



PRINCE GEORGE'S COUNTY GOVERNMENT  
OFFICE OF THE COUNTY EXECUTIVE

Rushern L. Baker, III  
County Executive

DEC 01 2015

The Honorable Mel Franklin, Chair  
Prince George's County Council

The Honorable James C. Rosapepe, Chair  
Prince George's County Senate Delegation

The Honorable Jay Walker, Chair  
Prince George's County House Delegation

Dear Chairs Franklin, Rosapepe and Walker:

In accordance with Chapter 431 of the 2003 Laws of Maryland, I have enclosed a copy of the report entitled *The Annual Report on School Facilities Surcharge in Prince George's County – FY 2015 Report*. As you may recall, the school facilities surcharge increased, in general, from \$5,000 per unit to \$12,000 per unit, effective on July 1, 2003. Since then, surcharge rates have increased incrementally each year according to the State law that mandates the annual adjustment based on the Consumer Price Index (CPI). The report briefly covers the administration of the school facilities surcharge process, the amount of fees collected, an itemization of expenditures, and the accumulated surcharge balance for FY 2015.

If you have any questions, please contact me.

Sincerely,

Rushern L. Baker, III  
County Executive

Enclosure

cc: Members, Prince George's County Council  
Members, Prince George's County Senate Delegation  
Members, Prince George's County House Delegation

# **The Annual Report on School Facilities Surcharge in Prince George's County**

## **FY 2015 Report**

Chapter 431 of the 2003 Laws of Maryland (HB 487) increased the school facilities surcharge from \$5,000 per unit to \$12,000 per unit for applications filed on or after July 1, 2003 for new residential construction projects. The law also stipulates that the surcharge be adjusted annually based on the Consumer Price Index (CPI) growth starting from FY 2005. In addition, Section 10-192.01(g) of Article 17 – Public Local Laws of Maryland required 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) accountability measures undertaken by the County, (2) the amount of fees collected, and (3) an itemization of expenditures.

### **Accountability**

The County's Department of Permitting, Inspections and Enforcement (DPIE) administers the school facilities' surcharge collection process. Effective July 1, 2014, the school facilities surcharge fee was established at \$9,035 for buildings located between Interstate Highway 495 and Washington, D.C. or abuts an existing or planned Metro station and \$15,489 for all other locations (CR-55-2014). As required under State law, the 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. Moreover, the surcharge does not apply to 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. Multifamily housing units designated as student housing within 1.5 miles of the University of Maryland, College Park campus are also exempted from the surcharge.

In FY 2015, DPIE issued 814 new residential building permits (single-family dwellings<sup>1</sup>), an increase of 66 permits from the FY 2014 level. Exhibit 1 shows the numbers of permits issued from FY 2010 to FY 2015. On average, permits issued per month in FY 2015 totaled 68, which is 1.5% lower than the average level of 69 for the past five years. Exhibit 2 illustrates the comparison of the monthly permits issued from FY 2012 to FY 2015.

---

<sup>1</sup> Single-family houses constitute the majority of the residential building permits issued by DPIE in general. The number serves as an important indicator but cannot be used to directly calculate school surcharge because: (1) the timing of surcharge collection and permits issuance differ in some cases, (2) the number of permits includes revisions, which do not generate school surcharge, and (3) the number does not include other types of residential housing, which generate school surcharge based on the number of units instead of the number of permits.

Exhibit 1

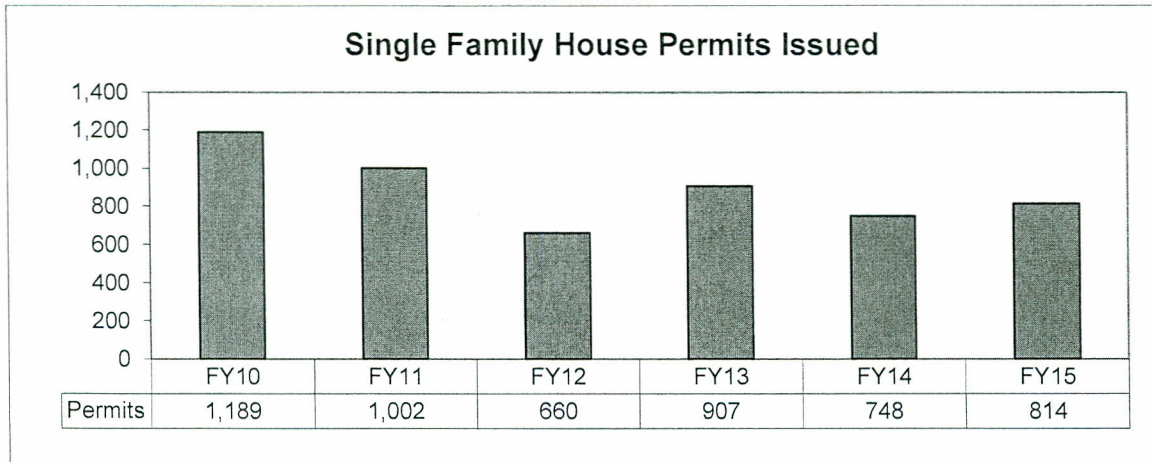
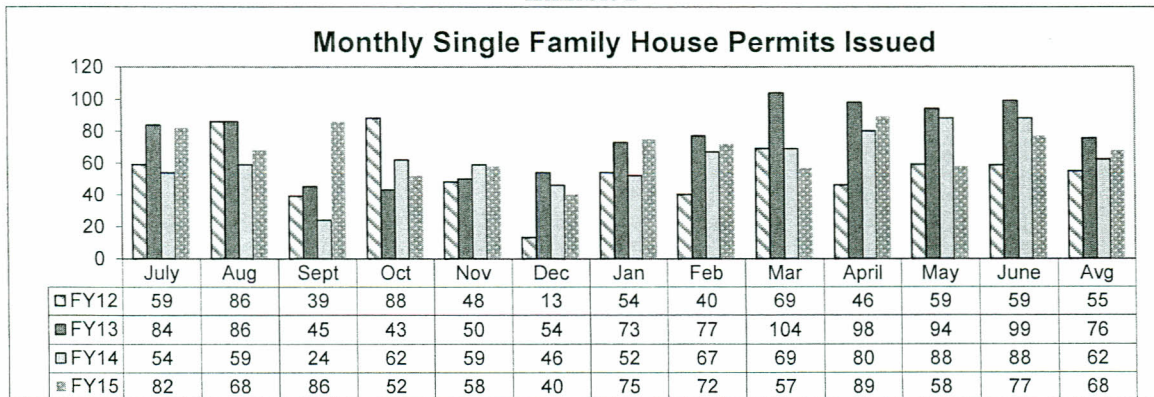


Exhibit 2

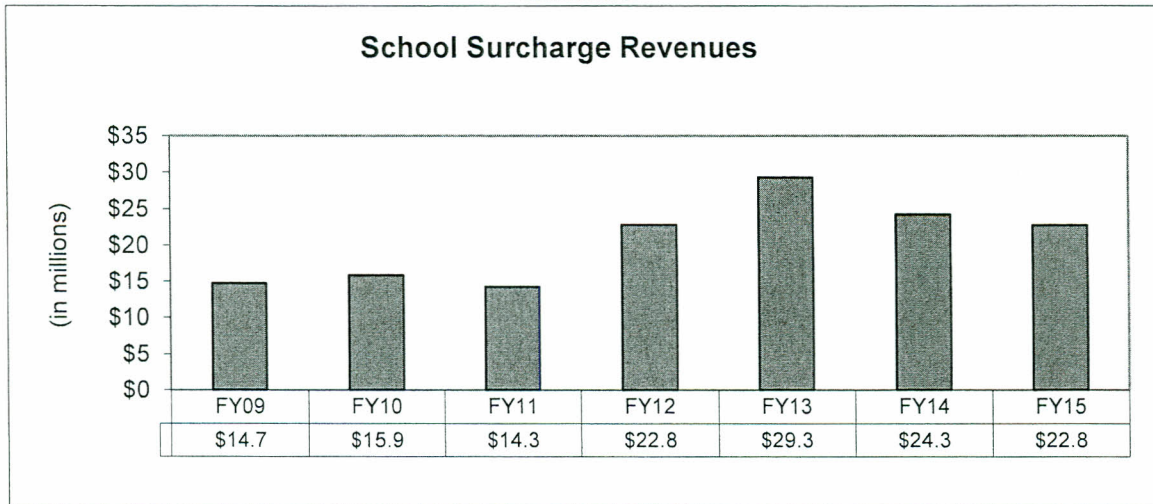


**Fees Collected**

In FY 2015, the County collected approximately \$22.8 million<sup>2</sup> in school facilities surcharge revenues, which represents a 6.1% decrease compared to the FY 2014 collection of \$24.3 million. Exhibit 3 provides the historical trend for school facilities surcharge revenues collected by the County during the past seven fiscal years.

<sup>2</sup> Unaudited number from the Office of Finance.

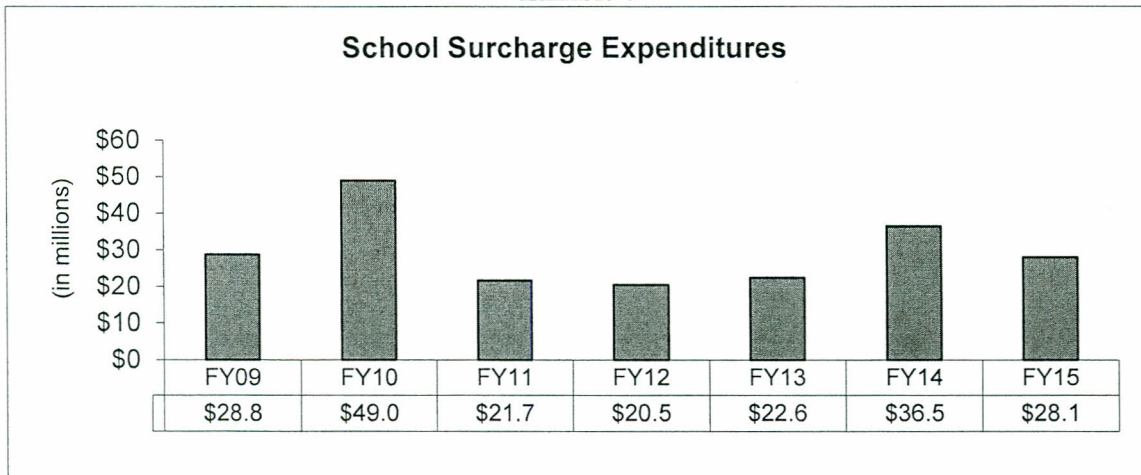
Exhibit 3



**Expenditures**

In FY 2015, \$28.1 million of school surcharge revenue was spent on school construction projects.<sup>3</sup> Since FY 2000, the County has been using the school surcharge revenues to support a portion of new debt issued for school projects. Exhibit 4<sup>4</sup> shows the annual expenditures from the school facilities surcharge account for the past seven fiscal years.

Exhibit 4



**Outstanding Debt**

As of June 2015, the County has an estimated \$291.9 million in school surcharge-supported outstanding General Obligation (GO) bonds. Including interest payments, an estimated \$344.3 million in school surcharge revenues are committed to debt service in

<sup>3</sup> Unaudited number.

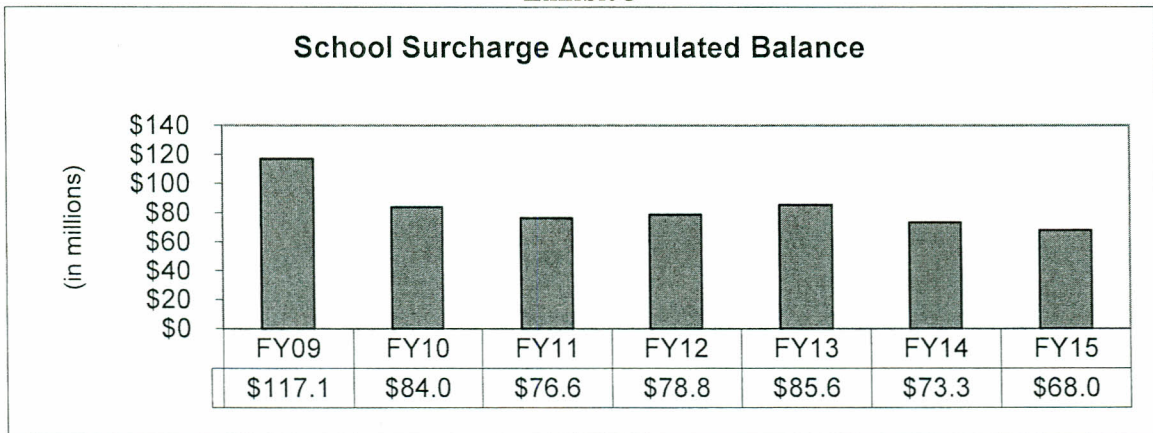
<sup>4</sup> Historical data are sometimes updated to reflect audited numbers.

the coming years. As the County continues to invest in new or expanded school buildings and renovate existing facilities, the outstanding debt supported by school surcharge revenues may continue to increase.

**Accumulated School Facilities Surcharge Balance**

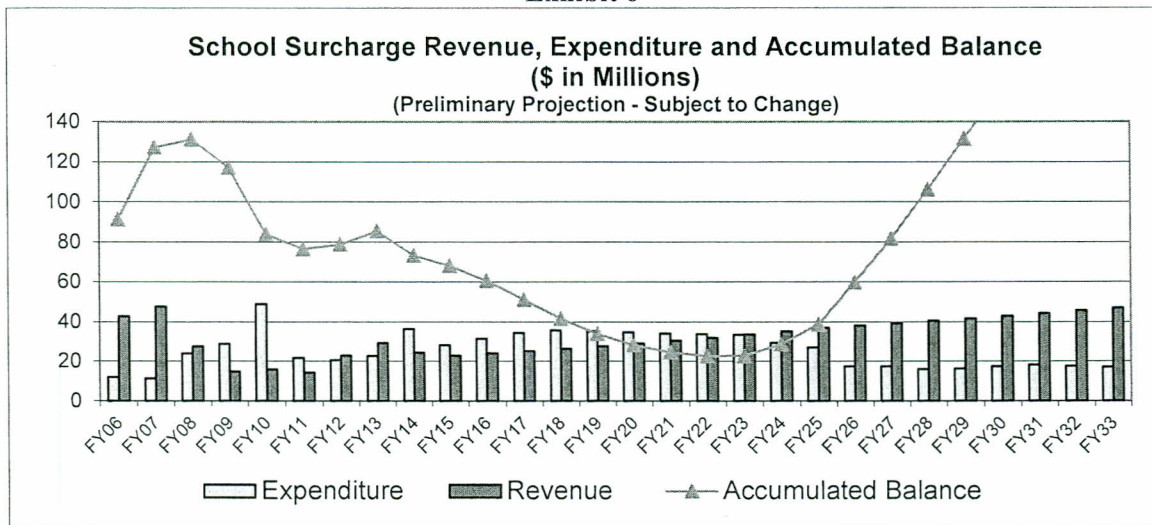
As of FY 2015, the County has an accumulated balance of \$68.0 million in school facilities surcharge revenues.<sup>5</sup> Exhibit 5 shows the accumulated balance history.

**Exhibit 5**



With the current debt service schedule and continued use of pay-go funding, this balance reflects an overall decrease of 48.1% since it reached its peak in FY 2008 at \$131.2 million. As the County continues to issue new GO bonds supported by surcharge revenues, as well as use the fund balance, the accumulated balance is expected to decrease in the immediate future. (See Exhibit 6).

**Exhibit 6**



<sup>5</sup> Unaudited number.