

Department of Legislative Services
Maryland General Assembly
2018 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 1249 (Senator Rosapepe)
Budget and Taxation

Prince George's County - School Facilities and Public Safety Surcharges -
Maryland Transit Administration Station

This bill extends specified exemptions and reductions to the Prince George's County school facilities surcharge and public safety surcharge. The bill also requires Prince George's County to review and make recommendations on the impact of the surcharges. **The bill takes effect July 1, 2018, and terminates December 31, 2021.**

Fiscal Summary

State Effect: None.

Local Effect: Prince George's County revenues from the school facilities surcharge and public safety surcharge will continue to decrease beyond FY 2018. The actual amount of the revenue decrease depends on the number of exemptions granted and the amount of the surcharge imposed. County expenditures are not directly affected. Depending on the number of residential units that are built near the areas specified by the bill, the proposed exemptions to the school facilities surcharge and the public safety surcharge may reduce county revenues by a significant amount. Consequently, this will result in less revenues dedicated to public school construction and public safety related projects. **This bill imposes a mandate on a unit of local government.**

Small Business Effect: None.

Analysis

Bill Summary: The bill extends the existing exemptions from the Prince George's County school facilities surcharge established under Chapter 685 of 2013 until September 30, 2021. Under current law, these exemptions terminate on September 30, 2018.

The bill also requires Prince George's County to provide either a 50% reduction or an exemption from the school facilities surcharge for specified dwellings located within one-quarter mile of a Maryland Area Regional Commuter (MARC) station or a Purple Line station. In addition, Prince George's County is required to reduce the public safety surcharge for specified residential construction that abuts an existing or planned mass transit rail station site operated by the Maryland Transit Administration.

Prince George's County must (1) review and make recommendations on the impact of the school facilities surcharge and the public safety surcharge and the need for any changes to the surcharges and (2) report its findings to the Prince George's County Council, the Prince George's County School Board, and the members of the Prince George's County Delegation to the General Assembly by December 1, 2019.

Current Law:

School Facilities Surcharge

Prince George's County imposes a school facilities surcharge on specified new residential construction to support new school construction in the county. The school facilities surcharge is a fee collected at the time of the issuance of the building permit. The resulting revenue is distributed to a special fund that supplements new school construction costs in the county.

The school facilities surcharge does not apply to mixed retirement developments, elderly housing, or any property located in an infrastructure finance district approved prior to January 1, 2000. In addition, the surcharge does not apply to a single-family, detached dwelling that is built or subcontracted by an individual owner in a minor subdivision, provided that the owner intends to use it as the owner's personal residence. In addition, specified student housing located within the campus of Capitol Technology University in an area adjacent to and east of Springfield Road in parcels 1 and 2 in the subdivision of land known as "parcels 1 and 2, Capitol Institute of Technology," as per plat recorded in Plat Book NLP 115 at plat 31 among the land records of Prince George's County is also exempt.

Chapter 685 of 2013 required that the Prince George's County school facilities surcharge be reduced by 50% for multifamily housing constructed (1) within an approved transit

district overlay zone; (2) within one-quarter mile of a Metro station; or (3) within the Bowie State MARC Station Community Center Designation Area, as defined in the approved Bowie State MARC Station Sector Plan and Sectional Map Amendment. In addition, the school facilities surcharge does not apply to studio or efficiency apartments that are located (1) within the specified county urban centers and corridors; (2) within an approved transit district overlay zone; or (3) within one-quarter mile of a Metro station. Chapter 685 sunsets September 30, 2018.

Chapter 733 of 2016 repealed the school facilities surcharge exemption for multifamily housing units that are designated as student housing and are located within 1.5 miles of the University of Maryland, College Park Campus. The legislation specified that the school facilities surcharge does not apply to multifamily housing that is located in the City of College Park and designated as graduate student housing by the City of College Park. However, the Prince George's County Council may, by resolution, reverse a designation by the City of College Park of multifamily housing as graduate student housing within 60 days of the designation. Chapter 733 also required the owner of the property to pay, at the time of the conversion, the school facilities surcharge in accordance with the laws at the time of the conversion if the housing is converted from graduate student housing to multifamily housing for the general population.

An exemption from the school facilities surcharge also applies to single-family, attached dwellings that are (1) located in a residential revitalization project; (2) located in the developed tier as defined in the Prince George's County general plan; (3) located in a Transforming Neighborhood Initiative area; (4) located on the same property as previously existing multifamily dwelling units; (5) developed at a lower density than the previously existing multifamily dwelling units; (6) offered for sale only on a fee simple basis; and (7) located on a property that is less than six acres in size.

Chapter 455 of 2017 required Prince George's County to impose a reduced school facilities surcharge for specified residential construction that abuts an existing or planned mass transit rail station site operated by the Maryland Transit Administration. Chapter 455 also authorized the Prince George's County Council to reduce the school facilities surcharge by a percentage not exceeding 50% for dwelling units in multifamily housing constructed where there is no approved transit district overlay zone, within one-quarter mile of a Purple Line station.

Chapter 455 also established a Prince George's County Surcharge Exemptions for Projects Near Transit Properties Workgroup to examine reductions, waivers, and exemptions from school facilities and public safety surcharges. The workgroup was required to report its findings and recommendations to the Prince George's County Council, the Prince George's County School Board, and the members of the Prince George's County Delegation to the

General Assembly by December 31, 2017. As of March 2018, the report has not been submitted.

Public Safety Surcharge

Chapter 594 of 2005 authorized the Prince George's County Council to impose a public safety surcharge on new residential construction for which a preliminary plan has been approved by the county council on or after July 1, 2005. The surcharge amount was set at \$6,000 for developments outside the developed tier and \$2,000 for developments inside the developed tier starting in the first year. In subsequent years, the surcharge amount is adjusted for inflation based on the Consumer Price Index for All Urban Consumers. The surcharge does not apply to a single-family, detached dwelling that is built or subcontracted by an individual owner in a minor subdivision and intended to be used as the owner's personal residence. The county council may waive any surcharge imposed in the developed tier.

Background:

School Facilities Surcharge

Chapter 431 of 2003 increased the school facilities surcharge from \$5,000 per unit to \$12,000 for applications filed on or after July 1, 2003, for new residential construction projects. Chapter 431 also required the surcharge to be adjusted annually based on the Consumer Price Index beginning in fiscal 2005.

The school facilities surcharge collection process is administered by the Prince George's County Department of Permitting, Inspections, and Enforcement (DPIE). Effective July 1, 2016, the school facilities surcharge amount was set at \$9,116 for buildings located between Interstate 495 and the District of Columbia or near a Metro station and \$15,628 for all other locations.

Exhibit 1 shows the number of single-family construction permits issued by DPIE in fiscal 2005 through 2017 as well as the corresponding revenues and expenditures for each year. Since fiscal 2000, Prince George's County has been using school facilities surcharge revenues to support a portion of new debt issued for school construction projects.

As of June 2016, Prince George's County had \$289.7 million in school facilities surcharge supported general obligation bonds. As of fiscal 2017, the county had a fund balance of \$69.3 million in school facilities surcharge revenues.

Exhibit 1
Single-family Residence Permits Issued and School Facilities Surcharge
Revenues and Expenditures
Fiscal 2005-2017
(\$ in Millions)

<u>Fiscal Year</u>	<u>Permits Issued</u>	<u>SFS Revenues</u>	<u>SFS Expenditures</u>
2005	1,960	\$26.7	\$11.4
2006	2,667	42.8	14.4
2007	2,380	47.4	11.7
2008	1,661	27.6	23.8
2009	1,102	14.7	28.8
2010	1,189	15.9	49.0
2011	1,002	14.3	21.7
2012	660	22.8	20.5
2013	907	29.3	22.6
2014	748	24.3	36.5
2015	814	23.4	28.1
2016	865	32.3	29.4
2017	829	28.5	30.8
Total	16,784	\$350.0	\$328.7

SFS: school facilities surcharge

Source: Prince George's County

Public Safety Surcharge

The public safety surcharge amount was set at \$6,000 for developments outside the developed tier and \$2,000 for developments inside the developed tier starting in the first year. In subsequent years, the surcharge amount is adjusted for inflation based on the Consumer Price Index for All Urban Consumers. The surcharge amounts for fiscal 2016 were \$7,379 and \$2,461, respectively.

In fiscal 2016, Prince George's County collected \$9.3 million in net public safety surcharge revenues. The county is required to share at least 25% of the public safety surcharge revenues collected from construction projects located in a municipality that maintains a police department and is also required to provide waivers and partial waivers for various projects. The revenues that were collected were distributed to the Public Safety Driver

Training and Gun Range project (\$2.1 million) and Training/Administrative Headquarters (\$5.6 million). Prince George's County advises that future revenues will be used for the repair, renovation, and improvement of public safety facilities.

Purple Line

The Purple Line is a 16.2-mile light rail line that will extend from Bethesda, in Montgomery County, to New Carrollton, in Prince George's County. The Purple Line will operate largely at street level in a combination of dedicated and semi-exclusive rights-of-way and also includes segments on elevated structures and in tunnels. The alignment for the Purple Line will provide direct connections to Washington Metropolitan Area Transit Authority at Bethesda, Silver Spring, College Park, and New Carrollton. The project will also connect to all three MARC rail lines, Amtrak, and local bus routes. The project includes 21 stations, two storage and maintenance facilities, and 25 light rail vehicles. The Purple Line Project is currently in the [construction](#) phase, with revenue operations scheduled for December 31, 2022. The estimated project cost is \$2.4 billion.

Local Fiscal Effect: Prince George's County revenues from the school facilities surcharge and the public safety surcharge will continue to decrease beyond fiscal 2018 depending on (1) the number of properties in an approved transit district overlay zone, in areas within one-quarter mile of a Metro station or a Purple Line station, or within the Bowie State MARC Station Community Center Designation Area and (2) the number of properties near mass transit light rail sites operated by the Maryland Transit Administration that qualify for the reduced surcharge. The actual amount of the revenue decrease cannot be reliably estimated.

As a point of reference, the Purple Line website (<http://www.purplelinemd.com>) indicates a significant number of proposed economic development projects, including both commercial and residential developments, along the Purple Line route and near planned stations. Depending on the number of residential units that are actually built, the proposed exemptions and reductions to the school facilities surcharge and the public safety surcharge may reduce county revenues by a significant amount. Consequently, this will result in less revenues dedicated to public school construction and public safety related projects.

Additional Information

Prior Introductions: None.

Cross File: HB 1818 (Prince George's County Delegation) - Rules and Executive Nominations.

Information Source(s): Prince George's County; Maryland Department of Transportation; State Department of Assessments and Taxation; Department of Legislative Services

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Analysis by: Michael Sanelli

Direct Inquiries to:
(410) 946-5510
(301) 970-5510