



## House Bill 698

### *Local Government – Development Impact Fees, Surcharges, and Excise Taxes – Reporting*

MACo Position: **SUPPORT**  
**WITH AMENDMENTS**

To: Environment & Transportation Committee

Date: February 11, 2025

From: Dominic J. Butchko

The Maryland Association of Counties (MACo) **SUPPORTS HB 698 WITH AMENDMENTS**. This bill requires counties to report certain data on the collection and use of impact fees. MACo amendments seek to make the requirements implementable across all 24 counties.

Impact fees are one-time charges imposed by counties on new developments to help cover the cost of public infrastructure and services needed due to growth. These fees fund projects like roads, schools, parks, and utilities, ensuring that new construction doesn't overwhelm existing capacity. Developers typically pay impact fees before receiving building permits, and the amount is based on the projected impact of the development. Unlike in states such as California, Maryland counties must go through an analysis to determine appropriate levels of fees and these decisions are subject to judicial review. Additionally, counties are required to use the revenue generated in the impacted geographic area.

According to a [2021 DLS Report on Local Impact Fees](#):

*In order to justify the imposition of an impact fee, a jurisdiction must conduct a study that measures the effects that new development will have on public facilities. The amount of an impact fee is subject to judicial review. Moreover, the revenue from the fee must be dedicated to substantially benefit the assessed properties. Thus, a county cannot collect an impact fee in one geographic area and spend the funds in another area.*

In some jurisdictions, fees are not high enough to fully cover the cost of expanding infrastructure. In these scenarios, county leaders are in a “catch 22” scenario where they likely need to raise fees to pay for infrastructure but raising fees means adding additional burdens to home development. In September 2024, [Harford County completed a study](#) regarding their school impact fees. Currently, Harford assesses an impact fee of \$6,000, \$4,200, and \$1,200 for every single-family home, townhouse, or multi-family unit, respectively. If impact fees were to cover the entire cost of additional school construction, fees would need to be increased to \$12,819; \$13,692; and \$7,989, or the county must divert resources from their general funds, likely constraining other public services and programs.

Counties recognize the intent of HB 698 in the interests of both transparency and good governance. The core concern is that counties do not track impact fees by “legislative, councilmanic, or commissioner

district.” MACo offers two amendments, both of which the Association believes to be friendly, to ensure the reporting requirements outlined in the bill can be implemented by all 24 jurisdictions:

Amendment #1

On page 3, in lines 2-3, STRIKE “LEGISLATIVE” through “DISTRICT” and INSERT “THE GEOGRAPHIC AREA”

Amendment #2

On page 3, in lines 8-9, STRIKE “LEGISLATIVE” through “DISTRICT” and INSERT “GEOGRAPHIC AREA”

MACo thanks the sponsor for being a strong partner to county governments in addressing the state’s housing challenges. With these amendments, HB 698 would recognize the diversity in data tracking across the state and would be implementable by all 24 county jurisdictions. For these reasons, MACo **urges the Committees to give** HB 698 a report of **FAVORABLE WITH AMENDMENTS**.