

THE BALANCE SHEET

A Comparison of State Financial Assistance to State Tax Revenues Allocated to Local Governments



DEPARTMENT OF LEGISLATIVE SERVICES 2008

The Balance Sheet

**A Comparison of State Financial Assistance
to State Tax Revenues Allocated to Local Governments**

Fiscal 2006

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

December 2008

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December 2008

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 depend on State aid to fund vital public services such as education, transportation, public safety, and land preservation programs. State aid accounts for approximately 25 percent of total county revenues and 8 percent of total municipal revenues. Additionally, State aid to local governments continues to be one of the largest components of the State budget, accounting for 40 percent of general fund expenditures and 27 percent of all State-funded expenditures.

Periodically 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 to a local entity such as a board of education, library board, or community college board.

This report includes tables showing by local government 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 Michael Sanelli and reviewed by Hiram Burch; the manuscript was prepared by Mindy McConville. 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
Director

WGD/mlm
cc: Mr. Karl S. Aro

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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 percent 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 2006, State revenue collections allocated in the *Balance Sheet* totaled \$12.7 billion, while State aid payments to local governments totaled \$4.7 billion. The individual income tax accounted for nearly

50 percent of the State revenues allocated in the report while sales taxes accounted for over 25 percent of revenues.

On average, local governments received \$0.37 in State aid for each \$1.00 in taxes paid by county residents and businesses. This illustrates that local governments received 37 percent 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 remained relatively constant since 1996; ranging from a low of 34 percent in fiscal 2000 and 2001 to a high of 40 percent in fiscal 2003. During this 10-year period, the "balance sheet index" as a percent of the statewide average increased in 4 jurisdictions, decreased in 11 jurisdictions, and remained relatively constant in 9 jurisdictions.

The ratios for 15 counties in fiscal 2006 matched or exceeded the statewide weighted average. State aid to revenue allocation ratios for Anne Arundel, Baltimore, Howard, and Montgomery counties were considerably below the statewide average. In terms of total State aid received as a percent of the statewide average, Anne Arundel, Baltimore, Howard, Montgomery, Talbot, and Worcester counties received the least amount of aid; whereas, Baltimore City, and Allegany, Caroline, Cecil, Dorchester, and Somerset 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 2006, State revenue collections allocated in the *Balance Sheet* totaled \$12.7 billion, while State aid payments to local governments totaled \$4.7 billion. This illustrates that local governments received approximately 37 percent 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 remained relatively constant over the last 10 years; ranging from a low of 34 percent in fiscal 2000 and 2001 to a high of 40 percent in fiscal 2003. **Exhibit 1.1** summarizes the county-by-county tax revenues and State aid allocations for fiscal 2006.

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 0.71 for Allegany County in 2006 indicates that for every dollar of State tax revenues allocated to Allegany County, the county received \$0.71 in direct State aid. The amount of direct grants received for each \$1.00 of taxes paid in fiscal 2006 ranged from \$0.11 in Talbot County to \$1.04 in Somerset County. Statewide, the weighted average for this measure was \$0.35, and the simple average (county mean) was \$0.45. 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 2006 the county received \$0.73 in State assistance for every \$1.00 of State revenues allocated to it. On this measure, State assistance received for each \$1.00 of taxes paid in fiscal 2006 varied from \$0.12 for Talbot County to \$1.05 for Somerset County. Statewide, the weighted average was \$0.37, and the simple average was \$0.47.

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 2006 for example, Allegany County's direct aid index is 2.02, indicating that Allegany County's ratio was 102 percent above the statewide average. Including payments-on-behalf lowers Allegany County's ratio to 1.99 or 99 percent above the statewide average. **Exhibit 1.3** shows each county's ratio as a percent of the statewide average. 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 indexes for each county is provided over a 10-year period. **Exhibits 1.4** and **1.5** show the ratios for direct State aid and total State aid, including payments-on-behalf. **Exhibits 1.6** and **1.7** show the indices as a percent of the statewide average.

In addition to weighted and simple averages, Exhibits 1.2 and 1.3 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 0.25. 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 \$0.35 in direct State aid for each \$1.00 in taxes paid by county residents and businesses. The ratios for 15 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 \$0.45, calculated by summing the county ratios and dividing by 24, is somewhat higher than the statewide weighted average.

Likewise, on average local governments received \$0.37 in total State aid for each \$1.00 in taxes paid. Again, the ratios for 15 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, Talbot, Worcester, and Montgomery counties had the lowest ratios in fiscal 2006 (received the least amount of State aid in relation to the collection of allocated State tax revenues); while Somerset County, Baltimore City, and Caroline County had the highest ratios (received the greatest amount of State aid in relation to the collection of allocated State tax revenues). Over the last 10 years, the amount of State aid to State revenue collections has increased significantly for Baltimore City while increasing slightly for Somerset County. The ratios for Caroline, Montgomery, Talbot, and Worcester counties have remained relatively constant over this period.

In terms of total State aid received as a percent of the statewide average, Talbot, Worcester, and Montgomery counties received the least amount of aid at 33 percent, 36 percent, and 45 percent, respectively. For each of these counties, while there has been fluctuation over the 10-year period in the amount of aid received as a percent of the statewide average, this

fluctuation has been relatively small. On the other hand, Baltimore City, and Caroline and Somerset counties received more than 200 percent of the statewide average, with each receiving 260 percent, 247 percent, and 283 percent, respectively. Over the 10-year period, the amount of aid received for these three jurisdictions as a percentage of average has varied somewhat more than the three counties with the lowest ratios. Baltimore City's indexed aid has varied from 230 percent of average in fiscal 1997 to 273 percent of average in fiscal 2003. The variance is less pronounced for Caroline County where its indexed aid ranged from a low of 247 percent in fiscal 2006 to a high of 278 percent in fiscal 2000. This measure actually decreased, however, in Somerset County where its 10-year high was reached in fiscal 1998 at 289 percent of the statewide average compared to a low of 265 percent in fiscal 2005.

During this 10-year period, the "balance sheet index" as a percent of the statewide average increased in 4 jurisdictions, decreased in 11 counties, and remained relatively constant in 9 counties as shown in **Exhibit 1.8**.

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 1.9**, Montgomery County is the most populous county in Maryland and generates the greatest share of State tax revenues; however, it ranks fourth in the amount of State aid that it receives. Baltimore City, the fourth most populous jurisdiction, receives the largest percentage of State grants, followed by Prince George's County, the second most populous jurisdiction.

As shown in **Exhibit 1.10**, the five counties that generate the most State tax revenues in fiscal 2006 as measured on a per capita basis include Talbot, Worcester, Montgomery, Howard, and Anne Arundel. The counties that generate the least per capita State tax revenues include Somerset, Caroline, Cecil, Allegany, and Baltimore City. 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 2006 as measured on a per capita basis include Baltimore City, and Caroline, Allegany, Wicomico, and Somerset counties. Jurisdictions receiving the least amount of State aid include Talbot, Worcester, Montgomery, Anne Arundel, and Kent 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 percent of State aid to local governments included in this *Balance Sheet*.

Exhibit 1.1
Allocation of State Revenues and State Aid
Fiscal 2006

County	Allocation of Tax Revenues Excl. Property Tax	Allocation Of Total Tax Revenues	Direct State Aid	Direct Aid and Payments- on-behalf
Allegany	\$105,965,830	\$109,610,975	\$75,333,504	\$80,464,745
Anne Arundel	1,232,251,662	1,295,789,133	261,890,704	296,181,606
Baltimore City	995,820,331	1,031,662,104	945,500,029	989,955,141
Baltimore	1,878,177,889	1,947,568,684	447,867,923	501,011,371
Calvert	166,942,244	177,288,806	76,391,311	84,917,211
Caroline	40,863,997	43,132,785	36,779,648	39,378,350
Carroll	344,625,698	361,329,363	123,636,445	136,545,407
Cecil	128,443,280	137,825,611	83,378,465	90,782,846
Charles	293,974,328	307,835,715	125,443,849	136,517,865
Dorchester	48,018,222	50,739,280	28,920,019	31,185,218
Frederick	500,529,523	524,802,483	165,309,555	182,538,827
Garrett	48,098,972	52,270,989	27,699,062	30,095,874
Harford	473,734,104	495,633,674	182,995,588	200,707,876
Howard	716,583,000	754,815,933	160,158,372	187,903,523
Kent	38,212,152	40,759,157	10,846,917	12,205,931
Montgomery	2,612,309,351	2,758,521,024	371,015,882	460,756,330
Prince George's	1,473,759,249	1,541,147,954	792,777,347	852,848,273
Queen Anne's	96,018,685	102,635,026	26,757,227	30,174,330
St. Mary's	183,262,832	192,403,279	76,083,515	83,311,216
Somerset	23,689,313	24,989,651	24,694,043	26,144,164
Talbot	117,210,563	124,772,679	12,769,890	15,077,339
Washington	279,584,235	290,544,542	108,000,058	117,318,254
Wicomico	190,961,185	197,157,780	85,544,752	92,632,155
Worcester	153,633,285	168,880,471	18,745,449	22,579,362
Total	\$12,142,669,930	\$12,732,117,098	\$4,268,539,554	\$4,701,233,214

Source: Department of Legislative Services

Exhibit 1.2
State Financial Assistance Received for Each \$1.00 of Taxes Paid
Fiscal 2006

County	Direct State Aid	Direct Aid and Payments-on-behalf
Allegany	0.71	0.73
Anne Arundel	0.21	0.23
Baltimore City	0.95	0.96
Baltimore	0.24	0.26
Calvert	0.46	0.48
Caroline	0.90	0.91
Carroll	0.36	0.38
Cecil	0.65	0.66
Charles	0.43	0.44
Dorchester	0.60	0.61
Frederick	0.33	0.35
Garrett	0.58	0.58
Harford	0.39	0.40
Howard	0.22	0.25
Kent	0.28	0.30
Montgomery	0.14	0.17
Prince George's	0.54	0.55
Queen Anne's	0.28	0.29
St. Mary's	0.42	0.43
Somerset	1.04	1.05
Talbot	0.11	0.12
Washington	0.39	0.40
Wicomico	0.45	0.47
Worcester	0.12	0.13
Total (Weighted Avg)	0.35	0.37
County Mean (Simple Avg)	0.45	0.47
Standard Deviation	0.25	0.25

Source: Department of Legislative Services

Exhibit 1.3
State Financial Assistance Received as a Percent of the Statewide Average
Fiscal 2006

County	Direct State Aid	Direct Aid and Payments-on-behalf
Allegany	2.02	1.99
Anne Arundel	0.60	0.62
Baltimore City	2.70	2.60
Baltimore	0.68	0.70
Calvert	1.30	1.30
Caroline	2.56	2.47
Carroll	1.02	1.02
Cecil	1.85	1.78
Charles	1.21	1.20
Dorchester	1.71	1.66
Frederick	0.94	0.94
Garrett	1.64	1.56
Harford	1.10	1.10
Howard	0.64	0.67
Kent	0.81	0.81
Montgomery	0.40	0.45
Prince George's	1.53	1.50
Queen Anne's	0.79	0.80
St. Mary's	1.18	1.17
Somerset	2.97	2.83
Talbot	0.31	0.33
Washington	1.10	1.09
Wicomico	1.27	1.27
Worcester	0.35	0.36
Total (Weighted Avg)	1.00	1.00
County Mean (Simple Avg)	1.28	1.26
Standard Deviation	0.73	0.69

Source: Department of Legislative Services

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

10 Fiscal Year Summary

County	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Allegany	0.52	0.54	0.57	0.54	0.56	0.64	0.70	0.67	0.65	0.71
Anne Arundel	0.22	0.22	0.22	0.21	0.21	0.24	0.24	0.22	0.22	0.21
Baltimore City	0.74	0.80	0.88	0.86	0.87	0.98	1.05	0.98	0.94	0.95
Baltimore	0.19	0.20	0.21	0.20	0.20	0.23	0.24	0.23	0.24	0.24
Calvert	0.34	0.34	0.35	0.35	0.38	0.44	0.46	0.46	0.45	0.46
Caroline	0.83	0.88	0.93	0.89	0.88	0.95	1.03	0.97	0.90	0.90
Carroll	0.35	0.36	0.37	0.35	0.34	0.35	0.37	0.35	0.35	0.36
Cecil	0.56	0.57	0.58	0.56	0.56	0.63	0.65	0.62	0.62	0.65
Charles	0.35	0.35	0.36	0.35	0.35	0.39	0.40	0.39	0.40	0.43
Dorchester	0.57	0.60	0.59	0.56	0.59	0.65	0.65	0.61	0.57	0.60
Frederick	0.32	0.32	0.32	0.29	0.29	0.31	0.32	0.31	0.31	0.33
Garrett	0.72	0.74	0.76	0.67	0.65	0.70	0.70	0.67	0.59	0.58
Harford	0.36	0.35	0.37	0.35	0.34	0.37	0.39	0.38	0.37	0.39
Howard	0.18	0.18	0.19	0.18	0.18	0.21	0.22	0.22	0.22	0.22
Kent	0.32	0.32	0.32	0.33	0.29	0.34	0.35	0.30	0.28	0.28
Montgomery	0.11	0.10	0.11	0.11	0.12	0.14	0.16	0.15	0.15	0.14
Prince George's	0.36	0.38	0.42	0.41	0.42	0.47	0.52	0.49	0.50	0.54
Queen Anne's	0.28	0.28	0.28	0.28	0.29	0.27	0.31	0.29	0.27	0.28
St. Mary's	0.41	0.40	0.41	0.38	0.37	0.39	0.40	0.39	0.40	0.42
Somerset	0.92	0.94	0.93	0.86	0.93	1.04	1.11	1.05	0.96	1.04
Talbot	0.10	0.09	0.10	0.09	0.09	0.11	0.10	0.12	0.12	0.11
Washington	0.36	0.37	0.37	0.35	0.35	0.37	0.38	0.36	0.36	0.39
Wicomico	0.39	0.40	0.41	0.38	0.38	0.41	0.45	0.44	0.44	0.45
Worcester	0.08	0.07	0.09	0.09	0.09	0.10	0.10	0.11	0.12	0.12
Total (Weighted Avg)	0.29	0.30	0.32	0.30	0.31	0.35	0.37	0.35	0.34	0.35
County Mean (Simple Avg)	0.40	0.41	0.42	0.40	0.41	0.45	0.47	0.45	0.43	0.45
Standard Deviation	0.22	0.24	0.25	0.23	0.24	0.26	0.28	0.26	0.24	0.25

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 Fiscal Year Summary

County	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Allegany	0.59	0.61	0.62	0.58	0.59	0.67	0.73	0.69	0.67	0.73
Anne Arundel	0.27	0.26	0.26	0.24	0.24	0.26	0.27	0.24	0.23	0.23
Baltimore City	0.81	0.86	0.93	0.90	0.91	1.01	1.08	1.00	0.95	0.96
Baltimore	0.24	0.25	0.25	0.23	0.23	0.25	0.27	0.26	0.26	0.26
Calvert	0.41	0.41	0.40	0.40	0.42	0.47	0.50	0.48	0.47	0.48
Caroline	0.92	0.97	1.00	0.95	0.93	0.99	1.07	0.99	0.92	0.91
Carroll	0.41	0.41	0.41	0.39	0.37	0.38	0.39	0.37	0.37	0.38
Cecil	0.64	0.64	0.64	0.62	0.61	0.66	0.69	0.64	0.64	0.66
Charles	0.40	0.41	0.40	0.39	0.38	0.42	0.43	0.42	0.42	0.44
Dorchester	0.64	0.66	0.65	0.61	0.63	0.67	0.68	0.63	0.59	0.61
Frederick	0.37	0.37	0.36	0.33	0.32	0.33	0.35	0.33	0.33	0.35
Garrett	0.80	0.80	0.81	0.72	0.69	0.72	0.72	0.67	0.60	0.58
Harford	0.42	0.41	0.42	0.39	0.38	0.40	0.42	0.40	0.39	0.40
Howard	0.24	0.23	0.23	0.22	0.22	0.24	0.25	0.25	0.25	0.25
Kent	0.38	0.38	0.37	0.36	0.32	0.37	0.38	0.32	0.30	0.30
Montgomery	0.16	0.15	0.15	0.15	0.15	0.17	0.19	0.19	0.18	0.17
Prince George's	0.42	0.43	0.47	0.45	0.45	0.50	0.55	0.51	0.52	0.55
Queen Anne's	0.34	0.33	0.32	0.32	0.32	0.29	0.34	0.31	0.29	0.29
St. Mary's	0.47	0.46	0.46	0.42	0.41	0.41	0.43	0.41	0.42	0.43
Somerset	1.00	1.01	0.99	0.91	0.97	1.07	1.14	1.06	0.97	1.05
Talbot	0.13	0.13	0.13	0.11	0.11	0.13	0.12	0.14	0.14	0.12
Washington	0.42	0.42	0.42	0.40	0.38	0.40	0.41	0.34	0.38	0.40
Wicomico	0.45	0.46	0.46	0.42	0.42	0.44	0.49	0.47	0.46	0.47
Worcester	0.12	0.11	0.12	0.12	0.11	0.12	0.13	0.13	0.13	0.13
Total (Weighted Avg)	0.35	0.35	0.36	0.34	0.34	0.37	0.40	0.37	0.37	0.37
County Mean (Simple Avg)	0.46	0.46	0.47	0.44	0.44	0.47	0.50	0.47	0.45	0.47
Standard Deviation	0.23	0.25	0.26	0.24	0.25	0.26	0.28	0.26	0.24	0.25

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

Prepared By: Department of Legislative Services

Exhibit 1.6
State Financial Assistance Received as a Percent of the Statewide Average
Direct Aid

10 Fiscal Year Summary

County	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Allegany	1.77	1.80	1.79	1.77	1.81	1.84	1.89	1.90	1.87	2.02
Anne Arundel	0.73	0.72	0.69	0.69	0.69	0.70	0.66	0.63	0.63	0.60
Baltimore City	2.53	2.65	2.78	2.85	2.84	2.83	2.85	2.79	2.74	2.70
Baltimore	0.65	0.67	0.65	0.65	0.65	0.66	0.66	0.67	0.68	0.68
Calvert	1.16	1.14	1.10	1.16	1.23	1.26	1.26	1.30	1.30	1.30
Caroline	2.80	2.93	2.92	2.92	2.88	2.75	2.81	2.76	2.60	2.56
Carroll	1.19	1.18	1.16	1.15	1.11	1.01	1.00	0.99	1.02	1.02
Cecil	1.91	1.89	1.81	1.86	1.83	1.81	1.78	1.76	1.79	1.85
Charles	1.18	1.17	1.12	1.15	1.14	1.14	1.09	1.13	1.17	1.21
Dorchester	1.92	1.98	1.87	1.86	1.93	1.87	1.76	1.75	1.66	1.71
Frederick	1.08	1.07	1.00	0.97	0.93	0.89	0.87	0.88	0.90	0.94
Garrett	2.46	2.45	2.39	2.23	2.13	2.02	1.92	1.91	1.72	1.64
Harford	1.23	1.18	1.16	1.14	1.11	1.08	1.05	1.07	1.08	1.10
Howard	0.62	0.60	0.59	0.59	0.60	0.62	0.60	0.64	0.64	0.64
Kent	1.09	1.08	1.02	1.07	0.94	0.98	0.96	0.87	0.82	0.81
Montgomery	0.36	0.34	0.35	0.36	0.38	0.41	0.42	0.43	0.43	0.40
Prince George's	1.21	1.25	1.32	1.36	1.36	1.35	1.41	1.40	1.45	1.53
Queen Anne's	0.96	0.92	0.88	0.92	0.93	0.77	0.86	0.83	0.78	0.79
St. Mary's	1.40	1.34	1.30	1.26	1.22	1.12	1.08	1.11	1.15	1.18
Somerset	3.11	3.12	2.92	2.85	3.03	3.01	3.03	2.99	2.77	2.97
Talbot	0.34	0.31	0.31	0.29	0.29	0.32	0.27	0.36	0.36	0.31
Washington	1.23	1.23	1.18	1.17	1.13	1.08	1.03	1.02	1.04	1.10
Wicomico	1.32	1.32	1.28	1.25	1.25	1.18	1.24	1.25	1.27	1.27
Worcester	0.28	0.22	0.28	0.29	0.29	0.29	0.28	0.33	0.34	0.35
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)	1.36	1.36	1.33	1.32	1.32	1.29	1.28	1.28	1.26	1.28
Standard Deviation	0.75	0.78	0.78	0.77	0.79	0.77	0.78	0.76	0.71	0.73

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 a Percent of the Statewide Average
Direct Aid and Payments-on-behalf

10 Fiscal Year Summary

County	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Allegany	1.68	1.72	1.72	1.71	1.75	1.79	1.84	1.86	1.84	1.99
Anne Arundel	0.76	0.75	0.71	0.70	0.71	0.71	0.67	0.64	0.64	0.62
Baltimore City	2.30	2.43	2.58	2.66	2.68	2.70	2.73	2.67	2.61	2.60
Baltimore	0.69	0.70	0.68	0.67	0.67	0.68	0.68	0.69	0.70	0.70
Calvert	1.17	1.16	1.12	1.18	1.23	1.26	1.26	1.29	1.29	1.30
Caroline	2.62	2.75	2.77	2.78	2.75	2.65	2.70	2.64	2.50	2.47
Carroll	1.17	1.17	1.15	1.14	1.11	1.01	1.00	0.99	1.02	1.02
Cecil	1.83	1.82	1.76	1.81	1.79	1.77	1.73	1.71	1.74	1.78
Charles	1.15	1.16	1.11	1.14	1.13	1.13	1.09	1.12	1.16	1.20
Dorchester	1.82	1.88	1.80	1.80	1.87	1.81	1.70	1.69	1.61	1.66
Frederick	1.07	1.07	1.00	0.98	0.94	0.89	0.87	0.89	0.91	0.94
Garrett	2.28	2.28	2.24	2.11	2.03	1.93	1.83	1.80	1.64	1.56
Harford	1.21	1.17	1.16	1.13	1.11	1.08	1.05	1.07	1.07	1.10
Howard	0.68	0.66	0.64	0.64	0.65	0.66	0.64	0.68	0.68	0.67
Kent	1.10	1.08	1.02	1.07	0.94	0.98	0.97	0.87	0.81	0.81
Montgomery	0.46	0.43	0.43	0.43	0.44	0.47	0.48	0.50	0.48	0.45
Prince George's	1.19	1.23	1.30	1.33	1.33	1.33	1.38	1.38	1.42	1.50
Queen Anne's	0.97	0.93	0.89	0.93	0.94	0.78	0.86	0.83	0.78	0.80
St. Mary's	1.36	1.31	1.28	1.24	1.21	1.11	1.08	1.11	1.15	1.17
Somerset	2.85	2.89	2.73	2.69	2.88	2.87	2.88	2.84	2.65	2.83
Talbot	0.38	0.36	0.35	0.33	0.33	0.35	0.30	0.38	0.37	0.33
Washington	1.20	1.20	1.17	1.16	1.12	1.07	1.03	0.91	1.04	1.09
Wicomico	1.29	1.29	1.27	1.25	1.24	1.17	1.23	1.25	1.26	1.27
Worcester	0.35	0.30	0.34	0.34	0.33	0.32	0.32	0.35	0.36	0.36
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)	1.32	1.32	1.30	1.30	1.30	1.27	1.26	1.26	1.24	1.26
Standard Deviation	0.67	0.70	0.71	0.71	0.73	0.72	0.72	0.70	0.70	0.69

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

<u>Higher Average</u>	<u>Lower Average</u>	<u>Relatively Constant</u>
Allegany	Anne Arundel	Baltimore
Baltimore City	Caroline	Cecil
Calvert	Carroll	Charles
Prince George’s	Dorchester	Howard
	Frederick	Montgomery
	Garrett	Somerset
	Harford	Talbot
	Kent	Wicomico
	Queen Anne’s	Worcester
	St. Mary’s	
	Washington	

Exhibit 1.9
Comparison of State Tax Revenues and State Aid
Fiscal 2006

County	<u>Share of Population</u>			<u>Share of State Tax Revenues</u>			<u>Share of State Aid</u>		
	Population	Percent of Total	Ranking	Total Revenues	Percent of Total	Ranking	Total State Aid	Percent of Total	Ranking
Allegany	72,777	1.3%	16	\$109,610,975	0.9%	18	\$80,464,745	1.7%	16
Anne Arundel	510,088	9.2	5	1,295,789,133	10.2	4	296,181,606	6.3	5
Baltimore City	640,064	11.5	4	1,031,662,104	8.1	5	989,955,141	21.1	1
Baltimore	782,885	14.0	3	1,947,568,684	15.3	2	501,011,371	10.7	3
Calvert	86,813	1.6	15	177,288,806	1.4	14	84,917,211	1.8	14
Caroline	31,531	0.6	20	43,132,785	0.3	22	39,378,350	0.8	17
Carroll	166,961	3.0	9	361,329,363	2.8	9	136,545,407	2.9	9
Cecil	96,706	1.7	13	137,825,611	1.1	16	90,782,846	1.9	13
Charles	137,273	2.5	11	307,835,715	2.4	10	136,517,865	2.9	10
Dorchester	31,140	0.6	21	50,739,280	0.4	21	31,185,218	0.7	18
Frederick	219,443	3.9	8	524,802,483	4.1	7	182,538,827	3.9	8
Garrett	29,681	0.5	22	52,270,989	0.4	20	30,095,874	0.6	20
Harford	237,317	4.3	7	495,633,674	3.9	8	200,707,876	4.3	6
Howard	267,779	4.8	6	754,815,933	5.9	6	187,903,523	4.0	7
Kent	19,778	0.4	24	40,759,157	0.3	23	12,205,931	0.3	24
Montgomery	921,016	16.5	1	2,758,521,024	21.7	1	460,756,330	9.8	4
Prince George's	838,156	15.0	2	1,541,147,954	12.1	3	852,848,273	18.1	2
Queen Anne's	45,050	0.8	18	102,635,026	0.8	19	30,174,330	0.6	19
St. Mary's	96,967	1.7	12	192,403,279	1.5	13	83,311,216	1.8	15
Somerset	25,564	0.5	23	24,989,651	0.2	24	26,144,164	0.6	21
Talbot	35,639	0.6	19	124,772,679	1.0	17	15,077,339	0.3	23
Washington	141,252	2.5	10	290,544,542	2.3	11	117,318,254	2.5	11
Wicomico	90,450	1.6	14	197,157,780	1.5	12	92,632,155	2.0	12
Worcester	48,833	0.9	17	168,880,471	1.3	15	22,579,362	0.5	22
Total	5,573,163	100.0%		\$12,732,117,098	100.0%		\$4,701,233,214	100.0%	

Source: Department of Legislative Services

Exhibit 1.10
Per Capita Allocation of State Tax Revenues and State Aid
Fiscal 2006

County	Population	<u>Allocation of State Tax Revenues</u>			<u>State Aid to Local Governments</u>		
		Total Revenues	Per Capita Amount	Ranking	Total State Aid	Per Capita Amount	Ranking
Allegany	72,777	\$109,610,975	\$1,506	21	\$80,464,745	\$1,106	3
Anne Arundel	510,088	1,295,789,133	2,540	5	296,181,606	581	21
Baltimore City	640,064	1,031,662,104	1,612	20	989,955,141	1,547	1
Baltimore	782,885	1,947,568,684	2,488	6	501,011,371	640	19
Calvert	86,813	177,288,806	2,042	15	84,917,211	978	10
Caroline	31,531	43,132,785	1,368	23	39,378,350	1,249	2
Carroll	166,961	361,329,363	2,164	11	136,545,407	818	16
Cecil	96,706	137,825,611	1,425	22	90,782,846	939	11
Charles	137,273	307,835,715	2,243	9	136,517,865	994	9
Dorchester	31,140	50,739,280	1,629	19	31,185,218	1,001	8
Frederick	219,443	524,802,483	2,392	7	182,538,827	832	14
Garrett	29,681	52,270,989	1,761	18	30,095,874	1,014	7
Harford	237,317	495,633,674	2,088	12	200,707,876	846	13
Howard	267,779	754,815,933	2,819	4	187,903,523	702	17
Kent	19,778	40,759,157	2,061	13	12,205,931	617	20
Montgomery	921,016	2,758,521,024	2,995	3	460,756,330	500	22
Prince George's	838,156	1,541,147,954	1,839	17	852,848,273	1,018	6
Queen Anne's	45,050	102,635,026	2,278	8	30,174,330	670	18
St. Mary's	96,967	192,403,279	1,984	16	83,311,216	859	12
Somerset	25,564	24,989,651	978	24	26,144,164	1,023	5
Talbot	35,639	124,772,679	3,501	1	15,077,339	423	24
Washington	141,252	290,544,542	2,057	14	117,318,254	831	15
Wicomico	90,450	197,157,780	2,180	10	92,632,155	1,024	4
Worcester	48,833	168,880,471	3,458	2	22,579,362	462	23
Total	5,573,163	\$12,732,117,098	\$2,285		\$4,701,233,214	\$844	

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 \$5.3 billion in fiscal 2006. 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 2006, almost 78 percent of State aid went to support local school systems with county and municipal governments receiving 16 percent of the aid. Local school systems received \$4.0 billion in State operational grants in fiscal 2006, while county and municipal governments received \$829.9 million. The remaining 6 percent was distributed to local libraries, community colleges, and local health departments. These entities received approximately \$304.1 million in fiscal 2006. In addition, the State assumption of functions in Baltimore City has increased from \$75.2 million in fiscal 1996 to \$152.0 million in fiscal 2006. **Exhibit 2.1** compares the allocation of State aid by governmental entity in fiscal 1996 and 2006.

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

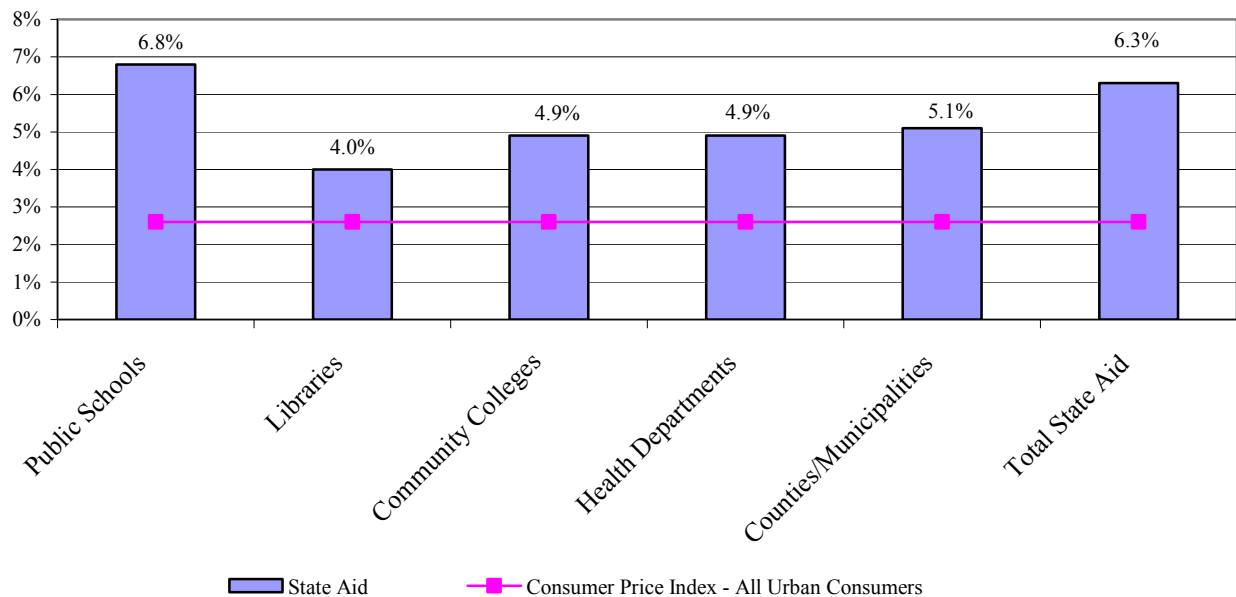
<u>Entity</u>	<u>FY 1996</u>	<u>Percent of Total</u>	<u>FY 2006</u>	<u>Percent of Total</u>
Public Schools	\$2,084.9	75.0%	\$4,009.0	77.9%
County/Municipal	503.7	18.1%	829.9	16.1%
Community Colleges	118.8	4.3%	191.6	3.7%
Health	38.5	1.4%	61.9	1.2%
Libraries	34.4	1.2%	50.6	1.1%
Subtotal	\$2,780.4	100.0%	\$5,143.1	100.0%
Assumed Functions	75.2		152.0	
Total	\$2,855.6		\$5,295.1	

Source: Department of Legislative Services

Change in State Aid

Over the last 10 years, State aid to local governments has increased by almost \$2.4 billion, which represents a 6.3 percent 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 1996-2006



Reliance on State Aid

State aid is the largest revenue source for most county governments in Maryland, representing 24.8 percent of total county revenues. In five counties (Anne Arundel, Baltimore, Queen Anne's, Talbot, and Worcester), State aid is the second largest revenue source after property taxes; while in Howard and Montgomery 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 13 percent of total revenues in Montgomery County but over 45 percent in Caroline and Somerset counties.

State aid is the third largest revenue source for municipalities, representing 7.8 percent of total revenues. As with counties, the reliance on State aid varies for municipalities, ranging from 2 percent of total revenues for municipalities in Talbot County to 27 percent for municipalities in Kent County, where State aid is the 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 city's Central Booking and Intake Facility originally opened in fiscal 1996. The State spent approximately \$74.9 million in fiscal 2006 to operate the Baltimore City Detention Center and \$42.8 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.

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, local community colleges receive around 24 percent of their operating funding from

the State and 30 percent 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 totals approximately \$34.3 million in fiscal 2006.

Allocation of State Financial Assistance

State financial assistance reported in the *Balance Sheet* for fiscal 2006 totals \$4.7 billion representing \$4.2 billion in direct State grants, \$432.7 million in retirement payments made by the State on behalf of the counties, and \$152.0 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 para-transit services; 911 emergency communications grants; and vehicle theft prevention grants. These programs account for approximately 10 percent of total State aid to local governments **Exhibit 2.3** shows the programs and the amount of State aid excluded from the *Balance Sheet* analysis in fiscal 2006. **Exhibit 2.4** compares total State aid in fiscal 2006 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 1996</u>	<u>FY 2001</u>	<u>FY 2006</u>
Highway User Revenues	\$352.5	\$435.3	\$538.4
Elderly/Disabled Transportation	2.4	3.2	4.5
Para-transit Services	3.4	2.0	2.5
911 Emergency Communications	1.6	3.4	12.9
Vehicle Theft Prevention	2.6	2.6	1.7
Total	\$362.5	\$446.5	\$560.0
Percent of State Aid	13.0%	12.2%	10.9%

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 2006

County	Total State Aid		State Aid in Balance Sheet		Percent of Total State Aid
	Amount	Per Capita	Amount	Per Capita	
Allegany	\$87,862,298	\$1,207	\$80,464,745	\$1,106	91.6%
Anne Arundel	327,439,615	642	296,181,606	581	90.5%
Baltimore City	1,215,839,707	1,900	989,955,141	1,547	81.4%
Baltimore	543,682,591	694	501,011,371	640	92.2%
Calvert	92,376,321	1,064	84,917,211	978	91.9%
Caroline	44,388,157	1,408	39,378,350	1,249	88.7%
Carroll	151,713,699	909	136,545,407	818	90.0%
Cecil	98,312,575	1,017	90,782,846	939	92.3%
Charles	146,558,585	1,068	136,517,865	994	93.1%
Dorchester	39,230,895	1,260	31,185,218	1,001	79.5%
Frederick	201,226,909	917	182,538,827	832	90.7%
Garrett	36,724,051	1,237	30,095,874	1,014	82.0%
Harford	217,922,174	918	200,707,876	846	92.1%
Howard	204,458,911	764	187,903,523	702	91.9%
Kent	15,178,835	767	12,205,931	617	80.4%
Montgomery	505,373,065	549	460,756,330	500	91.2%
Prince George's	891,417,945	1,064	852,848,273	1,018	95.7%
Queen Anne's	36,138,426	802	30,174,330	670	83.5%
St. Mary's	90,975,429	938	83,311,216	859	91.6%
Somerset	29,647,986	1,160	26,144,164	1,023	88.2%
Talbot	21,033,933	590	15,077,339	423	71.7%
Washington	130,246,855	922	117,318,254	831	90.1%
Wicomico	102,232,365	1,130	92,632,155	1,024	90.6%
Worcester	30,844,117	632	22,579,362	462	73.2%
Unallocated	34,266,289	6	0	0	0.0%
Total	\$5,295,091,733	\$950	\$4,701,233,214	\$844	88.8%

Source: Department of Legislative Services

In fiscal 2006, Baltimore City received the greatest amount of State aid (allocated in *Balance Sheet* report) at \$990.0 million followed by Prince George's County at \$852.8 million. On a per capita basis, these amounts translate into \$1,547 for Baltimore City (the greatest per capita amount for any jurisdiction) and \$1,018 for Prince George's County. Kent and Talbot counties, on the other hand, received the least amount of State aid at \$12.2 million and \$15.1 million, respectively. On a per capita basis, Kent County received \$617 while Talbot County received \$423 – the least amount per capita for any jurisdiction. **Exhibit 2.5** shows the

allocation of State aid, while **Exhibit 2.6** breaks these numbers down on a per capita basis by county.

Exhibit 2.5
Direct State Aid and Payments-on-behalf
Fiscal 2006

County	Education	Libraries	Community Colleges	Health	County/ Municipal	Retirement Payments	Assumed Functions	Total
Allegany	\$60,606,025	\$626,684	\$4,892,032	\$1,503,168	\$7,705,595	\$5,131,241	\$0	\$80,464,745
Anne Arundel	210,643,401	1,735,771	23,055,189	5,217,768	21,238,575	34,290,902	0	296,181,606
Baltimore City	687,348,180	5,427,213	0	11,036,243	89,680,459	44,455,112	152,007,934	989,955,141
Baltimore	385,560,156	4,207,905	32,144,357	7,154,328	18,801,177	53,143,448	0	501,011,371
Calvert	66,551,382	330,436	1,297,832	617,756	7,593,905	8,525,900	0	84,917,211
Caroline	31,846,630	221,402	1,175,187	890,168	2,646,261	2,598,702	0	39,378,350
Carroll	112,128,044	789,937	5,619,501	2,043,685	3,055,278	12,908,962	0	136,545,407
Cecil	75,870,345	533,756	3,886,579	1,340,274	1,747,511	7,404,381	0	90,782,846
Charles	112,266,563	677,970	5,799,493	1,653,402	5,046,421	11,074,016	0	136,517,865
Dorchester	24,132,705	198,588	869,493	709,527	3,009,706	2,265,199	0	31,185,218
Frederick	151,807,470	930,005	6,231,211	2,510,944	3,829,925	17,229,272	0	182,538,827
Garrett	21,467,683	148,882	2,602,598	723,127	2,756,772	2,396,812	0	30,095,874
Harford	164,901,416	1,231,030	8,281,143	2,884,685	5,697,314	17,712,288	0	200,707,876
Howard	140,705,019	634,236	10,070,530	2,021,452	6,727,135	27,745,151	0	187,903,523
Kent	9,179,403	86,068	458,404	555,335	567,707	1,359,014	0	12,205,931
Montgomery	306,863,133	2,205,314	29,962,384	5,024,056	26,960,995	89,740,448	0	460,756,330
Prince George's	716,454,583	5,496,826	19,050,258	8,300,309	43,475,371	60,070,926	0	852,848,273
Queen Anne's	23,704,211	112,681	1,320,525	692,867	926,943	3,417,103	0	30,174,330
St. Mary's	70,822,580	504,400	1,781,540	1,344,500	1,630,495	7,227,701	0	83,311,216
Somerset	18,799,325	226,186	611,461	707,179	4,349,892	1,450,121	0	26,144,164
Talbot	9,958,332	83,208	1,224,512	544,968	958,870	2,307,449	0	15,077,339
Washington	96,252,076	889,393	5,623,467	2,291,647	2,943,475	9,318,196	0	117,318,254
Wicomico	76,598,706	615,050	3,597,836	1,571,504	3,161,656	7,087,403	0	92,632,155
Worcester	15,060,263	119,050	1,482,432	520,096	1,563,608	3,833,913	0	22,579,362
Total	\$3,589,527,631	\$28,031,991	\$171,037,964	\$61,858,988	\$266,075,046	\$432,693,660	\$152,007,934	\$4,701,233,214

* County/Municipal category excludes funding for 911 grants, vehicle theft grants, transportation grants, and highway user revenues.

* Assumed Functions includes 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 2006

County	Education	Libraries	Community Colleges	Health	County/ Municipal	Retirement Payments	Assumed Functions	Total
Allegany	\$833	\$9	\$67	\$21	\$106	\$71	\$0	\$1,106
Anne Arundel	413	3	45	10	42	67	0	581
Baltimore City	1,074	8	0	17	140	69	237	1,547
Baltimore	492	5	41	9	24	68	0	640
Calvert	767	4	15	7	87	98	0	978
Caroline	1,010	7	37	28	84	82	0	1,249
Carroll	672	5	34	12	18	77	0	818
Cecil	785	6	40	14	18	77	0	939
Charles	818	5	42	12	37	81	0	994
Dorchester	775	6	28	23	97	73	0	1,001
Frederick	692	4	28	11	17	79	0	832
Garrett	723	5	88	24	93	81	0	1,014
Harford	695	5	35	12	24	75	0	846
Howard	525	2	38	8	25	104	0	702
Kent	464	4	23	28	29	69	0	617
Montgomery	333	2	33	5	29	97	0	500
Prince George's	855	7	23	10	52	72	0	1,018
Queen Anne's	526	3	29	15	21	76	0	670
St. Mary's	730	5	18	14	17	75	0	859
Somerset	735	9	24	28	170	57	0	1,023
Talbot	279	2	34	15	27	65	0	423
Washington	681	6	40	16	21	66	0	831
Wicomico	847	7	40	17	35	78	0	1,024
Worcester	308	2	30	11	32	79	0	462
Total	\$644	\$5	\$31	\$11	\$48	\$78	\$27	\$844

* County/Municipal category excludes funding for 911 grants, vehicle theft grants, transportation grants, and highway user revenues.

* Assumed Functions includes 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 \$12.7 billion in fiscal 2006. Major State tax revenues excluded from this analysis include motor vehicle fuel taxes, titling taxes, and corporation income taxes accruing to the Transportation Trust Fund. Point-of-collection data are 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 are 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, 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 2006, 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 \$6.2 billion or 48.7 percent of total allocated revenue. The amount of allocated taxes on a per capita basis varies widely as illustrated in Exhibit 3.3. Talbot County generates the greatest amount of State revenues at \$3,501 per resident followed by Worcester County at \$3,458 per resident. Montgomery and Howard counties are the next leading counties in term of per capita revenue collections. In comparison, Somerset County generates the least State revenues at \$978 per resident. In terms of the individual income tax, Montgomery County generates the most per capita at \$1,785 followed by Howard County at \$1,619 per resident. In comparison, Somerset County contributes the least per capita at \$402 while Baltimore City generates \$571 per resident.

Some of this tax revenue disparity in per capita tax collection could 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, Somerset County and Baltimore City 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.

Exhibit 3.1
Allocation Basis for State Tax Revenues

Allocation Basis	Percent of Total Taxes Allocated		
Point of Collection	<u>Fiscal 1996</u>	<u>Fiscal 2001</u>	<u>FY 2006</u>
Individual Income Tax	49.1%	52.6%	48.7%
Sales Tax	28.2%	27.3%	26.7%
Property Tax	3.2%	2.6%	4.6%
Transfer Tax	0.9%	1.1%	2.1%
Death Taxes	1.8%	1.9%	1.8%
Subtotal	83.2%	85.5%	83.9%
County Sales			
Net Lottery Receipts	5.2%	3.9%	3.8%
Liquor Tax	0.2%	0.1%	0.1%
Beer Tax	0.1%	0.1%	0.1%
Wine Tax	0.1%	< 0.1%	< 0.1%
Subtotal	5.5%	4.2%	4.0%
Utility Revenues			
Gross Receipts Tax	1.9%	1.4%	1.0%
Population			
Corporate Income Tax	3.6%	3.8%	5.1%
Tobacco Tax	1.9%	2.1%	2.2%
Insurance Tax	2.3%	1.9%	2.2%
Abandoned Property	0.5%	0.4%	0.7%
Corporate Filing Fees	0.1%	0.1%	0.5%
Horse Racing Tax	0.1%	< 0.1%	< 0.1%
Net Earnings Tax	0.6%	0.1%	< 0.1%
Subtotal	9.0%	8.5%	10.7%
Vehicle Registration			
Medevac Surcharge	0.4%	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 2006

County	Individual Income Tax	Corporate Income Tax	Gross Receipts Tax	Net Earnings Tax	Sales Tax	Insurance Tax	Transfer Tax
Allegany	\$41,802,643	\$8,404,644	\$1,811,859	\$7,313	\$38,727,103	\$3,628,350	\$827,306
Anne Arundel	652,872,377	58,907,456	11,746,773	51,256	340,208,671	25,430,808	27,305,451
Baltimore City	365,592,395	73,917,719	14,510,770	64,317	327,317,270	31,910,856	16,929,738
Baltimore	950,959,797	90,411,387	17,862,629	78,668	553,999,972	39,031,301	26,779,815
Calvert	100,510,805	10,025,590	1,465,247	8,723	29,573,505	4,328,125	3,824,901
Caroline	19,460,638	3,641,354	783,029	3,168	7,296,457	1,572,001	1,267,141
Carroll	182,448,617	19,281,472	3,124,628	16,777	95,729,617	8,323,962	6,312,474
Cecil	58,546,191	11,168,082	2,248,815	9,717	32,338,948	4,821,348	3,325,095
Charles	133,215,304	15,852,957	2,546,284	13,794	97,001,043	6,843,845	7,962,186
Dorchester	19,466,985	3,596,199	869,588	3,129	14,475,660	1,552,507	1,430,402
Frederick	260,170,767	25,342,350	6,349,680	22,051	147,723,670	10,940,490	12,953,834
Garrett	18,865,070	3,427,707	718,823	2,982	17,420,814	1,479,768	1,922,574
Harford	252,077,962	27,406,527	4,786,572	23,847	121,705,639	11,831,612	10,719,712
Howard	433,516,891	30,924,428	6,468,953	26,908	174,249,234	13,350,317	17,210,672
Kent	17,044,987	2,284,060	434,897	1,987	11,382,879	986,047	933,645
Montgomery	1,644,030,293	106,363,430	20,840,645	92,548	531,767,896	45,917,922	61,798,973
Prince George's	605,115,976	96,794,352	17,301,385	84,222	487,368,670	41,786,877	40,390,496
Queen Anne's	54,990,726	5,202,594	922,476	4,527	20,387,735	2,246,000	3,176,409
St. Mary's	92,406,116	11,198,223	1,782,267	9,744	47,835,529	4,834,360	4,311,454
Somerset	10,286,456	2,952,256	421,240	2,569	3,650,107	1,274,512	741,761
Talbot	55,042,843	4,115,766	587,307	3,581	36,904,759	1,776,808	3,290,655
Washington	115,798,212	16,312,471	2,820,985	14,194	99,036,531	7,042,221	5,000,803
Wicomico	66,615,010	10,445,608	2,363,277	9,089	87,403,459	4,509,450	2,909,250
Worcester	49,356,712	5,639,474	1,903,533	4,907	70,280,303	2,434,605	8,214,948
Total	\$6,200,193,772	\$643,616,106	\$124,671,662	\$560,018	\$3,393,785,474	\$277,854,092	\$269,539,695

Exhibit 3.2 (continued)

County	Death Taxes	Liquor Tax	Beer Tax	Wine Tax	Tobacco Tax	Horse Racing Tax	Net Lottery Receipts
Allegany	\$385,727	\$187,396	\$182,170	\$37,164	\$3,667,174	\$57,895	\$3,432,714
Anne Arundel	16,329,659	1,483,867	1,042,731	703,088	25,702,922	405,781	49,753,485
Baltimore City	17,601,997	1,979,423	1,240,083	438,399	32,252,307	509,179	89,483,914
Baltimore	51,634,611	1,950,928	1,299,339	751,166	39,448,942	622,795	73,713,705
Calvert	1,632,353	192,598	161,124	68,900	4,374,437	69,061	7,255,012
Caroline	1,681,228	59,552	65,345	12,480	1,588,822	25,083	2,084,231
Carroll	4,196,001	311,170	277,413	138,889	8,413,030	132,820	9,234,646
Cecil	1,047,270	740,257	261,109	130,211	4,872,937	76,931	5,087,235
Charles	1,787,879	425,065	236,813	80,039	6,917,075	109,202	15,607,556
Dorchester	1,258,444	78,381	75,214	20,098	1,569,119	24,772	2,343,187
Frederick	5,382,664	504,297	395,752	194,748	11,057,555	174,570	10,625,395
Garrett	488,854	97,397	69,505	27,525	1,495,602	23,612	852,397
Harford	6,466,924	438,608	401,126	184,085	11,958,212	188,789	16,249,327
Howard	4,548,314	492,550	329,369	272,014	13,493,167	213,022	11,125,771
Kent	1,823,720	65,134	46,161	27,132	996,597	15,734	1,357,510
Montgomery	72,348,390	1,291,475	882,626	882,985	46,409,251	732,680	44,656,107
Prince George's	9,667,299	1,968,771	1,248,458	419,037	42,234,003	666,764	97,865,545
Queen Anne's	1,753,467	133,296	108,440	59,200	2,270,033	35,838	2,877,486
St. Mary's	825,099	205,712	189,457	57,875	4,886,089	77,138	10,784,690
Somerset	185,281	41,699	40,178	11,453	1,288,149	20,336	1,818,693
Talbot	9,607,328	133,948	75,018	79,931	1,795,820	28,351	2,283,862
Washington	11,959,324	370,891	295,728	85,684	7,117,574	112,368	8,087,043
Wicomico	2,225,039	162,586	216,193	78,669	4,557,702	71,954	5,849,949
Worcester	2,485,782	349,143	285,504	103,323	2,460,655	38,847	8,041,539
Total	\$227,322,654	\$13,664,146	\$9,424,857	\$4,864,095	\$280,827,175	\$4,433,521	\$480,471,000

Exhibit 3.2 (continued)

County	Domestic Corporation Filing Fees	Medevac Surcharge	Abandoned Property	Subtotal	Property Tax	Total
Allegany	\$900,242	\$736,163	\$1,169,966	\$105,965,830	\$3,645,145	\$109,610,975
Anne Arundel	6,309,719	5,797,421	8,200,196	1,232,251,662	63,537,471	1,295,789,133
Baltimore City	7,917,504	3,864,763	10,289,696	995,820,331	35,841,773	1,031,662,104
Baltimore	9,684,180	7,362,962	12,585,692	1,878,177,889	69,390,795	1,947,568,684
Calvert	1,073,865	982,389	1,395,609	166,942,244	10,346,562	177,288,806
Caroline	390,034	426,541	506,894	40,863,997	2,268,788	43,132,785
Carroll	2,065,285	1,934,824	2,684,072	344,625,698	16,703,665	361,329,363
Cecil	1,196,240	1,018,245	1,554,650	128,443,280	9,382,331	137,825,611
Charles	1,698,048	1,470,431	2,206,806	293,974,328	13,861,387	307,835,715
Dorchester	385,198	368,730	500,608	48,018,222	2,721,058	50,739,280
Frederick	2,714,480	2,449,447	3,527,775	500,529,523	24,272,960	524,802,483
Garrett	367,150	362,040	477,153	48,098,972	4,172,017	52,270,989
Harford	2,935,579	2,544,467	3,815,118	473,734,104	21,899,570	495,633,674
Howard	3,312,390	2,744,176	4,304,826	716,583,000	38,232,933	754,815,933
Kent	244,651	249,058	317,952	38,212,152	2,547,005	40,759,157
Montgomery	11,392,842	8,094,996	14,806,292	2,612,309,351	146,211,673	2,758,521,024
Prince George's	10,367,875	7,005,289	13,474,231	1,473,759,249	67,388,705	1,541,147,954
Queen Anne's	557,262	568,970	724,226	96,018,685	6,616,341	102,635,026
St. Mary's	1,199,468	1,100,764	1,558,846	183,262,832	9,140,447	192,403,279
Somerset	316,223	227,430	410,968	23,689,313	1,300,338	24,989,651
Talbot	440,850	470,802	572,934	117,210,563	7,562,116	124,772,679
Washington	1,747,268	1,512,164	2,270,773	279,584,235	10,960,307	290,544,542
Wicomico	1,118,854	971,017	1,454,078	190,961,185	6,196,595	197,157,780
Worcester	604,058	644,911	785,041	153,633,285	15,247,186	168,880,471
Total	\$68,939,262	\$52,908,000	\$89,594,401	\$12,142,669,930	\$589,447,168	\$12,732,117,098

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

Exhibit 3.3
Per Capita Allocation of Selected State Revenues
Fiscal 2006

County	Individual Income Tax	Sales Tax	Transfer Tax	Death Taxes	Net Lottery Receipts	Property Tax	All Allocated Taxes
Allegany	\$574	\$532	\$11	\$5	\$47	\$50	\$1,506
Anne Arundel	1,280	667	54	32	98	125	2,540
Baltimore City	571	511	26	28	140	56	1,612
Baltimore	1,215	708	34	66	94	89	2,488
Calvert	1,158	341	44	19	84	119	2,042
Caroline	617	231	40	53	66	72	1,368
Carroll	1,093	573	38	25	55	100	2,164
Cecil	605	334	34	11	53	97	1,425
Charles	970	707	58	13	114	101	2,243
Dorchester	625	465	46	40	75	87	1,629
Frederick	1,186	673	59	25	48	111	2,392
Garrett	636	587	65	16	29	141	1,761
Harford	1,062	513	45	27	68	92	2,088
Howard	1,619	651	64	17	42	143	2,819
Kent	862	576	47	92	69	129	2,061
Montgomery	1,785	577	67	79	48	159	2,995
Prince George's	722	581	48	12	117	80	1,839
Queen Anne's	1,221	453	71	39	64	147	2,278
St. Mary's	953	493	44	9	111	94	1,984
Somerset	402	143	29	7	71	51	978
Talbot	1,544	1,036	92	270	64	212	3,501
Washington	820	701	35	85	57	78	2,057
Wicomico	736	966	32	25	65	69	2,180
Worcester	1,011	1,439	168	51	165	312	3,458
Total	\$1,113	\$609	\$48	\$41	\$86	\$106	\$2,285

Source: Department of Legislative Services

Exhibit 3.4
Local Wealth Calculation
Fiscal 2006

County	Assessable Base	Income Base	Total Wealth Amount	Per Capita Wealth Amount	Ranking
Allegany	\$1,054,917,000	\$714,313,115	\$1,769,230,115	\$24,310	22
Anne Arundel	18786919700	10,041,433,554	28,828,353,254	56,516	6
Baltimore City	9,006,678,400	5,570,278,698	14,576,957,098	22,774	23
Baltimore	20,540,248,500	14,059,345,233	34,599,593,733	44,195	13
Calvert	3,212,785,700	1,545,445,512	4,758,231,212	54,810	7
Caroline	646,461,100	328,521,985	974,983,085	30,921	21
Carroll	4,815,147,700	2,881,111,389	7,696,259,089	46,096	10
Cecil	2,544,847,800	1,280,368,627	3,825,216,427	39,555	16
Charles	4,113,962,500	2,149,912,698	6,263,875,198	45,631	11
Dorchester	794,987,400	323,770,865	1,118,758,265	35,927	18
Frederick	6,593,718,400	4,005,749,711	10,599,468,111	48,302	8
Garrett	1,034,347,700	310,991,161	1,345,338,861	45,327	12
Harford	6,371,274,700	4,020,746,180	10,392,020,880	43,790	14
Howard	10,925,983,000	6,573,022,649	17,499,005,649	65,349	4
Kent	683,802,900	270,379,070	954,181,970	48,245	9
Montgomery	42,979,627,100	22,973,629,590	65,953,256,690	71,609	3
Prince George's	19,881,312,500	10,536,123,093	30,417,435,593	36,291	17
Queen Anne's	1,840,063,700	809,470,813	2,649,534,513	58,813	5
St. Mary's	2,515,903,000	1,479,449,835	3,995,352,835	41,203	15
Somerset	347,969,500	185,207,239	533,176,739	20,857	24
Talbot	2,063,299,600	696,270,839	2,759,570,439	77,431	2
Washington	3,225,531,800	1,801,230,030	5,026,761,830	35,587	19
Wicomico	1,850,207,900	1,090,241,246	2,940,449,146	32,509	20
Worcester	4,034,383,400	784,532,994	4,818,916,394	98,682	1
Total	\$169,864,381,000	\$94,431,546,126	\$264,295,927,126	\$47,423	

Note: Total Wealth is calculated by adding 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 employer's 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 is not 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 is not considered 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.