

Department of Legislative Services
Maryland General Assembly

FISCAL NOTE

Revised

House Bill 749 (Prince George's County Delegation)

Ways and Means

Prince George's County - School Facilities Surcharge
PG 405-98

This bill repeals the exemption from the school facilities surcharge imposed in Prince George's County on new residential construction for which a valid preliminary plan of subdivision was approved before October 1, 1995. The bill also establishes a single maximum limit of \$2,500 per residential dwelling on the school facilities surcharge imposed on new residential construction in Prince George's County. Under current law, the maximum limit is \$2,500 per single family dwelling, \$1,200 per townhouse, and \$700 per multi-dwelling unit.

This bill takes effect June 1, 1998.

Fiscal Summary

State Effect: None.

Local Effect: Prince George's County revenues could increase by \$27.7 million over the next five years (FY 1999 through 2003). Expenditures would not be affected.

Small Business Effect: Meaningful.

Fiscal Analysis

Local Revenues: Pursuant to Chapter 66 of 1995, Prince George's County is authorized to impose a school facilities surcharge on new residential development to defray the cost of additional school construction. However, residential development for which a preliminary plan of subdivision had been approved before October 1, 1995 is exempt from the school facilities surcharge. This bill removes that exemption.

According to the Maryland-National Capital Park and Planning Commission, there are approximately 40,000 undeveloped residential lots in the county for which a preliminary plan of subdivision was approved before October 1, 1995. If all of these residential lots are developed, Prince George's County revenues could increase by \$80 million. However, county officials advise that it is unlikely that all of the lots will be developed under the original plan of subdivision. Based on county estimates, Prince George's County revenues could increase by approximately \$24 million over the next five years (fiscal 1999 through 2003).

In addition, increasing the maximum school facilities surcharge for townhouses and multi-dwelling units would generate an additional \$747,000 in revenues each year, as illustrated in **Exhibit 1**. In sum, Prince George's County revenues could increase by approximately \$27.7 million over the next five years.

Exhibit 1
Annual Revenue Increase From Proposed Maximum Surcharge

Classification	Current Fee	Proposed Fee	Fee Change	Units	Revenue Impact
Single Family Detached Home	\$2,500	\$2,500	\$0	2,150	\$0
Townhouse	\$1,200	\$2,500	\$1,300	750*	\$747,000
Multi-dwelling Unit	\$700	\$2,500	\$1,800	0	\$0
Total Revenue				2,900	\$747,000

**The proposed fee increase is expected to result in a 20% reduction in the number of town homes constructed in the county.*

Small Business Effect: In 1997, 3,090 residential units were constructed in Prince George's County, of which 2,150 were single family homes and 940 were town homes. It is anticipated that the proposed surcharge increase would reduce the number of town homes constructed in the county by around 20%. This could have a significant impact on an array of small businesses ranging from real estate and architectural firms to construction subcontractors. The construction industry in Prince George's County accounts for around 7% of the county's employment or roughly 19,500 jobs.

Information Source(s): Department of Legislative Services, Prince George’s County

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