



THE PRINCE GEORGE'S COUNTY GOVERNMENT

Office of Audits and Investigations

June 10, 2020

FISCAL AND POLICY NOTE

TO: Robert J. Williams, Jr.
Council Administrator

William M. Hunt
Deputy Council Administrator

THRU: Josh Hamlin *JPH*
Senior Legislative Budget and Policy Analyst

FROM: Inez N. Claggett *INC*
Senior Legislative Budget and Policy Analyst

RE: Policy Analysis and Fiscal Note
CR-044-2020 School Facilities Surcharge

CB-043-2020 (*Proposed and presented by:* The Chair of the Council at the request of the County Executive)

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 2021, beginning July 1, 2020, as required by State Law.

Fiscal Summary

Direct Impact:

Expenditures: None.

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

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Indirect Impact:

No impact.

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-044-2020** seeks to amend the Fiscal Year 2021 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 0.3% between April 2019 and April 2020. Applying the 0.3% increase to the current (FY 2020) school facilities surcharge rates of \$9,741 (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 \$16,698 (all other buildings) produces new FY 2021 school facilities surcharge rates of \$9,770 (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 \$16,698 (all other buildings), reflecting an increase of \$29 and \$50, respectively.

Information obtained from DPIE staff indicates that 2,097 building permits were assessed a school facilities surcharge, equating to a collection of \$37,395,990 in fees for the most recent fully completed fiscal year (FY 2019) for which information is available. Of the number of assessments, 457 were 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 1,640 were for all other buildings. For comparison purposes, assuming the number of assessments and collections during fiscal year 2020 and 2021 remains flat total public facilities surcharge revenues

in FY 2021 are estimated at approximately \$31,931,610. Applying the 0.3% inflation adjustment, as proposed in CR-044-2020, will result in an estimated increase of approximately \$95,253 in school facilities surcharge revenues than what would have been generated from the same number of assessments and collections using FY 2020 school facilities surcharge rates (\$31,836,357), based upon our assumption.

Resource Personnel:

Bellur Ravishankar, Associate Director, Department of Permits Inspections and Enforcement

Fiscal Impact:

Direct Impact

Adoption of CR-044-2020 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-044-2020 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 2021 approved capital budget to offset debt service principal and interest costs includes the 0.3% 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.