



THE PRINCE GEORGE'S COUNTY GOVERNMENT

OFFICE OF THE COUNTY EXECUTIVE

BILL: **HB 396 – Prince George's County - Sales and Use Tax on Energy and Fuel - Use of Revenue PG 407-24**

SPONSOR: **Prince George's County Delegation**

HEARING DATE: **March 26, 2024**

COMMITTEE: **Budget and Taxation**

CONTACT: **Intergovernmental Affairs Office, 301-780-8411**

POSITION: **SUPPORT**

The Office of the Prince George's County Executive **SUPPORTS HB 396 – Prince George's County - Sales and Use Tax on Energy and Fuel - Use of Revenue PG 407-24**, which proposes to change how the County's 9% sales tax on telecommunications services is allocated. Prior to the enactment of the Blueprint for Maryland's Future, which significantly boosts State and County funding for k-12 education, the County had to contribute at least as much as the prior fiscal year to the Board of Education (i.e., Maintenance of Effort). The dedication of the Energy Tax and Telecommunications taxes to k-12 made sense then because it ensured that the County would contribute more than the Maintenance of Effort level based on any growth in the dedicated revenues.

Under current law 90% of the proceeds must be allocated to the County school system above the local contribution required by State law and 10% is used to pay debt service on school renovation projects. For FY 2024 for example, the required local contribution was \$879.6 million, and the County contributed an additional \$10.9 million from the telecommunications tax (90% of the telecommunications tax) to the Board of Education. The bill would allow the County to apply the proceeds of the tax to the local contribution amount (i.e., in FY 2024 the \$10.9 million would be part of the \$879.6 million instead of in addition to the \$879.6 million).

As seen in the table below, without counting the two dedicated taxes, County aid to the Board of Education grew by \$33.6 million in FY 2023 and \$81.7 million in FY 2024. The Energy and Telecommunications taxes added to the requirements of the Blueprint make it difficult for the County to fund other areas of the budget given its limited resources. The bill doesn't increase County revenue but gives the County flexibility to fund other areas of its budget.

	FY 2022 Actual	FY 2023 Budget	FY 2024 Approved	FY 2025 Proposed
County Contribution under the Blueprint	764,362,828	797,928,800	879,587,300	909,127,293
Change		33,565,972	81,658,500	29,539,993
Percent Change		4.4%	10.2%	3.4%
Telecommunications Tax	13,422,235	10,935,000	10,935,000	12,600,000
Energy Tax	39,162,237	38,133,500	52,532,500	53,415,200
	52,584,472	49,068,500	63,467,500	66,015,200
Incremental Tax Change		(3,515,972)	14,399,000	2,547,700

For the reasons stated above, the Office of the Prince George's County Executive **SUPPORTS HB 396** and asks for a **FAVORABLE** report.