

Department of Legislative Services
Maryland General Assembly
2003 Session

FISCAL AND POLICY NOTE
Revised

House Bill 487

(Prince George's County Delegation)

Environmental Matters

Budget and Taxation

Prince George's County - Public School Facilities Surcharge
PG 414-03

This bill increases the public school facilities surcharge imposed on most new residential construction in Prince George's County from \$5,000 to \$12,000 per dwelling beginning in fiscal 2004. The surcharge increases to \$7,000 per dwelling for buildings located between Interstate 495 and the District of Columbia and for buildings included within a basic plan or conceptual site plan that abuts an existing or planned mass transit rail station site operated by the Washington Metropolitan Area Transit Authority (WMATA). Beginning in fiscal 2005, the surcharge is adjusted for inflation.

The county council may impose a school facilities surcharge on new residential construction for which a building permit is issued by a municipality. The municipality must have zoning authority and the authority to issue building permits. The county council may not collect the surcharge on new residential construction for which a building permit is issued by a municipality if the county government has already collected a surcharge on issuance of a county permit for the same new residential construction.

The bill takes effect July 1, 2003.

Fiscal Summary

State Effect: None.

Local Effect: Prince George's County revenues could increase by \$11.7 million in FY 2004 and by \$13.9 million in FY 2008. Expenditures would not be affected.

Small Business Effect: Potential meaningful.

Analysis

Current Law: The Public Local Laws of Prince George's County require the Prince George's County Council to impose a \$5,000 school facilities surcharge on new residential development for which a building permit is applied for on or after July 1, 2000 to defray the cost of additional school construction. The payment of the school facilities surcharge does not eliminate the county's ability to apply a test concerning the adequacy of school facilities under the county's adequate public facility ordinance.

The surcharge does not apply to a mixed retirement development, or elderly housing; a single-family detached dwelling that is to be built or subcontracted by an individual owner in a minor subdivision and that is intended to be used as the owner's personal residence; or multifamily housing designated as student housing within 1.5 miles of the University of Maryland, College Park campus.

Background: Chapter 66 of 1995 authorized Prince George's County to collect a school facilities surcharge on new residential development. Chapter 710 of 1998 set the maximum rate at \$2,500 per dwelling. Chapter 456 of 2000 increased the school facilities surcharge from \$2,500 to \$5,000 per dwelling beginning in fiscal 2001, and required the imposition of the surcharge. Revenues collected from the surcharge are used to pay for additional or expanded public school facilities or debt service on bonds issued for additional or expanded public school facilities. The county executive is required to prepare an annual report on the school facilities surcharge for the county council, the Prince George's County Senate Delegation, and the Prince George's County House Delegation.

Planning and Zoning Authority in Municipalities

Planning and zoning authority in Prince George's County currently lies with the Maryland-National Capital Park and Planning Commission (M-NCPPC) and the Prince George's County District Council. The City of Laurel is the only municipality in the county with planning and zoning authority. The other 26 municipalities in Prince George's County have planning and zoning matters decided by M-NCPPC.

Development Inside the Beltway and Along METRO Rail Lines

Approximately 13% of residential development in Prince George's County occurs inside the beltway, which includes the area between Interstate 495 and the District of Columbia. The amount of new residential development adjacent to a METRO rail line is not known. WMATA currently provides Metrorail service at 13 locations in Prince George's County with two additional stations under construction. The orange line serves Cheverly,

Landover, and New Carrollton. The green line serves West Hyattsville, Prince George's Plaza, College Park-University of Maryland, Greenbelt, Southern Avenue, Naylor Road, Suitland, and Branch Avenue. The blue line serves Capitol Heights and Addison Road-Seat Pleasant with construction occurring at Morgan Boulevard and Largo Town Center.

Local Fiscal Effect: Prince George's County collected approximately \$9.4 million from the school facilities surcharge in fiscal 2002 and expects to collect \$11 million in fiscal 2004. The estimate in fiscal 2004 is based on 2,220 new residential permits being issued during the year. Increasing the school facilities surcharge in fiscal 2004 could increase county revenues by \$11.7 million, from \$11 million to \$22.7 million. This estimate assumes that only 2,000 new residential permits would be issued due to the postponement or cancellation of construction projects due to the higher surcharge and that 13% of new residential permits would be issued for development inside the beltway.

Beginning in fiscal 2005, the school facilities surcharge is adjusted for inflation. The inflationary adjustment is based on the consumer price index for all urban consumers (CPI-U) published by the U.S. Department of Labor in the prior year. **Exhibit 1** shows the estimated school facilities surcharge based on a forecast of the CPI-U and the projected increase in county revenues. It is assumed that the number of new residential permits pursuant to the fee increase would remain constant at 2,000 each year.

Exhibit 1
Estimated School Facilities Surcharge

	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>
<i>CPI-U</i>		1.92%	2.37%	2.48%	2.42%
<i>Surcharge Amount</i>					
Current Law	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000
HB 487 – General	12,000	12,230	12,520	12,831	13,141
HB 487 – Inside Beltway	7,000	7,134	7,303	7,485	7,666
<i>Building Permits Issued</i>					
Current Law	2,200	2,200	2,200	2,200	2,200
HB 487 – General	1,740	1,740	1,740	1,740	1,740
HB 487 – Inside Beltway	260	260	260	260	260
<i>Revenue Collection</i>					
Current Law	11,000,000	11,000,000	11,000,000	11,000,000	11,000,000
HB 487 – General	20,880,000	21,280,896	21,785,253	22,325,528	22,865,805
HB 487 – Inside Beltway	1,820,000	1,854,944	1,898,906	1,945,999	1,993,092
HB 487 - Total	22,700,000	23,135,840	23,684,159	24,271,527	24,858,898
New Revenue	\$11,700,000	\$12,135,840	\$12,684,159	\$13,271,527	\$13,858,898

Small Business Effect: Increasing the school facilities surcharge could delay or prevent certain residential development in the county. Such actions could affect an array of small businesses ranging from real estate and architectural firms to construction subcontractors and landscape designers. The construction industry in Prince George's County accounts for approximately 10% of employment within the county, or roughly 30,000 jobs.

Additional Comments: A new high school in Prince George's County costs approximately \$50 million and a new elementary school costs approximately \$15 million. For a new high school, the county share would total approximately \$21.9 million and the State share would total \$28.1 million. For a new elementary school, the county share would total approximately \$6.6 million and the State share would total approximately \$8.4 million. The State/county cost share is based on the State covering 75% of the eligible costs and the county covering 25% of the eligible costs and 100% of the noneligible costs. Noneligible costs range from 25% to 30% of the total cost of constructing a new school.

Additional Information

Prior Introductions: None.

Cross File: None.

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

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