

Department of Legislative Services  
Maryland General Assembly  
2024 Session

FISCAL AND POLICY NOTE  
Third Reader - Revised

House Bill 398

(Prince George's County Delegation)

Ways and Means

Budget and Taxation

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Prince George's County - Taxes on Telecommunications Services - Use of  
Revenue  
PG 406-24

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This bill authorizes Prince George's County to impose an excise tax on telecommunications services in the county of up to \$3.50 per month, per telephone line. The excise tax may be in addition to the current sales and use tax imposed on telecommunications services. The bill enables the Prince George's County government to use the proceeds from the local telecommunications taxes to meet the State funding requirements for the local school system under the maintenance of effort (MOE) requirement and local share provision. Under current law, revenue proceeds from the telecommunications tax cannot be used to supplant local funding required under the MOE or local share provision. **The bill takes effect July 1, 2024.**

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**Fiscal Summary**

**State Effect:** None.

**Local Effect:** Prince George's County revenues may increase by up to \$48.3 million in FY 2025 and by \$49.3 million in FY 2029. Prince George's County expenditures (local appropriation) for the county school system may decrease by \$13.1 million in FY 2025 and by \$16.0 million in FY 2029.

**Small Business Effect:** None.

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**Analysis**

**Current Law:** Prince George's County imposes a 9% sales and use tax on telecommunications services in the county.

### *Use of Telecommunications Tax Revenue*

At least 90% of the net proceeds of the tax revenue must be used for operating expenditures for the Prince George's County Public School System. The remainder must be used for (1) cash payments for capital expenditures for school renovation projects approved by the Prince George's County Board of Education and Prince George's County or (2) payment of debt service on bonds issued by the governing body of Prince George's County for school renovation projects approved by the Prince George's County Board of Education and Prince George's County.

The proceeds for the local school system may not be used to supplant any State aid for education provided to Prince George's County or any county funds provided to the local school system.

### *Maintenance of Effort and Local Share*

Each year, the county government (including Baltimore City) is required to appropriate funds to the local board of education equivalent to the greater of the MOE requirement or the local share amount of all wealth-equalized formulas. The per pupil MOE amount is based upon the greater of (1) the prior year full-time equivalent (FTE) enrollment and (2) the three-year moving average of FTE enrollment. The local share amount equals the local share of the foundation formula, compensatory education, English language learner, special education, comparable wage index, full-day prekindergarten, college and career ready, transitional supplemental instruction (through fiscal 2026), and career ladder grant programs. Also, counties that benefit from the compensatory education State funding floor are required to fund the local share of the concentration of poverty grant programs. However, for some counties, the combined local share across these several programs is subject to adjustments.

**Local Fiscal Effect:** Under the bill, Prince George's County is authorized to impose an excise tax on telecommunications services in the county of up to \$3.50 per month, per telephone line. The excise tax may be in addition to the current sales and use tax imposed on telecommunications services.

### *Telecommunications Services Excise Tax*

Prince George's County revenues may increase by up to \$48.3 million in fiscal 2025 and by up to \$49.3 million in fiscal 2029. The estimate is based on 1.15 million telephone lines in the county and an excise tax rate of \$3.50 per month, per line. This revenue may be used to meet the county's MOE and local share provision.

*Sales and Use Tax on Telecommunications Services*

The Prince George’s County government must provide the local school system with an annual local appropriation that at least equals the MOE or the local share amount. In fiscal 2025, the county MOE amount is projected to total \$872.1 million, and the local share amount is projected to total \$909.1 million. In addition, the Prince George’s County government is required to provide the local school system with a specified portion of both the energy/fuel tax and the telecommunications tax. In fiscal 2025, the energy/fuel tax payment is projected to total \$53.2 million and the telecommunications tax payment is projected to total \$13.1 million. Under current law, the required payments from both taxes cannot be counted toward the local appropriation amount under the MOE and local share provisions. The payments are made in addition to the required county MOE and local share funding amounts.

Under the bill, the telecommunications tax payment can be used by the county government to cover a portion of the required local appropriation under the MOE and local share provisions. As a result, this may result in a reduction in county funding for the local school system as shown in **Exhibit 1**.

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**Exhibit 1**  
**Prince George’s County Funding Requirement for the Local School System**  
**(\$ in Millions)**

	<u><b>FY 2025</b></u>	<u><b>FY 2026</b></u>	<u><b>FY 2027</b></u>	<u><b>FY 2028</b></u>	<u><b>FY 2029</b></u>
<b>Current Law</b>					
Local Share Provision	\$909.1	\$949.9	\$979.8	\$1,006.2	\$1,041.9
Energy Tax	53.2	55.9	58.7	61.6	64.7
Telecommunications Tax	13.1	13.8	14.5	15.2	16.0
<b>Total Funding</b>	<b>\$975.5</b>	<b>\$1,019.5</b>	<b>\$1,052.9</b>	<b>\$1,083.0</b>	<b>\$1,122.6</b>
<b>Under Bill</b>					
Local Share Provision	\$909.1	\$949.9	\$979.8	\$1,006.2	\$1,041.9
Energy Tax	53.2	55.9	58.7	61.6	64.7
<b>Total Funding</b>	<b>\$962.4</b>	<b>\$1,005.8</b>	<b>\$1,038.4</b>	<b>\$1,067.8</b>	<b>\$1,106.6</b>
<b>Difference</b>	<b>-\$13.1</b>	<b>-\$13.8</b>	<b>-\$14.5</b>	<b>-\$15.2</b>	<b>-\$16.0</b>

Source: Department of Legislative Services

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Additional information on State and local funding for local school systems is provided in the [Local Government Overview Report](#). A copy of the report is available on the Department of Legislative Services [website](#).

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### **Additional Information**

**Recent Prior Introductions:** Similar legislation has not been introduced within the last three years.

**Designated Cross File:** None.

**Information Source(s):** Prince George's County; Comptroller's Office; Prince George's County Public Schools; Department of Legislative Services

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