

**Department of Legislative Services**  
Maryland General Assembly  
2005 Session

**FISCAL AND POLICY NOTE**  
**Revised**

House Bill 1129

(Prince George's County Delegation)

Environmental Matters

Budget and Taxation

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**Prince George's County - Public Safety Surcharge**  
**PG 307-05**

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This bill authorizes the Prince George's County Council to impose a public safety surcharge on new residential construction for which a preliminary plan has been approved by the county council on or after July 1, 2005. The surcharge amount is \$6,000 for developments outside the developed tier and \$2,000 for developments inside the developed tier starting in the first year. In subsequent years, the surcharge amount is adjusted for inflation based on the consumer price index for all urban consumers. The surcharge does not apply to a single-family detached dwelling that is built or subcontracted by an individual owner in a minor subdivision and intended to be used as the owner's personal residence. The county council may waive any surcharge imposed in the developed tier.

The bill takes effect July 1, 2005.

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**Fiscal Summary**

**State Effect:** None.

**Local Effect:** Prince George's County revenues could increase by \$13.9 million on an annualized basis due to the imposition of the new public safety surcharge. If the county council imposes the surcharge, the revenue collected in FY 2006 could be significantly less since the legislation does not apply to new residential construction with a preliminary plan already approved by the county council prior to the bill's effective date. County expenditures would not be affected.

**Small Business Effect:** Meaningful.

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## Analysis

**Current Law:** The Prince George's County Council is required to impose a \$12,000 school facilities surcharge on new residential development. The surcharge totals \$7,000 per dwelling for buildings located between Interstate 495 and the District of Columbia or near a METRO rail station. Beginning in fiscal 2005, the surcharge is adjusted for inflation.

The surcharge does not apply to mixed retirement developments or elderly housing, or any property located in an infrastructure finance district approved prior to January 1, 2000. In addition, the surcharge does not apply to a single-family, detached dwelling that is built or subcontracted by an individual owner in a minor subdivision, with the intent of using it as the owner's personal residence. Multifamily housing designated as student housing within 1.5 miles of the University of Maryland, College Park campus are also exempt from the surcharge.

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. **Exhibit 1** provides a summary of the legislative history of the school facilities surcharge.

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### Exhibit 1

#### History of the School Facilities Surcharge in Prince George's County

1995	Chapter 66	Authorized the county to collect the school facilities surcharge on new residential development.
1998	Chapter 710	Set the maximum surcharge at \$2,500 per dwelling for all types of properties and repealed certain exemptions.
2000	Chapter 456	Required the county to impose the surcharge and increased the surcharge to \$5,000 per dwelling beginning in fiscal 2001.
2003	Chapter 431	Increased the surcharge to \$12,000 per dwelling beginning in fiscal 2004 with the rate adjusted for inflation beginning in fiscal 2005. Provided for a lower surcharge amount for specified properties.

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**Background:** School facilities surcharge revenues cover debt service payments on bonds issued for additional or expanded public school facilities and other school related repairs (*i.e.*, air conditioning). Prince George's County collected approximately \$16.3

million in school facilities surcharge revenue in fiscal 2003 and \$13.0 million in fiscal 2004. The decrease in revenue for fiscal 2004 is attributable to the surcharge rate increase enacted by the General Assembly at the 2003 session.

Prince George’s County issued approximately 2,800 building permits each year from fiscal 2000 to 2003; however, in fiscal 2004 the county issued only 1,206 building permits. The decline in permitting activity was due to the rise in the number of permits issued during June 2003 as developers rushed to apply for permits prior to the effective date of the increased surcharge amount (July 1, 2003). On a monthly basis, the number of permits issued at the end of fiscal 2003 jumped from 140 in April, to 292 in May, and 905 in June. When the increased surcharge amount became effective, the number of permits issued by the county declined significantly to 20 in July, 72 in August, and 54 in September.

**Exhibit 2** shows the number of permits issued by the county during fiscal 2000 to 2004 and the corresponding amount of revenue collected from the school facilities surcharge.

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**Exhibit 2**  
**Permits Issued and School Facilities Surcharge Revenue Collections**  
(\$ in Millions)

	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>
Permits Issued	2,354	2,831	3,186	2,823	1,206
Revenue Amount	\$6.7	\$7.5	\$9.4	\$16.3	\$13.0

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*Public Safety Expenditures*

The Prince George’s County fiscal 2005 budget includes \$159.0 million for the county police department and \$80.5 million for the county fire/EMS department. Volunteer fire companies will receive \$10.7 million. The police department will receive a \$10.5 million or 7.1% increase in funding in fiscal 2005. The fire/EMS department will receive a \$6.8 million or 9.3% increase in funding and volunteer fire companies will receive a \$0.8 million or 7.7% increase in funding.

According to the Maryland Municipal League, 22 municipalities in Prince George’s County have municipal police departments. The five municipalities without a municipal police department include Bowie, College Park, Eagle Harbor, New Carrollton, and North Brentwood.

**Local Fiscal Effect:** On an annualized basis, Prince George's County revenues could increase by approximately \$13.9 million each year due to the new public safety surcharge. This estimate is based on the county council approving 2,400 new residential developments each year and 95% of the developments occurring in the undeveloped tier.

Pursuant to this legislation, the public safety surcharge could be imposed on new residential construction for which a preliminary plan is approved by the county council on or after July 1, 2005. Generally, the approval of a preliminary plan takes place prior to the issuance of a building permit. Prince George's County issues approximately 2,400 building permits each year. Individuals obtaining a building permit for new residential construction for which a preliminary plan had been approved by the county council prior to July 1, 2005 would not have to pay the public safety surcharge. This could significantly reduce the amount of revenues generated by the new public safety surcharge in fiscal 2006.

#### *Allocation of Public Safety Surcharge Revenue and Reporting Requirements*

The public safety surcharge must be distributed by the county council to the police, fire, and emergency medical services in the county. At least 12% of the revenue collected on construction located in a municipality with a police department must be distributed to that municipality's police department. For construction located in the City of Laurel, 50% of the revenues must be distributed to the Prince George's County Fire and Rescue Services; and 50% must be distributed to the Laurel Police Department.

The public safety surcharge may only be used for (1) the construction or rehabilitation of public safety facilities; or (2) the purchase of equipment or communications devices used in connection with law enforcement, fire fighting, or emergency services activities. Equipment includes protective body armor, surveillance devices, weapons, ladder trucks, ambulances, police cruisers, and rescue vehicles. Revenue collected from the public safety surcharge is intended to supplement funding for public safety and may not supplant other county or State funding for public safety.

The Prince George's County Executive must prepare an annual report on the public safety surcharge by March 1 of each year that includes a detailed description of how the fees were expended and the amount of fees collected. The report must be submitted to the county council and the county legislative delegation.

**Small Business Effect:** The construction industry in Maryland employed approximately 170,000 individuals in calendar 2003 resulting in \$7.1 billion in wages and \$813 in average weekly wages per worker. The construction industry accounts for 8.5% of total private-sector employment and 9% of private-sector wages. In Prince George's County, the construction industry employed approximately 30,500 individuals resulting in \$1.4

billion in total wages and an \$869 average weekly wage per worker. The construction industry in Prince George's County accounts for 13% of private-sector employment in the county and 16% of private-sector wages.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

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

**Fiscal Note History:** First Reader - March 17, 2005  
mll/hlb Revised - House Third Reader - April 1, 2005  
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