

THE BALANCE SHEET

A COUNTY BY COUNTY COMPARISON OF STATE AID
AND STATE TAX REVENUES COLLECTED
FISCAL 2014



DEPARTMENT OF LEGISLATIVE SERVICES 2016

The Balance Sheet

**A County by County Comparison of State Aid
And State Tax Revenues Collected**

Fiscal 2014

**Department of Legislative Services
Office of Policy Analysis
Annapolis, Maryland**

October 2016

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DEPARTMENT OF LEGISLATIVE SERVICES
OFFICE OF POLICY ANALYSIS
MARYLAND GENERAL ASSEMBLY

Warren G. Deschenaux
Executive Director

October 2016

The Honorable Thomas V. Mike Miller, Jr., President of the Senate
The Honorable Michael E. Busch, Speaker of the House of Delegates
Honorable Members of the Maryland General Assembly

Ladies and Gentlemen:

Local governments in Maryland currently depend on State aid to help support vital public services such as education, transportation, public safety, and land preservation programs. State aid accounts for approximately 28% of total county revenues and 5% of total municipal revenues. Additionally, State aid to local governments continues to be one of the largest components of the State budget, accounting for 39% of general fund expenditures and 26% of all State-funded expenditures.

Each year the Department of Legislative Services prepares a *Balance Sheet* which features the distribution of State aid payments to local governments and the allocation of certain State tax revenues on a county-by-county basis. In this analysis, State aid has been aggregated for the county irrespective as to whether the State aid is provided to the county government, a municipal government, special taxing district, or a local entity such as a board of education, library board, or community college board.

This report includes tables showing by county the State financial assistance received for each dollar of State revenue generated. It also features a 10-year summary of county-by-county State financial assistance received for each dollar of revenues funding State aid expenditures. The report also includes information on the allocation of State revenues, per capita comparisons of State revenue allocations and State aid, and a summary of certain changes affecting the comparability of the current analysis with previous reports.

The study was prepared by Stanford Ward and reviewed by Scott Gates and Hiram Burch; the manuscript was prepared by Karen Belton. The Department of Legislative Services trusts that the study will be useful to members of the General Assembly and to other persons interested in matters relating to State aid.

Sincerely,

Warren G. Deschenaux
Executive Director

WGD/kb

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Executive Summary

The Balance Sheet provides a comparison of State revenues collected to State financial assistance received for each county. State financial assistance includes direct payments by the State to a local government as well as payments made by the State on behalf of a local government, such as teachers' retirement payments. State revenue collections represent most general fund tax revenues, certain special fund tax revenues, and lottery receipts allocated to counties, primarily by point of collection.

The Balance Sheet is not an analysis of the "fairness" of State aid distributions to local governments. Counties in which taxpayers contribute relatively more State revenues should not necessarily receive more State aid. In fact, several State aid formulas distribute aid inversely to local property and income wealth, whereby local governments with greater capacity to raise revenues from local sources receive less State aid. Such aid programs accounted for about 70% of the State aid to local governments included in this *Balance Sheet*.

It is also important to note that State residents are subject to the same State tax rates regardless of the locality in which they reside. Jurisdictions that generate more State tax revenues per capita typically have a greater proportion of residents with higher incomes, or have a larger overall tax base.

In fiscal 2014, State revenue collections allocated in *The Balance Sheet* totaled \$16.0 billion, while State aid payments to local governments totaled \$6.8 billion. The individual income tax accounted for 48.5% of

the State revenues allocated in the report, while the sales tax accounted for 26.3% of revenues.

On average, local governments received \$0.42 in State aid (direct aid and payments-on-behalf) for each \$1.00 in taxes paid by county residents and businesses. This illustrates that local governments received 42% of the State revenues that were allocated on a county-by-county basis in the report. The remaining revenues funded State programs such as higher education, medical assistance, health, social services, corrections, and the Judiciary.

The share of State revenues provided to local governments has fluctuated since 2005, ranging from a low of 37% in fiscal 2005 and 2006 to a high of 47% in fiscal 2010. During the 10-year period ending in fiscal 2014, the "balance sheet index" as a percent of the statewide average increased in 6 jurisdictions, decreased in 8 jurisdictions, and remained relatively constant in 10 jurisdictions.

The ratios for 14 counties in fiscal 2014 matched or exceeded the statewide weighted average. State aid to revenue allocation ratios for Anne Arundel, Baltimore, Carroll, Harford, Howard, Kent, Montgomery, Queen Anne's, Talbot, and Worcester counties were below the statewide average. In terms of total State aid received as measured on a per capita basis, Anne Arundel, Kent, Montgomery, Talbot, Queen Anne's, and Worcester counties received the least amount of aid, whereas Baltimore City and Allegany, Caroline, Dorchester, Somerset, and Wicomico counties received the most.

Chapter 1. Balance Sheet Index

Introduction

The Balance Sheet compares on a county-by-county basis State aid to State revenue collections as allocated among the counties. In fiscal 2014, State revenue collections allocated in *The Balance Sheet* totaled \$16.0 billion, while State aid payments to local governments totaled \$6.8 billion. This illustrates that local governments received approximately 42% of the State revenues that were allocated on a county-by-county basis in the report. The remaining revenues funded State programs. The share of State revenues provided to local governments has fluctuated over the last 10 years, ranging from a low of 37% in fiscal 2005 and 2006 to a high of 47% in fiscal 2010. **Exhibit 1.1** summarizes the county-by-county tax revenues and State aid allocations for fiscal 2014.

Explanation of Ratios

The Balance Sheet utilizes two aid-to-revenue ratios as shown in **Exhibit 1.2**. The first is the ratio of direct State aid to State revenues generated from a county, exclusive of State property tax receipts. For example, a ratio of 0.77 for Allegany County in 2014 indicates that for every dollar of State tax revenues allocated to Allegany County, the county received \$0.77 in direct State aid. The amount of direct grants received for each \$1.00 of taxes paid in fiscal 2014 ranged from \$0.12 in Talbot County to \$1.30 in Somerset County. Statewide, the weighted average for this measure was \$0.39, and the simple average (county mean) was \$0.50. The amount for Baltimore City includes State assumed functions.

The second ratio compares direct State aid and payments-on-behalf to total revenue allocations. Payments-on-behalf include State paid retirement costs for public school teachers, librarians, and community college faculty that the State makes on behalf of the local government. Again, using Allegany County as the example, in 2014 the county received \$0.81 in State assistance for every \$1.00 of State tax revenues allocated to the county. On this measure, State assistance received for each \$1.00 of taxes paid in fiscal 2014 varied from \$0.14 for Talbot County to \$1.30 for Somerset County. Statewide, the weighted average was \$0.42, and the simple average was \$0.53.

Dividing each county's aid to revenue ratios by the statewide weighted averages indexes the county aid to revenue ratios to the statewide average. In fiscal 2014, for example, Allegany County's direct aid index was 1.96, indicating that Allegany County's ratio was 96% above the statewide average. Including payments-on-behalf lowers Allegany County's ratio to 1.92 or 92% above the statewide average. **Exhibit 1.3** shows each county's index value. Indexing county aid to revenue ratios by the statewide average enables comparison of the current *Balance Sheet* to previous years.

For purposes of comparing how the allocation of State aid in relation to State revenues has changed over time, the index for each county is provided over a 10-year period. **Exhibits 1.4** and **1.5** show the ratios to taxes paid for direct State aid and total State aid, including payments-on-behalf. **Exhibits 1.6** and **1.7** show the index values for these ratios.

In addition to weighted and simple averages, Exhibits 1.2 through 1.7 show the standard deviation. Standard deviation measures how widely dispersed values are in a data set. The closer data points are to the average, the smaller the standard deviation; however, as data points become more spread out over the data set, the standard deviation increases. For example, the standard deviations for both measurements in Exhibit 1.2 are relatively small at 0.30 for direct aid and 0.29 for direct aid and payments-on-behalf. The standard deviation is useful in showing how the variation in the “balance sheet index” has changed over time. As illustrated in Exhibits 1.4 and 1.5, the variation among the counties has remained relatively stable over the 10-year period.

Findings

On average, local governments received \$0.39 in direct State aid for each \$1.00 in taxes paid by county residents and businesses. The ratios for 14 counties matched or exceeded this statewide weighted average. State aid to revenue allocation ratios for four of Maryland’s largest jurisdictions (Anne Arundel, Baltimore, Howard, and Montgomery counties) were considerably below the statewide average. Moreover, the simple average, or county mean, of \$0.50, calculated by summing the county ratios and dividing by 24, is somewhat higher than the statewide weighted average.

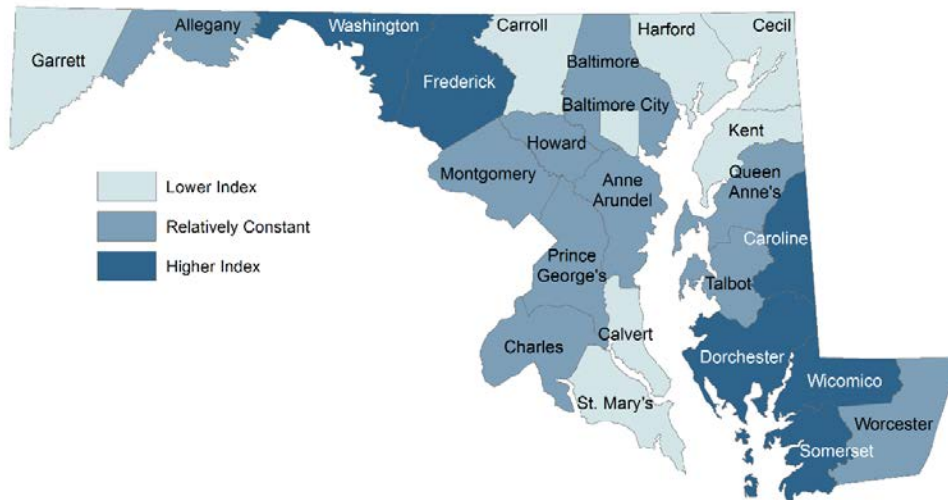
Likewise, on average local governments received \$0.42 in total State aid (direct aid and payments-on-behalf) for each \$1.00 in taxes paid. The ratios for 14 counties matched or exceeded the statewide average. As with the direct State aid ratio, State assistance to revenue allocation ratios for four of Maryland’s largest jurisdictions (Anne Arundel, Baltimore, Howard, and Montgomery counties) were considerably below the statewide average.

In terms of total State aid received for each \$1.00 in taxes paid, Montgomery, Talbot, and Worcester counties had the lowest ratios in fiscal 2014 (received the least amount of State aid in relation to the collection of allocated State tax revenues), while Baltimore City and Caroline and Somerset counties had the highest ratios (received the greatest amount of State aid in relation to the collection of allocated State tax revenues).

During this 10-year period, the “balance sheet index” increased in 6 counties and decreased in 7 counties and Baltimore City. For the remaining 10 counties, the index value in the most recent years is similar to the value in the earlier years, but for several counties there were upward and downward trends for the intervening years. The fluctuation in the “balance sheet index” is primarily due to the relative change in local wealth among the counties. In the last 10 years, both Garrett and Kent counties experienced the highest growth in their local per pupil wealth measure, which is one of the key factors in the allocation of State education aid. Due to the above average growth in local wealth, both counties have become less reliant on State aid as a local funding source. In contrast, Washington and Wicomico counties have experienced the lowest growth in

their local per pupil wealth measure. As a result, both counties have realized a significant increase in State aid during the 10-year period.

Change in “Balance Sheet Index” During 10-year Period



Another approach to measure the allocation of State revenues and State assistance is to compare each county's amount with its share of the State's population. As shown in **Exhibit 1.8**, Montgomery County is the most populous county in Maryland and generates the greatest share of State tax revenues; however, it ranks third in the amount of State aid that it receives. Baltimore City, the fourth most populous jurisdiction, receives the largest percentage of State aid, followed by Prince George's County, the second most populous jurisdiction.

As shown in **Exhibit 1.9**, the five counties that generated the most State tax revenues in fiscal 2014 as measured on a per capita basis include Anne Arundel, Howard, Montgomery, Talbot, and Worcester. The counties that generated the least per capita State tax revenues include Allegany, Caroline, Cecil, Dorchester, and Somerset counties. It is important to note that State residents are subject to the same State tax rates regardless of the locality in which they reside. Jurisdictions that generate more State tax revenue per capita typically have a greater proportion of residents with higher incomes, or a larger overall taxbase.

Jurisdictions that received the greatest amount of State aid in fiscal 2014 as measured on a per capita basis include Baltimore City and Allegany, Caroline, Somerset, and Wicomico counties. Jurisdictions receiving the least amount of State aid per capita include Anne Arundel, Kent, Montgomery, Talbot, and Worcester counties. As stated earlier, counties in which taxpayers contribute relatively more State revenues should not necessarily receive more State aid. In fact, several State aid formulas distribute aid inversely to local property and income wealth, whereby jurisdictions with greater capacity to raise revenues from local sources receive less State aid. Such aid programs accounted for about 70% of State aid to local governments included in this *Balance Sheet*.

Exhibit 1.1
Allocation of State Revenues and State Aid
Fiscal 2014

County	Allocation of Tax Revenues Excl. Property Tax	Allocation of Total Tax Revenues	Direct State Grants	Direct Grants and Payments- on-behalf
Allegany	\$126,320,282	\$131,196,540	\$97,263,472	\$106,872,477
Anne Arundel	1,628,842,694	1,713,162,726	393,991,466	460,889,188
Baltimore City	1,219,335,647	1,263,115,197	1,216,332,951	1,288,830,975
Baltimore	2,284,889,848	2,370,447,686	650,650,084	745,259,581
Calvert	212,866,286	225,944,107	87,648,968	103,298,988
Caroline	49,075,269	52,007,153	53,244,401	57,858,099
Carroll	428,020,891	448,359,206	151,060,433	174,111,948
Cecil	169,086,156	180,058,218	110,781,079	124,643,375
Charles	386,577,566	403,942,343	172,777,800	196,081,883
Dorchester	56,941,808	60,653,027	41,245,509	45,098,441
Frederick	626,120,501	654,832,897	249,228,519	283,321,003
Garrett	59,397,131	64,908,952	29,865,593	33,793,765
Harford	595,697,906	624,545,370	223,546,278	255,864,228
Howard	974,426,170	1,023,160,482	247,249,234	305,573,567
Kent	48,374,593	51,936,855	12,948,602	14,974,316
Montgomery	3,307,499,516	3,486,899,568	692,784,189	850,052,332
Prince George's	1,878,603,037	1,961,003,715	1,047,836,765	1,150,625,789
Queen Anne's	119,918,619	128,509,050	37,651,623	43,766,750
St. Mary's	249,651,165	263,249,823	100,789,760	114,536,755
Somerset	27,398,754	29,448,327	35,625,329	38,392,692
Talbot	129,172,193	139,113,533	16,031,781	19,756,262
Washington	319,752,388	333,389,801	178,312,717	197,135,826
Wicomico	202,131,402	208,833,880	142,637,460	154,981,986
Worcester	179,333,688	196,466,556	26,852,233	34,117,256
Total	\$15,279,433,512	\$16,015,185,012	\$6,016,356,246	\$6,799,837,482

Source: Department of Legislative Services

Exhibit 1.2
State Financial Assistance Received for Each \$1.00 of Taxes Paid
Fiscal 2014

County	Direct State Grants	Direct Grants and Payments-on-behalf
Allegany	0.77	0.81
Anne Arundel	0.24	0.27
Baltimore City	1.00	1.02
Baltimore	0.28	0.31
Calvert	0.41	0.46
Caroline	1.08	1.11
Carroll	0.35	0.39
Cecil	0.66	0.69
Charles	0.45	0.49
Dorchester	0.72	0.74
Frederick	0.40	0.43
Garrett	0.50	0.52
Harford	0.38	0.41
Howard	0.25	0.30
Kent	0.27	0.29
Montgomery	0.21	0.24
Prince George's	0.56	0.59
Queen Anne's	0.31	0.34
St. Mary's	0.40	0.44
Somerset	1.30	1.30
Talbot	0.12	0.14
Washington	0.56	0.59
Wicomico	0.71	0.74
Worcester	0.15	0.17
Total (Weighted Avg.)	0.39	0.42
County Mean (Simple Avg.)	0.50	0.53
Standard Deviation	0.30	0.29

Source: Department of Legislative Services

Exhibit 1.3
State Financial Assistance Received as Indexed to the Statewide Average
Fiscal 2014

County	Direct State Grants	Direct Grants and Payments-on-behalf
Allegany	1.96	1.92
Anne Arundel	0.61	0.63
Baltimore City	2.53	2.40
Baltimore	0.72	0.74
Calvert	1.05	1.08
Caroline	2.76	2.62
Carroll	0.90	0.91
Cecil	1.66	1.63
Charles	1.14	1.14
Dorchester	1.84	1.75
Frederick	1.01	1.02
Garrett	1.28	1.23
Harford	0.95	0.96
Howard	0.64	0.70
Kent	0.68	0.68
Montgomery	0.53	0.57
Prince George's	1.42	1.38
Queen Anne's	0.80	0.80
St. Mary's	1.03	1.02
Somerset	3.30	3.07
Talbot	0.32	0.33
Washington	1.42	1.39
Wicomico	1.79	1.75
Worcester	0.38	0.41
Total (Weighted Avg.)	1.00	1.00
County Mean (Simple Avg.)	1.28	1.26
Standard Deviation	0.77	0.71

Source: Department of Legislative Services

Exhibit 1.4
State Financial Assistance Received for Each \$1.00 of Taxes Paid
Direct Aid
10-year Summary

County	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Allegany	0.65	0.71	0.80	0.87	0.89	0.90	0.87	0.79	0.77	0.77
Anne Arundel	0.22	0.21	0.23	0.24	0.25	0.24	0.24	0.23	0.24	0.24
Baltimore City	0.94	0.95	1.02	1.07	1.11	1.10	1.08	1.05	1.00	1.00
Baltimore	0.24	0.24	0.27	0.29	0.30	0.31	0.30	0.29	0.28	0.28
Calvert	0.45	0.46	0.49	0.52	0.51	0.51	0.49	0.45	0.42	0.41
Caroline	0.90	0.90	1.05	1.12	1.20	1.18	1.16	1.11	1.06	1.08
Carroll	0.35	0.36	0.39	0.41	0.43	0.42	0.41	0.39	0.36	0.35
Cecil	0.62	0.65	0.69	0.74	0.76	0.75	0.77	0.72	0.68	0.66
Charles	0.40	0.43	0.48	0.50	0.51	0.50	0.47	0.47	0.45	0.45
Dorchester	0.57	0.60	0.62	0.69	0.75	0.73	0.65	0.71	0.71	0.72
Frederick	0.31	0.33	0.36	0.41	0.44	0.44	0.42	0.42	0.40	0.40
Garrett	0.59	0.58	0.62	0.62	0.63	0.64	0.61	0.56	0.53	0.50
Harford	0.37	0.39	0.43	0.45	0.47	0.46	0.45	0.41	0.39	0.38
Howard	0.22	0.22	0.24	0.26	0.28	0.28	0.28	0.27	0.26	0.25
Kent	0.28	0.28	0.27	0.24	0.28	0.30	0.27	0.26	0.25	0.27
Montgomery	0.15	0.14	0.15	0.17	0.19	0.20	0.21	0.20	0.20	0.21
Prince George's	0.50	0.54	0.59	0.64	0.64	0.62	0.58	0.54	0.55	0.56
Queen Anne's	0.27	0.28	0.30	0.32	0.35	0.33	0.33	0.32	0.32	0.31
St. Mary's	0.40	0.42	0.45	0.48	0.50	0.47	0.46	0.42	0.41	0.40
Somerset	0.96	1.04	1.12	1.24	1.19	1.28	1.36	1.28	1.21	1.30
Talbot	0.12	0.11	0.12	0.11	0.12	0.12	0.12	0.11	0.12	0.12
Washington	0.36	0.39	0.46	0.52	0.55	0.56	0.56	0.56	0.55	0.56
Wicomico	0.44	0.45	0.51	0.58	0.63	0.67	0.70	0.68	0.67	0.71
Worcester	0.12	0.12	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.15
Total (Weighted Avg.)	0.34	0.35	0.38	0.41	0.43	0.43	0.42	0.40	0.39	0.39
County Mean (Simple Avg.)	0.43	0.45	0.49	0.53	0.55	0.55	0.54	0.52	0.50	0.50
Standard Deviation	0.24	0.25	0.28	0.30	0.31	0.31	0.32	0.30	0.29	0.30

Note: Amounts have been adjusted to reflect changes in State aid classifications and computations. See Chapter 4 on comparability.

Source: Department of Legislative Services

Exhibit 1.5
State Financial Assistance Received for Each \$1.00 of Taxes Paid
Direct Aid and Payments-on-behalf
10-year Summary

County	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Allegany	0.67	0.73	0.83	0.91	0.93	0.95	0.92	0.84	0.82	0.81
Anne Arundel	0.23	0.23	0.25	0.26	0.27	0.27	0.28	0.27	0.27	0.27
Baltimore City	0.95	0.96	1.03	1.09	1.12	1.12	1.11	1.08	1.03	1.02
Baltimore	0.26	0.26	0.29	0.31	0.33	0.34	0.33	0.32	0.31	0.31
Calvert	0.47	0.48	0.51	0.55	0.54	0.55	0.55	0.50	0.47	0.46
Caroline	0.92	0.91	1.06	1.14	1.21	1.21	1.19	1.14	1.09	1.11
Carroll	0.37	0.38	0.41	0.44	0.46	0.46	0.46	0.43	0.40	0.39
Cecil	0.64	0.66	0.71	0.76	0.78	0.78	0.81	0.76	0.72	0.69
Charles	0.42	0.44	0.50	0.53	0.54	0.54	0.52	0.52	0.49	0.49
Dorchester	0.59	0.61	0.63	0.71	0.76	0.76	0.68	0.74	0.73	0.74
Frederick	0.33	0.35	0.38	0.44	0.47	0.48	0.47	0.46	0.44	0.43
Garrett	0.60	0.58	0.62	0.63	0.64	0.65	0.63	0.59	0.54	0.52
Harford	0.39	0.40	0.45	0.48	0.50	0.50	0.49	0.45	0.42	0.41
Howard	0.25	0.25	0.27	0.30	0.32	0.33	0.33	0.32	0.30	0.30
Kent	0.30	0.30	0.29	0.26	0.30	0.33	0.31	0.29	0.27	0.29
Montgomery	0.18	0.17	0.18	0.20	0.22	0.25	0.25	0.25	0.24	0.24
Prince George's	0.52	0.55	0.61	0.67	0.66	0.66	0.62	0.59	0.58	0.59
Queen Anne's	0.29	0.29	0.31	0.34	0.37	0.36	0.36	0.36	0.35	0.34
St. Mary's	0.42	0.43	0.47	0.50	0.52	0.50	0.50	0.46	0.45	0.44
Somerset	0.97	1.05	1.12	1.24	1.20	1.29	1.37	1.29	1.22	1.30
Talbot	0.14	0.12	0.13	0.12	0.13	0.13	0.14	0.13	0.13	0.14
Washington	0.38	0.40	0.48	0.54	0.57	0.59	0.60	0.60	0.58	0.59
Wicomico	0.46	0.47	0.54	0.61	0.67	0.71	0.74	0.73	0.71	0.74
Worcester	0.13	0.13	0.15	0.16	0.15	0.17	0.17	0.17	0.17	0.17
Total (Weighted Avg.)	0.37	0.37	0.40	0.43	0.46	0.47	0.46	0.44	0.42	0.42
County Mean (Simple Avg.)	0.45	0.47	0.51	0.55	0.57	0.58	0.58	0.55	0.53	0.53
Standard Deviation	0.24	0.25	0.28	0.30	0.30	0.31	0.31	0.30	0.28	0.29

Note: Amounts have been adjusted to reflect changes in State aid classifications and computations. See Chapter 4 on comparability.

Source: Department of Legislative Services

Exhibit 1.6
State Financial Assistance Received as Indexed to the Statewide Average
Direct Aid
10-year Summary

County	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Allegany	1.87	2.02	2.09	2.11	2.08	2.09	2.08	1.98	1.97	1.96
Anne Arundel	0.63	0.60	0.61	0.59	0.57	0.56	0.57	0.58	0.61	0.61
Baltimore City	2.74	2.70	2.67	2.61	2.59	2.56	2.59	2.63	2.57	2.53
Baltimore	0.68	0.68	0.70	0.70	0.71	0.71	0.71	0.72	0.71	0.72
Calvert	1.30	1.30	1.27	1.27	1.18	1.18	1.19	1.12	1.09	1.05
Caroline	2.60	2.56	2.74	2.74	2.80	2.75	2.78	2.78	2.73	2.76
Carroll	1.02	1.02	1.03	1.00	0.99	0.98	0.98	0.97	0.93	0.90
Cecil	1.79	1.85	1.81	1.80	1.76	1.74	1.85	1.80	1.76	1.66
Charles	1.17	1.21	1.24	1.23	1.19	1.16	1.14	1.18	1.15	1.14
Dorchester	1.66	1.71	1.61	1.69	1.74	1.70	1.55	1.77	1.82	1.84
Frederick	0.90	0.94	0.95	1.00	1.03	1.02	1.01	1.04	1.03	1.01
Garrett	1.72	1.64	1.62	1.51	1.47	1.50	1.45	1.41	1.35	1.28
Harford	1.08	1.10	1.13	1.11	1.09	1.06	1.07	1.04	0.99	0.95
Howard	0.64	0.64	0.63	0.64	0.65	0.65	0.67	0.67	0.66	0.64
Kent	0.82	0.81	0.71	0.58	0.65	0.69	0.66	0.65	0.63	0.68
Montgomery	0.43	0.40	0.40	0.41	0.43	0.47	0.49	0.51	0.52	0.53
Prince George's	1.45	1.53	1.54	1.56	1.48	1.44	1.40	1.36	1.40	1.42
Queen Anne's	0.78	0.79	0.78	0.77	0.81	0.78	0.78	0.81	0.82	0.80
St. Mary's	1.15	1.18	1.17	1.16	1.15	1.09	1.10	1.06	1.05	1.03
Somerset	2.77	2.97	2.93	3.02	2.78	2.98	3.26	3.21	3.10	3.30
Talbot	0.36	0.31	0.31	0.27	0.27	0.27	0.29	0.29	0.30	0.32
Washington	1.04	1.10	1.20	1.27	1.29	1.30	1.34	1.41	1.40	1.42
Wicomico	1.27	1.27	1.33	1.41	1.47	1.55	1.67	1.70	1.73	1.79
Worcester	0.34	0.35	0.36	0.34	0.32	0.32	0.34	0.36	0.36	0.38
Total (Weighted Avg.)	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
County Mean (Simple Avg.)	1.26	1.28	1.28	1.28	1.27	1.27	1.29	1.29	1.28	1.28
Standard Deviation	0.71	0.73	0.74	0.75	0.73	0.74	0.77	0.77	0.75	0.77

Note: Amounts have been adjusted to reflect changes in State aid classifications and computations. See Chapter 4 on comparability.

Source: Department of Legislative Services

Exhibit 1.7
State Financial Assistance Received as Indexed to the Statewide Average
Direct Aid and Payments-on-behalf
10-year Summary

County	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Allegany	1.84	1.99	2.06	2.09	2.05	2.04	2.02	1.93	1.94	1.92
Anne Arundel	0.64	0.62	0.63	0.61	0.59	0.59	0.60	0.61	0.63	0.63
Baltimore City	2.61	2.60	2.57	2.50	2.47	2.40	2.43	2.46	2.43	2.40
Baltimore	0.70	0.70	0.71	0.71	0.73	0.73	0.72	0.73	0.73	0.74
Calvert	1.29	1.30	1.27	1.26	1.19	1.19	1.19	1.14	1.12	1.08
Caroline	2.50	2.47	2.64	2.62	2.67	2.59	2.60	2.61	2.58	2.62
Carroll	1.02	1.02	1.03	1.01	1.00	0.99	1.00	0.98	0.95	0.91
Cecil	1.74	1.78	1.75	1.75	1.71	1.68	1.78	1.74	1.71	1.63
Charles	1.16	1.20	1.23	1.22	1.18	1.16	1.14	1.18	1.15	1.14
Dorchester	1.61	1.66	1.57	1.64	1.67	1.64	1.49	1.68	1.73	1.75
Frederick	0.91	0.94	0.95	1.00	1.03	1.03	1.02	1.05	1.03	1.02
Garrett	1.64	1.56	1.55	1.44	1.40	1.41	1.37	1.34	1.29	1.23
Harford	1.07	1.10	1.13	1.11	1.10	1.07	1.07	1.04	1.00	0.96
Howard	0.68	0.67	0.67	0.69	0.70	0.70	0.73	0.73	0.72	0.70
Kent	0.81	0.81	0.71	0.60	0.66	0.70	0.67	0.66	0.64	0.68
Montgomery	0.48	0.45	0.45	0.46	0.48	0.53	0.55	0.57	0.57	0.57
Prince George's	1.42	1.50	1.52	1.53	1.45	1.41	1.36	1.34	1.38	1.38
Queen Anne's	0.78	0.80	0.78	0.78	0.81	0.78	0.78	0.82	0.83	0.80
St. Mary's	1.15	1.17	1.16	1.16	1.14	1.08	1.09	1.05	1.05	1.02
Somerset	2.65	2.83	2.79	2.86	2.63	2.77	3.00	2.94	2.88	3.07
Talbot	0.37	0.33	0.32	0.28	0.29	0.29	0.32	0.31	0.32	0.33
Washington	1.04	1.09	1.18	1.25	1.26	1.27	1.31	1.38	1.37	1.39
Wicomico	1.26	1.27	1.33	1.40	1.46	1.52	1.63	1.66	1.68	1.75
Worcester	0.36	0.36	0.37	0.36	0.34	0.36	0.37	0.39	0.39	0.41
Total (Weighted Avg.)	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
County Mean (Simple Avg.)	1.24	1.26	1.27	1.26	1.25	1.25	1.26	1.26	1.25	1.26
Standard Deviation	0.70	0.69	0.70	0.71	0.68	0.68	0.70	0.69	0.68	0.71

Note: Amounts have been adjusted to reflect changes in State aid classifications and computations. See Chapter 4 on comparability.

Source: Department of Legislative Services

Exhibit 1.8
Comparison of State Tax Revenues and State Aid – Fiscal 2014

County	<u>Share of Population</u>			<u>Share of State Tax Revenues</u>			<u>Share of State Grants to Local Governments</u>		
	Population	Percent of Total	Ranking	Total Revenues	Percent of Total	Ranking	Total Grants	Percent of Total	Ranking
Allegany	73,637	1.2%	16	\$131,196,540	0.8%	18	\$106,872,477	1.6%	15
Anne Arundel	556,134	9.4%	5	1,713,162,726	10.7%	4	460,889,188	6.8%	5
Baltimore City	623,215	10.5%	4	1,263,115,197	7.9%	5	1,288,830,975	19.0%	1
Baltimore	824,130	13.9%	3	2,370,447,686	14.8%	2	745,259,581	11.0%	4
Calvert	90,458	1.5%	15	225,944,107	1.4%	13	103,298,988	1.5%	16
Caroline	32,639	0.5%	20	52,007,153	0.3%	22	57,858,099	0.9%	17
Carroll	167,460	2.8%	9	448,359,206	2.8%	9	174,111,948	2.6%	11
Cecil	101,871	1.7%	13	180,058,218	1.1%	16	124,643,375	1.8%	13
Charles	152,904	2.6%	10	403,942,343	2.5%	10	196,081,883	2.9%	10
Dorchester	32,587	0.5%	21	60,653,027	0.4%	21	45,098,441	0.7%	18
Frederick	241,159	4.1%	8	654,832,897	4.1%	7	283,321,003	4.2%	7
Garrett	29,950	0.5%	22	64,908,952	0.4%	20	33,793,765	0.5%	22
Harford	249,240	4.2%	7	624,545,370	3.9%	8	255,864,228	3.8%	8
Howard	304,850	5.1%	6	1,023,160,482	6.4%	6	305,573,567	4.5%	6
Kent	19,814	0.3%	24	51,936,855	0.3%	23	14,974,316	0.2%	24
Montgomery	1,019,164	17.2%	1	3,486,899,568	21.8%	1	850,052,332	12.5%	3
Prince George's	892,941	15.0%	2	1,961,003,715	12.2%	3	1,150,625,789	16.9%	2
Queen Anne's	48,507	0.8%	18	128,509,050	0.8%	19	43,766,750	0.6%	19
St. Mary's	109,510	1.8%	12	263,249,823	1.6%	12	114,536,755	1.7%	14
Somerset	26,057	0.4%	23	29,448,327	0.2%	24	38,392,692	0.6%	20
Talbot	37,900	0.6%	19	139,113,533	0.9%	17	19,756,262	0.3%	23
Washington	149,321	2.5%	11	333,389,801	2.1%	11	197,135,826	2.9%	9
Wicomico	101,087	1.7%	14	208,833,880	1.3%	14	154,981,986	2.3%	12
Worcester	51,505	0.9%	17	196,466,556	1.2%	15	34,117,256	0.5%	21
Total	5,936,040	100.0%		\$16,015,185,012	100.0%		\$6,799,837,482	100.0%	

Source: Department of Legislative Services

Exhibit 1.9
Per Capita Allocation of State Tax Revenues and State Aid – Fiscal 2014

County	Population	<u>Share of State Tax Revenues</u>			<u>Share of State Grants to Local Governments</u>		
		Total Revenues	Per Capita Amount	Ranking	Total Grants	Per Capita Amount	Ranking
Allegany	73,637	\$131,196,540	\$1,782	21	\$106,872,477	\$1,451	5
Anne Arundel	556,134	1,713,162,726	3,080	5	460,889,188	829	21
Baltimore City	623,215	1,263,115,197	2,027	19	1,288,830,975	2,068	1
Baltimore	824,130	2,370,447,686	2,876	6	745,259,581	904	18
Calvert	90,458	225,944,107	2,498	13	103,298,988	1,142	12
Caroline	32,639	52,007,153	1,593	23	57,858,099	1,773	2
Carroll	167,460	448,359,206	2,677	8	174,111,948	1,040	15
Cecil	101,871	180,058,218	1,768	22	124,643,375	1,224	10
Charles	152,904	403,942,343	2,642	10	196,081,883	1,282	9
Dorchester	32,587	60,653,027	1,861	20	45,098,441	1,384	6
Frederick	241,159	654,832,897	2,715	7	283,321,003	1,175	11
Garrett	29,950	64,908,952	2,167	17	33,793,765	1,128	13
Harford	249,240	624,545,370	2,506	12	255,864,228	1,027	16
Howard	304,850	1,023,160,482	3,356	4	305,573,567	1,002	17
Kent	19,814	51,936,855	2,621	11	14,974,316	756	22
Montgomery	1,019,164	3,486,899,568	3,421	3	850,052,332	834	20
Prince George's	892,941	1,961,003,715	2,196	16	1,150,625,789	1,289	8
Queen Anne's	48,507	128,509,050	2,649	9	43,766,750	902	19
St. Mary's	109,510	263,249,823	2,404	14	114,536,755	1,046	14
Somerset	26,057	29,448,327	1,130	24	38,392,692	1,473	4
Talbot	37,900	139,113,533	3,671	2	19,756,262	521	24
Washington	149,321	333,389,801	2,233	15	197,135,826	1,320	7
Wicomico	101,087	208,833,880	2,066	18	154,981,986	1,533	3
Worcester	51,505	196,466,556	3,815	1	34,117,256	662	23
Total	5,936,040	\$16,015,185,012	\$2,698		\$6,799,837,482	\$1,146	

Source: Department of Legislative Services

Chapter 2. State Aid to Local Governments

Introduction

State aid is a major revenue source for local governments in Maryland, totaling \$7.1 billion in fiscal 2014. This funding includes direct aid to county and municipal governments, local school systems, libraries, community colleges, and local health departments; payments made on behalf of local governments for the employer's share of retirement costs for public school teachers, librarians, and community college faculty; and State assumption of functions and responsibilities in Baltimore City that are typically performed by local governments.

Most State aid is targeted to local school systems. In fiscal 2014, 86.5% of State aid went to support local school systems with county and municipal governments receiving 7.8% of the aid. Local school systems received \$5.9 billion in State operational grants in fiscal 2014, while county and municipal governments received \$533.9 million. The remaining 5.7% was distributed to local libraries, community colleges, and local health departments. These entities received \$390.6 million in fiscal 2014. In addition, State spending on the assumption of functions in Baltimore City has increased from \$129.7 million in fiscal 2004 to \$184.7 million in fiscal 2014. **Exhibit 2.1** compares the allocation of State aid by governmental entity in fiscal 2004 and 2014.

Exhibit 2.1
State Aid to Local Governments by Governmental Entity
(\$ in Millions)

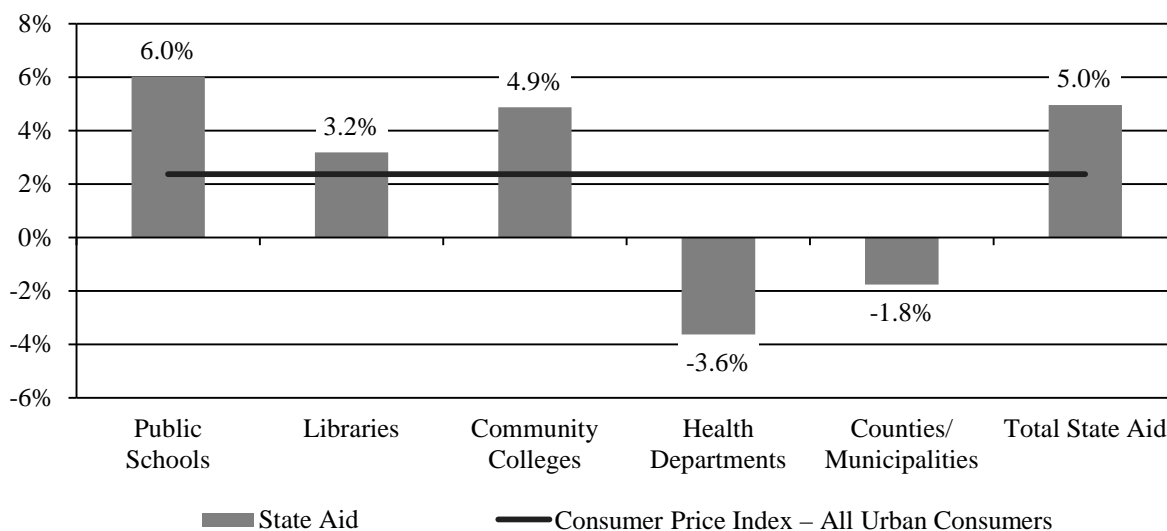
Entity	FY 2004	Percent of Total	FY 2014	Percent of Total
Public Schools	\$3,310.4	78.2%	\$5,942.6	86.5%
County/Municipal	637.9	15.1%	533.9	7.8%
Community Colleges	174.9	4.1%	281.3	4.1%
Health	60.4	1.4%	41.7	0.6%
Libraries	49.3	1.2%	67.5	1.0%
<i>Subtotal</i>	<i>\$4,233.1</i>	<i>100.0%</i>	<i>\$6,867.1</i>	<i>100.0%</i>
Assumed Functions	129.7		184.7	
Total	\$4,362.8		\$7,051.8	

Source: Department of Legislative Services

Change in State Aid

Over the last 10 years, State aid to local governments has increased by \$2.6 billion, which represents a 5% average annual increase as shown in **Exhibit 2.2**. Much of the increase is attributable to the implementation of the Bridge to Excellence in Public Schools Act that was passed at the 2002 session. The legislation simplified the State's school financing structure by eliminating a large number of small categorical aid programs while significantly increasing overall financial support for public schools. Under the new formulas, the vast majority of State aid is allocated to local school systems based on student enrollments and local wealth. Full implementation of the Bridge to Excellence in Public Schools Act occurred in fiscal 2008.

Exhibit 2.2
Average Annual Increases in State Aid to Local Governments
Fiscal 2004-2014



Reliance on State Aid

State aid is the largest revenue source for half of county governments in Maryland, representing 27.9% of total county revenues. In Anne Arundel, Baltimore, Calvert, Carroll, Garrett, Harford, Kent, Queen Anne's, and Worcester counties, State aid is the second largest revenue source after property taxes, while in Howard, Montgomery, and Talbot counties, State aid is the third largest revenue source after both property and income taxes. The dependence on State aid varies across the State, with less affluent jurisdictions relying on State aid as their primary revenue source, while more affluent jurisdictions rely more heavily on local property and income taxes. For example, State aid accounts for 18.2% of total revenues in Worcester County but reaches 51.9% in Caroline County.

State aid is the fourth largest revenue source for municipalities, representing 5.3% of total revenues. As with counties, the reliance on State aid varies for municipalities, ranging from 2.0% of total revenues for municipalities in Talbot County to 30.9% for municipalities in Somerset County, where State aid is the second largest revenue source.

State Assumed Functions in Baltimore City

Another type of State financial assistance is the State assumption of functions or responsibilities traditionally performed by local governments. State assumption of local programs relieves local governments of the cost of programs over which they have little control, achieves equity when local administration resulted in significant inequities, or occurs when specific functions in a local jurisdiction require State intervention. For example, the State assumption of the detention center, central booking facility, and community college in Baltimore City helps to alleviate fiscal pressures confronting the city government while providing ongoing services to city residents.

Detention Center and Central Booking and Intake Facility

County governments have traditionally been given the responsibility for defendants confined while awaiting pretrial release or trial. In Baltimore City, however, the Maryland Department of Public Safety and Correctional Services is responsible for operating and funding the Baltimore City Detention Center and the Baltimore City Central Booking and Intake Facility.

Legislation enacted in 1991 authorized the State to assume the costs and operation of the Baltimore City Detention Center and provided for State operation of a central booking and intake facility in Baltimore City by fiscal 1995. The Baltimore City Central Booking and Intake Facility originally opened in fiscal 1996. The State spent approximately \$85.0 million in fiscal 2014 to operate the Baltimore City Detention Center and \$57.5 million to operate the Baltimore City Central Booking and Intake Facility. To partially offset the costs to operate these two facilities, State funding for Baltimore City under the police aid formula was discontinued; however, legislation enacted in 1996 provided a small grant to Baltimore City under the police aid formula beginning in fiscal 1997.

In 2015, the Baltimore Pretrial Complex replaced the former Baltimore City Detention Center. The fiscal impact of this change began in fiscal 2016.

Baltimore City Community College

Community colleges are considered units of local government. Generally, the State makes financial contributions to local community colleges through several formula grants. Statewide in fiscal 2014, local community colleges received 23.3% of their operating funding from the State and 26.7% from county governments. In Baltimore City, the local community college is operated and funded by the State. Legislation enacted in 1990 established the city's community college as a State agency beginning in fiscal 1991. State funding for the Baltimore City Community College totaled \$42.2 million in fiscal 2014.

Allocation of State Financial Assistance

State financial assistance reported in *The Balance Sheet* for fiscal 2014 totals \$6.8 billion, representing \$5.8 billion in direct State grants, \$783.5 million in retirement payments made by the State on behalf of the counties, and \$184.7 million for assumed functions. Direct State grants include funds for police protection, fire and rescue services, Program Open Space, public schools, community colleges, libraries, and public health services. State payments-on-behalf include teachers' retirement costs for certain board of education, community college, and library employees. Assumed functions include State appropriations for the Baltimore City Community College, the Baltimore City Detention Center, and the Baltimore City Central Booking and Intake Facility.

The amounts shown for each county include State grants to the municipalities located within the county. State aid programs funded from tax revenues not covered in *The Balance Sheet*, primarily those programs funded from Transportation Trust Fund revenues, have been excluded from this report. State aid programs excluded from this analysis include local highway user revenues; local transportation grants for the elderly, disabled, and paratransit services; 911 emergency communications grants; and vehicle theft prevention grants. These programs account for approximately 2.6% of total State aid to local governments in fiscal 2014. This percentage is low relative to recent prior years, due primarily to a significant reduction in highway user revenues to local governments after fiscal 2008. **Exhibit 2.3** shows the programs and the amount of State aid excluded from *The Balance Sheet* analysis. **Exhibit 2.4** compares total State aid in fiscal 2014 with the amount of State aid allocated to the counties in *The Balance Sheet* analysis.

Exhibit 2.3
State Aid Programs Excluded from *The Balance Sheet*
 (\$ in Millions)

	<u>FY 2004</u>	<u>FY 2009</u>	<u>FY 2014</u>
Highway User Revenues	\$378.0	\$466.8	\$162.5
Elderly/Disabled Transportation	4.2	5.3	4.1
Paratransit Services	2.5	3.6	1.7
911 Emergency Communications	12.7	14.3	16.3
Vehicle Theft Prevention	1.1	2.1	1.9
Total	\$398.5	\$492.2	\$186.6
Percent of State Aid	9.1%	7.4%	2.6%

Source: Department of Legislative Services

Exhibit 2.4
Comparison of Total State Aid with the
Amount of State Aid Allocated in *The Balance Sheet*
Fiscal 2014

County	Total State Aid		State Aid in Balance Sheet		Percent of Total State Aid
	Amount	Per Capita	Amount	Per Capita	
Allegany	\$107,850,674	\$1,465	\$106,872,477	\$1,451	99.1%
Anne Arundel	466,181,697	838	460,889,188	829	98.9%
Baltimore City	1,419,665,909	2,278	1,288,830,975	2,068	90.8%
Baltimore	750,411,215	911	745,259,581	904	99.3%
Calvert	104,186,072	1,152	103,298,988	1,142	99.1%
Caroline	58,995,729	1,808	57,858,099	1,773	98.1%
Carroll	175,823,201	1,050	174,111,948	1,040	99.0%
Cecil	127,154,879	1,248	124,643,375	1,224	98.0%
Charles	197,999,562	1,295	196,081,883	1,282	99.0%
Dorchester	45,941,172	1,410	45,098,441	1,384	98.2%
Frederick	288,224,195	1,195	283,321,003	1,175	98.3%
Garrett	34,522,856	1,153	33,793,765	1,128	97.9%
Harford	259,811,810	1,042	255,864,228	1,027	98.5%
Howard	309,397,545	1,015	305,573,567	1,002	98.8%
Kent	15,774,759	796	14,974,316	756	94.9%
Montgomery	855,590,931	840	850,052,332	834	99.4%
Prince George's	1,155,955,921	1,295	1,150,625,789	1,289	99.5%
Queen Anne's	44,452,447	916	43,766,750	902	98.5%
St. Mary's	115,683,977	1,056	114,536,755	1,046	99.0%
Somerset	39,773,700	1,526	38,392,692	1,473	96.5%
Talbot	20,487,329	541	19,756,262	521	96.4%
Washington	200,620,950	1,344	197,135,826	1,320	98.3%
Wicomico	156,129,107	1,545	154,981,986	1,533	99.3%
Worcester	35,083,358	681	34,117,256	662	97.2%
Unallocated	66,039,056	11	0	0	0.0%
Total	\$7,051,758,051	\$1,188	\$6,799,837,482	\$1,146	96.4%

Source: Department of Legislative Services

In fiscal 2014, Baltimore City received the greatest amount of State aid (allocated in *The Balance Sheet* report) at \$1.3 billion, followed by Prince George's County at \$1.2 billion. On a per capita basis, these amounts translate into \$2,068 for Baltimore City (the greatest per capita amount for any jurisdiction) and \$1,289 for Prince George's County. Kent and Talbot counties, in contrast, received the least amount of State aid at \$15.0 million and \$19.8 million, respectively. On a per capita basis, Kent County received \$756, while Talbot County received \$521 – the least amount per capita for any jurisdiction. **Exhibit 2.5** shows the allocation of State aid by government entity, while **Exhibit 2.6** provides the allocation on a per capita basis by county.

Exhibit 2.5
Direct State Aid and Payments-on-behalf
Fiscal 2014

County	Education	Libraries	Community Colleges	Health	County/ Municipal	Retirement Payments	Assumed Functions	Total
Allegany	\$76,709,778	\$753,303	\$6,039,396	\$1,050,926	\$12,710,069	\$9,609,005	\$0	\$106,872,477
Anne Arundel	326,390,905	2,125,775	30,515,610	3,507,325	31,451,851	66,897,722	0	460,889,188
Baltimore City	907,062,074	6,034,796	0	7,448,751	111,119,654	72,498,024	184,667,676	1,288,830,975
Baltimore	581,737,608	5,250,421	39,982,054	4,812,353	18,867,648	94,609,497	0	745,259,581
Calvert	81,691,014	378,934	2,369,318	425,570	2,784,132	15,650,020	0	103,298,988
Caroline	46,653,161	267,526	1,636,554	597,446	4,089,714	4,613,698	0	57,858,099
Carroll	136,891,699	923,713	7,996,203	1,371,051	3,877,767	23,051,515	0	174,111,948
Cecil	97,487,196	713,496	5,705,186	898,571	5,976,630	13,862,296	0	124,643,375
Charles	159,624,023	894,580	8,050,493	1,108,607	3,100,097	23,304,083	0	196,081,883
Dorchester	35,503,396	248,934	1,344,514	487,575	3,661,090	3,852,932	0	45,098,441
Frederick	230,533,202	1,327,466	9,821,986	1,684,858	5,861,007	34,092,484	0	283,321,003
Garrett	21,490,461	118,950	3,551,880	494,747	4,209,555	3,928,172	0	33,793,765
Harford	203,783,534	1,454,364	10,763,203	1,935,591	5,609,586	32,317,950	0	255,864,228
Howard	222,830,223	820,798	15,837,468	1,358,560	6,402,185	58,324,333	0	305,573,567
Kent	10,979,309	82,403	586,061	382,647	918,182	2,025,714	0	14,974,316
Montgomery	617,422,445	2,771,423	44,177,667	3,388,360	25,024,294	157,268,143	0	850,052,332
Prince George's	949,485,493	6,524,208	25,991,907	5,599,065	60,236,092	102,789,024	0	1,150,625,789
Queen Anne's	33,964,330	135,391	1,827,185	464,787	1,259,930	6,115,127	0	43,766,750
St. Mary's	94,714,366	600,853	2,672,508	900,093	1,901,940	13,746,995	0	114,536,755
Somerset	28,008,604	270,332	717,269	478,674	6,150,450	2,767,363	0	38,392,692
Talbot	12,320,353	106,470	1,621,028	365,495	1,618,435	3,724,481	0	19,756,262
Washington	161,656,096	1,154,648	8,431,019	1,535,761	5,535,193	18,823,109	0	197,135,826
Wicomico	124,613,278	911,111	4,965,968	1,053,146	11,093,957	12,344,526	0	154,981,986
Worcester	19,423,476	144,239	1,981,146	393,250	4,910,122	7,265,023	0	34,117,256
Total	\$5,180,976,024	\$34,014,134	\$236,585,623	\$41,743,209	\$338,369,580	\$783,481,236	\$184,667,676	\$6,799,837,482

Note: County/Municipal category excludes funding for 911 grants, vehicle theft grants, transportation grants, and highway user revenues. Assumed Functions include State expenditures for the Baltimore City Detention Center, Central Booking Facility, and Community College.

Source: Department of Legislative Services

Exhibit 2.6
Per Capita Direct State Aid and Payments-on-behalf
Fiscal 2014

County	Education	Libraries	Community Colleges	Health	County/ Municipal	Retirement Payments	Assumed Functions	Total
Allegany	\$1,042	\$10	\$82	\$14	\$173	\$130	\$0	\$1,451
Anne Arundel	587	4	55	6	57	120	0	829
Baltimore City	1,455	10	0	12	178	116	296	2,068
Baltimore	706	6	49	6	23	115	0	904
Calvert	903	4	26	5	31	173	0	1,142
Caroline	1,429	8	50	18	125	141	0	1,773
Carroll	817	6	48	8	23	138	0	1,040
Cecil	957	7	56	9	59	136	0	1,224
Charles	1,044	6	53	7	20	152	0	1,282
Dorchester	1,089	8	41	15	112	118	0	1,384
Frederick	956	6	41	7	24	141	0	1,175
Garrett	718	4	119	17	141	131	0	1,128
Harford	818	6	43	8	23	130	0	1,027
Howard	731	3	52	4	21	191	0	1,002
Kent	554	4	30	19	46	102	0	756
Montgomery	606	3	43	3	25	154	0	834
Prince George's	1,063	7	29	6	67	115	0	1,289
Queen Anne's	700	3	38	10	26	126	0	902
St. Mary's	865	5	24	8	17	126	0	1,046
Somerset	1,075	10	28	18	236	106	0	1,473
Talbot	325	3	43	10	43	98	0	521
Washington	1,083	8	56	10	37	126	0	1,320
Wicomico	1,233	9	49	10	110	122	0	1,533
Worcester	377	3	38	8	95	141	0	662
Total	\$873	\$6	\$40	\$7	\$57	\$132	\$31	\$1,146

Note: County/Municipal category excludes funding for 911 grants, vehicle theft grants, transportation grants, and highway user revenues. Assumed Functions include State expenditures for the Baltimore City Detention Center, Central Booking Facility, and Community College.

Source: Department of Legislative Services

Chapter 3. Allocation of State Revenues

Introduction

The Balance Sheet analysis accounts for a majority of State tax revenues. State tax revenues allocated to local governments total \$16.0 billion in fiscal 2014. Major State tax revenues excluded from this analysis include motor vehicle fuel taxes, titling taxes, and corporate income taxes accruing to the Transportation Trust Fund. Point-of-collection data is currently unavailable for these revenue sources.

Revenue Allocation

The Balance Sheet allocates State tax revenues among local governments based on five methods: point of collection; county sales; population; utility revenues; and vehicle registration. As shown in **Exhibit 3.1**, most revenues (income, sales, property, transfer, and death taxes) are reported at the point of collection on a county-by-county basis. In the event that point-of-collection revenue data by county is not available, revenues are allocated using county-by-county receipts, sales, or population. Revenues from the tax on gross receipts of utilities are allocated on the basis of revenues earned by utility companies in each county. Revenues from beer, wine, and liquor taxes and the State lottery are allocated on the basis of sales. The corporate income tax, tobacco tax, insurance tax, abandoned property revenues, corporate filing fees, horse racing tax, video lottery terminal (VLT) revenues, revenues from new electronic bingo and tip jars, and tax on the net earnings of financial institutions and savings banks are allocated on the basis of county population. The Medevac surcharge is allocated based on the number of vehicle registrations in each county. **Exhibit 3.2** shows the allocation of State revenues by county in fiscal 2014, and **Exhibit 3.3** shows the per capita allocation of selected tax revenues by county.

The largest single revenue component allocated for this report is the individual income tax at \$7.8 billion or 48.5% of total allocated revenue. The amount of allocated taxes on a per capita basis varies widely as illustrated in Exhibit 3.3. Worcester County generated the greatest amount of State revenues at \$3,815 per resident, followed by Talbot County at \$3,671 per resident. Howard and Montgomery counties are the next leading counties in terms of per capita revenue collections. In comparison, Somerset County generated the least State revenues at \$1,130 per resident. In terms of the individual income tax, Montgomery County generated the most per capita at \$2,042, followed by Howard County at \$2,000 per resident. In comparison, Somerset County contributed the least per capita at \$389, while Allegany and Caroline counties generated \$613 and \$652, respectively, per resident.

Some of the disparity in per capita tax collection can be explained by looking at the local wealth figures for each county, as shown in **Exhibit 3.4**. Local wealth is calculated by adding together a county's assessable base and net taxable income. For example, Allegany County and Somerset County have the lowest per capita wealth amount, which results in a below average

ability to generate State revenues. In comparison, Worcester County is the State's wealthiest jurisdiction on a per capita basis followed by Talbot County. Montgomery and Howard counties have the third and fourth highest per capita wealth, respectively. The high wealth ranking for Worcester County is due exclusively to the large amount of residential and commercial development in Ocean City. The county's per capita income tax base is below the statewide average. In Talbot County, the high local wealth ranking is due to a concentration of affluent residents, waterfront properties, and a relatively large commercial base that serves as a regional retail destination for surrounding jurisdictions on the Eastern Shore.

Exhibit 3.1
Allocation Basis for State Tax Revenues

Percent of Total Taxes Allocated

Point of Collection	<u>FY 2004</u>	<u>FY 2009</u>	<u>FY 2014</u>
Individual Income Tax	48.2%	48.1%	48.5%
Sales Tax	28.2%	28.8%	26.3%
Property Tax	4.5%	5.4%	4.6%
Transfer Tax	1.7%	0.8%	0.9%
Death Taxes	1.5%	1.6%	1.5%
<i>Subtotal</i>	<i>84.2%</i>	<i>84.7%</i>	<i>81.8%</i>
County Sales			
Net Lottery Receipts	4.1%	3.5%	3.1%
Liquor Tax	0.1%	0.1%	0.1%
Beer Tax	0.1%	0.1%	0.1%
Wine Tax	< 0.1%	< 0.1%	< 0.1%
<i>Subtotal</i>	<i>4.4%</i>	<i>3.7%</i>	<i>3.3%</i>
Utility Revenues			
Gross Receipts Tax	1.3%	0.9%	0.9%
Population			
Corporate Income Tax	3.2%	4.1%	5.1%
Tobacco Tax	2.6%	3.0%	2.5%
Insurance Tax	2.3%	2.0%	2.1%
Abandoned Property	1.0%	0.5%	0.5%
Corporate Filing Fees	0.5%	0.6%	0.5%
VLT Revenues	0.0%	0.0%	2.7%
Electronic Bingo/Tip Jars	0.0%	0.0%	0.1%
Horse Racing Tax	< 0.1%	< 0.1%	< 0.1%
Net Earnings Tax	0.0%	0.0%	< 0.1%
<i>Subtotal</i>	<i>9.6%</i>	<i>10.3%</i>	<i>13.5%</i>
Vehicle Registration			
MedEvac Surcharge	0.5%	0.4%	0.4%
Total Taxes Allocated	100.0%	100.0%	100.0%

Source: Department of Legislative Services

Exhibit 3.2
Allocation of State Revenues
Fiscal 2014

County	Individual Income Tax	Corporate Income Tax	Gross Receipts Tax	Net Earnings Tax	Sales Tax	Insurance Tax	Transfer Tax
Allegany	\$45,143,583	\$10,174,334	\$2,024,730	\$0	\$45,777,928	\$4,095,955	\$524,237
Anne Arundel	841,195,803	76,840,351	13,126,876	0	477,532,654	30,934,176	17,400,661
Baltimore City	451,177,045	86,108,850	16,215,609	0	405,929,080	34,665,463	10,651,858
Baltimore	1,136,379,006	113,869,029	19,961,270	0	657,035,927	45,841,079	16,183,619
Calvert	121,863,214	12,498,471	1,637,395	0	42,694,800	5,031,600	2,058,311
Caroline	21,288,563	4,509,691	875,025	0	11,378,321	1,815,499	363,504
Carroll	229,854,463	23,137,742	3,491,734	0	112,921,727	9,314,728	3,640,237
Cecil	75,702,339	14,075,391	2,513,023	0	41,887,157	5,666,432	1,872,544
Charles	175,399,679	21,126,558	2,845,441	0	126,956,513	8,505,071	3,347,689
Dorchester	21,834,612	4,502,506	971,754	0	17,254,694	1,812,606	434,242
Frederick	326,820,735	33,320,643	7,095,690	0	172,631,717	13,414,132	6,820,071
Garrett	21,313,998	4,138,155	803,275	0	23,220,547	1,665,927	925,314
Harford	313,898,235	34,437,184	5,348,935	0	153,692,717	13,863,626	5,210,399
Howard	609,790,366	42,120,750	7,228,976	0	207,266,418	16,956,855	12,079,720
Kent	20,171,615	2,737,676	485,993	0	15,818,157	1,102,126	551,362
Montgomery	2,081,312,527	140,816,637	23,289,167	0	652,759,014	56,689,572	35,925,335
Prince George's	769,781,647	123,376,560	19,334,087	0	611,995,689	49,668,594	18,917,395
Queen Anne's	64,773,491	6,702,153	1,030,856	0	28,829,989	2,698,134	1,546,988
St. Mary's	130,865,621	15,130,862	1,991,661	0	59,992,016	6,091,341	2,170,308
Somerset	10,130,141	3,600,264	470,731	0	4,234,040	1,449,384	251,139
Talbot	57,689,254	5,236,596	656,308	0	45,586,601	2,108,134	1,559,464
Washington	128,189,780	20,631,499	3,152,416	0	118,549,397	8,305,772	1,970,909
Wicomico	68,472,674	13,967,067	2,640,933	0	82,496,608	5,622,823	1,100,070
Worcester	50,725,064	7,116,383	2,127,175	0	94,568,909	2,864,894	3,180,604
Total	\$7,773,773,454	\$820,175,349	\$139,319,061	\$0	\$4,211,010,621	\$330,183,923	\$148,685,978

Exhibit 3.2 (continued)
Allocation of State Revenues
Fiscal 2014

County	Death Taxes	Liquor Tax	Beer Tax	Wine Tax	Tobacco Tax	Horse Racing Tax	Net Lottery Receipts
Allegany	\$1,678,350	\$198,690	\$155,225	\$42,198	\$4,994,705	\$36,074	\$2,980,446
Anne Arundel	16,907,652	1,914,404	1,001,896	907,010	37,721,870	272,446	47,887,790
Baltimore City	16,965,867	2,206,869	988,911	925,093	42,271,889	305,308	82,519,364
Baltimore	59,145,612	2,439,993	1,138,885	590,029	55,899,701	403,735	81,227,218
Calvert	2,426,451	261,920	164,010	102,085	6,135,652	44,315	7,265,367
Caroline	572,409	73,793	59,951	18,806	2,213,862	15,990	2,009,934
Carroll	3,092,245	410,050	282,313	185,932	11,358,601	82,037	10,392,653
Cecil	2,058,554	456,514	247,444	133,610	6,909,782	49,906	5,634,470
Charles	1,412,244	474,196	207,876	105,506	10,371,286	74,906	17,917,040
Dorchester	1,407,697	83,359	65,119	24,321	2,210,335	15,964	2,507,239
Frederick	8,562,410	635,203	381,753	261,830	16,357,512	118,142	11,502,374
Garrett	563,865	110,171	68,807	30,533	2,031,471	14,672	938,743
Harford	4,434,199	570,677	383,893	253,893	16,905,636	122,101	17,447,727
Howard	7,357,895	696,120	332,688	375,739	20,677,592	149,344	14,182,610
Kent	2,388,365	76,810	40,677	33,042	1,343,959	9,707	1,266,798
Montgomery	75,939,842	1,626,240	863,072	1,012,063	69,128,612	499,280	51,492,762
Prince George's	12,947,661	2,272,821	1,098,931	551,249	60,567,065	437,445	106,252,753
Queen Anne's	1,610,721	151,775	101,299	70,239	3,290,169	23,763	3,301,902
St. Mary's	1,749,494	253,131	180,423	81,833	7,427,926	53,648	10,798,265
Somerset	843,683	40,422	32,562	12,323	1,767,414	12,765	1,577,972
Talbot	6,559,534	140,230	68,025	91,778	2,570,709	18,567	2,370,401
Washington	2,968,175	441,160	272,937	101,746	10,128,256	73,151	7,581,912
Wicomico	2,764,192	160,929	177,851	76,575	6,856,604	49,522	6,072,435
Worcester	2,320,311	435,396	257,802	117,320	3,493,519	25,232	5,978,472
Total	\$236,677,426	\$16,130,874	\$8,572,350	\$6,104,752	\$402,634,125	\$2,908,019	\$501,106,646

Exhibit 3.2 (continued)
Allocation of State Revenues
Fiscal 2014

County	Electronic Bingo/ Tip Jars	VLTs	Domestic Corporation Filing Fees	MedEvac Surcharge	Abandoned Property	Subtotal	Property Tax	Total
Allegany	\$116,049	\$5,304,409	\$1,091,044	\$896,116	\$1,086,208	\$126,320,282	\$4,876,258	\$131,196,540
Anne Arundel	876,449	40,060,865	8,239,969	7,818,375	8,203,448	1,628,842,694	84,320,032	1,713,162,726
Baltimore City	982,166	44,893,015	9,233,876	4,102,434	9,192,950	1,219,335,647	43,779,550	1,263,115,197
Baltimore	1,298,801	59,365,838	12,210,736	9,742,753	12,156,617	2,284,889,848	85,557,838	2,370,447,686
Calvert	142,559	6,516,102	1,340,272	1,349,430	1,334,332	212,866,286	13,077,821	225,944,107
Caroline	51,438	2,351,136	483,596	512,299	481,453	49,075,269	2,931,884	52,007,153
Carroll	263,911	12,062,907	2,481,174	2,578,259	2,470,177	428,020,891	20,338,315	448,359,206
Cecil	160,545	7,338,232	1,509,373	1,368,156	1,502,684	169,086,156	10,972,062	180,058,218
Charles	240,972	11,014,372	2,265,505	2,057,251	2,255,464	386,577,566	17,364,777	403,942,343
Dorchester	51,356	2,347,390	482,826	455,102	480,686	56,941,808	3,711,219	60,653,027
Frederick	380,058	17,371,781	3,573,136	3,316,015	3,557,300	626,120,501	28,712,396	654,832,897
Garrett	47,200	2,157,435	443,755	481,476	441,788	59,397,131	5,511,821	64,908,952
Harford	392,794	17,953,892	3,692,869	3,412,627	3,676,502	595,697,906	28,847,463	624,545,370
Howard	480,433	21,959,734	4,516,815	3,757,320	4,496,796	974,426,170	48,734,312	1,023,160,482
Kent	31,226	1,427,293	293,574	303,939	292,273	48,374,593	3,562,262	51,936,855
Montgomery	1,606,168	73,415,025	15,100,461	10,990,206	15,033,534	3,307,499,516	179,400,052	3,486,899,568
Prince George's	1,407,245	64,322,608	13,230,275	9,269,375	13,171,638	1,878,603,037	82,400,678	1,961,003,715
Queen Anne's	76,445	3,494,180	718,705	782,290	715,519	119,918,619	8,590,431	128,509,050
St. Mary's	172,584	7,888,504	1,622,557	1,565,626	1,615,365	249,651,165	13,598,657	263,249,823
Somerset	41,065	1,877,004	386,074	287,409	384,363	27,398,754	2,049,572	29,448,327
Talbot	59,729	2,730,110	561,546	606,149	559,057	129,172,193	9,941,340	139,113,533
Washington	235,325	10,756,272	2,212,417	1,978,652	2,202,611	319,752,388	13,637,413	333,389,801
Wicomico	159,310	7,281,757	1,497,757	1,243,178	1,491,119	202,131,402	6,702,478	208,833,880
Worcester	81,170	3,710,140	763,125	808,431	759,742	179,333,688	17,132,868	196,466,556
Total	\$9,355,000	\$427,600,000	\$87,951,437	\$69,682,869	\$87,561,628	\$15,279,433,512	\$735,751,500	\$16,015,185,012

Source: Comptroller's Office; Maryland State Lottery Agency; Department of Legislative Services

Exhibit 3.3
Per Capita Allocation of Selected State Revenues
Fiscal 2014

County	Individual Income Tax	Sales Tax	Transfer Tax	Death Taxes	Net Lottery Receipts	Property Tax	All Allocated Taxes
Allegany	\$613	\$622	\$7	\$23	\$40	\$66	\$1,782
Anne Arundel	1,513	859	31	30	86	152	3,080
Baltimore City	724	651	17	27	132	70	2,027
Baltimore	1,379	797	20	72	99	104	2,876
Calvert	1,347	472	23	27	80	145	2,498
Caroline	652	349	11	18	62	90	1,593
Carroll	1,373	674	22	18	62	121	2,677
Cecil	743	411	18	20	55	108	1,768
Charles	1,147	830	22	9	117	114	2,642
Dorchester	670	529	13	43	77	114	1,861
Frederick	1,355	716	28	36	48	119	2,715
Garrett	712	775	31	19	31	184	2,167
Harford	1,259	617	21	18	70	116	2,506
Howard	2,000	680	40	24	47	160	3,356
Kent	1,018	798	28	121	64	180	2,621
Montgomery	2,042	640	35	75	51	176	3,421
Prince George's	862	685	21	15	119	92	2,196
Queen Anne's	1,335	594	32	33	68	177	2,649
St. Mary's	1,195	548	20	16	99	124	2,404
Somerset	389	162	10	32	61	79	1,130
Talbot	1,522	1,203	41	173	63	262	3,671
Washington	858	794	13	20	51	91	2,233
Wicomico	677	816	11	27	60	66	2,066
Worcester	985	1,836	62	45	116	333	3,815
Total	\$1,310	\$709	\$25	\$40	\$84	\$124	\$2,698

Source: Department of Legislative Services

Exhibit 3.4
Local Wealth Calculation
Fiscal 2014

County	Population	Assessable Base	Income Base	Total Wealth Amount	Per Capita Wealth Amount	Ranking
Allegany	73,637	\$1,620,612,800	\$857,812,508	\$2,478,425,308	\$33,657	23
Anne Arundel	556,134	30,968,711,700	14,232,799,973	45,201,511,673	81,278	6
Baltimore City	623,215	14,565,123,100	7,805,962,442	22,371,085,542	35,896	22
Baltimore	824,130	32,690,366,400	18,766,745,469	51,457,111,869	62,438	15
Calvert	90,458	5,137,217,900	2,143,482,881	7,280,700,781	80,487	7
Caroline	32,639	1,137,574,000	419,287,309	1,556,861,309	47,699	20
Carroll	167,460	7,610,799,200	3,941,789,478	11,552,588,678	68,987	10
Cecil	101,871	4,040,333,900	1,712,130,208	5,752,464,108	56,468	16
Charles	152,904	6,766,289,200	3,072,873,161	9,839,162,361	64,349	14
Dorchester	32,587	1,260,945,700	403,332,432	1,664,278,132	51,072	18
Frederick	241,159	10,399,227,100	5,577,033,442	15,976,260,542	66,248	11
Garrett	29,950	1,970,905,800	411,162,452	2,382,068,252	79,535	8
Harford	249,240	10,856,340,700	5,529,301,920	16,385,642,620	65,742	13
Howard	304,850	17,738,889,100	10,050,688,156	27,789,577,256	91,158	4
Kent	19,814	1,228,062,000	337,990,710	1,566,052,710	79,038	9
Montgomery	1,019,164	65,682,635,000	35,956,418,354	101,639,053,354	99,728	3
Prince George's	892,941	31,998,237,100	14,214,003,873	46,212,240,973	51,753	17
Queen Anne's	48,507	3,221,306,500	1,119,545,841	4,340,852,341	89,489	5
St. Mary's	109,510	4,907,402,300	2,336,158,485	7,243,560,785	66,145	12
Somerset	26,057	601,209,500	198,285,964	799,495,464	30,683	24
Talbot	37,900	3,736,325,000	1,017,356,687	4,753,681,687	125,427	2
Washington	149,321	5,192,469,900	2,288,356,006	7,480,825,906	50,099	19
Wicomico	101,087	2,695,113,700	1,309,400,322	4,004,514,022	39,615	21
Worcester	51,505	6,337,101,300	921,398,110	7,258,499,410	140,928	1
Total	5,936,040	\$272,363,198,900	\$134,623,316,183	\$406,986,515,083	\$68,562	

Note: Total Wealth is calculated by adding together the assessable base and income base.

Source: Department of Legislative Services

Chapter 4. Comparability

Fiscal 1977 was the first year for which there was a *Balance Sheet* analysis. Over the years, there have been changes in the classification and computation of State aid programs, which impacts the comparability of *The Balance Sheet* reports. This chapter summarizes these changes. In some instances the ratios in Exhibits 1.4 through 1.7, which relate direct State aid and payments-on-behalf to revenue allocations over a 10-year period, have been recomputed to improve comparability.

1. State funding of employers' Social Security contributions for county teachers and librarians, formerly classified as a payment-on-behalf, has been reclassified as direct aid. Prior to 1987, the State made the Social Security payments directly to the federal government (*i.e.*, a payment-on-behalf). Now the counties make the payments and until fiscal 1994 were reimbursed by the State. Reclassifying the State Social Security payments as direct aid makes it difficult to compare the "Direct State Aid" columns in Exhibits 1.2 and 1.3 of this report to those columns in reports prior to 1989. Beginning with the 1989 *Balance Sheet* report, the ratios in Exhibits 1.4 through 1.7 have been recomputed to reflect this change.
2. The State funds various health services in the counties. They include addiction, mental health, community health, and developmentally disabled services. Both local health departments and private providers deliver the services. Prior to 1989, the health component of direct State aid included State funding of addiction and mental health services provided through the local health departments, not private organizations. Beginning in 1989, State spending for State health programs implemented at the local level has not been reported as direct State aid; therefore, the health component of direct State aid in *The Balance Sheet* includes only State aid distributed through the local health formula. This affects the comparison of the ratios in Exhibits 1.2 and 1.3 with reports published prior to fiscal 1989. Beginning with the 1989 *Balance Sheet* report, the ratios in Exhibits 1.4 through 1.7 have been recomputed to reflect this change.
3. In previous *Balance Sheet* reports, the State funding of regional libraries through the library network program was classified as State aid to the jurisdictions with regional libraries. Beginning with the fiscal 1990 published report, this funding has not been considered allocated State aid. The impact on the ratios in Exhibits 1.2 and 1.3 is minimal. Beginning with the 1990 report, the ratios in Exhibits 1.4 through 1.7 have been recomputed to reflect this change.
4. Through fiscal 1995, State debt service payments for State bonds issued to fund local construction projects for schools, jails, community colleges, and other facilities were estimated on a county-by-county basis. These estimates were included with the State paid teachers' retirement costs as a payment-on-behalf. Beginning with fiscal 1996, these estimates are no longer available and not included in the State aid amounts. This affects the comparability of the "Direct State Aid and Payments-on-behalf" columns in Exhibits 1.2 and 1.3 of those reports after 1995 with previous years' reports. Beginning with the 1998 *Balance Sheet* report (reports were not published for 1996 and 1997, but the ratios were computed), the ratios in Exhibits 1.4 through 1.7 have been recomputed to reflect this change.

5. Chapter 4 of 2013 requires State education aid formulas that include a local wealth component to be calculated twice, once using a net taxable income (NTI) amount for each county based on tax returns filed by September 1, and once using an NTI amount based on tax returns filed by November 1. Each local school system receives the greater State aid amount that results from the two calculations, with the increase phased in over several years, beginning in fiscal 2014. In previous *Balance Sheet* reports, local wealth (shown in Exhibit 3.4) included September 1 NTI figures; beginning with this report, November NTI figures are used.