





July 7, 2023

**FISCAL AND POLICY NOTE**

TO: Jennifer A. Jenkins  
Council Administrator

William M. Hunt  
Deputy Council Administrator

THRU: Josh Hamlin   
Director of Budget and Policy Analysis

FROM: Roger G. Banegas   
Legislative Budget and Policy Analyst

RE: Policy Analysis and Fiscal Statement  
CR-069-2023 School Facilities Surcharge

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**CR-069-2023** (*Proposed by:* The Chair of the Council at the request of the County Executive)

Assigned to the Committee of the Whole

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A RESOLUTION CONCERNING SCHOOL FACILITIES SURCHARGE for the purpose of adjusting the school facilities surcharge for Fiscal Year 2024, beginning July 1, 2023, as required by State law.

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**Fiscal Summary**

**Direct Impact:**

*Expenditures:* None.

*Revenues:* Likely increase in revenues due to the higher charge.

**Indirect Impact:**

None likely.

## **Legislative Summary**

CR-069-2023<sup>1</sup>, proposed by the Chair at the request of the County Executive, was introduced on July 7, 2023, and referred to the Committee of the Whole (COW). CR-069-2023 would set the School Facilities Surcharge at \$11,560 for permits issued for buildings between Interstate Highway 495 and the District of Columbia and for permits issued for buildings included within a basic plan or conceptual site plan that abuts an existing or planned mass transit rail station site operated by the Washington Metropolitan Area Transit Authority; and \$19,826 for permits issued for all other buildings

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## **Current Law/Background**

Prince George's County Code (the "Code") Section 10-192.01(a) authorizes the County Council to impose a school facilities surcharge on new residential construction for which a building permit is issued on or after July 1, 2003. The school facilities surcharge applies to all buildings unless the building is exempted under Section 10-192.01 or qualifies for a reduction in the surcharge. Section 10-192.01(b)(1)(B) of the Code requires an annual adjustment of the established school facilities surcharge for inflation, in accordance with the Consumer Price Index for All Urban Consumers (CPI-U) published by the U.S. Department of Labor, for the fiscal year preceding the year for which the amount is being calculated, pursuant to State Law. The collection of the surcharge occurs upon the issuance of a building permit after approval of the preliminary plan.

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## **Resource Personnel**

- David B. Juppe, Office of Management and Budget
  - Stanley A. Earley, Office of Management and Budget
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## **Discussion/Policy Analysis**

Development impact fees are a way for local governments to increase revenue to mitigate the cost of new or expanded facilities and services needed as a result of an increase in population from new development in an area. Often considered as a de-facto tax, development impact fees, in their role of offsetting the impact of constructing or expanding facilities, can stave off County-wide tax increases by putting the onus on the development responsible for the increase in demand. Additionally, development impact fees can be used to discourage suburban sprawl. Overall, it is cheaper for local governments to provide services to more compact communities as, for example, sewage and electric lines are shorter, and travel times for police and fire departments are decreased in these areas. Consequently, charging a higher impact fee on new construction in sprawling

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<sup>1</sup>[CR-069-2023](#).

neighborhoods to account for the greater impact on government services will discourage this type of construction for more compact, transit-oriented localities.

Pursuant to State law, CR-069-2023 seeks to amend the Fiscal Year 2024 school facilities surcharge for inflation based upon the change in the Consumer Price Index for All Urban Consumers (CPI-U).

The CPI-U shows an increase of 4.9% between April 2022 and April 2023. Applying the 4.9% increase to the current (FY 2023) school facilities surcharge rates of \$11,020 (buildings between Interstate Highway 495 and the District of Columbia and buildings included within a basic plan or conceptual site plans that abuts an existing or planned mass transit rail station site operated by the Washington Metropolitan Area Transit Authority (WMATA) or by the Maryland Transit Administration (MTA) and \$18,900 (all other buildings) produces new FY 2024 school facilities surcharge rates of \$11,560 (buildings between Interstate Highway 495 and the District of Columbia and for permits issued for buildings included within a basic plan or conceptual site plans that abuts an existing or planned mass transit rail station site operated by the Washington Metropolitan Area Transit Authority (WMATA) or by the Maryland Transit Administration (MTA)) and \$19,826 (all other buildings), reflecting an increase of \$540 and \$926, respectively.

Revenue collected is intended to supplement rather than replace any existing funding and can be used only on one-time projects or payments rather than on any recurring payment for operating expenses, such as salaries and supplies. OMB noted that the revenue raised is used entirely to pay debt service on General Obligation Bonds previously used for capital school-related projects. Revenue raised in FY 2024, additionally, will continue to be applied to debt service on prior bonds but cannot support new money issuances due to current debt service levels.

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## **Fiscal Impact**

### *Direct Impact*

Adoption of CR-069-2023 may increase the amount of funds available to be used to offset the costs of bond debt service (principal and interest), which provide funding for school facilities. According to the School Facilities and Public Safety and Behavioral Health Surcharge Annual Report provided by the Office of Management and Budget, in FY 2022 (the last complete fiscal year as of the date of the Report), the County collected approximately \$46.3 million in school facilities surcharge revenues. In FY 2024, school surcharge expenditures are proposed at approximately \$46.9 million<sup>2</sup>.

### *Indirect Impact*

Adoption of CR-069-2023 should not have any indirect fiscal impact on the County.

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<sup>2</sup> [Fiscal Year 2024 Budget Review Report - Non-Departmental](#)

*Appropriated in the Current Fiscal Year Budget*

The School Facilities Surcharge appropriation included within the FY 2024 approved capital budget to offset debt service principal and interest costs includes the 4.9% inflationary adjustment.

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**Effective Date of Proposed Legislation**

The proposed Resolution shall be retroactively effective July 1, 2023.

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If you require additional information or have questions about this fiscal impact statement, please email me.