



**PRINCE GEORGE'S COUNTY GOVERNMENT**  
Office of the County Executive

Angela D. Alsobrooks  
County Executive

October 31, 2024

The Honorable Jolene Ivey, Chair  
Prince George's County Council

The Honorable Michael A. Jackson, Chair  
Prince George's County Senate Delegation

The Honorable Nicole A. Williams, Chair  
Prince George's County House Delegation

Re: Report required by Article 17 Section 10-192.01 Public Local Laws of Prince George's County (MSAR #14047)

Dear Chairs Ivey, Jackson and Williams,

In accordance with Article 17 – Public Local Laws of Maryland Section 10-192.01(h), I have enclosed a copy of the *Annual Report on School Facilities Surcharge in Prince George's County – FY 2024 Report*. Although the school facilities surcharge has been in effect since FY 1997, it did not exist in its current form until FY 2004 when separate surcharge rates were established for housing built inside and outside of the beltway. Beginning with FY 2005, surcharge rates have increased incrementally each year, according to the State law that mandates the annual adjustment, based on the Consumer Price Index. 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 2024.

I want to thank the Office of Management and Budget, the Department of Permitting, Inspections and Enforcement and the Office of Finance for providing the school surcharge-related information and preparing the report.

If you have any questions, please contact me.

Sincerely,

Angela Alsobrooks  
County Executive

Enclosure

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

## Annual Report on School Facilities Surcharge in Prince George's County FY 2024 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, 2023, the school facilities surcharge fee was established at \$11,560 for buildings located between Interstate Highway 495 and Washington, D.C. or abuts an existing or planned Metro station and \$19,826 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.

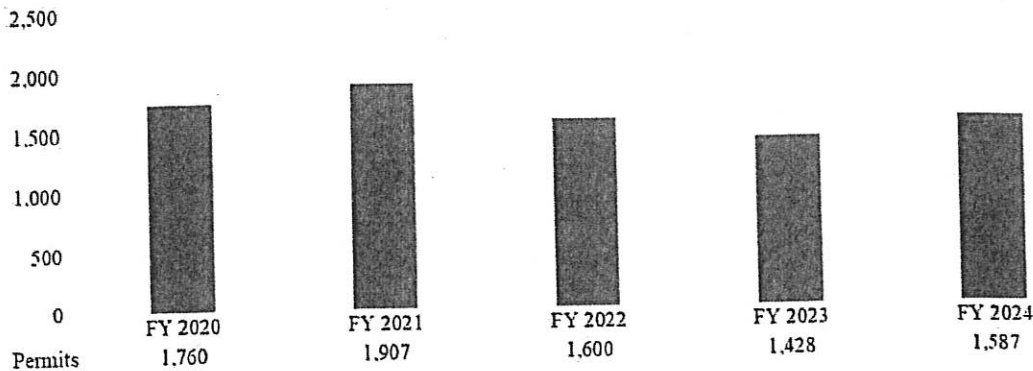
- The surcharge shall be reduced by 50% for multi-family housing units that:
  - were issued a building permit after April 1, 2019.
  - are within an Approved Transit District Overlay Zone; or
  - are within one-quarter mile of a Metro or MARC station if there is no approved Transit Overlay Zone.
  -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

### Fiscal Year 2024 Permit Activity

DPIE issued 1,587 new residential building permits (single-family dwellings<sup>1</sup>), an increase of 159 permits, or 11.1% above FY 2023. **Exhibit 1** shows the numbers of permits issued from FY 2020 to FY 2024. In FY 2024 an average of 132 permits were issued monthly, which is consistent with FY 2022. However, unlike FY 2022 where \$46.3 million in surcharge revenue was collected, the amount collected in FY 2024 was only \$34.5 million due to a large decrease in building permits for multi-family housing.

**Exhibit 1**  
**Single-Family House Permits Issued**  
 FY 2020-2024



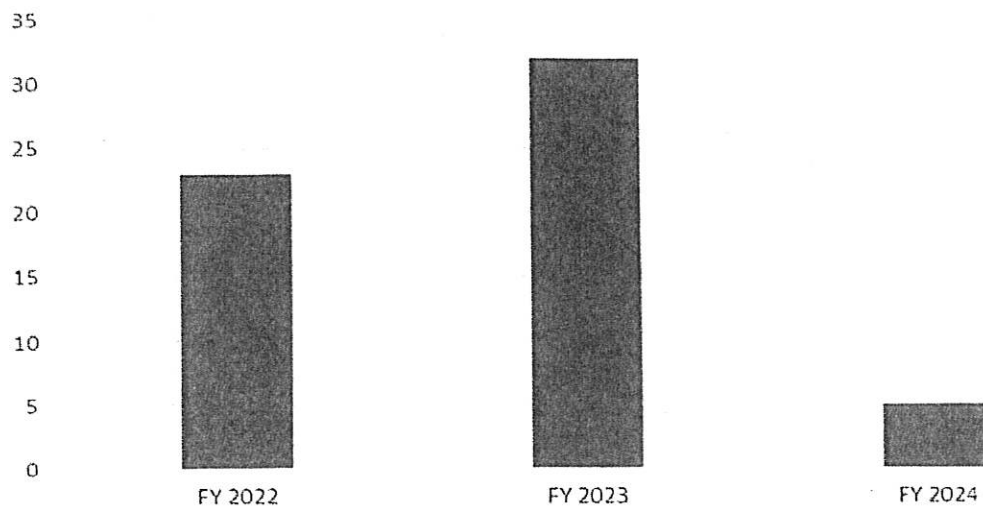
Source: Department of Permitting, Inspections and Enforcement

<sup>1</sup> 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 shows that the number of multi-family building permits with five or more units fell from 32 permits in FY 2023 to five permits in FY 2024.

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**Exhibit 2**  
**Multi-Family Building Permits with Five or More Units**  
**FY 2022-2024**

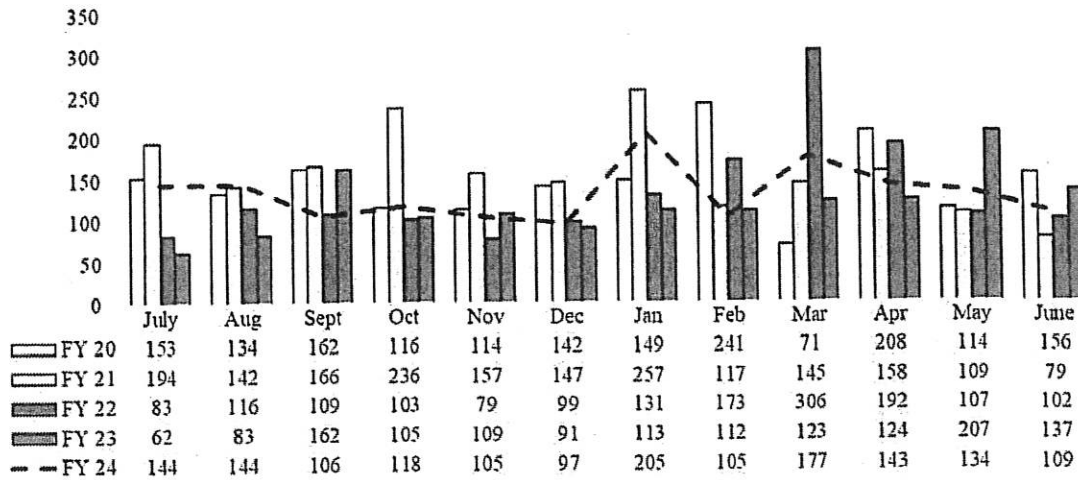


Source: Department of Permitting, Inspections and Enforcement

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**Exhibit 3** illustrates the comparison of monthly permits issued from FY 2020 through FY 2024.

**Exhibit 3**  
**Monthly Single-Family House Permits Issued**  
 FY 2020-2024



Source: Department of Permitting, Inspections and Enforcement

### FY 2024 Fees Collected

The County collected approximately \$34.5 million in school facilities surcharge revenues in FY 2024, which represents a -\$12.5 million, or -26.6% decrease compared to the FY 2023 collection of \$47.0 million. **Exhibit 4** provides the historical trend for school facilities surcharge revenues collected by the County during the past 5 fiscal years.

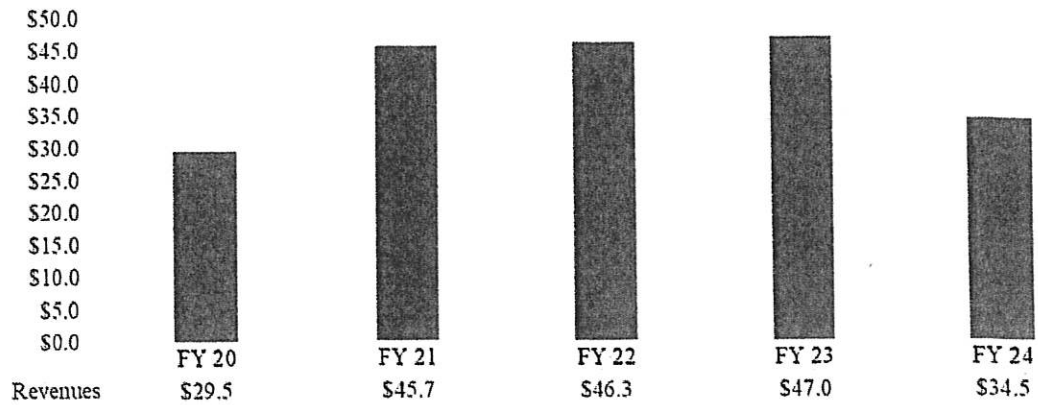
### FY 2024 Expenditures

In FY 2024, \$46.1 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. **Exhibit 5** shows the annual expenditures from the school facilities surcharge account for the past five fiscal years.<sup>2</sup>

<sup>2</sup> Historical data is sometimes updated to reflect audited numbers.

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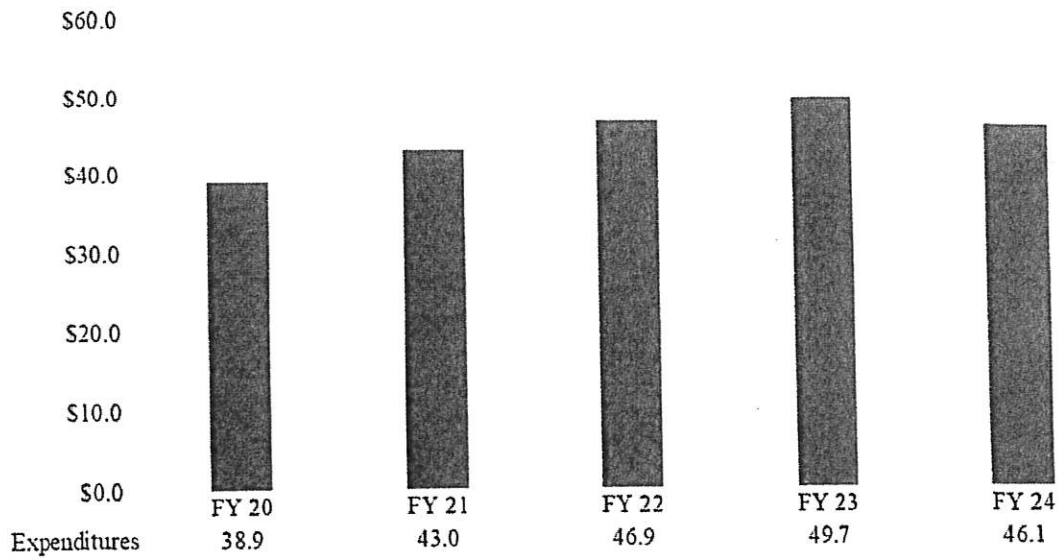
**Exhibit 4**  
**School Surcharge Revenue**  
FY 2020-2024



Source: Department of Permitting, Inspections and Enforcement

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**Exhibit 5**  
**School Surcharge Expenditures**  
FY 2020-2024



Source: Office of Finance

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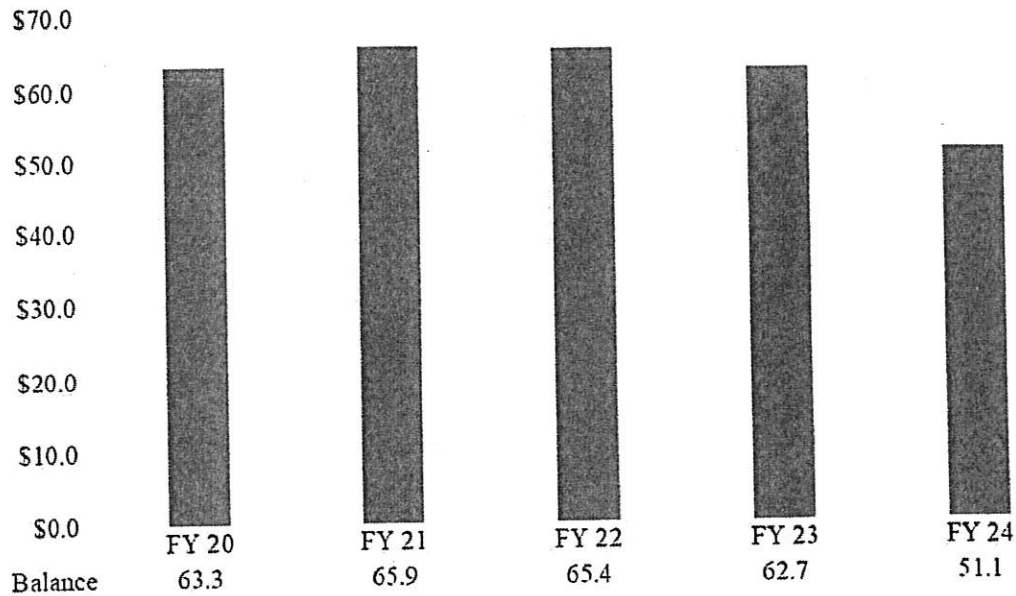
## Outstanding Debt

As of June 30, 2024, the County has an estimated \$364.0 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, 2024, is \$51.1 million. **Exhibit 6** shows the accumulated balance history. In four 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 by \$12.2 million.

**Exhibit 6**  
**School Surcharge Accumulated Balance**  
FY 2020-2024



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 2025 the revenue from the surcharge was not sufficient to support issuing any GO bonds for the BOE CIP paid from the surcharge.

## Forecast Assumptions

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 represents the new 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 3%.
- Payment of debt service through FY 2042 on GO bonds issued prior to FY 2022, in support of 60% of the BOE CIP.

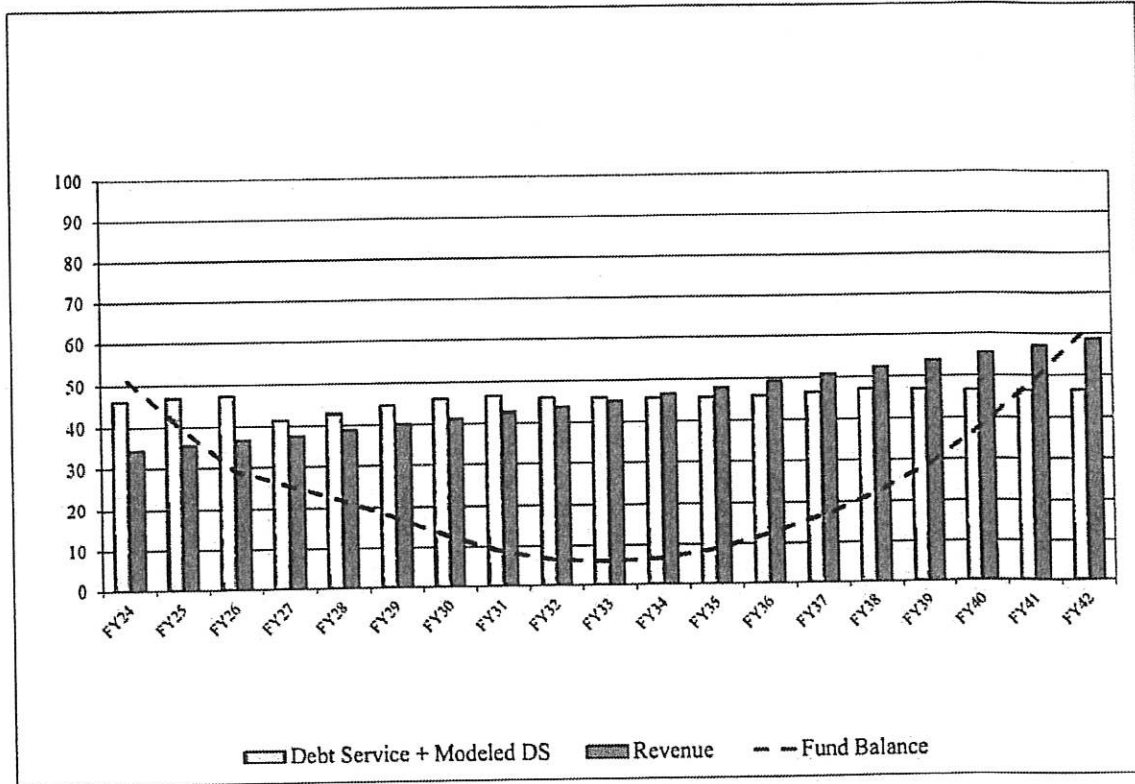
**Exhibit 7** shows a scenario under which the County could issue \$30.0 million per year in GO bonds for the BOE CIP, starting in FY 2026, which are paid from the school facilities surcharge. At this amount, the accumulated fund balance would be drawn down to \$5.8 million in FY 2033. At that point revenues would exceed debt service and the fund balance would begin increasing. This analysis will be reviewed each year to determine if the revenue stream will support larger issuances of debt.

## Conclusion

Although the number of single-family permits grew in FY 2024, the overall amount of school surcharge revenue decreased by -\$12.5 million due to a sharp decline in the number of multi-family building permits. The accumulated fund balance subsequently decreased to \$51.1, as debt service on previously issued GO bonds exceeds the annual surcharge revenue. If surcharge revenue levels continue at the suppressed level seen in FY 2024, the balance will continue to be drawn down to pay debt service in FY 2025 and FY 2026. After that it is projected the revenues will exceed debt service. The Office of Management and Budget is projecting that the current revenue stream can support the annual issuance of \$30.0 million per year in support of the Board of Education capital program, starting in FY 2026. This analysis will be reviewed annually to assess the level of surcharge-backed debt that can be issued.



**Exhibit 7**  
**School Surcharge Revenues and Expenditures**  
**\$30.0 Million Annual Issuance Starting in FY 2026**  
**(\$ in Millions)**



Source: Office of Management and Budget