



THE PRINCE GEORGE'S COUNTY GOVERNMENT

Office of Audits and Investigations

July 10, 2019

MEMORANDUM

TO: Robert J. Williams, Jr.
Council Administrator

William M. Hunt
Deputy Council Administrator

THRU: David H. Van Dyke *DHV*
County Auditor

FROM: Inez N. Claggett *INC*
Senior Legislative Auditor

RE: Fiscal Impact Statement
CR-055-2019 School Facilities Surcharge

Legislative Summary

CR-055-2019 seeks to adjust the County's school facilities surcharge for annual changes in the Consumer Price Index rate, for Fiscal Year 2020, beginning July 1, 2019, as required by State 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.

Resource Personnel

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

Assumptions and Methodology

The Consumer Price Index (CPI) for All Urban Consumers shows a percentage change increase of 2.0% between April 2018 and April 2019. Applying the increase of 2.0% to the current FY 2019 school facilities surcharge rates of \$9,550 (properties inside the beltway, or inside an area included in certain basic plans or conceptual site plans) and \$16,371 (all other properties) produces new FY 2020 school facilities surcharge rates of \$9,741 and \$16,698, reflecting an increase of \$191 and \$327, respectively.

Information provided by DPIE staff indicates that 2,097 building permits were issued for 2,745 residential units subject to the school facilities surcharge, equating to a collection of approximately \$37,395,990 in fees for fiscal year 2019. Assuming the number of units subject to the surcharge during fiscal year 2020 remains flat, with approximately 40% issued for properties outside of the beltway and 60% issued for properties inside the beltway or inside an area included in certain basic plans or conceptual site plans, total school facilities surcharge revenues in FY 2020 are estimated at approximately \$38,134,611. Applying the 2.0% inflation adjustment, as proposed in CR-055-2019, will result in an estimated increase of \$747,063 in school facilities surcharge revenues than what would have been generated from the existing FY 2019 school facilities surcharge rates, based upon our assumption and estimated number of residential units subject to the surcharge.

Fiscal Impact

- **Direct Impact**

Adoption of CR-055-2019 may increase County revenues by an estimated \$747,063 in FY 2020, based on an estimated 2,745 residential units subject to the surcharge.

- **Indirect Impact**

Adoption of CR-055-2019 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 2020 approved budget includes the 2.0% inflationary adjustment.

Effective Date

The proposed Resolution shall be retroactively effective to July 1, 2019.

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