

THE BALANCE SHEET

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



DEPARTMENT OF LEGISLATIVE SERVICES 2009

The Balance Sheet

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

Fiscal 2007

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

December 2009

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December 2009

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 25% of total county revenues and 10% 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% of general fund expenditures and 27% 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 Mya Coover. 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/mpc
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% 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 2007, State revenue collections allocated in *The Balance Sheet* totaled \$13.2 billion, while State aid payments to local governments totaled \$5.3 billion. The individual income tax accounted for just over 50% of the State revenues allocated in

the report while sales taxes accounted for over 26.2% of revenues.

On average, local governments received \$0.40 in State aid for each \$1.00 in taxes paid by county residents and businesses. This illustrates that local governments received 40% 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 1997; ranging from a low of 34% in fiscal 2000 and 2001 to a high of 40% in fiscal 2003 and 2007. During this 10-year period, the "balance sheet index" as a percent of the statewide average increased in 4 jurisdictions, decreased in 9 jurisdictions, and remained relatively constant in 11 jurisdictions.

The ratios for 15 counties in fiscal 2007 matched or exceeded the statewide weighted average. State aid to revenue allocation ratios for Anne Arundel, Baltimore, Howard, Kent, Montgomery, Talbot, and Worcester counties were considerably below the statewide average. In terms of total State aid received as a percent of the statewide average, Anne Arundel, Baltimore, Kent, Montgomery, Talbot, and Worcester counties received the least amount of aid; whereas, Baltimore City and Allegany, Caroline, 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 2007, State revenue collections allocated in *The Balance Sheet* totaled \$13.2 billion, while State aid payments to local governments totaled \$5.3 billion. This illustrates that local governments received approximately 40% 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% in fiscal 2000 and 2001 to a high of 40% in fiscal 2003 and 2007. **Exhibit 1.1** summarizes the county-by-county tax revenues and State aid allocations for fiscal 2007.

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 0.80 for Allegany County in 2007 indicates that for every dollar of State tax revenues allocated to Allegany County, the county received \$0.80 in direct State aid. The amount of direct grants received for each \$1.00 of taxes paid in fiscal 2007 ranged from \$0.12 in Talbot County to \$1.12 in Somerset County. Statewide, the weighted average for this measure was \$0.38, and the simple average (county mean) was \$0.49. 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 2007 the county received \$0.83 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 2007 varied from \$0.13 for Talbot County to \$1.12 for Somerset County. Statewide, the weighted average was \$0.40, and the simple average was \$0.51.

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 2007 for example, Allegany County's direct aid index is 2.09, indicating that Allegany County's ratio was 109% above the statewide average. Including payments-on-behalf lowers Allegany County's ratio to 2.06 or 106% 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 0.28. 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 \$0.38 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 \$0.49, calculated by summing the county ratios and dividing by 24, is somewhat higher than the statewide weighted average.

Likewise, on average local governments received \$0.40 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 2007 (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 moderately for Caroline and Somerset counties. The ratios for 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 32%, 37%, and 45%, 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% of the statewide average, with each receiving 257%, 264%, and 279%, 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 aid index has varied from 243% in fiscal 1998 to 273% in fiscal 2003. The variance is less pronounced for Caroline County where its aid index ranged from a low of 247% in fiscal 2006 to a high of 278% in fiscal 2000. This measure actually decreased in Somerset County where its 10-year high was reached in fiscal 1998 at 289% of the statewide average compared to a low of 265% 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 9 counties, and remained relatively constant in 11 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 aid, 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 2007 as measured on a per capita basis include Worcester, Talbot, 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 2007 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, Kent, and Anne Arundel 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 2007

County	Allocation of Tax Revenues Excl. Property Tax	Allocation Of Total Tax Revenues	Direct State Aid	Direct Aid and Payments- on-behalf
Allegany	\$109,587,711	\$112,828,077	\$87,776,417	\$93,503,939
Anne Arundel	1,292,057,953	1,353,295,109	302,378,901	341,265,143
Baltimore City	1,012,519,483	1,047,391,084	1,035,581,859	1,081,781,215
Baltimore	1,949,912,721	2,014,796,586	520,109,402	576,448,638
Calvert	174,173,022	184,490,126	84,751,789	93,961,175
Caroline	40,573,508	42,776,113	42,519,814	45,359,227
Carroll	356,456,093	372,423,350	140,199,310	154,490,837
Cecil	138,097,320	147,078,432	95,392,512	103,765,122
Charles	303,761,204	317,106,284	144,498,519	157,465,332
Dorchester	50,881,909	53,584,784	31,369,315	33,781,609
Frederick	511,488,395	535,242,801	185,140,361	204,981,011
Garrett	49,369,961	53,336,462	30,630,799	33,181,352
Harford	483,757,757	504,721,448	208,896,847	229,350,356
Howard	759,486,098	796,486,879	183,650,664	215,037,545
Kent	42,222,129	44,696,234	11,450,547	12,813,467
Montgomery	2,768,314,631	2,909,853,954	427,877,846	523,651,872
Prince George's	1,496,369,000	1,560,724,578	884,597,547	952,638,075
Queen Anne's	101,363,881	107,844,970	30,288,127	33,885,761
St. Mary's	191,362,020	200,242,893	85,571,358	93,681,887
Somerset	25,393,311	26,764,147	28,425,217	30,063,184
Talbot	117,969,169	125,217,789	14,086,320	16,330,025
Washington	276,646,151	287,382,068	126,533,264	136,924,400
Wicomico	195,402,525	201,215,634	99,801,592	107,650,608
Worcester	155,502,262	171,434,656	21,280,971	25,643,931
Total	\$12,602,668,211	\$13,170,934,455	\$4,822,809,298	\$5,297,655,711

Source: Department of Legislative Services

Exhibit 1.2
State Financial Assistance Received for Each \$1.00 of Taxes Paid
Fiscal 2007

County	Direct State Aid	Direct Aid and Payments-on-behalf
Allegany	0.80	0.83
Anne Arundel	0.23	0.25
Baltimore City	1.02	1.03
Baltimore	0.27	0.29
Calvert	0.49	0.51
Caroline	1.05	1.06
Carroll	0.39	0.41
Cecil	0.69	0.71
Charles	0.48	0.50
Dorchester	0.62	0.63
Frederick	0.36	0.38
Garrett	0.62	0.62
Harford	0.43	0.45
Howard	0.24	0.27
Kent	0.27	0.29
Montgomery	0.15	0.18
Prince George's	0.59	0.61
Queen Anne's	0.30	0.31
St. Mary's	0.45	0.47
Somerset	1.12	1.12
Talbot	0.12	0.13
Washington	0.46	0.48
Wicomico	0.51	0.54
Worcester	0.14	0.15
Total (Weighted Avg)	0.38	0.40
County Mean (Simple Avg)	0.49	0.51
Standard Deviation	0.28	0.28

Source: Department of Legislative Services

Exhibit 1.3
State Financial Assistance Received as a Percent of the Statewide Average
Fiscal 2007

County	Direct State Aid	Direct Aid and Payments-on-behalf
Allegany	2.09	2.06
Anne Arundel	0.61	0.63
Baltimore City	2.67	2.57
Baltimore	0.70	0.71
Calvert	1.27	1.27
Caroline	2.74	2.64
Carroll	1.03	1.03
Cecil	1.81	1.75
Charles	1.24	1.23
Dorchester	1.61	1.57
Frederick	0.95	0.95
Garrett	1.62	1.55
Harford	1.13	1.13
Howard	0.63	0.67
Kent	0.71	0.71
Montgomery	0.40	0.45
Prince George's	1.54	1.52
Queen Anne's	0.78	0.78
St. Mary's	1.17	1.16
Somerset	2.93	2.79
Talbot	0.31	0.32
Washington	1.20	1.18
Wicomico	1.33	1.33
Worcester	0.36	0.37
Total (Weighted Avg)	1.00	1.00
County Mean (Simple Avg)	1.28	1.27
Standard Deviation	0.74	0.70

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	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Allegany	0.54	0.57	0.54	0.56	0.64	0.70	0.67	0.65	0.71	0.80
Anne Arundel	0.22	0.22	0.21	0.21	0.24	0.24	0.22	0.22	0.21	0.23
Baltimore City	0.80	0.88	0.86	0.87	0.98	1.05	0.98	0.94	0.95	1.02
Baltimore	0.20	0.21	0.20	0.20	0.23	0.24	0.23	0.24	0.24	0.27
Calvert	0.34	0.35	0.35	0.38	0.44	0.46	0.46	0.45	0.46	0.49
Caroline	0.88	0.93	0.89	0.88	0.95	1.03	0.97	0.90	0.90	1.05
Carroll	0.36	0.37	0.35	0.34	0.35	0.37	0.35	0.35	0.36	0.39
Cecil	0.57	0.58	0.56	0.56	0.63	0.65	0.62	0.62	0.65	0.69
Charles	0.35	0.36	0.35	0.35	0.39	0.40	0.39	0.40	0.43	0.48
Dorchester	0.60	0.59	0.56	0.59	0.65	0.65	0.61	0.57	0.60	0.62
Frederick	0.32	0.32	0.29	0.29	0.31	0.32	0.31	0.31	0.33	0.36
Garrett	0.74	0.76	0.67	0.65	0.70	0.70	0.67	0.59	0.58	0.62
Harford	0.35	0.37	0.35	0.34	0.37	0.39	0.38	0.37	0.39	0.43
Howard	0.18	0.19	0.18	0.18	0.21	0.22	0.22	0.22	0.22	0.24
Kent	0.32	0.32	0.33	0.29	0.34	0.35	0.30	0.28	0.28	0.27
Montgomery	0.10	0.11	0.11	0.12	0.14	0.16	0.15	0.15	0.14	0.15
Prince George's	0.38	0.42	0.41	0.42	0.47	0.52	0.49	0.50	0.54	0.59
Queen Anne's	0.28	0.28	0.28	0.29	0.27	0.31	0.29	0.27	0.28	0.30
St. Mary's	0.40	0.41	0.38	0.37	0.39	0.40	0.39	0.40	0.42	0.45
Somerset	0.94	0.93	0.86	0.93	1.04	1.11	1.05	0.96	1.04	1.12
Talbot	0.09	0.10	0.09	0.09	0.11	0.10	0.12	0.12	0.11	0.12
Washington	0.37	0.37	0.35	0.35	0.37	0.38	0.36	0.36	0.39	0.46
Wicomico	0.40	0.41	0.38	0.38	0.41	0.45	0.44	0.44	0.45	0.51
Worcester	0.07	0.09	0.09	0.09	0.10	0.10	0.11	0.12	0.12	0.14
Total (Weighted Avg)	0.30	0.32	0.30	0.31	0.35	0.37	0.35	0.34	0.35	0.38
County Mean (Simple Avg)	0.41	0.42	0.40	0.41	0.45	0.47	0.45	0.43	0.45	0.49
Standard Deviation	0.24	0.25	0.23	0.24	0.26	0.28	0.26	0.24	0.25	0.28

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	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Allegany	0.61	0.62	0.58	0.59	0.67	0.73	0.69	0.67	0.73	0.83
Anne Arundel	0.26	0.26	0.24	0.24	0.26	0.27	0.24	0.23	0.23	0.25
Baltimore City	0.86	0.93	0.90	0.91	1.01	1.08	1.00	0.95	0.96	1.03
Baltimore	0.25	0.25	0.23	0.23	0.25	0.27	0.26	0.26	0.26	0.29
Calvert	0.41	0.40	0.40	0.42	0.47	0.50	0.48	0.47	0.48	0.51
Caroline	0.97	1.00	0.95	0.93	0.99	1.07	0.99	0.92	0.91	1.06
Carroll	0.41	0.41	0.39	0.37	0.38	0.39	0.37	0.37	0.38	0.41
Cecil	0.64	0.64	0.62	0.61	0.66	0.69	0.64	0.64	0.66	0.71
Charles	0.41	0.40	0.39	0.38	0.42	0.43	0.42	0.42	0.44	0.50
Dorchester	0.66	0.65	0.61	0.63	0.67	0.68	0.63	0.59	0.61	0.63
Frederick	0.37	0.36	0.33	0.32	0.33	0.35	0.33	0.33	0.35	0.38
Garrett	0.80	0.81	0.72	0.69	0.72	0.72	0.67	0.60	0.58	0.62
Harford	0.41	0.42	0.39	0.38	0.40	0.42	0.40	0.39	0.40	0.45
Howard	0.23	0.23	0.22	0.22	0.24	0.25	0.25	0.25	0.25	0.27
Kent	0.38	0.37	0.36	0.32	0.37	0.38	0.32	0.30	0.30	0.29
Montgomery	0.15	0.15	0.15	0.15	0.17	0.19	0.19	0.18	0.17	0.18
Prince George's	0.43	0.47	0.45	0.45	0.50	0.55	0.51	0.52	0.55	0.61
Queen Anne's	0.33	0.32	0.32	0.32	0.29	0.34	0.31	0.29	0.29	0.31
St. Mary's	0.46	0.46	0.42	0.41	0.41	0.43	0.41	0.42	0.43	0.47
Somerset	1.01	0.99	0.91	0.97	1.07	1.14	1.06	0.97	1.05	1.12
Talbot	0.13	0.13	0.11	0.11	0.13	0.12	0.14	0.14	0.12	0.13
Washington	0.42	0.42	0.40	0.38	0.40	0.41	0.34	0.38	0.40	0.48
Wicomico	0.46	0.46	0.42	0.42	0.44	0.49	0.47	0.46	0.47	0.54
Worcester	0.11	0.12	0.12	0.11	0.12	0.13	0.13	0.13	0.13	0.15
Total (Weighted Avg)	0.35	0.36	0.34	0.34	0.37	0.40	0.37	0.37	0.37	0.40
County Mean (Simple Avg)	0.46	0.47	0.44	0.44	0.47	0.50	0.47	0.45	0.47	0.51
Standard Deviation	0.25	0.26	0.24	0.25	0.26	0.28	0.26	0.24	0.25	0.28

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 a Percent of the Statewide Average
Direct Aid

10 Fiscal Year Summary

County	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Allegany	1.80	1.79	1.77	1.81	1.84	1.89	1.90	1.87	2.02	2.09
Anne Arundel	0.72	0.69	0.69	0.69	0.70	0.66	0.63	0.63	0.60	0.61
Baltimore City	2.65	2.78	2.85	2.84	2.83	2.85	2.79	2.74	2.70	2.67
Baltimore	0.67	0.65	0.65	0.65	0.66	0.66	0.67	0.68	0.68	0.70
Calvert	1.14	1.10	1.16	1.23	1.26	1.26	1.30	1.30	1.30	1.27
Caroline	2.93	2.92	2.92	2.88	2.75	2.81	2.76	2.60	2.56	2.74
Carroll	1.18	1.16	1.15	1.11	1.01	1.00	0.99	1.02	1.02	1.03
Cecil	1.89	1.81	1.86	1.83	1.81	1.78	1.76	1.79	1.85	1.81
Charles	1.17	1.12	1.15	1.14	1.14	1.09	1.13	1.17	1.21	1.24
Dorchester	1.98	1.87	1.86	1.93	1.87	1.76	1.75	1.66	1.71	1.61
Frederick	1.07	1.00	0.97	0.93	0.89	0.87	0.88	0.90	0.94	0.95
Garrett	2.45	2.39	2.23	2.13	2.02	1.92	1.91	1.72	1.64	1.62
Harford	1.18	1.16	1.14	1.11	1.08	1.05	1.07	1.08	1.10	1.13
Howard	0.60	0.59	0.59	0.60	0.62	0.60	0.64	0.64	0.64	0.63
Kent	1.08	1.02	1.07	0.94	0.98	0.96	0.87	0.82	0.81	0.71
Montgomery	0.34	0.35	0.36	0.38	0.41	0.42	0.43	0.43	0.40	0.40
Prince George's	1.25	1.32	1.36	1.36	1.35	1.41	1.40	1.45	1.53	1.54
Queen Anne's	0.92	0.88	0.92	0.93	0.77	0.86	0.83	0.78	0.79	0.78
St. Mary's	1.34	1.30	1.26	1.22	1.12	1.08	1.11	1.15	1.18	1.17
Somerset	3.12	2.92	2.85	3.03	3.01	3.03	2.99	2.77	2.97	2.93
Talbot	0.31	0.31	0.29	0.29	0.32	0.27	0.36	0.36	0.31	0.31
Washington	1.23	1.18	1.17	1.13	1.08	1.03	1.02	1.04	1.10	1.20
Wicomico	1.32	1.28	1.25	1.25	1.18	1.24	1.25	1.27	1.27	1.33
Worcester	0.22	0.28	0.29	0.29	0.29	0.28	0.33	0.34	0.35	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)	1.36	1.33	1.32	1.32	1.29	1.28	1.28	1.26	1.28	1.28
Standard Deviation	0.78	0.78	0.77	0.79	0.77	0.78	0.76	0.71	0.73	0.74

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	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Allegany	1.72	1.72	1.71	1.75	1.79	1.84	1.86	1.84	1.99	2.06
Anne Arundel	0.75	0.71	0.70	0.71	0.71	0.67	0.64	0.64	0.62	0.63
Baltimore City	2.43	2.58	2.66	2.68	2.70	2.73	2.67	2.61	2.60	2.57
Baltimore	0.70	0.68	0.67	0.67	0.68	0.68	0.69	0.70	0.70	0.71
Calvert	1.16	1.12	1.18	1.23	1.26	1.26	1.29	1.29	1.30	1.27
Caroline	2.75	2.77	2.78	2.75	2.65	2.70	2.64	2.50	2.47	2.64
Carroll	1.17	1.15	1.14	1.11	1.01	1.00	0.99	1.02	1.02	1.03
Cecil	1.82	1.76	1.81	1.79	1.77	1.73	1.71	1.74	1.78	1.75
Charles	1.16	1.11	1.14	1.13	1.13	1.09	1.12	1.16	1.20	1.23
Dorchester	1.88	1.80	1.80	1.87	1.81	1.70	1.69	1.61	1.66	1.57
Frederick	1.07	1.00	0.98	0.94	0.89	0.87	0.89	0.91	0.94	0.95
Garrett	2.28	2.24	2.11	2.03	1.93	1.83	1.80	1.64	1.56	1.55
Harford	1.17	1.16	1.13	1.11	1.08	1.05	1.07	1.07	1.10	1.13
Howard	0.66	0.64	0.64	0.65	0.66	0.64	0.68	0.68	0.67	0.67
Kent	1.08	1.02	1.07	0.94	0.98	0.97	0.87	0.81	0.81	0.71
Montgomery	0.43	0.43	0.43	0.44	0.47	0.48	0.50	0.48	0.45	0.45
Prince George's	1.23	1.30	1.33	1.33	1.33	1.38	1.38	1.42	1.50	1.52
Queen Anne's	0.93	0.89	0.93	0.94	0.78	0.86	0.83	0.78	0.80	0.78
St. Mary's	1.31	1.28	1.24	1.21	1.11	1.08	1.11	1.15	1.17	1.16
Somerset	2.89	2.73	2.69	2.88	2.87	2.88	2.84	2.65	2.83	2.79
Talbot	0.36	0.35	0.33	0.33	0.35	0.30	0.38	0.37	0.33	0.32
Washington	1.20	1.17	1.16	1.12	1.07	1.03	0.91	1.04	1.09	1.18
Wicomico	1.29	1.27	1.25	1.24	1.17	1.23	1.25	1.26	1.27	1.33
Worcester	0.30	0.34	0.34	0.33	0.32	0.32	0.35	0.36	0.36	0.37
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	1.30	1.30	1.30	1.27	1.26	1.26	1.24	1.26	1.27
Standard Deviation	0.70	0.71	0.71	0.73	0.72	0.72	0.70	0.70	0.69	0.70

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 City
Calvert	Caroline	Baltimore
Prince George’s	Carroll	Cecil
	Dorchester	Charles
	Frederick	Harford
	Garrett	Howard
	Kent	Montgomery
	Queen Anne’s	Somerset
	St. Mary’s	Talbot
		Washington
		Wicomico
		Worcester

Exhibit 1.9
Comparison of State Tax Revenues and State Aid
Fiscal 2007

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	72,415	1.3%	16	\$112,828,077	0.9%	18	\$93,503,939	1.8%	16
Anne Arundel	509,037	9.1%	5	1,353,295,109	10.3%	4	341,265,143	6.4%	5
Baltimore City	640,961	11.4%	4	1,047,391,084	8.0%	5	1,081,781,215	20.4%	1
Baltimore	785,200	14.0%	3	2,014,796,586	15.3%	2	576,448,638	10.9%	3
Calvert	87,536	1.6%	15	184,490,126	1.4%	14	93,961,175	1.8%	14
Caroline	32,209	0.6%	20	42,776,113	0.3%	23	45,359,227	0.9%	17
Carroll	168,180	3.0%	9	372,423,350	2.8%	9	154,490,837	2.9%	10
Cecil	98,520	1.8%	12	147,078,432	1.1%	16	103,765,122	2.0%	13
Charles	139,164	2.5%	11	317,106,284	2.4%	10	157,465,332	3.0%	9
Dorchester	31,358	0.6%	21	53,584,784	0.4%	20	33,781,609	0.6%	19
Frederick	221,492	4.0%	8	535,242,801	4.1%	7	204,981,011	3.9%	8
Garrett	29,603	0.5%	22	53,336,462	0.4%	21	33,181,352	0.6%	20
Harford	239,193	4.3%	7	504,721,448	3.8%	8	229,350,356	4.3%	6
Howard	269,631	4.8%	6	796,486,879	6.0%	6	215,037,545	4.1%	7
Kent	19,798	0.4%	24	44,696,234	0.3%	22	12,813,467	0.2%	24
Montgomery	936,070	16.7%	1	2,909,853,954	22.1%	1	523,651,872	9.9%	4
Prince George's	831,602	14.8%	2	1,560,724,578	11.8%	3	952,638,075	18.0%	2
Queen Anne's	45,820	0.8%	18	107,844,970	0.8%	19	33,885,761	0.6%	18
St. Mary's	98,510	1.8%	13	200,242,893	1.5%	13	93,681,887	1.8%	15
Somerset	25,775	0.5%	23	26,764,147	0.2%	24	30,063,184	0.6%	21
Talbot	36,035	0.6%	19	125,217,789	1.0%	17	16,330,025	0.3%	23
Washington	142,984	2.6%	10	287,382,068	2.2%	11	136,924,400	2.6%	11
Wicomico	92,096	1.6%	14	201,215,634	1.5%	12	107,650,608	2.0%	12
Worcester	49,069	0.9%	17	171,434,656	1.3%	15	25,643,931	0.5%	22
Total	5,602,258	100.0%		\$13,170,934,455	100.0%		\$5,297,655,711	100.0%	

Source: Department of Legislative Services

Exhibit 1.10
Per Capita Allocation of State Tax Revenues and State Aid
Fiscal 2007

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	72,415	\$112,828,077	\$1,558	21	\$93,503,939	\$1,291	3
Anne Arundel	509,037	1,353,295,109	2,659	5	341,265,143	670	20
Baltimore City	640,961	1,047,391,084	1,634	20	1,081,781,215	1,688	1
Baltimore	785,200	2,014,796,586	2,566	6	576,448,638	734	19
Calvert	87,536	184,490,126	2,108	14	93,961,175	1,073	10
Caroline	32,209	42,776,113	1,328	23	45,359,227	1,408	2
Carroll	168,180	372,423,350	2,214	11	154,490,837	919	16
Cecil	98,520	147,078,432	1,493	22	103,765,122	1,053	11
Charles	139,164	317,106,284	2,279	9	157,465,332	1,132	7
Dorchester	31,358	53,584,784	1,709	19	33,781,609	1,077	9
Frederick	221,492	535,242,801	2,417	7	204,981,011	925	15
Garrett	29,603	53,336,462	1,802	18	33,181,352	1,121	8
Harford	239,193	504,721,448	2,110	13	229,350,356	959	12
Howard	269,631	796,486,879	2,954	4	215,037,545	798	17
Kent	19,798	44,696,234	2,258	10	12,813,467	647	21
Montgomery	936,070	2,909,853,954	3,109	3	523,651,872	559	22
Prince George's	831,602	1,560,724,578	1,877	17	952,638,075	1,146	6
Queen Anne's	45,820	107,844,970	2,354	8	33,885,761	740	18
St. Mary's	98,510	200,242,893	2,033	15	93,681,887	951	14
Somerset	25,775	26,764,147	1,038	24	30,063,184	1,166	5
Talbot	36,035	125,217,789	3,475	2	16,330,025	453	24
Washington	142,984	287,382,068	2,010	16	136,924,400	958	13
Wicomico	92,096	201,215,634	2,185	12	107,650,608	1,169	4
Worcester	49,069	171,434,656	3,494	1	25,643,931	523	23
Total	5,602,258	\$13,170,934,455	\$2,351		\$5,297,655,711	\$946	

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 \$5.9 billion in fiscal 2007. 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 2007, almost 78% of State aid went to support local school systems with county and municipal governments receiving 16.6% of the aid. Local school systems received \$4.5 billion in State operational grants in fiscal 2007, while county and municipal governments received \$953.5 million. The remaining 5% was distributed to local libraries, community colleges, and local health departments. These entities received \$325.1 million in fiscal 2007. In addition, the State assumption of functions in Baltimore City has increased from \$80.9 million in fiscal 1997 to \$172.4 million in fiscal 2007. **Exhibit 2.1** compares the allocation of State aid by governmental entity in fiscal 1997 and 2007.

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

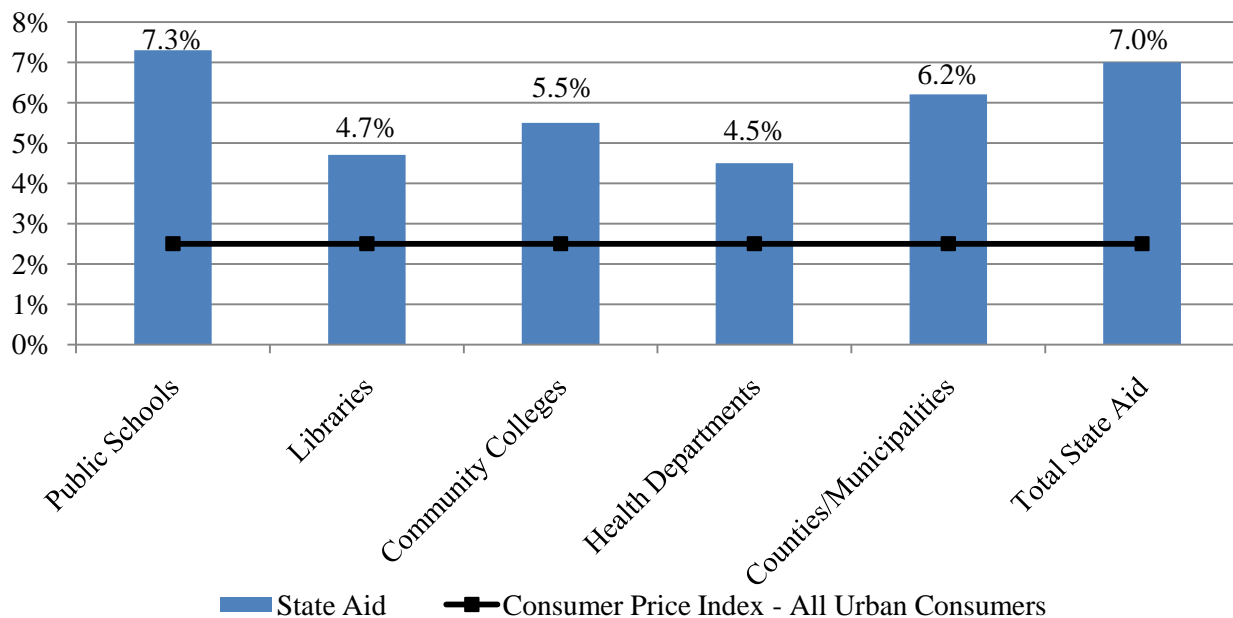
<u>Entity</u>	<u>FY 1997</u>	<u>Percent of Total</u>	<u>FY 2007</u>	<u>Percent of Total</u>
Public Schools	\$2,202.0	75.4%	\$4,475.4	77.8%
County/Municipal	523.0	17.9%	953.5	16.6%
Community Colleges	120.1	4.1%	205.9	3.6%
Health	41.0	1.4%	63.7	1.1%
Libraries	35.0	1.2%	55.5	1.0%
Subtotal	\$2,921.2	100.0%	\$5,754.0	100.0%
Assumed Functions	80.9		172.4	
Total	\$3,002.1		\$5,926.4	

Source: Department of Legislative Services

Change in State Aid

Over the last 10 years, State aid to local governments has increased by \$2.9 billion, which represents a 7.0% 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 1997-2007



Reliance on State Aid

State aid is the largest revenue source for most county governments in Maryland, representing 25.3% total county revenues. In Anne Arundel and Worcester counties, 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% of total revenues in Montgomery County but over 50% in Somerset County.

State aid is the third largest revenue source for municipalities, representing 9.8% of total revenues. As with counties, the reliance on State aid varies for municipalities, ranging from 2% of total revenues for municipalities in Talbot County to over 40% for municipalities in Somerset 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 \$89.7 million in fiscal 2007 to operate the Baltimore City Detention Center and \$47.7 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 22% of their operating funding from the

State and 31% 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 \$35.0 million in fiscal 2007.

Allocation of State Financial Assistance

State financial assistance reported in *The Balance Sheet* for fiscal 2007 totals \$5.3 billion representing \$4.65 billion in direct State grants, \$474.8 million in retirement payments made by the State on behalf of the counties, and \$172.4 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% 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 2007. **Exhibit 2.4** compares total State aid in fiscal 2007 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 1997</u>	<u>FY 2002</u>	<u>FY 2007</u>
Highway User Revenues	\$363.2	\$440.2	\$554.9
Elderly/Disabled Transportation	2.4	3.9	4.2
Para-transit Services	4.0	2.3	3.1
911 Emergency Communications	3.3	5.9	12.9
Vehicle Theft Prevention	1.9	1.5	2.3
Total	\$374.7	\$453.7	\$577.4
Percent of State Aid	12.8%	11.7%	10.0%

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 2007

County	Total State Aid		State Aid in <i>Balance Sheet</i>		Percent of Total State Aid
	Amount	Per Capita	Amount	Per Capita	
Allegany	\$102,311,006	\$1,413	\$93,503,939	\$1,291	91.4%
Anne Arundel	374,315,396	735	341,265,143	670	91.2%
Baltimore City	1,310,578,987	2,045	1,081,781,215	1,688	82.5%
Baltimore	620,951,484	791	576,448,638	734	92.8%
Calvert	101,794,787	1,163	93,961,175	1,073	92.3%
Caroline	50,734,139	1,575	45,359,227	1,408	89.4%
Carroll	169,130,619	1,006	154,490,837	919	91.3%
Cecil	111,912,254	1,136	103,765,122	1,053	92.7%
Charles	168,061,811	1,208	157,465,332	1,132	93.7%
Dorchester	39,645,842	1,264	33,781,609	1,077	85.2%
Frederick	224,646,905	1,014	204,981,011	925	91.2%
Garrett	39,715,357	1,342	33,181,352	1,121	83.5%
Harford	246,252,887	1,030	229,350,356	959	93.1%
Howard	234,656,124	870	215,037,545	798	91.6%
Kent	16,451,227	831	12,813,467	647	77.9%
Montgomery	569,980,259	609	523,651,872	559	91.9%
Prince George's	994,320,003	1,196	952,638,075	1,146	95.8%
Queen Anne's	39,941,065	872	33,885,761	740	84.8%
St. Mary's	102,318,167	1,039	93,681,887	951	91.6%
Somerset	34,149,071	1,325	30,063,184	1,166	88.0%
Talbot	21,706,240	602	16,330,025	453	75.2%
Washington	149,921,311	1,049	136,924,400	958	91.3%
Wicomico	117,748,272	1,279	107,650,608	1,169	91.4%
Worcester	33,015,482	673	25,643,931	523	77.7%
Unallocated	52,155,013	0	0	0	0.0%
Total	\$5,926,413,708	\$1,058	\$5,297,655,711	\$946	89.4%

Source: Department of Legislative Services

In fiscal 2007, Baltimore City received the greatest amount of State aid (allocated in *The Balance Sheet* report) at \$1.1 billion followed by Prince George's County at \$952.6 million. On a per capita basis, these amounts translate into \$1,688 for Baltimore City (the greatest per capita amount for any jurisdiction) and \$1,146 for Prince George's County. Kent and Talbot counties, on the other hand, received the least amount of State aid at \$12.8 million and \$16.3 million, respectively. On a per capita basis, Kent County received \$647 while Talbot County received \$453 – 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 2007

County	Education	Libraries	Community Colleges	Health	County/ Municipal	Retirement Payments	Assumed Functions	Total
Allegany	\$70,406,064	\$697,376	\$5,186,725	\$1,527,731	\$9,958,521	\$5,727,522	\$0	\$93,503,939
Anne Arundel	238,826,655	1,843,817	24,461,746	5,368,744	31,877,939	38,886,242	0	341,265,143
Baltimore City	741,840,233	6,060,599	0	11,379,633	103,878,652	46,199,356	172,422,742	1,081,781,215
Baltimore	442,974,130	4,684,216	34,072,735	7,398,369	30,979,952	56,339,236	0	576,448,638
Calvert	73,248,092	386,383	1,780,791	641,413	8,695,110	9,209,386	0	93,961,175
Caroline	37,209,061	241,090	1,101,284	901,640	3,066,739	2,839,413	0	45,359,227
Carroll	125,562,935	885,695	6,148,946	2,093,377	5,508,357	14,291,527	0	154,490,837
Cecil	86,145,122	614,818	4,249,487	1,370,513	3,012,572	8,372,610	0	103,765,122
Charles	128,721,438	763,794	6,024,542	1,694,489	7,294,256	12,966,813	0	157,465,332
Dorchester	26,495,919	214,723	1,011,556	721,149	2,925,968	2,412,294	0	33,781,609
Frederick	168,532,152	1,012,569	6,579,696	2,569,310	6,446,634	19,840,650	0	204,981,011
Garrett	23,433,427	158,267	2,776,504	733,302	3,529,299	2,550,553	0	33,181,352
Harford	186,599,827	1,383,713	8,635,477	2,952,539	9,325,291	20,453,509	0	229,350,356
Howard	156,860,616	693,519	10,900,815	2,089,242	13,106,472	31,386,881	0	215,037,545
Kent	9,418,296	89,716	509,235	561,824	871,476	1,362,920	0	12,813,467
Montgomery	343,459,932	2,396,394	33,384,755	5,255,108	43,381,657	95,774,026	0	523,651,872
Prince George's	786,700,270	6,048,914	19,656,300	8,590,891	63,601,172	68,040,528	0	952,638,075
Queen Anne's	26,445,653	126,710	1,420,102	706,157	1,589,505	3,597,634	0	33,885,761
St. Mary's	78,708,922	570,678	2,044,359	1,371,110	2,876,289	8,110,529	0	93,681,887
Somerset	21,417,400	251,228	625,546	718,268	5,412,775	1,637,967	0	30,063,184
Talbot	10,536,158	91,044	1,213,287	550,542	1,695,289	2,243,705	0	16,330,025
Washington	112,114,364	993,473	6,230,195	2,334,588	4,860,644	10,391,136	0	136,924,400
Wicomico	90,449,970	683,613	3,967,139	1,601,678	3,099,192	7,849,016	0	107,650,608
Worcester	16,282,835	127,332	1,489,289	536,334	2,845,181	4,362,960	0	25,643,931
Total	\$4,002,389,471	\$31,019,681	\$183,470,511	\$63,667,951	\$369,838,942	\$474,846,413	\$172,422,742	\$5,297,655,711

*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 2007

County	Education	Libraries	Community Colleges	Health	County/ Municipal	Retirement Payments	Assumed Functions	Total
Allegany	\$972	\$10	\$72	\$21	\$138	\$79	\$0	\$1,291
Anne Arundel	469	4	48	11	63	76	0	670
Baltimore City	1,157	9	0	18	162	72	269	1,688
Baltimore	564	6	43	9	39	72	0	734
Calvert	837	4	20	7	99	105	0	1,073
Caroline	1,155	7	34	28	95	88	0	1,408
Carroll	747	5	37	12	33	85	0	919
Cecil	874	6	43	14	31	85	0	1,053
Charles	925	5	43	12	52	93	0	1,132
Dorchester	845	7	32	23	93	77	0	1,077
Frederick	761	5	30	12	29	90	0	925
Garrett	792	5	94	25	119	86	0	1,121
Harford	780	6	36	12	39	86	0	959
Howard	582	3	40	8	49	116	0	798
Kent	476	5	26	28	44	69	0	647
Montgomery	367	3	36	6	46	102	0	559
Prince George's	946	7	24	10	76	82	0	1,146
Queen Anne's	577	3	31	15	35	79	0	740
St. Mary's	799	6	21	14	29	82	0	951
Somerset	831	10	24	28	210	64	0	1,166
Talbot	292	3	34	15	47	62	0	453
Washington	784	7	44	16	34	73	0	958
Wicomico	982	7	43	17	34	85	0	1,169
Worcester	332	3	30	11	58	89	0	523
Total	\$714	\$6	\$33	\$11	\$66	\$85	\$31	\$946

*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 \$13.2 billion in fiscal 2007. 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 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, 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 2007, 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 \$6.7 billion or 50.7% of total allocated revenue. The amount of allocated taxes on a per capita basis varies widely as illustrated in Exhibit 3.3. Worcester County generates the greatest amount of State revenues at \$3,494 per resident followed by Talbot County at \$3,475 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 \$1,038 per resident. In terms of the individual income tax, Montgomery County generates the most per capita at \$1,912 followed by Howard County at \$1,744 per resident. In comparison, Somerset County contributes the least per capita at \$432 while Baltimore City and Allegany County generate \$614 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, 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 1998</u>	<u>Fiscal 2002</u>	<u>Fiscal 2007</u>
Individual Income Tax	52.0%	50.8%	50.7%
Sales Tax	27.3%	28.7%	26.2%
Property Tax	3.0%	2.9%	4.3%
Transfer Tax	1.0%	1.3%	1.6%
Death Taxes	1.8%	2.0%	1.7%
Subtotal	85.1%	85.7%	84.6%
County Sales			
Net Lottery Receipts	4.5%	4.4%	3.6%
Liquor Tax	0.1%	0.1%	0.1%
Beer Tax	0.1%	0.1%	0.1%
Wine Tax	0.0%	< 0.1%	< 0.1%
Subtotal	4.8%	4.6%	3.8%
Utility Revenues			
Gross Receipts Tax	1.8%	1.5%	1.0%
Population			
Corporate Income Tax	3.4%	2.9%	4.5%
Tobacco Tax	1.6%	2.2%	2.1%
Insurance Tax	2.2%	2.0%	2.5%
Abandoned Property	0.3%	0.4%	0.5%
Corporate Filing Fees	0.1%	0.1%	0.5%
Horse Racing Tax	0.0%	< 0.1%	< 0.1%
Net Earnings Tax	0.1%	-0.1%	< 0.1%
Subtotal	7.8%	7.5%	10.1%
Vehicle Registration			
MedEvac Surcharge	0.4%	0.5%	0.4%
Total Taxes Allocated	100.0%	100.0%	100.0%

Source: Department of Legislative Services

Exhibit 3.2
Allocation of State Revenues
Fiscal 2007

County	Individual Income Tax	Corporate Income Tax	Gross Receipts Tax	Net Earnings Tax	Sales Tax	Insurance Tax	Transfer Tax
Allegany	\$44,444,742	\$7,623,551	\$1,928,996	\$6,224	\$39,664,924	\$4,183,209	\$711,898
Anne Arundel	699,909,604	53,589,303	12,506,207	43,753	356,093,142	29,405,623	22,682,410
Baltimore City	393,598,394	67,477,715	15,448,898	55,092	331,083,406	37,026,498	14,696,604
Baltimore	1,033,687,705	82,662,598	19,017,456	67,489	561,573,378	45,358,776	22,222,855
Calvert	105,832,456	9,215,427	1,559,976	7,524	32,725,202	5,056,706	3,024,603
Caroline	20,925,185	3,390,830	833,652	2,768	7,219,603	1,860,623	904,910
Carroll	195,314,219	17,705,293	3,326,637	14,455	96,643,408	9,715,281	5,036,027
Cecil	64,311,140	10,371,777	2,394,202	8,468	33,594,300	5,691,221	3,025,996
Charles	139,799,470	14,650,609	2,710,902	11,961	100,119,914	8,039,109	7,536,792
Dorchester	22,498,880	3,301,240	925,807	2,695	14,851,258	1,811,463	1,150,407
Frederick	277,689,095	23,317,759	6,760,189	19,038	145,898,273	12,794,964	10,145,424
Garrett	20,343,277	3,116,481	765,295	2,544	18,211,777	1,710,081	1,470,761
Harford	267,182,886	25,181,247	5,096,025	20,559	122,040,293	13,817,501	8,240,762
Howard	470,139,512	28,385,633	6,887,174	23,175	180,178,945	15,575,818	13,529,480
Kent	19,363,184	2,084,251	463,014	1,702	11,942,096	1,143,674	858,418
Montgomery	1,789,608,615	98,545,566	22,188,002	80,457	539,719,943	54,074,108	42,377,221
Prince George's	639,711,843	87,547,608	18,419,927	71,478	489,443,413	48,039,288	35,065,986
Queen Anne's	58,743,436	4,823,739	982,115	3,938	22,892,529	2,646,891	2,742,191
St. Mary's	100,296,039	10,370,724	1,897,491	8,467	48,692,026	5,690,643	3,495,606
Somerset	11,138,129	2,713,485	448,473	2,215	3,698,299	1,488,949	488,015
Talbot	61,606,063	3,793,615	625,277	3,097	37,856,404	2,081,640	2,764,706
Washington	122,361,153	15,052,762	3,003,362	12,290	100,570,943	8,259,780	3,688,179
Wicomico	71,135,570	9,695,485	2,516,063	7,916	87,970,407	5,320,125	2,491,212
Worcester	49,527,222	5,165,781	2,026,597	4,218	73,809,335	2,834,577	5,361,787
Total	\$6,679,167,819	\$589,782,478	\$132,731,736	\$481,525	\$3,456,493,217	\$323,626,548	\$213,712,250

Exhibit 3.2 (continued)

County	Death Taxes	Liquor Tax	Beer Tax	Wine Tax	Tobacco Tax	Horse Racing Tax	Net Lottery Receipts
Allegany	\$1,223,825	\$190,760	\$180,277	\$39,201	\$3,599,858	\$57,838	\$3,204,581
Anne Arundel	20,736,139	1,512,965	1,046,989	743,099	25,304,988	406,568	49,653,308
Baltimore City	9,047,297	2,011,731	1,226,024	457,569	31,863,127	511,935	88,157,538
Baltimore	41,882,187	2,017,101	1,299,337	780,899	39,033,462	627,139	72,642,083
Calvert	2,001,970	214,496	165,592	80,338	4,351,545	69,915	6,699,874
Caroline	323,396	64,407	67,666	14,098	1,601,157	25,725	2,107,396
Carroll	4,220,424	322,370	287,193	146,534	8,360,478	134,325	9,114,932
Cecil	4,200,925	844,559	265,470	136,381	4,897,576	78,688	4,802,850
Charles	1,633,169	435,328	235,410	84,072	6,918,050	111,150	16,520,645
Dorchester	1,060,330	81,205	72,327	22,504	1,558,853	25,046	2,376,355
Frederick	4,675,390	521,214	397,919	207,146	11,010,697	176,906	9,907,857
Garrett	106,036	98,159	72,110	29,299	1,471,609	23,644	853,229
Harford	4,553,703	458,821	395,955	196,801	11,890,641	191,043	15,980,101
Howard	9,564,231	519,920	339,516	285,583	13,403,759	215,354	11,042,084
Kent	3,257,681	65,746	44,996	28,108	984,188	15,813	1,229,094
Montgomery	96,800,191	1,344,598	888,999	915,189	46,533,435	747,639	43,075,667
Prince George's	8,407,131	2,004,518	1,213,145	430,918	41,340,175	664,200	96,261,278
Queen Anne's	1,382,236	135,274	110,257	61,836	2,277,781	36,596	2,814,399
St. Mary's	1,668,125	213,171	189,099	63,312	4,897,079	78,680	11,096,761
Somerset	543,059	43,067	40,145	11,693	1,281,314	20,586	1,739,452
Talbot	3,504,348	132,085	74,202	84,692	1,791,354	28,781	2,259,840
Washington	3,089,667	378,419	302,579	90,011	7,107,948	114,201	7,539,870
Wicomico	1,885,165	168,223	215,916	82,537	4,578,229	73,557	5,966,491
Worcester	3,573,163	387,061	285,094	108,816	2,439,293	39,191	8,073,317
Total	\$229,339,788	\$14,165,196	\$9,416,214	\$5,100,636	\$278,496,596	\$4,474,521	\$473,119,000

Exhibit 3.2 (continued)

County	Domestic Corporation Filing Fees	MedEvac Surcharge	Abandoned Property	Subtotal	Property Tax	Total
Allegany	\$934,416	\$697,747	\$895,664	\$109,587,711	\$3,240,366	\$112,828,077
Anne Arundel	6,568,426	5,559,409	6,296,019	1,292,057,953	61,237,156	1,353,295,109
Baltimore City	8,270,724	3,659,213	7,927,719	1,012,519,483	34,871,601	1,047,391,084
Baltimore	10,131,931	7,196,587	9,711,738	1,949,912,721	64,883,865	2,014,796,586
Calvert	1,129,532	955,178	1,082,688	174,173,022	10,317,104	184,490,126
Caroline	415,613	418,101	398,377	40,573,508	2,202,605	42,776,113
Carroll	2,170,133	1,864,250	2,080,133	356,456,093	15,967,257	372,423,350
Cecil	1,271,266	983,958	1,218,544	138,097,320	8,981,112	147,078,432
Charles	1,795,721	1,437,653	1,721,248	303,761,204	13,345,080	317,106,284
Dorchester	404,632	351,057	387,851	50,881,909	2,702,875	53,584,784
Frederick	2,858,051	2,368,951	2,739,521	511,488,395	23,754,406	535,242,801
Garrett	381,986	347,527	366,144	49,369,961	3,966,501	53,336,462
Harford	3,086,458	2,466,504	2,958,456	483,757,757	20,963,691	504,721,448
Howard	3,479,219	2,581,767	3,334,928	759,486,098	37,000,781	796,486,879
Kent	255,466	239,827	244,871	42,222,129	2,474,105	44,696,234
Montgomery	12,078,702	7,758,529	11,577,772	2,768,314,631	141,539,323	2,909,853,954
Prince George's	10,730,686	6,731,747	10,285,661	1,496,369,000	64,355,578	1,560,724,578
Queen Anne's	591,244	552,695	566,724	101,363,881	6,481,089	107,844,970
St. Mary's	1,271,137	215,240	1,218,420	191,362,020	8,880,873	200,242,893
Somerset	332,591	1,085,040	318,798	25,393,311	1,370,836	26,764,147
Talbot	464,982	452,385	445,699	117,969,169	7,248,620	125,217,789
Washington	1,845,013	1,461,478	1,768,496	276,646,151	10,735,917	287,382,068
Wicomico	1,188,373	968,168	1,139,088	195,402,525	5,813,109	201,215,634
Worcester	633,168	626,734	606,909	155,502,262	15,932,394	171,434,656
Total	\$72,289,472	\$50,979,746	\$69,291,469	\$12,602,668,211	\$568,266,244	\$13,170,934,455

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

Exhibit 3.3
Per Capita Allocation of Selected State Revenues
Fiscal 2007

County	Individual Income Tax	Sales Tax	Transfer Tax	Death Taxes	Net Lottery Receipts	Property Tax	All Allocated Taxes
Allegany	\$614	\$548	\$10	\$17	\$44	\$45	\$1,558
Anne Arundel	1,375	700	45	41	98	120	2,659
Baltimore City	614	517	23	14	138	54	1,634
Baltimore	1,316	715	28	53	93	83	2,566
Calvert	1,209	374	35	23	77	118	2,108
Caroline	650	224	28	10	65	68	1,328
Carroll	1,161	575	30	25	54	95	2,214
Cecil	653	341	31	43	49	91	1,493
Charles	1,005	719	54	12	119	96	2,279
Dorchester	717	474	37	34	76	86	1,709
Frederick	1,254	659	46	21	45	107	2,417
Garrett	687	615	50	4	29	134	1,802
Harford	1,117	510	34	19	67	88	2,110
Howard	1,744	668	50	35	41	137	2,954
Kent	978	603	43	165	62	125	2,258
Montgomery	1,912	577	45	103	46	151	3,109
Prince George's	769	589	42	10	116	77	1,877
Queen Anne's	1,282	500	60	30	61	141	2,354
St. Mary's	1,018	494	35	17	113	90	2,033
Somerset	432	143	19	21	67	53	1,038
Talbot	1,710	1,051	77	97	63	201	3,475
Washington	856	703	26	22	53	75	2,010
Wicomico	772	955	27	20	65	63	2,185
Worcester	1,009	1,504	109	73	165	325	3,494
Total	\$1,192	\$617	\$38	\$41	\$84	\$101	\$2,351

Source: Department of Legislative Services

Exhibit 3.4
Local Wealth Calculation
Fiscal 2007

County	Assessable Base	Income Base	Total Wealth Amount	Per Capita Wealth Amount	Ranking
Allegany	\$1,106,567,900	\$739,320,223	\$1,845,888,123	\$25,490	22
Anne Arundel	21,408,866,400	10,779,519,350	32,188,385,750	63,234	6
Baltimore City	9,540,231,100	6,033,487,173	15,573,718,273	24,297	23
Baltimore	22,538,079,500	15,161,861,620	37,699,941,120	48,013	13
Calvert	3,589,603,500	1,680,410,866	5,270,014,366	60,204	7
Caroline	726,849,900	363,673,678	1,090,523,578	33,858	21
Carroll	5,435,126,300	3,138,555,566	8,573,681,866	50,979	10
Cecil	2,828,094,700	1,398,372,737	4,226,467,437	42,900	16
Charles	4,607,657,800	2,328,314,766	6,935,972,566	49,840	12
Dorchester	879,497,900	377,985,849	1,257,483,749	40,101	17
Frederick	7,643,110,900	4,368,970,476	12,012,081,376	54,233	9
Garrett	1,178,724,300	330,251,460	1,508,975,760	50,974	11
Harford	7,071,616,100	4,347,677,298	11,419,293,398	47,741	14
Howard	12,449,921,600	7,248,916,131	19,698,837,731	73,059	4
Kent	771,583,100	302,433,536	1,074,016,636	54,249	8
Montgomery	49,889,451,500	24,960,121,106	74,849,572,606	79,962	3
Prince George's	22,070,417,600	11,160,027,391	33,230,444,991	39,960	18
Queen Anne's	2,100,749,500	897,741,615	2,998,491,115	65,441	5
St. Mary's	2,836,327,000	1,596,987,871	4,433,314,871	45,004	15
Somerset	392,187,100	184,782,072	576,969,172	22,385	24
Talbot	2,362,414,100	817,325,272	3,179,739,372	88,240	2
Washington	3,594,689,200	1,991,025,604	5,585,714,804	39,065	19
Wicomico	2,007,032,300	1,261,684,204	3,268,716,504	35,492	20
Worcester	4,741,960,800	895,785,885	5,637,746,685	114,894	1
Total	\$191,770,760,100	\$102,365,231,749	\$294,135,991,849	\$52,503	

Note: Total local wealth for fiscal 2007 is calculated by adding county assessable base for fiscal 2005 and net taxable income for tax year 2004.

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.