

Department of Legislative Services
Maryland General Assembly
2007 Session

FISCAL AND POLICY NOTE

House Bill 698
Ways and Means

(Prince George's County Delegation)

Education, Health, and Environmental
Affairs

Prince George's County - Public School Facilities Surcharge PG 420-07

This bill expands the area in Prince George's County that is subject to a reduced public school facilities surcharge. It also statutorily sets the current school facilities surcharge fee amount, and requires the fee to be annually adjusted beginning in fiscal 2008 for inflation.

The bill takes effect July 1, 2007.

Fiscal Summary

State Effect: None.

Local Effect: Prince George's County revenues would decrease by \$396,000 in FY 2008. Revenue losses in future years cannot be reliably quantified. Expenditures would not be affected.

Small Business Effect: None.

Analysis

Current Law: The Prince George's County Council must impose a public 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. This bill statutorily sets these amounts as the surcharge rates. There is only a small portion of land that is inside the developed tier but outside 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.

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.

Prince George's County's Public Safety Surcharge is imposed based on whether a property is located inside or outside of the developed tier. The fiscal 2007 rate is \$6,210 for properties outside the developed tier and \$2,070 for properties inside the developed tier.

Local Fiscal Effect: The impact of the bill depends on the number of new housing projects in the new area where a reduced school facilities surcharge is imposed. There is only a small portion of land that is inside the development tier but outside the beltway. Prince George's County advises that there is currently a 71-unit housing project planned for the area. Assuming a 1.9% inflation rate, the fiscal 2008 school facilities surcharge would be \$13,401 (full rate) and \$7,817 (reduced rate). If the developer were to pay the reduced rate on the 71-unit project, county revenues would decrease by \$396,464 in fiscal 2008. The impact on future-year revenues depends on the number and type of housing projects planned for the area, and cannot be reliably quantified at this time.

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

Additional Information

Prior Introductions: None.

Cross File: None.

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

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ncs/hlb

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