

Department of Legislative Services
Maryland General Assembly
2019 Session

FISCAL AND POLICY NOTE
Third Reader

House Bill 1409
Appropriations

(Howard County Delegation)

Budget and Taxation

Howard County - School Facilities Surcharge - Rates
Ho. Co. 03-19

This bill alters the calculation of the Howard County school facilities surcharge. The bill also alters reporting requirements for a specified report on the Howard County school facilities surcharge. **The bill takes effect July 1, 2019.**

Fiscal Summary

State Effect: None.

Local Effect: Howard County school facilities surcharge revenues increase beginning in FY 2020. The actual impact depends on the surcharge rate that is established by the county and new residential construction in the county. County expenditures for public school construction projects are not directly affected; however, an increased surcharge rate will increase the amount of revenue dedicated to public school construction projects.

Small Business Effect: None.

Analysis

Bill Summary: Beginning in fiscal 2020, the Howard County school facilities surcharge imposed on residential new construction is an amount (1) equal to or greater than the amount imposed by the county council on June 30, 2019, per square foot of occupiable area in the residential new construction and (2) equal to the amount imposed by the county council on June 30, 2019, per square foot of occupiable area in the residential new construction that is classified as senior housing under 42 U.S.C. § 3607(b). The county council is prohibited from imposing a school facilities surcharge on residential new

construction that is classified as senior housing and an affordable housing unit in Downtown Columbia, as defined in § 28.116 of the county code.

The Howard County Council is authorized to enact a local law that provides for an annual adjustment in the amount of the school facilities surcharge in the following manner: (1) an increase or decrease in the amount of the school facilities surcharge for new residential construction; (2) a decrease in the amount of the school facilities surcharge for senior housing units; or (3) establishment of a grandfathering process for residential new construction based on the status in the development process. However, the Howard County Council is prohibited from imposing a school facilities surcharge on residential new construction in an amount that is less than the amount imposed by the county council on June 30, 2019.

Before enacting a local law to adjust the amount of the school facilities surcharge the county council must consider the following issues when determining the amount: (1) the capital costs for the construction of new public schools and additions to existing public schools; (2) the anticipated amount of the State contribution for school construction funding; (3) the average percentage of student enrollments that will be generated by the residential new construction; (4) the impact of school redistricting by the Howard County Board of Education; (5) the potential for charging different amounts for differently sized residential new construction units; (6) the effect on affordable housing units; and (7) sources of tax and fee revenue for the county, including the transfer tax.

The bill adds the following reporting requirements to a specified annual report on the Howard County school facilities surcharge: (1) detailed information regarding the school facilities surcharge, and the amount and kind of residential development and the change in school population in the county over the previous five years; and (2) recommendations regarding how the county should proceed in its calculation of the school facilities surcharge for the next five years. In a year that the county council enacts a local law to provide for an annual increase in the school facilities surcharge, the report must include a description of the county council's consideration of specified issues related to school construction in the county.

Current Law: Beginning in fiscal 2006, the school facilities surcharge is adjusted for inflation in accordance with the Consumer Price Index for All Urban Consumers published by the U.S. Department of Labor, for the fiscal year preceding the year for which the amount is being calculated.

The Howard County Executive must prepare an annual report on the school facilities surcharge by August 31 of each year for the Howard County Council, the Howard County Senate Delegation, and the Howard County House Delegation that includes (1) a detailed description of how fees were expended and (2) the amount of fees collected.

Background: Chapter 420 of 2004 required the Howard County Council to impose a school facilities surcharge on residential new construction. The surcharge equaled \$1.00 per square foot of occupiable area in fiscal 2005 and is adjusted for inflation annually. The surcharge does not apply to new residential construction sold for less than \$200,000.

Since fiscal 2005, Howard County has been using school facilities surcharge revenues to support a portion of new debt issued for school construction projects. As of June 30, 2018, Howard County had issued \$101.0 million in school facilities surcharge supported general obligation bonds. Outstanding debt service on these bonds is \$54.3 million. The county had a fund balance of \$6.6 million in school facilities surcharge revenues at the end of fiscal 2018.

The fiscal 2019 Howard County budget assumes a school facilities surcharge rate of \$1.32 per square foot and revenues of \$7.1 million.

Local Fiscal Effect: Howard County school facilities surcharge revenues increase beginning in fiscal 2020. The actual impact depends on the surcharge rate that is established by the county and new construction in the county.

In fiscal 2017, the Howard County school facilities surcharge was \$1.26 per square foot and the county collected \$7.3 million in revenue. As a point of reference, if the Howard County school facilities surcharge was increased to \$4.00 per square foot, surcharge revenues would increase by approximately \$15.8 million; a rate of \$6.00 per square foot would yield an additional \$27.3 million.

County expenditures for public school construction projects are not directly affected; however, an increased surcharge rate will increase the amount of revenue dedicated to public school construction projects.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Howard County; State Department of Assessments and Taxation; Department of Legislative Services

Fiscal Note History: First Reader - March 25, 2019
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Analysis by: Michael Sanelli

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