

HB398_PGCEX_FAV.pdf

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THE PRINCE GEORGE'S COUNTY GOVERNMENT

OFFICE OF THE COUNTY EXECUTIVE

BILL: **HB 398 - Prince George's County - Sales and Use Tax on Telecommunications Services - Use of Revenue PG 406-24**

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 398 - Prince George's County - Sales and Use Tax on Telecommunications Services - Use of Revenue PG 406-24**, which proposes to change how the County's 7.5% sales tax on energy 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 the amount of revenue raised above the level in effect on July 1, 1992 (the 1992 base is \$35.7 million) must be allocated to the County school system above the local contribution required by State law. For FY 2024 for example the required local contribution was \$879.6 million, and the County contributed an additional \$52.5 million from the energy 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 \$52.5 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 398** and asks for a **FAVORABLE** report.

PG 406-24.pdf

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THE PRINCE GEORGE'S COUNTY GOVERNMENT

(301) 952-3700
County Council

POSITION STATEMENT

**HB 398/PG 406-24
Prince George's County
Delegation**

**Prince George's County- Sales and Use Tax on
Telecommunications Services - Use of Revenue**

POSITION:

SUPPORT

The bill alters a certain provision of law relating to the use of revenue from the sales and use tax on telecommunications services in Prince George's County by allowing the revenue to be used to meet certain education funding requirements for the county. The bill also requires that the sales and use tax on telecommunication services in Prince George's County be used for county funding requirements in primary and secondary education.

This is a priority bill for the Prince George's County Executive and was passed 4-0-1 by the Prince George's County General Assembly Committee at its January 30 meeting. The Prince George's Council views this bill as an important and practical bill to support educational funding in the Prince George's County.

For these reasons, the Prince George's County Council SUPPORTS HB 398/PG 406-24 Prince George's County – Sales and Use Tax on Telecommunications Services Use of Revenue and respectfully request the Committee's favorable consideration of its position.

Prepared by: Bellamy Genn Group, LLC
On behalf of Prince George's County Council