

**Department of Legislative Services**  
Maryland General Assembly  
2013 Session

**FISCAL AND POLICY NOTE**

House Bill 555

(St. Mary's County Delegation)

Environmental Matters

Education, Health, and Environmental Affairs

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**St. Mary's County - Building Impact Fees - Deferrals**

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This bill authorizes the St. Mary's County Commissioners to defer the building impact fee imposed on newly constructed living units constructed in accordance with a building trades program approved by the St. Mary's County Board of Education until the earlier of one year from the time the fee would otherwise have been payable or the time the living unit is sold and conveyed.

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**Fiscal Summary**

**State Effect:** None.

**Local Effect:** Potential minimal decrease in St. Mary's County building impact fee revenue during any deferral period. The amount of any revenue decrease depends on the number of eligible deferrals in a given year. Revenues will increase upon repayment. County expenditures are not affected. *As a point of reference*, the building trades program typically constructs no more than one house per year.

**Small Business Effect:** None.

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**Analysis**

**Current Law:** St. Mary's County imposes a \$4,500 building impact fee on residential development, of which \$3,375 is for school construction, \$675 is for parks, and \$450 is for roadways.

### *Building Impact Fee Deferral and Exemption Provisions*

The St. Mary's County Commissioners may, by ordinance, enact an exemption to the building impact fee for the first three lots, in a minor subdivision, that (1) were recorded after June 1, 2000, and created from a parcel of record or a lot of record and (2) transferred to a natural, direct lineal descendant, or a legally adopted son, daughter, grandson, or granddaughter. The county commissioners may, for each fiscal year, waive the building impact fee for up to 60 newly constructed living units, excluding mobile homes; and defer or provide for the amortization of the building impact fee for up to 70 newly constructed living units, excluding mobile homes. The county commissioners may waive, defer, or amortize the building impact fee only for newly constructed living units that are deemed to be affordable for individuals whose family income in the previous fiscal year was less than 60% of the county median family income as reported by the U.S. Department of Housing and Urban Development. A waiver, deferral, or amortization must be limited to new construction of living units not exceeding a certain square footage as determined by the county commissioners. The total amount of building impact fees waived, deferred, or amortized must be reflected in the St. Mary's County annual capital budget for the fiscal year in which the waiver, deferral, or amortization is granted.

**Background:** Development impact fees and building excise taxes enable local governments to collect revenue from builders for public facilities necessitated by new residential or commercial development. As a result of these development charges, local governments are able to shift the costs of financing new public facilities from existing taxpayers to individuals responsible for the development. In many situations, the use of such development charges may eliminate the need for jurisdiction-wide tax increases. Another benefit of development charges is that local officials can collect the needed revenue for the expansion or construction of new public facilities prior to the construction of any new residential development. In this manner, payment of an impact fee or excise tax may be required by local officials before the issuance of a building permit or approval of a subdivision plat.

Local governments in Maryland must have authority from the General Assembly in order to impose a development impact fee or excise tax. Code home rule counties are authorized as a group to impose specified impact fees and excise taxes, and a number of other counties have specific authorizations from the General Assembly. Currently, development impact fees and building excise taxes are imposed in 16 counties in Maryland, with 1 county imposing both an impact fee and an excise tax. Local revenues from these charges statewide totaled \$88.5 million in fiscal 2012 and are projected to total \$82.4 million in fiscal 2013. St. Mary's County is projected to receive \$2.3 million from its building impact fee in both fiscal 2012 and 2013. Public services funded by these charges include public school construction, libraries, community colleges,

transportation, public safety, parks and recreation, and water/sewer utilities. In St. Mary's County, the building impact fee is dedicated to public school construction, parks, and roadways.

**Exhibit 1** shows the development impact fees and building excise tax rates applicable to a single-family development for each county in fiscal 2011 through 2013. **Exhibit 2** shows the revenue collections for fiscal 2011 through 2013.

### *Building Trades Programs in Public Schools*

Career and technology education (CTE) provides high school students an opportunity to pursue a sequential technical and academic program of study leading to advancement in a career field. High school CTE programs of study give students the opportunity to transition smoothly into further training or postsecondary education and to earn college credit and/or industry credentials in a career field of interest.

CTE programs typically provide pathways for students to pursue within 1 of Maryland's 10 cluster areas; 1 of these cluster areas is Construction and Development. Within this cluster, construction trades professions programs are based on the National Center for Construction Education and Research (NCCER) standards and prepare students for further education and careers in the construction industry, with a focus on carpentry, electrical work, plumbing, or masonry. Also within this cluster, construction maintenance programs are based on NCCER standards and prepare students for further education and careers in the construction industry, with a focus on heating, ventilating, air conditioning; industrial maintenance; or welding. Additional curriculum modules cover project management and project supervision as it relates to construction.

According to the Maryland State Department of Education, all counties have CTE programs, but in recent years several public school systems have operated construction training programs that provide participating students with in-the-field experience in construction of student-built houses.

**Local Fiscal Effect:** St. Mary's County building impact fee revenues may decrease as a result of the bill. The amount of any decrease depends on the number of eligible deferrals in a given year. However, based on the limited scope of the deferral, any associated revenue decrease is likely to be minimal. Revenues would increase in the years that any deferred fees are paid back. St. Mary's County advises that the Building Trades Association typically constructs no more than one house per year.

## **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** St. Mary's County, Department of Legislative Services

**Fiscal Note History:** First Reader - February 26, 2013  
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**Exhibit 1**  
**County Development Impact Fees and Excise Tax Rates**  
**Fee/Rate per Dwelling<sup>1</sup>**  
**Fiscal 2011-2013**

<b>County</b>	<b>FY 2011</b>	<b>FY 2012</b>	<b>FY 2013</b>
Anne Arundel <sup>2</sup>	\$8,976	\$9,917	\$10,181
Calvert	12,950	12,950	12,950
Caroline <sup>3</sup>	5,000	5,000	5,000
Carroll	6,836	6,836	6,836
Charles	12,097	12,361	12,828
Dorchester <sup>4</sup>	3,671	3,671	3,671
Frederick <sup>5</sup>	15,185	15,185	15,185
Harford	6,000	6,000	6,000
Howard	\$2.15/sq. ft.	\$2.23/sq. ft.	\$2.29/sq. ft.
Montgomery <sup>6</sup>	33,331	36,293	36,293
Prince George's <sup>7</sup>	20,945	21,615	22,112
Queen Anne's	\$4.36/sq. ft.	\$4.50/sq. ft.	\$4.60/sq. ft.
St. Mary's	4,500	4,500	4,500
Talbot <sup>8</sup>	6,113	6,321	6,451
Washington	\$3.00/sq. ft.	\$3.00/sq. ft.	\$3.00/sq. ft.
Wicomico	5,231	5,231	5,231

<sup>1</sup>Rates listed are generally those applicable to single-family detached dwellings and are per dwelling unless otherwise indicated.

<sup>2</sup>Rates for a 1,500-1,999 square foot residential unit. The rate for fiscal 2011 is applicable in the second half of the fiscal year, the result of an increase effective January 1 in that year. Residential rates vary by the square footage of a unit.

<sup>3</sup>A \$750 development excise tax for agricultural land preservation is also imposed on new lots created by subdivision in a "rural district."

<sup>4</sup>A slightly higher rate, \$3,765 per dwelling, applies outside of the Cambridge and Hurlock areas.

<sup>5</sup>The rates shown only reflect the public school and library impact fee total. The roads tax (unchanged for all three fiscal years) is \$0.10/sq. ft. or \$0.25/sq. ft for residential development (depending on the square footage) and \$0.75/sq. ft. for nonresidential development; the first 700 square feet are not taxed.

<sup>6</sup>Fiscal 2012 and 2013 amount represents \$12,425 for transportation and \$23,868 for schools. Fiscal 2011 amounts represent \$11,411 for transportation and \$21,920 for schools. The school excise tax is increased by \$2 for each square foot between 3,500 and 8,500 gross square feet. Different transportation rates apply in the Metro Station and Clarksburg impact tax districts.

<sup>7</sup>Fiscal 2013 amount represents \$15,020 for school facilities and \$7,092 for public safety. A lower school facilities rate (\$8,762 in fiscal 2013) applies inside the beltway and a lower public safety rate (\$2,365 in fiscal 2013) applies inside the "developed tier" as defined in the 2002 Prince George's County Approved General Plan.

<sup>8</sup>A lower rate (\$5,572 in fiscal 2013) applies to single-family residential development within a municipality.

Source: Department of Legislative Services

**Exhibit 2**  
**County Development Impact Fee and Excise Tax Revenues**

County	FY 2011	FY 2012	FY 2013	FY 2011-2012		FY 2012-2013	
				Difference	% Difference	Difference	% Difference
Anne Arundel	\$6,603,717	\$7,450,000	\$8,266,000	\$846,283	12.8%	\$816,000	11.0%
Calvert	2,536,104	2,676,512	2,531,121	140,408	5.5%	-145,391	-5.4%
Caroline	155,366	50,708	70,000	-104,658	-67.4%	19,292	38.0%
Carroll	1,141,992	1,180,000	1,600,000	38,008	3.3%	420,000	35.6%
Charles <sup>1</sup>	8,129,916	10,129,400	7,996,800	1,999,484	24.6%	-2,132,600	-21.1%
Dorchester <sup>2</sup>	225,235	78,210	N/A	-147,025	-65.3%	N/A	N/A
Frederick	7,690,659	7,806,532	7,189,516	115,873	1.5%	-617,016	-7.9%
Harford	2,137,200	3,500,000	1,750,000	1,362,800	63.8%	-1,750,000	-50.0%
Howard	9,559,608	10,003,078	13,918,966	443,470	4.6%	3,915,888	39.1%
Montgomery	19,924,960	22,814,795	14,942,000	2,889,835	14.5%	-7,872,795	-34.5%
Prince George's	14,793,516	17,800,000	19,500,000	3,006,484	20.3%	1,700,000	9.6%
Queen Anne's	1,092,523	1,124,471	912,400	31,948	2.9%	-212,071	-18.9%
St. Mary's	2,095,200	2,298,000	2,249,500	202,800	9.7%	-48,500	-2.1%
Talbot	194,442	224,000	224,000	29,558	15.2%	0	0.0%
Washington	960,406	979,400	979,400	18,994	2.0%	0	0.0%
Wicomico	336,267	341,251	250,388	4,984	1.5%	-90,863	-26.6%
<b>Total</b>	<b>\$77,577,111</b>	<b>\$88,456,357</b>	<b>\$82,380,091</b>	<b>\$10,879,246</b>	<b>14.0%</b>	<b>-\$5,998,056</b>	<b>-6.9%</b>

<sup>1</sup>In Charles County, the excise tax is collected annually over a period of 10 years at level, amortized payments of principal and interest. The excise tax became effective in fiscal 2004 and revenues have been steadily increasing as annual payments from properties on which the tax was assessed in previous fiscal years continue to be collected while new developments begin payments each year.

<sup>2</sup>The fiscal 2013 amount is not available because the county does not budget for the revenues.

Source: Department of Legislative Services