits for new single-family attached and detached units, new multi-family units, as well as permits for additions, alterations, and additions. Over the last three years, the number of building permits issued in Baltimore County totaled 2,381 in fiscal 2015, 3,241 in fiscal 2016, and 2,124 in fiscal 2017.

## **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

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

**Fiscal Note History:** First Reader - March 26, 2018  
nb/hlb

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**Appendix 1**  
**County Development Impact Fees and Excise Tax Rates<sup>1</sup>**  
**Fiscal 2016-2018**

<b><u>County</u></b>	<b><u>FY 2016</u></b>	<b><u>FY 2017</u></b>	<b><u>FY 2018</u></b>
Anne Arundel <sup>2</sup>	\$12,275	\$12,473	\$12,963
Calvert	12,950	12,950	12,950
Caroline <sup>3</sup>	5,000	5,000	5,000
Carroll	533	533	533
Charles	14,095	16,206	15,229
Dorchester <sup>4</sup>	0	0	0
Frederick <sup>5</sup>	14,208	14,881	15,515
Harford	6,000	6,000	6,000
Howard <sup>6</sup>	\$2.40/sq. ft.	\$2.43/sq. ft.	\$2.44/sq. ft.
Montgomery <sup>7</sup>	40,793	40,793	45,159
Prince George's <sup>8</sup>	22,757	23,007	23,513
Queen Anne's	\$4.84/sq. ft.	\$4.96/sq. ft.	\$5.29/sq. ft.
St. Mary's	4,500	4,500	5,500
Talbot <sup>9</sup>	6,967	7,176	7,427
Washington	\$1.00/sq. ft.	\$1.00/sq. ft.	\$1.00/sq. ft.
Wicomico <sup>10</sup>	0	0	0

<sup>1</sup> Fees/rates listed are generally those applicable to single-family detached dwellings and are per dwelling unless otherwise indicated.

<sup>2</sup> Rates are for a 2,000-2,499 sq. ft. residential unit. Residential rates vary by the square footage of a unit.

<sup>3</sup> A \$750 development excise tax for agricultural land preservation is also imposed on new lots created by subdivision in a "rural district."

<sup>4</sup> The county development excise tax is suspended for a four-year period ending on June 30, 2018.

<sup>5</sup> The rates shown reflect the public school and library impact fee total. A roads tax of \$0.10/sq. ft. or \$0.25/sq. ft. (depending on the square footage), with the first 700 sq. ft. not taxed, was reduced to \$0.00 effective in November 2011.

<sup>6</sup> Fiscal 2016, 2017, and 2018 amounts represent the total of the roads tax amount (\$1.15/sq. ft., \$1.17/sq. ft., and \$1.18/sq. ft., respectively) and the school surcharge amount (\$1.25/sq. ft., \$1.26/sq. ft., and \$1.26/sq. ft., respectively).

<sup>7</sup> Fiscal 2016 and 2017 amounts represent \$13,966 for transportation and \$26,827 for schools. Fiscal 2018 amount represents \$23,062 for schools and \$22,097 for transportation in the "yellow" and "green" zones in the county. (The transportation rate is \$17,677 in the "orange" zone and \$7,072 in the "red" zone.)

<sup>8</sup> Fiscal 2018 amount represents \$15,972 for school facilities and \$7,541 for public safety. A lower school facilities rate (\$9,317 in fiscal 2018) applies inside the beltway and to certain development near mass transit and a lower public safety rate (\$2,515 in fiscal 2018) applies inside the "developed tier" as defined in the 2002 Prince George's County Approved General Plan and to certain development near mass transit.

<sup>9</sup> A lower rate (\$6,416 in fiscal 2018) applies to development inside municipalities.

<sup>10</sup> The County Council placed a moratorium on the imposition and collection of the Public School Impact Fee for all new residential dwelling units from April 23, 2015, to October 23, 2015. The council subsequently extended the moratorium from November 6, 2015, to December 31, 2016. On November 1, 2016, the council passed legislation permanently repealing the county's impact fee effective January 2, 2017.

Source: Department of Legislative Services

**Appendix 2**  
**County Development Impact Fee and Excise Tax Revenues**

<b>County</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2016-2017</b>		<b>FY 2017-2018</b>	
				<b>Difference</b>	<b>% Difference</b>	<b>Difference</b>	<b>% Difference</b>
Anne Arundel	\$33,651,126	\$14,850,000	\$16,300,000	-\$18,801,126	-55.9%	\$1,450,000	9.8%
Calvert	2,569,153	2,682,011	3,333,586	112,858	4.4%	651,575	24.3%
Caroline	146,958	140,458	75,000	-6,500	-4.4%	-65,458	-46.6%
Carroll	140,765	160,671	80,466	19,906	14.1%	-80,205	-49.9%
Charles	11,233,531	9,268,006	9,427,178	-1,965,525	-17.5%	159,172	1.7%
Dorchester <sup>1</sup>	0	0	0	0	0.0%	0	0.0%
Frederick	14,312,888	11,395,086	13,393,656	-2,917,802	-20.4%	1,998,570	17.5%
Harford	2,444,400	2,500,000	2,500,000	55,600	2.3%	0	0.0%
Howard	15,736,868	14,988,001	15,251,380	-748,867	-4.8%	263,379	1.8%
Montgomery	54,474,000	41,569,000	65,800,000	-12,905,000	-23.7%	24,231,000	58.3%
Prince George's	38,690,956	32,264,200	35,760,700	-6,426,756	-16.6%	3,496,500	10.8%
Queen Anne's	1,619,147	1,770,000	1,770,000	150,853	9.3%	0	0.0%
St. Mary's	1,610,325	1,470,000	1,470,000	-140,325	-8.7%	0	0.0%
Talbot	449,689	850,559	318,000	400,870	89.1%	-532,559	-62.6%
Washington	1,160,485	600,000	600,000	-560,485	-48.3%	0	0.0%
Wicomico <sup>2</sup>	0	0	0	0	0.0%	0	0.0%
<b>Total</b>	<b>\$178,240,291</b>	<b>\$134,507,992</b>	<b>\$166,079,966</b>	<b>-\$43,732,299</b>	<b>-24.5%</b>	<b>\$31,571,974</b>	<b>23.5%</b>

<sup>1</sup> Dorchester County's development excise tax is suspended for a four-year period ending on June 30, 2018.

<sup>2</sup> The Wicomico County Council suspended the county's development impact fee from April 23, 2015, to October 23, 2015, and from November 6, 2015, to December 31, 2016. On November 1, 2016, the council passed legislation permanently repealing the county's impact fee effective January 2, 2017.

Source: Department of Legislative Services