

Department of Legislative Services

Maryland General Assembly

2006 Session

FISCAL AND POLICY NOTE

Revised

House Bill 917

(Prince George's County Delegation)

Ways and Means

Budget and Taxation

**Prince George's County - School Facilities Surcharge – Exemption
PG 412-06**

This bill alters the boundary of the current geographic exemption area from the school facilities surcharge in Prince George's County that applies to multi-family student housing near the University of Maryland, College Park campus.

The bill takes effect July 1, 2006.

Fiscal Summary

State Effect: None.

Local Effect: Prince George's County finances would not be affected. No multi-family student housing is currently planned for this area.

Small Business Effect: None.

Analysis

Current Law: The Prince George's County Council must impose a school facilities surcharge on new residential development. The surcharge amount was set at \$12,000 per dwelling for residential development outside the beltway and \$7,000 per dwelling for buildings located between Interstate 495 and the District of Columbia or near a METRO rail station (inside the beltway). Beginning in fiscal 2005, the surcharge amount is adjusted for inflation. In fiscal 2006, the surcharge amount is set at \$12,706 for development outside the beltway and \$7,412 for development inside the beltway.

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. Multi-family housing designated as student housing within 1.5 miles of the University of Maryland, College Park campus are also exempt from the surcharge. **Exhibit 1** provides a summary of the legislative history of the school facilities surcharge.

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1998	Chapter 710	Set the maximum surcharge at \$2,500 per dwelling for all types of properties and repealed certain exemptions.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.
2002	Chapter 254	Exempted multi-family student housing within 1.5 miles of the University of Maryland, College Park campus from the surcharge.
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.

Background: The Prince George's County Department of Environmental Resources (DER) administers the school facilities surcharge collection process. The surcharge amount is paid at the time a building permit is issued for a dwelling unit. 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, \$13.1 million in fiscal 2004, and \$24.9 million in fiscal 2005. The decrease in revenue for fiscal 2004 is attributable to the surcharge rate increase enacted in 2003. **Exhibit 2** shows the number of permits issued by the county

during the fiscal 2000 – 2005 period and the corresponding amount of revenue collected from the school facilities surcharge.

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>	<u>FY 2005</u>
Permits Issued	2,354	2,831	3,186	2,823	1,206	1,960
Revenues	\$6.7	\$7.5	\$9.4	\$16.3	\$13.1	\$24.9

Local Fiscal Effect: Prince George's County advises that no multi-family student housing is currently planned for the area. Accordingly, Prince George's County revenues would not be affected. The College Park City Council contends that the language specifying the exemption under current law is vague and includes an area that is too wide in scope.

Additional Information

Prior Introductions: None.

Cross File: SB 587 (Senator Giannetti) – Education, Health, and Environmental Affairs.

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

Fiscal Note History: First Reader - February 22, 2006
ncs/hlb Revised - House Third Reader - March 29, 2006

Analysis by: Hiram L. Burch Jr.

Direct Inquiries to:
(410) 946-5510
(301) 970-5510