



# THE PRINCE GEORGE'S COUNTY GOVERNMENT

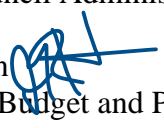
## Office of Audits and Investigations

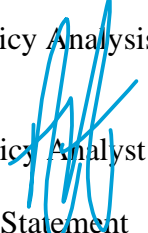
June 27, 2022

### FISCAL AND POLICY NOTE

TO: Robert J. Williams, Jr.  
Council Administrator

William M. Hunt  
Deputy Council Administrator

THRU: Josh Hamlin   
Director of Budget and Policy Analysis

FROM: Arian Albear   
Legislative Budget and Policy Analyst

RE: Policy Analysis and Fiscal Statement  
CR-080-2022 School Facilities Surcharge

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**CR-080-2022** (*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 2023, beginning July 1, 2022, as required by State law.

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### **Fiscal Summary**

#### **Direct Impact:**

*Expenditures:* None.

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

### **Indirect Impact:**

None likely.

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### **Legislative Summary**

CR-080-2022,<sup>1</sup> proposed by Council Chair Hawkins at the request of the County Executive, was introduced on June 21, 2022 and referred to the Committee of the Whole (COW).

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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 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**

- Stanley A. Earley, Director, 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 is decreased in these areas. Consequently, charging a higher impact fee on new construction in sprawling neighborhoods to account for the greater impact on government services will discourage this type of construction for more compact, transit-oriented localities.

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<sup>1</sup> [CR-080-2022](#).

Pursuant to State law, CR-080-2022 seeks to amend the Fiscal Year 2023 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 8.3% between April 2021 and April 2022. Applying the 8.3% increase to the current (FY 2022) school facilities surcharge rates of \$10,180 (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 \$17,451 (all other buildings) produces new FY 2023 school facilities surcharge rates of \$11,020 (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 \$18,900 (all other buildings), reflecting an increase of \$840 and \$1,148, 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 2023, 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-080-2022 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. Information obtained from the Office of Management and Budget (OMB) show that the fee raised \$44.8 million in FY 2021 and \$40.8 million for FY 2022, as of June 23, 2022. FY 2023 is projected to generate approximately \$45 million, based on the assumption that 2,500 building permits will be issued in a ratio of 8.5% inside versus 91.5% outside the Beltway, and *based on FY 2021 levels*.

### *Indirect Impact*

Adoption of CR-080-2022 should not have any indirect fiscal impact on the County.

### *Appropriated in the Current Fiscal Year Budget*

The School Facilities Surcharge appropriation included within the FY 2023 approved capital budget to offset debt service principal and interest costs includes the 8.3% inflationary adjustment.

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**Effective Date of Proposed Legislation**

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

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