

Department of Legislative Services
 Maryland General Assembly
 2026 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 1019 (Delegates Howard and Buckel)
 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 \$74,100 in FY 2027 for the Maryland Department of the Environment (MDE) to hire additional staff; future years reflect annualization and inflation. Revenues are not affected.

(in dollars)	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	74,100	86,200	90,200	94,300	98,500
Net Effect	(\$74,100)	(\$86,200)	(\$90,200)	(\$94,300)	(\$98,500)

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

Local Effect: Local school system expenditures may decrease in 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 2026, 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 2026 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 capital budget since fiscal 2024.

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 \$74,124 in fiscal 2027, which accounts for the bill’s October 1, 2026 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	\$64,983
Operating Expenses	<u>9,141</u>
Total FY 2027 State Expenditures	\$74,124

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 propane-powered school buses cost 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.

Local school systems in Anne Arundel, Frederick, and Montgomery counties note that propane-powered buses present a different mix of initial capital and infrastructure costs, as well as different ongoing operating and maintenance costs, compared to electric or diesel vehicles. Notably, propane is less costly as a fuel source on a per-unit basis compared to diesel. However, local school systems anticipate meaningful infrastructure and logistical challenges associated with establishing a fleet capable of utilizing propane.

Montgomery County Public Schools (MCPS) advises that it has already begun transitioning its school bus fleet to electric vehicles with 286 electric buses in operation for fiscal 2026. MCPS advises that the transition to electric vehicles has presented challenges with the new system resulting in electric buses having a higher out-of-service rate compared to diesel vehicles. MCPS anticipates that adding another vehicle fuel type to its bus fleet poses additional uncertainty in the availability of its fleet and may compound the operational challenges the school system already faces.

MDE and St. Mary's County Public Schools both note that allowing the purchase of propane-powered school buses may, in practice, increase local school system expenditures to the extent the authorization reduces the number of exemption certifications MDE issues that currently allow local school systems to continue to purchase diesel-powered buses.

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.

Additional Information

Recent Prior Introductions: Similar legislation has been introduced within the last three years. See HB 1269 of 2025 and HB 1360 of 2024.

Designated Cross File: None.

Information Source(s): Maryland Department of the Environment; Maryland Department of Transportation; Maryland State Department of Education; Anne Arundel County Public Schools; Frederick County Public Schools; Montgomery County Public Schools; St. Mary's County Public Schools; Wicomico County Public Schools; Department of Legislative Services

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