

School Facilities Surcharge

FY 2025

Article 17, Section 10-192.01 Local Laws of Prince George's County

Annual Report on School Facilities Surcharge in Prince George's County FY 2025 Report

Background

The school facilities surcharge has been in effect since FY 1997 but did not exist in its current form until FY 2004 when separate surcharge rates were established for housing built inside or outside of the beltway by Chapter 431 of the 2003 Laws of Maryland (HB 487). Beginning with FY 2005, surcharge rates have grown incrementally annually, per State law based on the Consumer Price Index. Section 10-192.01(h) of Article 17 – Public Local Laws of Maryland requires the Prince George's County Executive to prepare an annual report on the school facilities surcharge to the Prince George's County Council, the County's Senate Delegation, and the County's House Delegation. The report shall include (1) a detailed description of how fees were expended, and (2) the amount of fees collected.

The County's Department of Permitting, Inspections and Enforcement (DPIE) administers the school facilities' surcharge collection process. Effective July 1, 2024, the school facilities surcharge fee was established at \$11,950 for buildings located between Interstate Highway 495 and Washington, D.C. or abuts an existing or planned Metro station and \$20,500 for all other locations. Under County law, the surcharge does not apply to:

- a mixed retirement development or elderly housing.
- a single-family, detached dwelling that is:
 - built or subcontracted by an individual owner in a minor subdivision, with the intent of using it as the owner's personal residence.
 - Replacing a dwelling on the same lot that was destroyed by fire, explosion or a natural disaster, is similar to the previously existing single-family dwelling unit, and owned and occupied by the same owner.
 - located in a residential revitalization project, and:
 - is in a specified transportation service area as defined in the County General Plan.
 - is in a Transforming Neighborhoods Initiatives Area.
 - is on the same property as previously existing multi-family dwelling units.
 - is developed at a lower density than previously existing multi-family units.
 - is offered for sale only on a fee simple basis; and
 - is located on a property that is less than 6 acres in size.
- a multi-family housing development designated as:
 - certain student housing within the campus of Capitol Technology University.
 - student housing within 1 mile of Bowie State University.
 - graduate student housing designated by the City of College Park (which may be reversed within 60 days of designation by County Council Resolution).
- a studio or efficiency apartment located within:
 - Regional Transit Districts & Local Centers as defined by the County General Plan.
 - an Approved Transit District Overlay Zone; or
 - one-quarter mile of a Metro or MARC station if there is no approved Transit Overlay Zone.

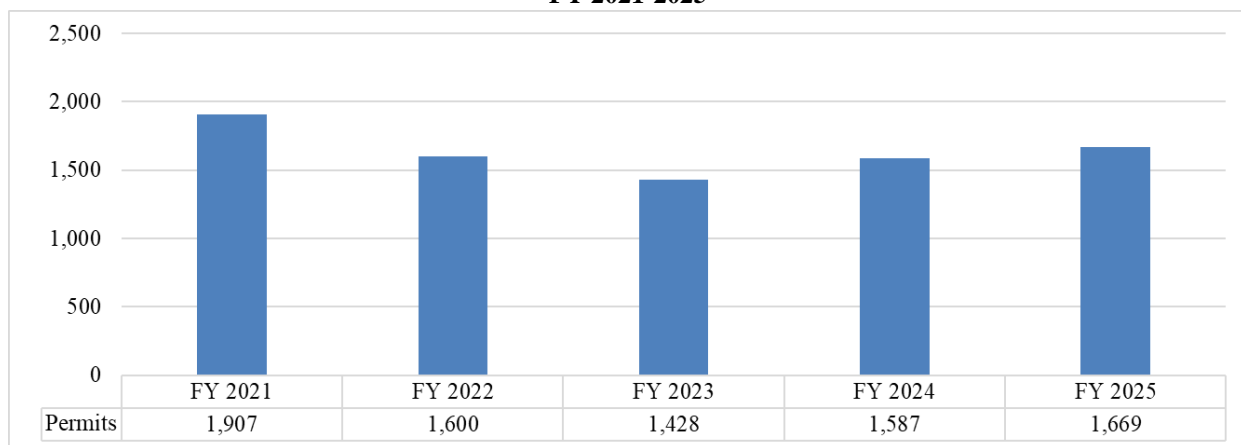
- The surcharge shall be reduced by 50% for multi-family housing units that:
 - were issued a building permit after April 1, 2019.
 - are within an Approved Transit District Overlay Zone; or
 - are within one-quarter mile of a Metro or MARC station if there is no approved Transit Overlay Zone.
 - The surcharge may also be reduced by 50% for multi-family housing where there is no approved Transit District Overlay Zone within one-quarter mile of a Purple Line Station.

Upon the recommendation of the City of College Park, the County may, by resolution, exempt some or all of the school facilities surcharge for undergraduate student housing west of U.S. Route 1, North of Knox Road, and south of Metzert Road.

Fiscal Year 2025 Permit Activity

DPIE issued 1,669 new residential building permits (single-family dwellings¹), an increase of 82 permits, or 5.2% above FY 2024. **Exhibit 1** shows the numbers of permits issued from FY 2021 to FY 2025. In FY 2025 an average of 139 permits were issued monthly, which is an increase from the average numbers for the previous three years.

Exhibit 1
Single-Family House Permits Issued
FY 2021-2025

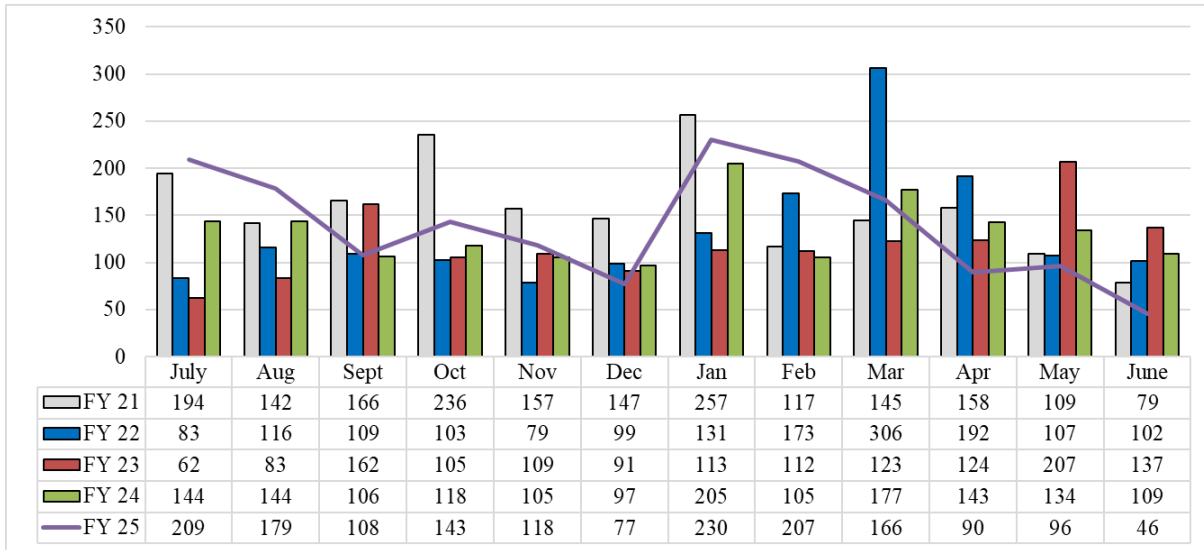


Source: Department of Permitting, Inspections and Enforcement

¹ Single-family houses constitute most residential building permits issued by DPIE. The number serves as an important indicator but cannot directly calculate school surcharge revenue because: (1) the timing of surcharge collection and permit issuance differs; (2) the number of permits includes revisions, which do not generate school surcharge revenue; and (3) the number does not include other types of residential housing, which generate school surcharge revenue based on the number of units instead of the number of permits. The increase reflected herein is as a result of all residential zoning districts being incorporated into the total.

Exhibit 2 illustrates the comparison of monthly permits issued from FY 2021 through FY 2025.

Exhibit 2
Monthly Single-Family House Permits Issued
FY 2021-2025



Source: Department of Permitting, Inspections and Enforcement

FY 2025 Fees Collected

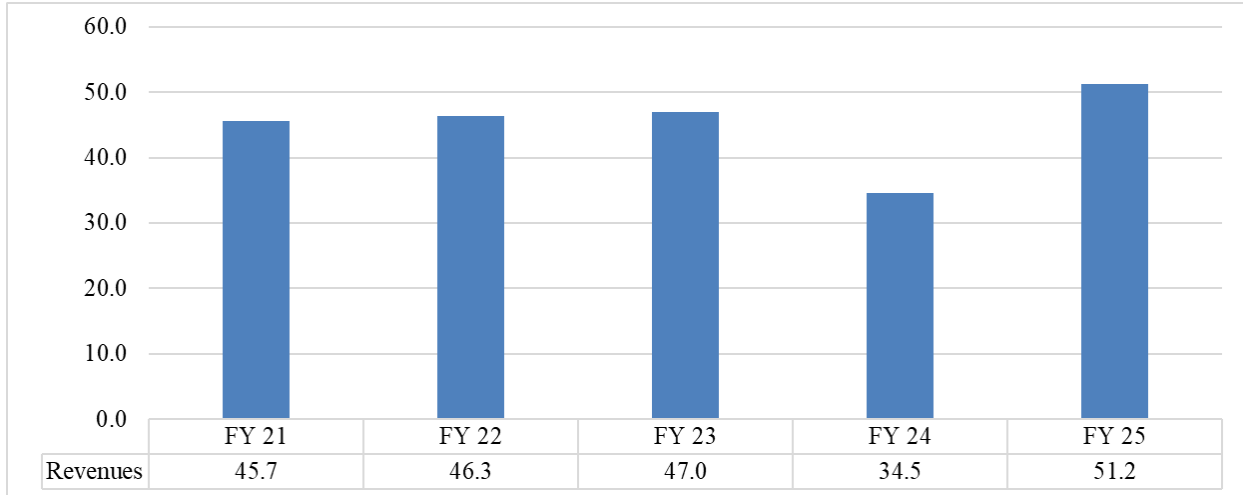
The County collected approximately \$51.2 million in school facilities surcharge revenues in FY 2025, which represents a \$16.7 million, or 48.3% increase compared to the FY 2024 collection of \$34.5 million. **Exhibit 3** provides the historical trend for school facilities surcharge revenues collected by the County during the past 5 fiscal years.

FY 2025 Expenditures

In FY 2025, \$44.1 million of school surcharge revenue was spent on debt service for bonds issued for various school construction projects. Since FY 2000, the County has been using school surcharge revenues to support a portion of new debt issued for school projects. No new debt has been issued since FY 2022 because the amount of annual surcharge revenue could not support it. **Exhibit 4** shows the annual expenditures from the school facilities surcharge account for the past five fiscal years.²

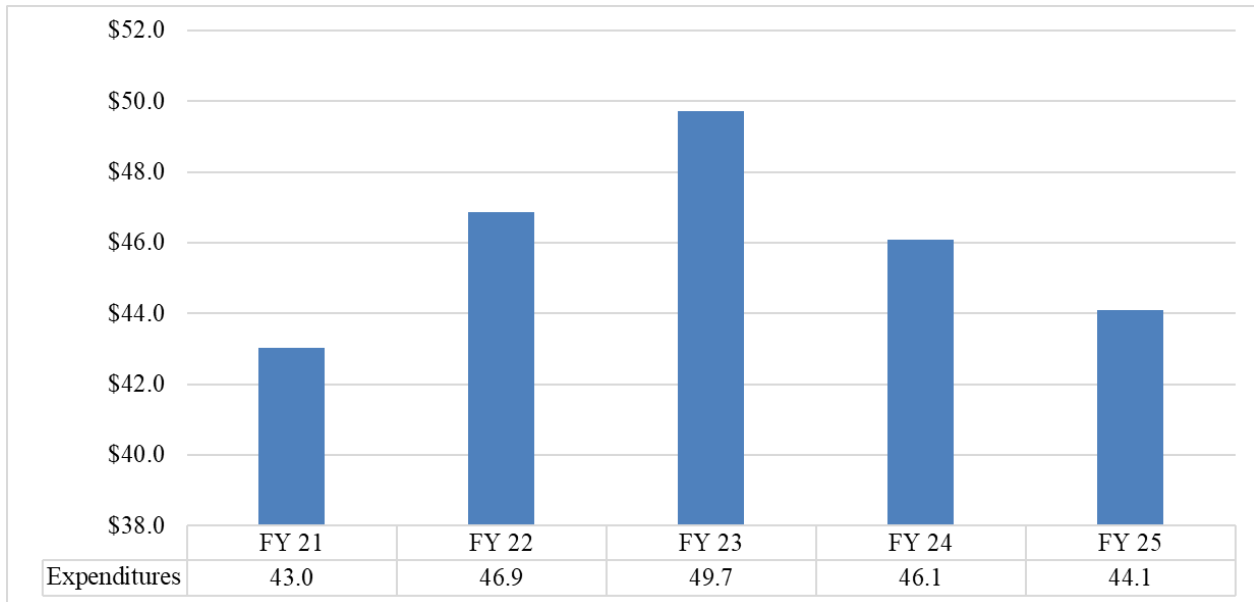
² Historical data is sometimes updated to reflect audited numbers.

Exhibit 3
School Surcharge Revenue
FY 2021-2025



Source: Department of Permitting, Inspections and Enforcement

Exhibit 4
School Surcharge Expenditures
FY 2021-2025



Source: Office of Finance

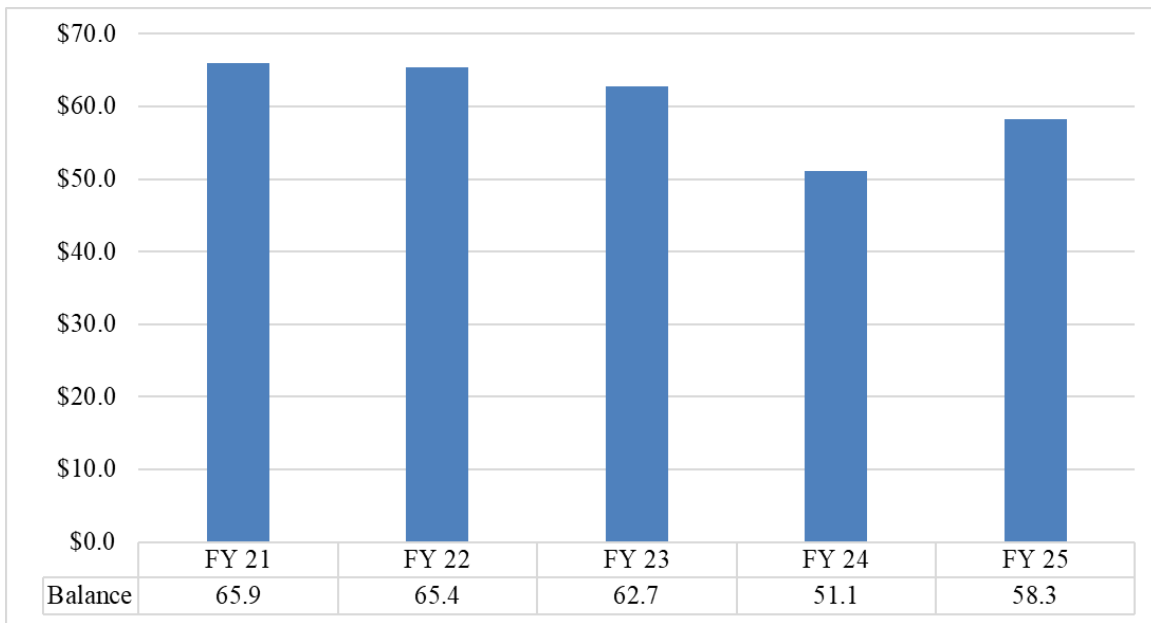
Outstanding Debt

As of June 30, 2025, the County has an estimated \$334.2 million in school surcharge-supported outstanding General Obligation (GO) bonds.

Accumulated School Facilities Surcharge Balance

The estimated accumulated balance in school facilities surcharge revenues as of June 30, 2025, is \$58.3 million. **Exhibit 5** shows the accumulated balance history. In three of the last five years, annual revenue was lower than the amount of debt service. As a result, the fund balance has been drawn down to \$51.1 million. In FY 2025 revenue exceeded debt service by \$7.1 million.

Exhibit 5
School Surcharge Accumulated Balance
FY 2021-2025



Source: Office of Finance

Forecast

County policy had been to apply school surcharge revenue to 60% of the general obligation (GO) bonds for the Board of Education (BOE) in the Capital Improvement Program (CIP). However, from FY 2022 through FY 2026 the revenue from the surcharge was not sufficient to support issuing any GO bonds for the BOE CIP paid from the surcharge. OMB prepared a long-term estimate to determine the viability of the Fund.

The long-term forecast of school surcharge revenue is based on the following assumptions:

- A 20-year term and the typical principal retirement schedule used by the County.
- It is assumed that the FY 2024 revenue level more conservatively represents the base of funding multiplied times a weighted average of the two surcharge rates based on building permit data from DPIE (91.5% outside the beltway and 8.5% inside the beltway).
- An assumption of annual inflationary growth in the surcharge amount of 2.75%.
- Payment of debt service through FY 2042 on GO bonds issued prior to FY 2022, in support of 60% of the BOE CIP.

The long-term forecast shows that there is sufficient revenue to pay annual debt service on existing debt. The estimated fund balance is not sufficient to support any new bond issuances backed by the school facilities surcharge.

Conclusion

The number of single-family permits grew in FY 2025 and the overall amount of school surcharge revenue increased by \$16.7 million. The accumulated fund balance and revenue stream is insufficient to support the issuance of any new school surcharge-backed debt at this time. This analysis will be reviewed annually to assess the level of surcharge-backed debt that can be issued.