



THE PRINCE GEORGE'S COUNTY GOVERNMENT


Office of Audits and Investigations

June 16, 2021

FISCAL AND POLICY NOTE

TO: Robert J. Williams, Jr.
Council Administrator

William M. Hunt
Deputy Council Administrator

FROM: Josh Hamlin 
Senior Legislative Budget and Policy Analyst

RE: Policy Analysis and Fiscal Statement
CR-065-2021 School Facilities Surcharge

CR-065-2021 (*Proposed by:* The County Executive; *Introduced by:* Council Members Hawkins, Streeter, Harrison, Davis, Franklin, Ivey and Glaros)

Assigned to the Committee of the Whole

A RESOLUTION CONCERNING SCHOOL FACILITIES SURCHARGE for the purpose of adjusting the school facilities surcharge for Fiscal Year 2022, beginning July 1, 2021, as required by State Law.

Fiscal Summary

Direct Impact:

Expenditures: None.

Revenues: Potentially positive due to the increase in the assessment rate.

Indirect Impact:

No impact.

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Legislative Summary:

CR-065-2021, proposed by the County Executive, and sponsored by Council Members Hawkins, Streeter, Harrison, Davis, Franklin, Ivey and Glaros, was introduced on June 8, 2021 and referred to the Committee of the Whole (COW).

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 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.

Discussion/Policy Analysis:

Pursuant to State law, **CR-065-2021** seeks to amend the Fiscal Year 2022 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 4.2% between April 2020 and April 2021. Applying the 4.2% increase to the current (FY 2020) school facilities surcharge rates of \$9,770 (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 \$16,748 (all other buildings) produces new FY 2021 school facilities surcharge rates of \$10,180 (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 \$17,451 (all other buildings), reflecting an increase of \$410 and \$703, respectively.

Information obtained from DPIE staff (below) indicates that surcharges on 1,824 building permits were *paid* on which a public safety or school facility surcharge, or both, was imposed, equating to a collection of \$ 30,071,263 in school facilities surcharges for the most recent fully completed fiscal year (FY 2020) for which information is available. Of the number of paid surcharges, \$2,501,608 was for permits issued for buildings located between Interstate Highway 495 and the

District of Columbia and 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 \$27,569,655 was for all other buildings. For comparison purposes, assuming the number of assessments and collections during fiscal year 2021 and 2022 remains flat total public facilities surcharge revenues in FY 2021 would be estimated at approximately \$30,973,401. Applying the 4.2% inflation adjustment, as proposed in CR-065-2021, will result in an estimated increase of approximately \$1,300,883 in school facilities surcharge revenues than what would have been generated from the same number of assessments and collections using FY 2021 school facilities surcharge rates, based upon our assumption.

Surcharges Assessed for Permits Issued from 7/1/2019 thru 6/30/2020			
Permits Issued Count	Public Safety Surcharge Assessed	School Surcharge Inside Beltway Assessed	School Surcharge Outside Beltway Assessed
1779	\$15,947,700.00	\$2,373,256.00	\$27,167,179.00

Surcharges Paid for Permits from 7/1/2019 thru 6/30/2020			
Permits Paid Count	Public Safety Surcharge Paid	School Surcharge Inside Beltway Paid	School Surcharge Outside Beltway Paid
1824	\$16,046,993.00	\$2,501,608.00	\$27,569,655.00

Resource Personnel:

Pamela Spears, Department of Permitting, Inspections and Enforcement

Fiscal Impact:

Direct Impact

Adoption of CR-065-2021 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.

Indirect Impact

Adoption of CR-065-2021 should not have an adverse fiscal impact on the County

Appropriated in the Current Fiscal Year Budget

The school facilities surcharge appropriation included within the FY 2022 approved capital budget to offset debt service principal and interest costs includes the 4.2% inflationary adjustment.

Effective Date of Proposed Legislation

The proposed Resolution shall be effective on the date of adoption.

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