

**Department of Legislative Services**  
Maryland General Assembly  
2009 Session

**FISCAL AND POLICY NOTE**

House Bill 1095  
Ways and Means

(Prince George's County Delegation)

---

**Prince George's County Telecommunications Tax - School Funding**  
**PG 412-09**

---

This bill alters the distribution of revenue from the Prince George's County telecommunications tax by requiring that 80% be used for operating expenses of the county school system, 10% be used for public school construction purposes, and 10% be used for operating expenditures of the Prince George's Community College.

The bill takes effect July 1, 2009.

---

**Fiscal Summary**

**State Effect:** None.

**Local Effect:** The bill does not affect the tax rate or the overall amount of telecommunications taxes collected by Prince George's County, but rather alters the distribution of taxes collected. Amounts distributed to the county board of education for operating expenses will decrease and amounts distributed to Prince George's Community College will increase beginning in FY 2010.

**Small Business Effect:** None.

---

**Analysis**

**Current Law:** Prince George's County imposes an 8% sales tax on telecommunications service in the county. The tax is applied to telephone communications that: (1) originate and terminate in Prince George's County; or (2) originate or terminate in Prince George's County and have a service address in Prince George's County. The tax is collected and remitted to the county by vendors providing telecommunications services.

The net proceeds from the telecommunications tax are distributed as follows: at least 90% for the operating expenditures of the Prince George's County school system; and the remainder for cash payments for capital expenditures for school renovation projects approved by the Prince George's County Board of Education and the county, or payment of debt service on bonds issued by the Prince George's County Council for school renovation projects approved by the board of education and the county.

Revenues from the telecommunications tax may not be used to supplant any State aid for education provided to the county, or any county funds provided to the Prince George's County school system.

**Background:** The distribution of Prince George's County telecommunications tax revenues for fiscal 2006 through 2008 is provided in **Exhibit 1**.

---

**Exhibit 1**  
**Distribution of Telecommunications Tax**  
**Fiscal 2006-2008**

	<u><b>FY 2006</b></u>	<u><b>FY 2007</b></u>	<u><b>FY 2008</b></u>
Beginning Balance	\$6,645,000	\$0	\$2,830,600
Tax Collections	48,258,100	55,321,500	52,346,800
Appropriations			
BOE Operations	44,413,900	46,958,700	45,226,900
BOE CIP	3,889,200	5,532,200	5,234,700
Prior Year Reserve	6,600,000	0	2,830,600
Total	54,903,100	52,490,900	53,292,200
End Balance	\$0	\$2,830,600	\$1,885,200

Source: Prince George's County

---

**Local Fiscal Effect:** The bill does not change the overall amount of revenue received from the telecommunications tax, but rather alters the amounts distributed by reducing the amount to the public school system by 10 percentage points with the corresponding revenue going to the Prince George's Community College.

The Prince George's County telecommunications tax is expected to generate approximately \$48.1 million in fiscal 2009. **Exhibit 2** shows the distribution of revenues pursuant to the bill, if the bill were in effect for fiscal 2009. As a result, county revenues for the public school system decrease by \$4.8 million, while revenues for the Prince George's Community College increase by a corresponding amount.

---

**Exhibit 2**  
**Distribution of Telecommunications Tax Revenue**

	<u><b>Distribution Percentage</b></u>	<u><b>Revenue Amount</b></u>
School System – Operating Expenditures	80%	\$38,509,200
Cash Payments/Debt Service	10%	4,813,650
Prince George’s Community College	10%	4,813,650
<b>Estimated FY 2009 Revenue</b>		<b>\$48,136,500</b>

---

---

**Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** Prince George’s County, Maryland State Department of Education, Maryland Higher Education Commission, Maryland Association of Counties, Department of Legislative Services

**Fiscal Note History:** First Reader - February 23, 2009  
mcp/hlb

---

Analysis by: Michael Sanelli

Direct Inquiries to:  
(410) 946-5510  
(301) 970-5510