

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE
Revised

House Bill 938 (Prince George's County Delegation)
Commerce and Government Matters

Referred to Select Committee 7

Prince George's County - School Facilities Surcharge
PG 420-97

This enrolled bill increases the maximum limit on the school facilities surcharge imposed on new residential construction in Prince George's County. The legislation also eliminates an exemption to the school facilities adequacy test that is required under Prince George's County adequate public facility ordinance. In addition, the bill exempts a mixed retirement development or elderly housing from the school facilities surcharge.

This bill takes effect June 1, 1997.

Fiscal Summary

State Effect: None.

Local Effect: Indeterminate effect on Prince George's County revenues. Expenditures would not be affected since the county already conducts a school facilities adequacy test on proposed development projects.

Small Business Effect: Potential meaningful impact on small businesses as discussed below.

Fiscal Analysis

Local Revenues: Pursuant to legislation enacted during the 1995 session (Chapter 66), Prince George's County is authorized to impose a school facilities surcharge on new residential development to defray the cost of additional school construction. As a condition of imposing the surcharge, developers were exempted from any test requirements concerning the development's impact on the public schools. Prior to the 1995 legislation, the county

government could deny or delay development projects that it believed would result in overcrowded conditions at neighborhood schools. This legislation repeals the exemption and enables the county government to continue to use the school facilities adequacy test when approving development projects.

Under current law it is estimated that the school facilities surcharge would increase county revenues by a minimum amount in fiscal 1997 and 1998, with a \$5 million annual revenue increase beginning in fiscal 1999. However, if the exemption is removed, the county government would be able to deny certain building permits, even though the developer is willing to pay the surcharge. Accordingly, this could decrease the amount of revenues raised from the school facilities surcharge.

However, this legislation increases the maximum school facilities surcharge from \$1,500 to \$2,500 for single family detached homes; from \$800 to \$1,200 for townhouses; and from \$400 to \$700 for multi-dwelling units. Accordingly, any reduction in revenues resulting from denying a preliminary plat of subdivision (a requirement for obtaining a building permit) could be offset through setting higher surcharges on building permits that are approved. Prince George’s County officials advise that the maximum surcharge would be imposed, thereby generating an additional \$3.1 million annually by fiscal 1999. **Exhibit 1** shows the impact of the surcharge increase.

Exhibit 1
Projected Revenue Increase Due to Higher Maximum Surcharges

Classification	Current Fee	Proposed Fee	Fee Increase	Units	Revenue Increase
Single Family Detached Home	\$1,500	\$2,500	\$1,000	2440	\$2,440,000
Townhouse	\$800	\$1,200	\$400	1560	\$624,000
Multi-dwelling Unit	\$400	\$700	\$300	150	\$45,000
Total Revenue				4,150*	\$3,109,000*

* exempting mixed retirement dwellings and elderly housing from the school facilities surcharge may result in a slight decrease in revenues, possibly between \$35,000 to \$70,000 annually. However, the actual impact is not known at this time.

Small Business Effect: Eliminating the exemption to the school facilities adequacy test and increasing the school facilities surcharge could delay or prevent certain development projects in the county. Such actions could affect an array of small businesses ranging from real estate and architectural firms to construction sub-contractors and landscape designers. Depending on the number of projects denied by the county, the impact could be sizeable since the construction industry in Prince George's County accounts for around 7% of the county's employment or roughly 19,500 jobs. Based on past practices, most building projects would be approved thereby eliminating any effect on small businesses. However, Prince George's County is in the process of strengthening its public school facilities adequacy test which could significantly reduce the number of preliminary plat of subdivisions receiving approval by the county. Consequently, this could significantly decrease the future number of building permits. Further, it is assumed that any increase in home prices resulting from higher surcharges is not likely to shift significantly the demand for housing to other jurisdictions, since the median home price in Prince George's County is between \$3,200 and \$38,000 lower than in the surrounding counties.

Information Source(s): Department of Fiscal Services, Prince George's County

Fiscal Note History: First Reader - February 12, 1997
lc Revised - House Third Reader - April 1, 1997
Revised - Enrolled Bill - May 6, 1997

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