

Department of Legislative Services  
Maryland General Assembly  
2024 Session

FISCAL AND POLICY NOTE  
Third Reader

House Bill 396

(Prince George's County Delegation)

Ways and Means

Budget and Taxation

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Prince George's County - Sales and Use Tax on Energy and Fuel - Use of  
Revenue  
PG 407-24

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This bill enables the Prince George’s County government to use the proceeds from the local sales and use tax on energy and fuel 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, the revenue proceeds from the energy and fuel 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 expenditures (local appropriation) for the county school system may decrease by \$53.2 million in FY 2025 and by \$64.7 million in FY 2029. County revenues are not affected.

**Small Business Effect:** None.

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Analysis

**Current Law:**

*Use of Energy and Fuel Tax Revenue*

The net proceeds of the energy and fuel taxes in Prince George’s County may only be used for funding of (1) specified public ethics provisions or (2) the following public education budget categories: instructional salaries; instructional materials and related costs; special education; and fixed charges.

For each fiscal year, Prince George's County must appropriate local money to the school operating budget in an amount not less than the sum of (1) the excess of the amount of the projected revenue for the fiscal year from the energy and fuel tax over the projected revenue from the tax for the prior fiscal year and (2) the amount of local money that Prince George's County is required by State law to appropriate to the school operating budget.

### *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. (There is a certain adjustment for fiscal 2024 MOE for specified counties.) 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:** 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 energy/fuel 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 the Bill</b>					
Local Share Provision	\$909.1	\$949.9	\$979.8	\$1,006.2	\$1,041.9
Telecommunications Tax	13.1	13.8	14.5	15.2	16.0
<b>Total Funding</b>	<b>\$922.3</b>	<b>\$963.7</b>	<b>\$994.2</b>	<b>\$1,021.4</b>	<b>\$1,057.9</b>
<b>Difference</b>	<b>(\$53.2)</b>	<b>(\$55.9)</b>	<b>(\$58.7)</b>	<b>(\$61.6)</b>	<b>(\$64.7)</b>

Note: Numbers may not sum to total due to rounding.

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

**Fiscal Note History:** First Reader - February 6, 2024  
km/hlb Third Reader - March 13, 2024

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Analysis by: Michael D. Sanelli

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