

Department of Legislative Services
Maryland General Assembly
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FISCAL AND POLICY NOTE
Revised

House Bill 1433

(Prince George's County Delegation)

Environmental Matters

Education, Health, and Environmental Affairs

Prince George's County - School Facilities Surcharge
PG 420-13

This bill requires that the Prince George's County school facilities surcharge be reduced by 50% for multifamily housing constructed (1) within an approved transit district overlay zone; (2) within one-quarter mile of a Metro station; or (3) within the Bowie State MARC Station Community Center Designation Area, as defined in the approved Bowie State MARC Station Sector Plan and Sectional Map Amendment. In addition, the school facilities surcharge does not apply to studio or efficiency apartments that are located (1) within the specified county urban centers and corridors; (2) within an approved transit district overlay zone; or (3) within one-quarter mile of a Metro station.

The bill takes effect October 1, 2013, and terminates September 30, 2018.

Fiscal Summary

State Effect: None.

Local Effect: Prince George's County revenues from the school facilities surcharge decrease in FY 2014 through 2019. The actual amount of the revenue decrease depends on the number of exemptions granted and the amount of the surcharge imposed. County expenditures are not directly affected. Based upon existing residential development trends in the county, the proposed exemptions to the school facilities surcharge may reduce county revenues by a significant amount. Consequently, this will result in less revenues dedicated to public school construction. **This bill imposes a mandate on a unit of local government.**

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 (HB 487) 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 the Consumer Price Index (CPI) 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 and the amount of fees collected.

The school facilities surcharge collection process is administered by the Prince George's County Department of Environmental Resources (DER). Effective July 1, 2012, the school facilities surcharge amount was set at \$8,762 for buildings located between Interstate 495 and the District of Columbia or near a Metro station and \$15,020 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 the 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.

Chapter 612 of 2011 (HB 1105) provided an exemption from the Prince George's County school facilities surcharge, for fiscal 2012 and 2013, 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. Chapter 612 specified that new residential construction did not include the improvement, renovation, or expansion of an existing dwelling or an existing dwelling unit.

Exhibit 1 shows the number of single-family construction permits issued by DER in fiscal 2005 through 2012 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 2005-2012
(\$ 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	21.3
Total	12,621	\$212.2	\$182.1

Source: Prince George’s County

As of June 1, 2012, Prince George’s County had \$252.4 million in school facilities surcharge supported general obligation bonds. Also, the county had a fund balance of \$78.1 million in school facilities surcharge revenues.

Local Fiscal Effect: Prince George’s County revenues from the school facilities surcharge will decrease in fiscal 2014 through 2019 depending on the number of properties in an approved transit district overlay zone, in areas within one-quarter mile of a Metro station, or within the Bowie State MARC Station Community Center

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Designation Area that qualify for the exemption and the amount of the surcharge imposed. The actual amount cannot be reliably estimated.

As a point of reference, Prince George's County advises that, based on information provided by the Maryland-National Capital Park and Planning Commission, the five designated Transit District Overlay Zone areas contain 11 multifamily developments within a quarter-mile of Metro stations at various stages of approval (fully approved, final review and early review stages). Based on the preliminary approval and issuance of building permits, these 11 developments contain 4,684 multifamily residential units. The county indicates that all of these residential units are located between Interstate 495 and the District of Columbia. Under current law, these developments are subject to the school facilities surcharge fee of \$8,762 per unit. The county reports that in fiscal 2012 revenues from new multifamily construction accounted for \$12.6 million, or 48%, of the total school facilities surcharge revenues collected.

Based upon existing residential development trends in the county, the proposed exemptions to the school facilities surcharge may reduce county revenues by a significant amount. Consequently, this will result in less revenues dedicated to public school construction.

Additional Information

Prior Introductions: None.

Cross File: None.

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

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