

Department of Legislative Services
Maryland General Assembly
2020 Session

FISCAL AND POLICY NOTE
Third Reader

House Bill 1401
Ways and Means

(Prince George's County Delegation)

Budget and Taxation

**Prince George's County - School Facilities Surcharge - Foundation for Applied
Construction Technology for Students
PG 413-20**

This bill exempts a single-family dwelling that is built by the Foundation for Applied Construction Technology for Students (FACTS) from the Prince George's County school facilities surcharge. **The bill takes effect July 1, 2020.**

Fiscal Summary

State Effect: None.

Local Effect: Prince George's County school facilities surcharge revenues decrease by a minimal amount beginning in FY 2021. County expenditures for public school construction projects 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. State law provides for several exemptions from the surcharge.

Background: Chapter 431 of 2003 increased the school facilities surcharge in Prince George’s County from \$5,000 to \$12,000 per unit beginning in fiscal 2004. Chapter 431 also required the surcharge amount to be adjusted annually based on the Consumer Price Index beginning in fiscal 2005. Currently, for fiscal 2020, the school facilities surcharge amount is set at \$9,741 for buildings located between Interstate 495 and the District of Columbia or near a Metro station and \$16,698 for all other locations.

Exhibit 1 shows the number of single-family construction permits issued in fiscal 2005 through 2019 as well as the corresponding revenues and expenditures for each year. Since fiscal 2000, Prince George’s County has been using school facilities surcharge revenues to support a portion of new debt issued for school construction projects. As of June 2018, Prince George’s County had \$339.1 million in school facilities surcharge supported outstanding general obligation bonds. As of fiscal 2019, the county had an accumulated fund balance of \$73.8 million in school facilities surcharge revenues.

Exhibit 1
Single-family Residence Permits Issued and School Facilities Surcharge
Revenues and Expenditures
Fiscal 2005-2019
(\$ 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	14.7	28.8
2010	1,189	15.9	49.0
2011	1,002	14.3	21.7
2012	660	22.8	20.5
2013	907	29.3	22.6
2014	748	24.3	36.5
2015	814	23.4	28.1
2016	865	32.3	29.4
2017	829	28.5	30.8
2018	1,983	35.1	32.9
2019	2,084	38.0	35.6
Total	20,851	\$423.1	\$397.2

SFS: school facilities surcharge

Source: Prince George’s County

Local Fiscal Effect: FACTS was started in 1981 and supports the Student Built House Project. Members of the business community work closely with students, which provides a mentoring relationship for students within the construction trades. Students enrolled in the program design and build a house over the course of a school year. Due to the proposed exemption under the bill, Prince George's County revenues from the school facilities surcharge may decrease by a minimal amount beginning in fiscal 2021. This estimate assumes that there will be a limited number of FACTS houses built in any year.

Additional Information

Prior Introductions: None.

Designated Cross File: None.

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

Fiscal Note History: First Reader - March 2, 2020
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