

**Office of the County Auditor
Auditor’s Analysis**

Council Bill No. 37-2024

Introduced: June 3, 2024

Auditor: Rebecca Gold

Fiscal Impact:

We are unable to determine the foregone revenue resulting from this legislation, as we are unable to determine the square footage of future residential construction that would qualify for the reduced School Facilities Surcharge (Surcharge) rate of \$1.32 per square foot, versus construction assessed at the regular rate of \$7.50 per square foot.

For future residential construction that will be eligible for the \$1.32 per square foot rate, there will be forgone revenue of \$6.18 per square foot. This amount is based on the difference between the proposed Surcharge rate of \$1.32 for certain residential construction and the current maximum rate of \$7.50, which went into effect January 1, 2022.

The table below offers a historical context for how this proposed Surcharge rate might have impacted new single-family detached (SFD) construction over the last several fiscal years. For purposes of these calculations, we assumed all of the square footage to be eligible for the proposed decreased rate:

Fiscal Year	Total Sq. Ft. of SFD Construction	Total School Surcharge Revenue	Average School Surcharge Rate	Foregone Revenue*
FY 2020	2,210,749	\$ 2,994,338	\$ 1.35	\$ (76,149)
FY 2021	2,442,072	4,470,834	1.83	(1,247,299)
FY 2022	2,916,025	12,921,665	4.43	(9,072,512)
FY 2023	2,019,075	13,298,923	6.59	(10,633,744)
FY 2024 (year to date)	1,447,442	9,124,565	6.30	(7,213,942)

Source of Total Square Footage and Total Surcharge Revenue: “School Surcharge Report” from the Department of Inspections, Licenses and Permits (DILP)

*Data from the DILP did not differentiate between SFD construction that would or would not be eligible for the reduced rate. We calculated Forgone Revenue assuming that the entirety of SFD construction square footage would be eligible for the reduced rate.

Purpose:

This legislation proposes reducing the School Facilities Surcharge rate from \$7.50 to \$1.32 per square foot of occupiable area for single-family detached residences that meet the following paraphrased criteria:

- Construction must be built by an individual who owned the lot before the submission of a building permit application and who intends to use the dwelling as their primary residence; and
- Construction must not be built by a developer, builder, group, or individual who does not meet the criteria above.

Other Comments:

The School Facilities Surcharge rate will remain in effect until the rate is adjusted for inflation in accordance with Section 20.143(b)(4).

The Director of the DILP indicated that the department does not currently have a mechanism in place for distinguishing between properties that would be eligible or ineligible for the reduced rate under the proposed legislation. Implementing a new procedure to categorize and track square footage eligible for the reduced rate may involve additional work hours or staff, according to the Director.