

Department of Legislative Services
Maryland General Assembly
2011 Session

FISCAL AND POLICY NOTE
Revised

House Bill 1105

(Prince George's County Delegation)

Environmental Matters

Budget and Taxation

**Prince George's County - School Facilities Surcharge Exemption - Replacement of
Existing Single-Family Dwelling Unit in the Rural Tier**
PG 408-11

This bill provides an exemption from the Prince George's County school facilities surcharge for a single-family dwelling built by the homeowner to replace a previously existing single-family dwelling on the same lot if the new home will be owned and occupied by the same individual for properties located in the Rural Tier, as defined by the Prince George's County Approved General Plan. The bill specifies that new residential construction does not include the improvement, renovation, or expansion of an existing dwelling, or an existing dwelling unit. The bill also expands an existing report required by the county executive to include specified information regarding the exemption.

The bill takes effect June 1, 2011, and terminates May 31, 2013.

Fiscal Summary

State Effect: None.

Local Effect: Prince George's County school facilities surcharge revenues decrease in FY 2012 through 2014. The actual amount of the decrease depends on the number of exemptions granted and the amount of the surcharge imposed. County expenditures are not directly affected.

Small Business Effect: None.

Analysis

Current Law: Prince George's County imposes a school facilities surcharge on specified new residential construction to support new school construction in the county. The school facilities surcharge is a fee collected at the time of the issuance of the building permit. The resulting revenue is distributed to a special fund that supplements new school construction costs in the county.

The school facilities surcharge does not apply to a single-family residence that is to be built or subcontracted by an individual owner to replace on the same lot a previously existing single-family residence that was destroyed by fire, explosion, or a natural disaster if the residence is (1) similar to the previously existing residence; and (2) owned and occupied by the same individual who owned and occupied the previously existing residence.

Background: Chapter 431 of 2003 increased the school facilities surcharge from \$5,000 per unit to \$12,000 for applications filed on or after July 1, 2003, for new residential construction projects. Chapter 431 also required the surcharge to be adjusted annually based on Consumer Price Index (CPI) growth beginning in fiscal 2005.

The Prince George's County Executive is required to submit an annual report on the school facilities surcharge to the Prince George's County Council, the county's Senate Delegation, and the county's House Delegation. The report must include a detailed description of how fees were expended, the amount of fees collected, and accountability measures undertaken by the county.

The school facilities surcharge collection process is administered by the Prince George's County Department of Environmental Resources (DER). In fiscal 2011, the school facilities surcharge amount was set at \$8,299 for buildings located between Interstate 495 and the District of Columbia or near a Metro station and \$14,227 for all other locations.

The school facilities surcharge does not apply to mixed retirement developments, 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, provided that owner intends to use it as the owner's personal residence. Finally, multifamily housing units that are designated as student housing and are located within 1.5 miles of the University of Maryland, College Park campus are also exempted from the surcharge.

Exhibit 1 shows the number of single-family construction permits issued by DER in fiscal 2005 through 2010 as well as the corresponding revenues and expenditures for each

year. Since fiscal 2000, Prince George's County has been using school facilities surcharge revenue to support a portion of new debt issued for school construction projects.

Exhibit 1
Single-family Residence Permits Issued and School Facilities Surcharge (SFS)
Revenues and Expenditures
Fiscal 2005-2010
(\$ in Millions)

<u>Fiscal Year</u>	<u>Permits Issued</u>	<u>SFS Revenues</u>	<u>SFS Expenditures</u>
2005	1,960	\$26.7	\$11.4
2006	2,667	42.8	14.4
2007	2,380	47.4	11.7
2008	1,661	27.6	23.8
2009	1,102	14.6	28.8
2010	1,189	17.8	49.3
Total	10,959	\$176.9	\$139.4

Source: Prince George's County

As of June 1, 2010, Prince George's County had \$222.9 million in school facilities surcharge supported general obligation bonds. Also, the county had a fund balance of \$83.7 million in school facilities surcharge revenues.

The Prince George's County Approved General Plan defines the Rural Tier as the eastern and southern portions of the county in the Patuxent River, Potomac River, and Mattawoman Creek watersheds. It encompasses approximately 150 square miles, or roughly 32 % of the county's total land area.

Local Fiscal Effect: Prince George's County school facilities surcharge revenues will decrease in fiscal 2012 through 2014 depending on the number of properties in the Rural Tier that qualify for the exemption, where these properties are located, and the amount of the surcharge imposed. The actual amount cannot be reliably estimated.

As a point of reference, Prince George's County reports that since July 1, 2009, 16 waivers from the school facilities surcharge have been requested, with 11 of those

requests being denied. The amount of revenues generated from the denied requests total approximately \$153,700.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Prince George's County, State Department of Assessments and Taxation, Department of Legislative Services

Fiscal Note History: First Reader - March 16, 2011
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