

Department of Legislative Services  
Maryland General Assembly  
2007 Session

FISCAL AND POLICY NOTE  
Revised

House Bill 908

(Prince George's County Delegation)

Environmental Matters

Education, Health, and Environmental Affairs

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Prince George's County - Public Safety Surcharge - Increased Distribution of  
Revenue to Municipal Corporations  
PG 414-07

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This bill increases, from 12% to 25%, the share of public safety surcharge revenues generated from construction projects located in a municipality in Prince George's County that is distributed to that municipality's police department. The bill does not affect public safety surcharge revenues distributed to the City of Laurel.

The bill takes effect July 1, 2008.

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Fiscal Summary

**State Effect:** None.

**Local Effect:** Prince George's County revenues would decrease by \$138,100 in FY 2009 and \$146,500 by FY 2012; total revenues for municipalities with police departments in Prince George's County would increase by a corresponding amount.

**Small Business Effect:** None.

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Analysis

**Current Law:** At least 12% of public safety surcharge revenues collected in a Prince George's County municipality that maintains a police department must be distributed to the municipality's police department. Fifty percent of such revenues collected in the City of Laurel must be distributed to the Laurel Police Department, and 50% must be directed toward county fire and rescue services.

Revenues collected from the public safety surcharge can only be directed toward police, fire, and emergency medical services and may only be used for construction or rehabilitation of facilities or the purchase of equipment or communications devices used in connection with public safety services.

**Background:** Prince George's County imposes a public safety and school facilities surcharge on new residential construction. The rates vary depending on whether the development is inside or outside of the Capital Beltway for the school facilities surcharge and inside or outside of the "developed tier," as defined in the county's 2002 General Plan, for the public safety surcharge. Only a small portion of the developed tier lies outside of the Capital Beltway.

Both the public safety and school facilities surcharges do not apply to single-family detached dwellings built or subcontracted by an individual owner in a minor subdivision that are intended to be used as the owner's personal residence.

The public safety surcharge became effective in fiscal 2006, and the rate is adjusted annually to account for inflation. No public safety surcharge revenues were collected in fiscal 2006. The surcharge only applies to construction for which a preliminary plan has been approved on or after July 1, 2005, and there is a delay between the time a preliminary plan is approved and a building permit is issued (when the surcharge is paid). Revenues will begin to be collected as developments for which preliminary plans were approved on or after July 1, 2005, are issued building permits. The fiscal 2007 public safety surcharge rates are \$6,210 for development located outside the developed tier and \$2,070 for development inside the developed tier.

There are 27 municipalities in Prince George's County, with 24 having a police department. For the purposes of this analysis it is assumed that a municipality has a police department if it was considered to be a qualifying municipality for purposes of receiving grants under the State Aid for Police Protection Fund (police aid formula) in fiscal 2006.

**Local Fiscal Effect:** The fiscal impact of the bill depends on the number of building permits issued for projects located inside an affected municipality. Excluding Laurel (which already receives 50% of surcharge revenue), 23 municipalities would be affected by the bill. For projects located inside these municipalities, Prince George's County revenues from the surcharge would decrease by 13% while total revenues of municipalities in the county with police departments would increase by a corresponding amount. **Exhibit 1** shows the decrease for the county and increase for the municipality per permit for fiscal 2009. This estimate assumes that the surcharge will increase by 1.9% in both fiscal 2008 and 2009 to account for inflation.

The county estimates that there are 3,000 residential building permits issued annually, and that 10% (300) of these are issued in municipalities. The population of municipal residents residing in a municipality that would be affected by the bill is 88.6%. Of the municipalities affected by the bill, 57.1% of the municipal residents live within the developed tier and 42.9% live outside the developed tier. It is assumed that there is a relationship between population distribution and permits issued.

Based on the above assumptions and the adjusted fiscal 2009 surcharge rates, Prince George’s County revenues from the surcharge would decrease by around \$138,100 in fiscal 2009; total municipal revenues would increase by a corresponding amount. Assuming the current municipal population distribution remains the same and a 2.0% annual growth in the surcharge rate beginning in fiscal 2010, county revenues could decrease by around \$146,500 in fiscal 2012.

**Exhibit 1**  
**Distribution of Prince George’s County Public Safety Surcharge**  
**Fiscal 2009**

<u>Location</u>	<u>Public Safety Surcharge</u>	<u>12% Distribution</u>	<u>25% Distribution</u>	<u>Difference</u>
Outside Developed Tier	\$6,448	\$774	\$1,612	\$838
Inside Developed Tier	2,149	258	537	279

Note: This estimate assumes a 1.9% inflation rate in both fiscal 2008 and 2009.

**Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** City of Laurel, Prince George’s County, Economy.com, Department of Legislative Services

**Fiscal Note History:** First Reader - March 20, 2007  
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Analysis by: Joshua A. Watters

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