

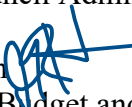



May 31, 2024

FISCAL AND POLICY NOTE

TO: Jennifer A. Jenkins
Council Administrator

Colette R. Gresham, Esq.
Deputy Council Administrator

THRU: Josh Hamlin 
Director of Budget and Policy Analysis

FROM: Andrew Stover 
Legislative Budget and Policy Analyst

RE: Policy Analysis and Fiscal Impact Statement
CB-049-2024 Sales and Use Tax on Telecommunications Service

CB-049-2024 (*Proposed and presented by:* The Chair of the Council at the request of the County Executive)

Assigned to the Committee of the Whole.

AN ACT CONCERNING SALES AND USE TAX ON TELECOMMUNICATIONS SERVICE for the purpose of repealing the requirement that the sales and use tax on telecommunication service be applied in addition to local funding requirements imposed by the State of Maryland for funding from Prince George's County to the Board of Education; and providing for retroactive application of this Act.

Fiscal Summary

Direct Impact:

Expenditures:

- No net change in expenditures but allows for the potential to shift expenditures from operating education budget to other areas of the budget.

Revenues:

- No revenue impact.

Indirect Impact:

Potential mixed indirect impact.

Legislative Summary

CB-049-2024, presented by Chair Ivey at the request of the County Executive, was presented on May 28th, 2024, and referred to the Committee of the Whole. The bill amends County law to allow telecommunications tax revenue to contribute towards the County's local share of major education aid.

Current Law/Background

Section 5-235¹ of the Education article of Maryland State Law establishes that counties must “provide an amount of revenue for elementary and secondary public education purposes equal to the local share of major education aid”. The local share of major education aid is calculated as an amount no less than the product of the County's primary and secondary education enrollment count for the current fiscal year and the local appropriation on a per pupil basis for the prior fiscal year using enrollment count. The FY 2025 Proposed Budget² indicates that the local share of major education aid for FY 2025 is \$909,127,300.

Prince George's County currently imposes a 9% tax on telecommunications services in the County.³ Under current law, Section 10-192.07⁴ of the County Code requires that revenue from telecommunications taxes may only be used for operating expenditures of the Prince George's County school system, and these revenues may not supplant any State or County aid provided to the school system by the County, including the required local share of major education aid.

¹ [Maryland State Law Education Article Section 5-235](#)

² [FY 2025 Proposed Budget, p. 90](#)

³ [Prince George's County Code Section 10-192.03](#)

⁴ [Prince George's County Code Section 10-192.07](#)

Section 20-605⁵ of the Local Government Article of Maryland state law had previously not allowed the County to use revenue from telecommunications taxes to supplant education funding requirements under Section 5-234 of the Education article. However, during the 2024 legislative session the General Assembly passed HB0398⁶, which eliminated this prohibition along with authorizing the County to levy an excise tax on telecommunications services. This law is set to go into effect on July 1, 2024.

Discussion/Policy Analysis

In an effort to reflect the updated authorizations of new State law, CB-049-2024 amends Section 10-192.07 of the Prince George's County Code by removing language stating that proceeds from taxes on telecommunications services may not be used to supplant other funds provided by the County to the Prince George's County school system.

If passed, revenue generated from telecommunications taxes will still be dedicated solely to operating expenditures of the County school system, but those funds may be considered part of the County's contribution to the school system. This would leave the County with general revenue funds in excess of the local share of education that the County has the option to direct to other County priorities in the budget. Overall, the legislation allows for a greater flexibility on the distribution of funds from general revenue.

Fiscal Impact

- *Direct Impact:*

CB-049-2024 does not produce a net change in the amount of revenue collected by the County, but it allows the County to shift expenditures of up to \$12,460,000 from education operating expenses to other areas of the budget, if it so chooses. By allowing telecommunications tax revenue to count towards the local share of major education aid, the County is no longer required to contribute general county sources in the same amount towards the local share. Thus, those general county funds may be used elsewhere.

- *Indirect Impact:*

The shifting of funds from education to other areas of the budget could have an indirect impact, depending on how those funds were used. The nature of the impact is difficult to determine without further information.

- *Appropriated in the Current Fiscal Year Budget:*

No.

⁵ [Maryland State Law Local Government Article Section 20-605](#)

⁶ [Maryland General Assembly, HB0398 \(2024\)](#)

Effective Date of Proposed Legislation

The proposed Act shall take effect forty-five (45) days after it becomes law and be retroactive to July 1, 2024.

If you require additional information, or have questions about this fiscal impact statement, please email me.