

Department of Legislative Services  
 Maryland General Assembly  
 2025 Session

FISCAL AND POLICY NOTE  
 First Reader

House Bill 1269 (Delegate Howard)  
 Environment and Transportation

School Bus Transition - Propane-Powered School Buses - Grant Program, Fund, and Purchase

This bill expands the Zero-Emission Vehicle (ZEV) School Bus Transition Grant Program (and a corresponding special fund) by incorporating propane-powered school buses within existing provisions governing zero-emission school bus vehicles. Additionally, beginning in fiscal 2030, the bill authorizes a local board of education to enter into a new contract for the purchase of school buses that are propane-powered. The bill also makes several conforming and technical changes.

Fiscal Summary

**State Effect:** General fund expenditures increase by approximately \$68,500 in FY 2026 for the Maryland Department of the Environment (MDE) for staff; future years reflect annualization and inflation. Revenues are not affected.

(in dollars)	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	68,500	80,000	83,600	87,300	91,000
Net Effect	(\$68,500)	(\$80,000)	(\$83,600)	(\$87,300)	(\$91,000)

*Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease*

**Local Effect:** Local school system expenditures may decrease in any jurisdictions that choose to purchase propane-powered school buses, as discussed below. Revenues are not affected.

**Small Business Effect:** Potential meaningful.

## Analysis

### Current Law:

#### *Zero-Emission Vehicle School Bus Transition Grant Program*

Chapter 492 of 2019 established the ZEV School Bus Transition Grant Program within MDE. The purpose of the program is to provide grants to local boards of education (and entities that contract with local boards to provide transportation services) to (1) purchase school buses that are ZEVs; (2) install electric vehicle infrastructure for charging school buses that are ZEVs; (3) engage in planning for a transition to using school buses that are ZEVs; and (4) fund pilot programs to experiment with a transition to school buses that are ZEVs.

MDE and the Maryland Department of Transportation (MDOT) must jointly provide technical assistance to local school boards (and entities that contract with local school boards to provide transportation services) for transitioning to zero-emission school buses.

#### *Zero-Emission Vehicle School Bus Transition Fund*

Chapter 492 also established the ZEV School Bus Transition Fund to provide funding for the program. Under Chapter 492, if MDE receives any funds as a result of a legal settlement that are earmarked for the purpose of transitioning to school buses that are ZEVs, the funds must be made available to award grants in accordance with the requirements noted above.

The fund consists of (1) money appropriated in the State budget to the fund; (2) interest earnings of the fund; (3) donations; (4) money derived from legal settlements that are earmarked for the purpose of transitioning to school buses that are ZEVs; and (5) any other money from any other source accepted for the benefit of the fund. Money expended from the fund for the program is supplemental to (and is not intended to take the place of) funding that otherwise would be appropriated for the program. MDE must consult with the Maryland State Department of Education (MSDE) to administer the program and the fund.

#### *Electric School Buses*

Under Chapter 38 of 2022, beginning in fiscal 2025, a local board of education is prohibited from entering into a new contract to purchase any school bus that is not a ZEV or to use any school bus that is not a ZEV, unless the school bus has an in-service date of July 1, 2024, or before. However, the prohibition does not apply if (1) MDE determines that no available ZEVs meet the performance requirements for the local board's use or

(2) the local board is unable to obtain federal, State, or private funding that is sufficient to cover the “incremental costs” associated with contracting for the purchase or use of school buses that are ZEVs.

For fiscal 2025, MDE received exemption requests from every local board of education in the State. Although MDE advises that there are ZEVs that meet performance requirements available for use by local boards of education, MDE approved all exemption requests for fiscal 2025 based on local school systems lacking sufficient funding to cover ZEV costs.

A local board may enter into an agreement with an electric company to obtain monetary incentives in exchange for allowing the electric company to use the storage batteries of ZEV buses owned or operated by the local board to access the stored electricity through vehicle-to-grid technology. MDE, in consultation with other appropriate State agencies, must work with the local boards and private school bus contractors to develop electric vehicle infrastructure sufficient to support ZEV school buses. MDE must prioritize the use of available federal funding to carry out these provisions.

**State Expenditures:** The fiscal 2024 capital budget included \$3.0 million in general obligation bond funds for the ZEV School Bus Transition Fund. Additional funding has not been included in the fiscal 2025 capital budget or the fiscal 2026 capital budget as introduced.

MDE advises that additional staff is needed to provide technical assistance and administer all aspects of the expanded grant program. As a result, general fund expenditures increase by \$68,498 in fiscal 2026, which accounts for the bill’s October 1, 2025 effective date. This estimate reflects the cost of hiring one regulatory and compliance engineer to implement the bill’s requirements. It includes a salary, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Position	1.0
Salary and Fringe Benefits	\$61,129
Operating Expenses	<u>7,369</u>
<b>Total FY 2026 State Expenditures</b>	<b>\$68,498</b>

Future year expenditures reflect a full salary with annual increases and employee turnover as well as annual increases in ongoing operating expenses.

MDOT advises that the Motor Vehicle Administration can update processes for safety and compliance inspections of school buses to include propane-powered school buses using existing resources.

**Local Expenditures:** MSDE advises that local school system finances are likely affected under the bill. MSDE notes that electric school buses cost around \$320,000 to \$440,000, while a propane-powered school bus costs between \$90,000 and \$150,000. This cost differential does not take into account the infrastructure needs of both types of buses; propane-powered buses generally require less expensive infrastructure modifications than electric buses.

Several local school systems report they anticipate savings under the bill. For example, Anne Arundel County Public Schools and Baltimore County Public Schools note that the authorization to purchase propane-powered buses would offer additional options to meet zero-emissions requirements under current law, but that propane-powered buses present a different mix of operating, maintenance, and infrastructure costs compared to electric or diesel vehicles. In response to a request for information on a similar bill, Prince George's County Public Schools has previously advised that propane-powered buses offer advantages over electric buses, including lower initial purchase costs, reduced maintenance needs in extreme weather conditions, and more affordable infrastructure costs. St. Mary's County Public Schools notes that propane-powered buses are an additional, viable option but there appear to be limited manufacturers currently available. Finally, Frederick County Public Schools notes that costs to operate propane buses may vary significantly depending on the price of propane in future years since the bill authorizes the purchase of propane-powered buses beginning in fiscal 2030.

**Small Business Effect:** Any small businesses that sell or provide maintenance for propane-powered school buses may benefit under the bill, as such buses are an authorized use of program funds. Additionally, propane distribution companies may see an increase in revenue as more local school systems purchase propane to store at bus depots.

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### **Additional Information**

**Recent Prior Introductions:** Similar legislation has been introduced within the last three years. See HB 1360 of 2024.

**Designated Cross File:** None.

**Information Source(s):** Maryland State Department of Education; Maryland Department of Transportation; Maryland Energy Administration; Anne Arundel County Public Schools; Baltimore County Public Schools; Frederick County Public Schools;

Montgomery County Public Schools; Prince George's County Public Schools; St. Mary's  
County Public Schools; Department of Legislative Services

**Fiscal Note History:** First Reader - March 3, 2025  
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