

Department of Legislative Services
Maryland General Assembly
2007 Session

FISCAL AND POLICY NOTE

House Bill 697

(Prince George's County Delegation)

Ways and Means

Education, Health, and Environmental Affairs

Prince George's County School Facilities Surcharge - Exemption PG 410-07

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. Subject to the approval of the Prince George's County Council and the municipality where the multi-family housing is located, the school facilities surcharge does not apply to multi-family housing, designated as student housing, for any areas not specified in the bill in the City of College Park, the City of Hyattsville, and the Town of Riverdale Park.

The bill takes effect July 1, 2007.

Fiscal Summary

State Effect: None.

Local Effect: Potential increase in school facilities surcharge revenue, if multi-family student housing projects are built in the area and are not exempt from paying the surcharge. Expenditures would not be affected.

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 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 is adjusted for inflation. In fiscal 2007, the surcharge is set at \$13,151 for development outside the beltway and \$7,671 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. Multi-family student housing includes the following features:

- a minimum of one bathroom per two beds;
- appropriate locks provided on every bedroom door as permitted by the Life Safety Code;
- at least 70% of bedrooms do not exceed 145 square feet or are smaller than standard market units;
- balconies are not permitted, but enclosed decks and patios are permitted on the ground floor;
- at least 90% of dwelling units are furnished with a single or full bed and desk in each bedroom and appropriate seating for each resident in the living and dining areas;
- design amenities are geared toward college students such as study rooms, computer rooms, club rooms, and game rooms; and
- written evidence of a relationship with an institution of higher education in terms of resident life services, shuttle bus services, coordinated permit parking policies, and telecommunications wiring.

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

Background: The Prince George's County Department of Environmental Resources administers the school facilities surcharge collection process. The surcharge 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, \$26.7 million in fiscal

2005, and \$43.1 million in fiscal 2006. **Exhibit 2** shows the number of permits issued by the county during the fiscal 2001-2006 period and the corresponding amount of revenue collected from 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.

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

	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>
Permits Issued	2,831	3,186	2,823	1,206	1,960	2,667
Revenues	\$7.5	\$9.4	\$16.3	\$13.1	\$26.7	\$43.1

Local Fiscal Effect: The impact of the bill depends on the number of new projects in the exemption area for multi-family student housing. Since the bill would make the exemption area smaller, the county could realize a positive fiscal impact. Prince George's County advises that no multi-family student housing is currently planned for the

area. However, to the extent that new projects are planned in the area in the future, Prince George's County could realize an increase in school facilities surcharge revenue.

Additional Information

Prior Introductions: Similar bills were introduced during the 2006 legislative session as SB 587 and HB 917. SB 587 was heard by the Senate Education, Health, and Environmental Affairs Committee. HB 917 passed the House and was assigned to Education, Health, and Environmental Affairs. No further action was taken on either bill.

Cross File: SB 582 (Senator Rosapepe) – Education, Health, and Environmental Affairs.

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

Fiscal Note History: First Reader - March 1, 2007
ncs/hlb

Analysis by: Joshua A. Watters

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