

THE BALANCE SHEET

A COMPARISON OF STATE FINANCIAL
ASSISTANCE TO STATE TAX REVENUES
ALLOCATED TO LOCAL GOVERNMENTS
FISCAL 2013



DEPARTMENT OF LEGISLATIVE SERVICES 2015

The Balance Sheet

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

Fiscal 2013

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

September 2015

Primary Staff for This Report

Stanford Ward

Other Staff Who Contributed to This Report

Scott Gates
Hiram Burch
Nichol Conley
Karen Belton

For further information concerning this document contact:

Library and Information Services
Office of Policy Analysis
Department of Legislative Services
90 State Circle
Annapolis, Maryland 21401

Baltimore Area: 410-946-5400 • Washington Area: 301-970-5400

Other Areas: 1-800-492-7122, Extension 5400

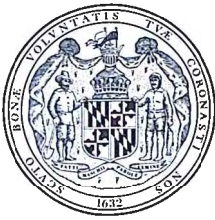
TTY: 410-946-5401 • 301-970-5401

TTY users may also use the Maryland Relay Service
to contact the General Assembly.

Email: libr@mlis.state.md.us

Home Page: <http://mgaleg.maryland.gov>

The Department of Legislative Services does not discriminate on the basis of age, ancestry, color, creed, marital status, national origin, race, religion, gender, gender identity, sexual orientation, or disability in the admission or access to its programs, services, or activities. The Department's Information Officer has been designated to coordinate compliance with the nondiscrimination requirements contained in Section 35.107 of the Department of Justice Regulations. Requests for assistance should be directed to the Information Officer at the telephone numbers shown above.



DEPARTMENT OF LEGISLATIVE SERVICES
OFFICE OF THE EXECUTIVE DIRECTOR
MARYLAND GENERAL ASSEMBLY

Warren G. Deschenaux
Executive Director

September 2015

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

Ladies and Gentlemen:

Local governments in Maryland currently depend on State aid to help support vital public services such as education, transportation, public safety, and land preservation programs. State aid accounts for approximately 28% of total county revenues and 4% 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 26% of all State-funded expenditures.

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

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

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

Sincerely,

Warren G. Deschenaux
Executive Director

WGD/kb

Contents

Letter of Transmittal	iii
Executive Summary	vii
Chapter 1. Balance Sheet Index	1
Introduction	1
Explanation of Ratios	1
Findings	2
Chapter 2. State Aid to Local Governments	13
Introduction	13
Change in State Aid	14
Reliance on State Aid	14
State Assumed Functions in Baltimore City	15
Allocation of State Financial Assistance	16
Chapter 3. Allocation of State Revenues.....	21
Introduction	21
Revenue Allocation	21
Chapter 4. Comparability	29

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 2013, State revenue collections allocated in *The Balance Sheet* totaled \$15.6 billion, while State aid payments to local governments totaled \$6.6 billion. The individual income tax accounted for 47.7% of

the State revenues allocated in the report while the sales tax accounted for 26.5% of revenues.

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

The share of State revenues provided to local governments has fluctuated since 2004; ranging from a low of 37% in fiscal 2004, 2005, and 2006 to a high of 47% in fiscal 2010. During the 10-year period ending in fiscal 2013, the "balance sheet index" as a percent of the statewide average increased in 3 jurisdictions, decreased in 4 jurisdictions, and remained relatively constant in 17 jurisdictions.

The ratios for 15 counties in fiscal 2013 matched or exceeded the statewide weighted average. State aid to revenue allocation ratios for Anne Arundel, Baltimore, Carroll, Howard, Kent, Montgomery, Queen Anne's, Talbot, and Worcester counties were below the statewide average. In terms of total State aid received as measured on a per capita basis, Anne Arundel, Baltimore, Kent, Montgomery, Talbot, and Worcester counties received the least amount of aid; whereas, Baltimore City and Allegany, Caroline, Dorchester, Somerset, and Wicomico counties received the most.

Chapter 1. Balance Sheet Index

Introduction

The Balance Sheet compares on a county-by-county basis State aid to State revenue collections as allocated among the counties. In fiscal 2013, State revenue collections allocated in *The Balance Sheet* totaled \$15.6 billion, while State aid payments to local governments totaled \$6.6 billion. This illustrates that local governments received approximately 42% of the State revenues that were allocated on a county-by-county basis in the report. The remaining revenues funded State programs. The share of State revenues provided to local governments has fluctuated over the last 10 years; ranging from a low of 37% in fiscal 2004, 2005, and 2006 to a high of 47% in fiscal 2010. **Exhibit 1.1** summarizes the county-by-county tax revenues and State aid allocations for fiscal 2013.

Explanation of Ratios

The Balance Sheet utilizes two aid-to-revenue ratios as shown in **Exhibit 1.2**. The first is the ratio of direct State aid to State revenues generated from a county, exclusive of State property tax receipts. For example, a ratio of 0.77 for Allegany County in 2013 indicates that for every dollar of State tax revenues allocated to Allegany County, the county received \$0.77 in direct State aid. The amount of direct grants received for each \$1.00 of taxes paid in fiscal 2013 ranged from \$0.12 in Talbot County to \$1.21 in Somerset County. Statewide, the weighted average for this measure was \$0.39, and the simple average (county mean) was \$0.50. The amount for Baltimore City includes State assumed functions.

The second ratio compares direct State aid and payments-on-behalf to total revenue allocations. Payments-on-behalf include State paid retirement costs for public school teachers, librarians, and community college faculty that the State makes on behalf of the local government. Again, using Allegany County as the example, in 2013 the county received \$0.82 in State assistance for every \$1.00 of State tax revenues allocated to the county. On this measure, State assistance received for each \$1.00 of taxes paid in fiscal 2013 varied from \$0.13 for Talbot County to \$1.22 for Somerset County. Statewide, the weighted average was \$0.42, and the simple average was \$0.53.

Dividing each county's aid to revenue ratios by the statewide weighted averages indexes the county aid to revenue ratios to the statewide average. In fiscal 2013 for example, Allegany County's direct aid index is 1.97, indicating that Allegany County's ratio was 97% above the statewide average. Including payments-on-behalf lowers Allegany County's ratio to 1.94 or 94% above the statewide average. **Exhibit 1.3** shows each county's index value. Indexing county aid to revenue ratios by the statewide average enables comparison of the current *Balance Sheet* to previous years.

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

In addition to weighted and simple averages, Exhibits 1.2 through 1.7 show the standard deviation. Standard deviation measures how widely dispersed values are in a data set. The closer data points are to the average, the smaller the standard deviation; however, as data points become more spread out over the data set, the standard deviation increases. For example, the standard deviations for both measurements in Exhibit 1.2 are relatively small at 0.29 for direct aid and 0.28 for direct aid and payments-on-behalf. The standard deviation is useful in showing how the variation in the “balance sheet index” has changed over time. As illustrated in Exhibits 1.4 and 1.5, the variation among the counties has remained relatively stable over the 10-year period.

Findings

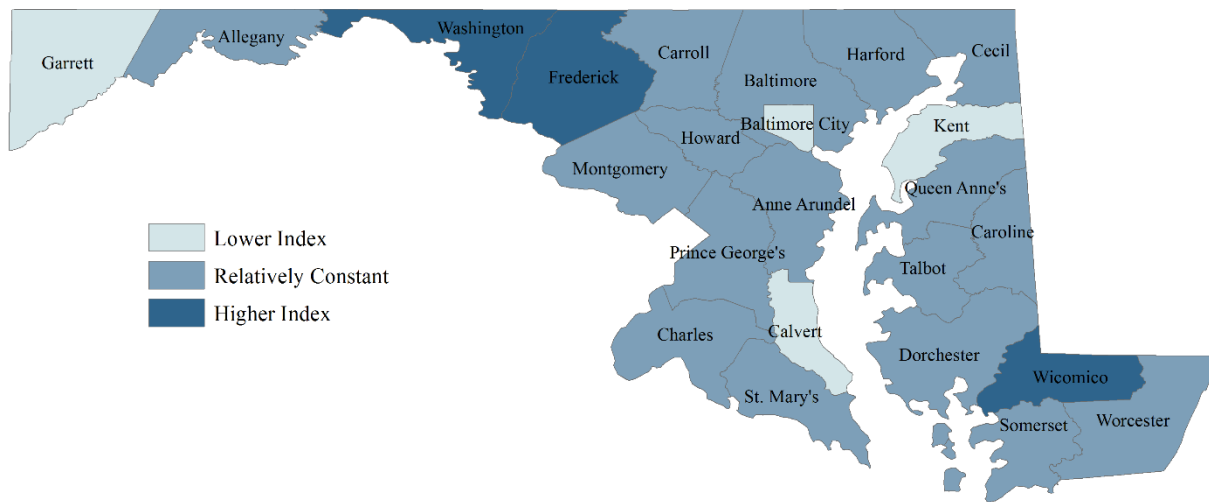
On average, local governments received \$0.39 in direct State aid for each \$1.00 in taxes paid by county residents and businesses. The ratios for 15 counties matched or exceeded this statewide weighted average. State aid to revenue allocation ratios for four of Maryland’s largest jurisdictions (Anne Arundel, Baltimore, Howard, and Montgomery counties) were considerably below the statewide average. Moreover, the simple average, or county mean, of \$0.50, calculated by summing the county ratios and dividing by 24, is somewhat higher than the statewide weighted average.

Likewise, on average local governments received \$0.42 in total State aid (direct aid and payments-on-behalf) for each \$1.00 in taxes paid. The ratios for 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, Montgomery, Talbot, and Worcester counties had the lowest ratios in fiscal 2013 (received the least amount of State aid in relation to the collection of allocated State tax revenues); while Baltimore City and Caroline and Somerset counties had the highest ratios (received the greatest amount of State aid in relation to the collection of allocated State tax revenues).

During this 10-year period, the “balance sheet index” increased in 3 counties and decreased in 4 counties. For the remaining 17 counties the index value in the most recent years is similar to the value in the earlier years, but for several counties there were upward and downward trends for the intervening years.

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



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

As shown in **Exhibit 1.9**, the five counties that generated the most State tax revenues in fiscal 2013 as measured on a per capita basis include Anne Arundel, Howard, Montgomery, Talbot, and Worcester. The counties that generated the least per capita State tax revenues include Allegany, Caroline, Cecil, Dorchester, and Somerset counties. It is important to note that State residents are subject to the same State tax rates regardless of the locality in which they reside. Jurisdictions that generate more State tax revenue per capita typically have a greater proportion of residents with higher incomes, or a larger overall taxbase.

Jurisdictions that received the greatest amount of State aid in fiscal 2013 as measured on a per capita basis include Baltimore City and Allegany, Caroline, Somerset, and Wicomico counties. Jurisdictions receiving the least amount of State aid per capita include Anne Arundel, Kent, Montgomery, Talbot, and Worcester counties. As stated earlier, counties in which taxpayers contribute relatively more State revenues should not necessarily receive more State aid. In fact, several State aid formulas distribute aid inversely to local property and income wealth whereby jurisdictions with greater capacity to raise revenues from local sources receive less State aid. Such aid programs accounted for about 70% of State aid to local governments included in this *Balance Sheet*.

Exhibit 1.1
Allocation of State Revenues and State Aid
Fiscal 2013

County	Allocation of Tax Revenues Excl. Property Tax	Allocation of Total Tax Revenues	Direct State Grants	Direct Grants and Payments- on-behalf
Allegany	\$121,872,784	\$126,406,005	\$93,652,609	\$103,562,904
Anne Arundel	1,581,110,324	1,664,405,067	372,817,031	441,583,697
Baltimore City	1,173,651,430	1,216,230,805	1,175,995,300	1,249,454,667
Baltimore	2,233,658,496	2,321,075,200	621,398,193	716,815,269
Calvert	206,109,347	219,527,869	87,145,105	103,523,460
Caroline	48,263,952	51,307,499	51,229,957	55,968,788
Carroll	415,820,887	436,317,980	150,835,650	174,527,923
Cecil	162,793,692	174,050,885	111,433,053	125,873,949
Charles	373,985,894	391,686,544	167,706,877	190,930,221
Dorchester	55,114,787	58,805,667	39,118,192	43,003,804
Frederick	600,695,943	629,560,110	240,489,040	275,152,461
Garrett	55,985,757	61,658,655	29,476,116	33,585,289
Harford	576,468,621	605,446,522	223,264,216	256,500,882
Howard	939,598,399	988,098,396	240,896,079	299,034,275
Kent	48,391,470	51,938,165	11,929,869	14,092,020
Montgomery	3,245,772,837	3,421,527,732	661,318,510	822,971,230
Prince George's	1,826,901,217	1,912,296,650	999,533,752	1,114,322,801
Queen Anne's	115,967,765	124,898,594	37,216,881	43,692,537
St. Mary's	241,400,516	254,971,642	99,130,726	113,558,967
Somerset	26,557,010	28,617,972	32,072,955	34,887,789
Talbot	130,432,679	140,894,652	15,019,082	18,832,300
Washington	310,766,952	324,532,005	169,781,115	188,501,505
Wicomico	196,497,306	203,498,715	132,065,018	144,906,026
Worcester	174,918,566	192,859,315	24,520,990	32,017,208
Total	\$14,862,736,632	\$15,600,612,645	\$5,788,046,316	\$6,597,299,972

Source: Department of Legislative Services

Exhibit 1.2
State Financial Assistance Received for Each \$1.00 of Taxes Paid
Fiscal 2013

County	Direct State Grants	Direct Grants and Payments-on-behalf
Allegany	0.77	0.82
Anne Arundel	0.24	0.27
Baltimore City	1.00	1.03
Baltimore	0.28	0.31
Calvert	0.42	0.47
Caroline	1.06	1.09
Carroll	0.36	0.40
Cecil	0.68	0.72
Charles	0.45	0.49
Dorchester	0.71	0.73
Frederick	0.40	0.44
Garrett	0.53	0.54
Harford	0.39	0.42
Howard	0.26	0.30
Kent	0.25	0.27
Montgomery	0.20	0.24
Prince George's	0.55	0.58
Queen Anne's	0.32	0.35
St. Mary's	0.41	0.45
Somerset	1.21	1.22
Talbot	0.12	0.13
Washington	0.55	0.58
Wicomico	0.67	0.71
Worcester	0.14	0.17
Total (Weighted Avg.)	0.39	0.42
County Mean (Simple Avg.)	0.50	0.53
Standard Deviation	0.29	0.28

Source: Department of Legislative Services

Exhibit 1.3
State Financial Assistance Received as Indexed to the Statewide Average
Fiscal 2013

County	Direct State Grants	Direct Grants and Payments-on-behalf
Allegany	1.97	1.94
Anne Arundel	0.61	0.63
Baltimore City	2.57	2.43
Baltimore	0.71	0.73
Calvert	1.09	1.12
Caroline	2.73	2.58
Carroll	0.93	0.95
Cecil	1.76	1.71
Charles	1.15	1.15
Dorchester	1.82	1.73
Frederick	1.03	1.03
Garrett	1.35	1.29
Harford	0.99	1.00
Howard	0.66	0.72
Kent	0.63	0.64
Montgomery	0.52	0.57
Prince George's	1.40	1.38
Queen Anne's	0.82	0.83
St. Mary's	1.05	1.05
Somerset	3.10	2.88
Talbot	0.30	0.32
Washington	1.40	1.37
Wicomico	1.73	1.68
Worcester	0.36	0.39
Total (Weighted Avg.)	1.00	1.00
County Mean (Simple Avg.)	1.28	1.25
Standard Deviation	0.75	0.68

Source: Department of Legislative Services

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

County	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Allegany	0.67	0.65	0.71	0.80	0.87	0.89	0.90	0.87	0.79	0.77
Anne Arundel	0.22	0.22	0.21	0.23	0.24	0.25	0.24	0.24	0.23	0.24
Baltimore City	0.98	0.94	0.95	1.02	1.07	1.11	1.10	1.08	1.05	1.00
Baltimore	0.23	0.24	0.24	0.27	0.29	0.30	0.31	0.30	0.29	0.28
Calvert	0.46	0.45	0.46	0.49	0.52	0.51	0.51	0.49	0.45	0.42
Caroline	0.97	0.90	0.90	1.05	1.12	1.20	1.18	1.16	1.11	1.06
Carroll	0.35	0.35	0.36	0.39	0.41	0.43	0.42	0.41	0.39	0.36
Cecil	0.62	0.62	0.65	0.69	0.74	0.76	0.75	0.77	0.72	0.68
Charles	0.39	0.40	0.43	0.48	0.50	0.51	0.50	0.47	0.47	0.45
Dorchester	0.61	0.57	0.60	0.62	0.69	0.75	0.73	0.65	0.71	0.71
Frederick	0.31	0.31	0.33	0.36	0.41	0.44	0.44	0.42	0.42	0.40
Garrett	0.67	0.59	0.58	0.62	0.62	0.63	0.64	0.61	0.56	0.53
Harford	0.38	0.37	0.39	0.43	0.45	0.47	0.46	0.45	0.41	0.39
Howard	0.22	0.22	0.22	0.24	0.26	0.28	0.28	0.28	0.27	0.26
Kent	0.30	0.28	0.28	0.27	0.24	0.28	0.30	0.27	0.26	0.25
Montgomery	0.15	0.15	0.14	0.15	0.17	0.19	0.20	0.21	0.20	0.20
Prince George's	0.49	0.50	0.54	0.59	0.64	0.64	0.62	0.58	0.54	0.55
Queen Anne's	0.29	0.27	0.28	0.30	0.32	0.35	0.33	0.33	0.32	0.32
St. Mary's	0.39	0.40	0.42	0.45	0.48	0.50	0.47	0.46	0.42	0.41
Somerset	1.05	0.96	1.04	1.12	1.24	1.19	1.28	1.36	1.28	1.21
Talbot	0.12	0.12	0.11	0.12	0.11	0.12	0.12	0.12	0.11	0.12
Washington	0.36	0.36	0.39	0.46	0.52	0.55	0.56	0.56	0.56	0.55
Wicomico	0.44	0.44	0.45	0.51	0.58	0.63	0.67	0.70	0.68	0.67
Worcester	0.11	0.12	0.12	0.14	0.14	0.14	0.14	0.14	0.14	0.14
Total (Weighted Avg.)	0.35	0.34	0.35	0.38	0.41	0.43	0.43	0.42	0.40	0.39
County Mean (Simple Avg.)	0.45	0.43	0.45	0.49	0.53	0.55	0.55	0.54	0.52	0.50
Standard Deviation	0.26	0.24	0.25	0.28	0.30	0.31	0.31	0.32	0.30	0.29

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

Source: Department of Legislative Services

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

County	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Allegany	0.69	0.67	0.73	0.83	0.91	0.93	0.95	0.92	0.84	0.82
Anne Arundel	0.24	0.23	0.23	0.25	0.26	0.27	0.27	0.28	0.27	0.27
Baltimore City	1.00	0.95	0.96	1.03	1.09	1.12	1.12	1.11	1.08	1.03
Baltimore	0.26	0.26	0.26	0.29	0.31	0.33	0.34	0.33	0.32	0.31
Calvert	0.48	0.47	0.48	0.51	0.55	0.54	0.55	0.55	0.50	0.47
Caroline	0.99	0.92	0.91	1.06	1.14	1.21	1.21	1.19	1.14	1.09
Carroll	0.37	0.37	0.38	0.41	0.44	0.46	0.46	0.46	0.43	0.40
Cecil	0.64	0.64	0.66	0.71	0.76	0.78	0.78	0.81	0.76	0.72
Charles	0.42	0.42	0.44	0.50	0.53	0.54	0.54	0.52	0.52	0.49
Dorchester	0.63	0.59	0.61	0.63	0.71	0.76	0.76	0.68	0.74	0.73
Frederick	0.33	0.33	0.35	0.38	0.44	0.47	0.48	0.47	0.46	0.44
Garrett	0.67	0.60	0.58	0.62	0.63	0.64	0.65	0.63	0.59	0.54
Harford	0.40	0.39	0.40	0.45	0.48	0.50	0.50	0.49	0.45	0.42
Howard	0.25	0.25	0.25	0.27	0.30	0.32	0.33	0.33	0.32	0.30
Kent	0.32	0.30	0.30	0.29	0.26	0.30	0.33	0.31	0.29	0.27
Montgomery	0.19	0.18	0.17	0.18	0.20	0.22	0.25	0.25	0.25	0.24
Prince George's	0.51	0.52	0.55	0.61	0.67	0.66	0.66	0.62	0.59	0.58
Queen Anne's	0.31	0.29	0.29	0.31	0.34	0.37	0.36	0.36	0.36	0.35
St. Mary's	0.41	0.42	0.43	0.47	0.50	0.52	0.50	0.50	0.46	0.45
Somerset	1.06	0.97	1.05	1.12	1.24	1.20	1.29	1.37	1.29	1.22
Talbot	0.14	0.14	0.12	0.13	0.12	0.13	0.13	0.14	0.13	0.13
Washington	0.34	0.38	0.40	0.48	0.54	0.57	0.59	0.60	0.60	0.58
Wicomico	0.47	0.46	0.47	0.54	0.61	0.67	0.71	0.74	0.73	0.71
Worcester	0.13	0.13	0.13	0.15	0.16	0.15	0.17	0.17	0.17	0.17
Total (Weighted Avg.)	0.37	0.37	0.37	0.40	0.43	0.46	0.47	0.46	0.44	0.42
County Mean (Simple Avg.)	0.47	0.45	0.47	0.51	0.55	0.57	0.58	0.58	0.55	0.53
Standard Deviation	0.26	0.24	0.25	0.28	0.30	0.30	0.31	0.31	0.30	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 Indexed to the Statewide Average
Direct Aid
10-year Summary

County	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Allegany	1.90	1.87	2.02	2.09	2.11	2.08	2.09	2.08	1.98	1.97
Anne Arundel	0.63	0.63	0.60	0.61	0.59	0.57	0.56	0.57	0.58	0.61
Baltimore City	2.79	2.74	2.70	2.67	2.61	2.59	2.56	2.59	2.63	2.57
Baltimore	0.67	0.68	0.68	0.70	0.70	0.71	0.71	0.71	0.72	0.71
Calvert	1.30	1.30	1.30	1.27	1.27	1.18	1.18	1.19	1.12	1.09
Caroline	2.76	2.60	2.56	2.74	2.74	2.80	2.75	2.78	2.78	2.73
Carroll	0.99	1.02	1.02	1.03	1.00	0.99	0.98	0.98	0.97	0.93
Cecil	1.76	1.79	1.85	1.81	1.80	1.76	1.74	1.85	1.80	1.76
Charles	1.13	1.17	1.21	1.24	1.23	1.19	1.16	1.14	1.18	1.15
Dorchester	1.75	1.66	1.71	1.61	1.69	1.74	1.70	1.55	1.77	1.82
Frederick	0.88	0.90	0.94	0.95	1.00	1.03	1.02	1.01	1.04	1.03
Garrett	1.91	1.72	1.64	1.62	1.51	1.47	1.50	1.45	1.41	1.35
Harford	1.07	1.08	1.10	1.13	1.11	1.09	1.06	1.07	1.04	0.99
Howard	0.64	0.64	0.64	0.63	0.64	0.65	0.65	0.67	0.67	0.66
Kent	0.87	0.82	0.81	0.71	0.58	0.65	0.69	0.66	0.65	0.63
Montgomery	0.43	0.43	0.40	0.40	0.41	0.43	0.47	0.49	0.51	0.52
Prince George's	1.40	1.45	1.53	1.54	1.56	1.48	1.44	1.40	1.36	1.40
Queen Anne's	0.83	0.78	0.79	0.78	0.77	0.81	0.78	0.78	0.81	0.82
St. Mary's	1.11	1.15	1.18	1.17	1.16	1.15	1.09	1.10	1.06	1.05
Somerset	2.99	2.77	2.97	2.93	3.02	2.78	2.98	3.26	3.21	3.10
Talbot	0.36	0.36	0.31	0.31	0.27	0.27	0.27	0.29	0.29	0.30
Washington	1.02	1.04	1.10	1.20	1.27	1.29	1.30	1.34	1.41	1.40
Wicomico	1.25	1.27	1.27	1.33	1.41	1.47	1.55	1.67	1.70	1.73
Worcester	0.33	0.34	0.35	0.36	0.34	0.32	0.32	0.34	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.)	1.28	1.26	1.28	1.28	1.28	1.27	1.27	1.29	1.29	1.28
Standard Deviation	0.76	0.71	0.73	0.74	0.75	0.73	0.74	0.77	0.77	0.75

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

Source: Department of Legislative Services

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

County	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Allegany	1.86	1.84	1.99	2.06	2.09	2.05	2.04	2.02	1.93	1.94
Anne Arundel	0.64	0.64	0.62	0.63	0.61	0.59	0.59	0.60	0.61	0.63
Baltimore City	2.67	2.61	2.60	2.57	2.50	2.47	2.40	2.43	2.46	2.43
Baltimore	0.69	0.70	0.70	0.71	0.71	0.73	0.73	0.72	0.73	0.73
Calvert	1.29	1.29	1.30	1.27	1.26	1.19	1.19	1.19	1.14	1.12
Caroline	2.64	2.50	2.47	2.64	2.62	2.67	2.59	2.60	2.61	2.58
Carroll	0.99	1.02	1.02	1.03	1.01	1.00	0.99	1.00	0.98	0.95
Cecil	1.71	1.74	1.78	1.75	1.75	1.71	1.68	1.78	1.74	1.71
Charles	1.12	1.16	1.20	1.23	1.22	1.18	1.16	1.14	1.18	1.15
Dorchester	1.69	1.61	1.66	1.57	1.64	1.67	1.64	1.49	1.68	1.73
Frederick	0.89	0.91	0.94	0.95	1.00	1.03	1.03	1.02	1.05	1.03
Garrett	1.80	1.64	1.56	1.55	1.44	1.40	1.41	1.37	1.34	1.29
Harford	1.07	1.07	1.10	1.13	1.11	1.10	1.07	1.07	1.04	1.00
Howard	0.68	0.68	0.67	0.67	0.69	0.70	0.70	0.73	0.73	0.72
Kent	0.87	0.81	0.81	0.71	0.60	0.66	0.70	0.67	0.66	0.64
Montgomery	0.50	0.48	0.45	0.45	0.46	0.48	0.53	0.55	0.57	0.57
Prince George's	1.38	1.42	1.50	1.52	1.53	1.45	1.41	1.36	1.34	1.38
Queen Anne's	0.83	0.78	0.80	0.78	0.78	0.81	0.78	0.78	0.82	0.83
St. Mary's	1.11	1.15	1.17	1.16	1.16	1.14	1.08	1.09	1.05	1.05
Somerset	2.84	2.65	2.83	2.79	2.86	2.63	2.77	3.00	2.94	2.88
Talbot	0.38	0.37	0.33	0.32	0.28	0.29	0.29	0.32	0.31	0.32
Washington	0.91	1.04	1.09	1.18	1.25	1.26	1.27	1.31	1.38	1.37
Wicomico	1.25	1.26	1.27	1.33	1.40	1.46	1.52	1.63	1.66	1.68
Worcester	0.35	0.36	0.36	0.37	0.36	0.34	0.36	0.37	0.39	0.39
Total (Weighted Avg.)	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
County Mean (Simple Avg.)	1.26	1.24	1.26	1.27	1.26	1.25	1.25	1.26	1.26	1.25
Standard Deviation	0.70	0.70	0.69	0.70	0.71	0.68	0.68	0.70	0.69	0.68

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

Source: Department of Legislative Services

Exhibit 1.8
Comparison of State Tax Revenues and State Aid – Fiscal 2013

County	<u>Share of Population</u>			<u>Share of State Tax Revenues</u>			<u>Share of State Grants</u>		
	Population	Percent of Total	Ranking	Total Revenues	Percent of Total	Ranking	Total Grants	Percent of Total	Ranking
Allegany	74,012	1.3%	16	\$126,406,005	0.8%	18	\$103,562,904	1.6%	15
Anne Arundel	550,488	9.4%	5	1,664,405,067	10.7%	4	441,583,697	6.7%	5
Baltimore City	621,342	10.6%	4	1,216,230,805	7.8%	5	1,249,454,667	18.9%	1
Baltimore	817,455	13.9%	3	2,321,075,200	14.9%	2	716,815,269	10.9%	4
Calvert	89,628	1.5%	15	219,527,869	1.4%	13	103,523,460	1.6%	16
Caroline	32,718	0.6%	20	51,307,499	0.3%	23	55,968,788	0.8%	17
Carroll	167,217	2.8%	9	436,317,980	2.8%	9	174,527,923	2.6%	11
Cecil	101,696	1.7%	13	174,050,885	1.1%	16	125,873,949	1.9%	13
Charles	150,592	2.6%	10	391,686,544	2.5%	10	190,930,221	2.9%	9
Dorchester	32,551	0.6%	21	58,805,667	0.4%	21	43,003,804	0.7%	19
Frederick	239,582	4.1%	8	629,560,110	4.0%	7	275,152,461	4.2%	7
Garrett	29,854	0.5%	22	61,658,655	0.4%	20	33,585,289	0.5%	21
Harford	248,622	4.2%	7	605,446,522	3.9%	8	256,500,882	3.9%	8
Howard	299,430	5.1%	6	988,098,396	6.3%	6	299,034,275	4.5%	6
Kent	20,191	0.3%	24	51,938,165	0.3%	22	14,092,020	0.2%	24
Montgomery	1,004,709	17.1%	1	3,421,527,732	21.9%	1	822,971,230	12.5%	3
Prince George's	881,138	15.0%	2	1,912,296,650	12.3%	3	1,114,322,801	16.9%	2
Queen Anne's	48,595	0.8%	18	124,898,594	0.8%	19	43,692,537	0.7%	18
St. Mary's	108,987	1.9%	12	254,971,642	1.6%	12	113,558,967	1.7%	14
Somerset	26,253	0.4%	23	28,617,972	0.2%	24	34,887,789	0.5%	20
Talbot	38,098	0.6%	19	140,894,652	0.9%	17	18,832,300	0.3%	23
Washington	149,180	2.5%	11	324,532,005	2.1%	11	188,501,505	2.9%	10
Wicomico	100,647	1.7%	14	203,498,715	1.3%	14	144,906,026	2.2%	12
Worcester	51,578	0.9%	17	192,859,315	1.2%	15	32,017,208	0.5%	22
Total	5,884,563	100.0%		\$15,600,612,645	100.0%		\$6,597,299,972	100.0%	

Source: Department of Legislative Services

Exhibit 1.9
Per Capita Allocation of State Tax Revenues and State Aid – Fiscal 2013

County	Population	<u>Allocation of State Tax Revenues</u>			<u>State Grants to Local Governments</u>		
		Total Revenues	Per Capita Amount	Ranking	Total Grants	Per Capita Amount	Ranking
Allegany	74,012	\$126,406,005	\$1,708	22	\$103,562,904	\$1,399	4
Anne Arundel	550,488	1,664,405,067	3,024	5	441,583,697	802	21
Baltimore City	621,342	1,216,230,805	1,957	19	1,249,454,667	2,011	1
Baltimore	817,455	2,321,075,200	2,839	6	716,815,269	877	19
Calvert	89,628	219,527,869	2,449	12	103,523,460	1,155	11
Caroline	32,718	51,307,499	1,568	23	55,968,788	1,711	2
Carroll	167,217	436,317,980	2,609	8	174,527,923	1,044	14
Cecil	101,696	174,050,885	1,711	21	125,873,949	1,238	10
Charles	150,592	391,686,544	2,601	9	190,930,221	1,268	7
Dorchester	32,551	58,805,667	1,807	20	43,003,804	1,321	6
Frederick	239,582	629,560,110	2,628	7	275,152,461	1,148	12
Garrett	29,854	61,658,655	2,065	17	33,585,289	1,125	13
Harford	248,622	605,446,522	2,435	13	256,500,882	1,032	16
Howard	299,430	988,098,396	3,300	4	299,034,275	999	17
Kent	20,191	51,938,165	2,572	10	14,092,020	698	22
Montgomery	1,004,709	3,421,527,732	3,405	3	822,971,230	819	20
Prince George's	881,138	1,912,296,650	2,170	16	1,114,322,801	1,265	8
Queen Anne's	48,595	124,898,594	2,570	11	43,692,537	899	18
St. Mary's	108,987	254,971,642	2,339	14	113,558,967	1,042	15
Somerset	26,253	28,617,972	1,090	24	34,887,789	1,329	5
Talbot	38,098	140,894,652	3,698	2	18,832,300	494	24
Washington	149,180	324,532,005	2,175	15	188,501,505	1,264	9
Wicomico	100,647	203,498,715	2,022	18	144,906,026	1,440	3
Worcester	51,578	192,859,315	3,739	1	32,017,208	621	23
Total	5,884,563	\$15,600,612,645	\$2,651		\$6,597,299,972	\$1,121	

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 \$6.8 billion in fiscal 2013. 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 2013, nearly 88% of State aid went to support local school systems with county and municipal governments receiving 6.7% of the aid. Local school systems received \$5.8 billion in State operational grants in fiscal 2013, while county and municipal governments received \$447.7 million. The remaining 5.7% was distributed to local libraries, community colleges, and local health departments. These entities received \$376 million in fiscal 2013. In addition, the State assumption of functions in Baltimore City has increased from \$127.1 million in fiscal 2003 to \$173.4 million in fiscal 2013. **Exhibit 2.1** compares the allocation of State aid by governmental entity in fiscal 2003 and 2013.

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

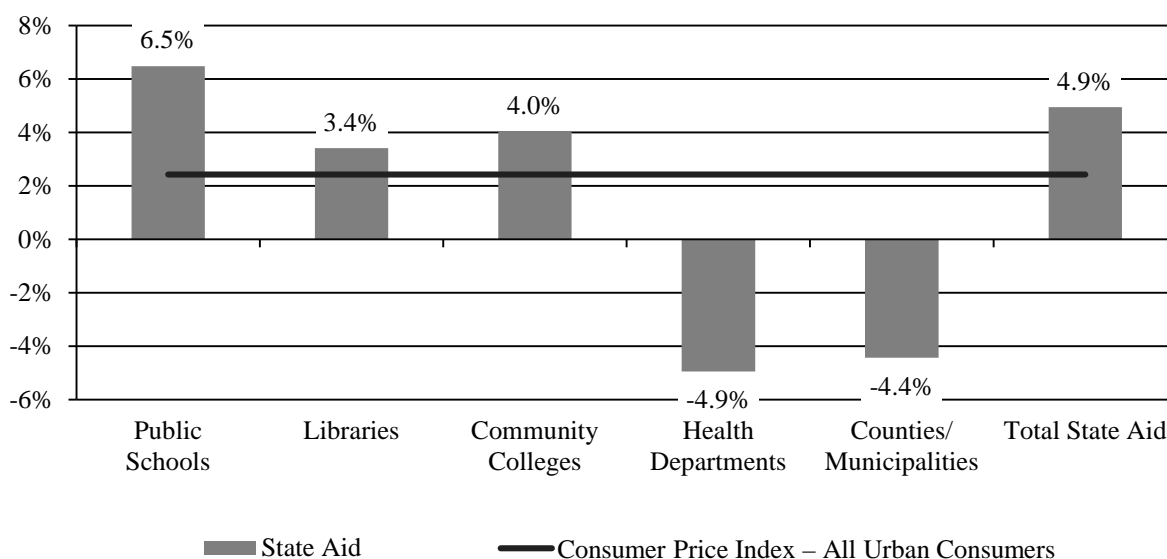
Entity	FY 2003	Percent of Total	FY 2013	Percent of Total
Public Schools	\$3,117.1	75.8%	\$5,840.9	87.6%
County/Municipal	704.1	17.1%	447.7	6.7%
Community Colleges	183.3	4.5%	272.3	4.1%
Health	61.9	1.5%	37.3	0.6%
Libraries	47.5	1.2%	66.4	1.0%
<i>Subtotal</i>	<i>\$4,113.9</i>	<i>100.0%</i>	<i>\$6,664.6</i>	<i>100.0%</i>
Assumed Functions	127.1		173.4	
Total	\$4,241.0		\$6,838.0	

Source: Department of Legislative Services

Change in State Aid

Over the last 10 years, State aid to local governments has increased by \$2.6 billion, which represents a 4.9% 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 2003-2013



Reliance on State Aid

State aid is the largest revenue source for a majority of county governments in Maryland, representing 27.7% of total county revenues. In Anne Arundel, Baltimore, Calvert, Carroll, Garrett, Kent, Queen Anne's, Talbot, 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 15.4% of total revenues in Worcester County but reaches 51.3% in Caroline County.

State aid is the fourth largest revenue source for municipalities, representing 4.4% of total revenues. As with counties, the reliance on State aid varies for municipalities, ranging from 0.6% of total revenues for municipalities in St. Mary's County to 22.5% for municipalities in Somerset County, where State aid is the second largest revenue source.

State Assumed Functions in Baltimore City

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

Detention Center and Central Booking and Intake Facility

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

Legislation enacted in 1991 authorized the State to assume the costs and operation of the Baltimore City Detention Center and provided for State operation of a central booking and intake facility in Baltimore City by fiscal 1995. The Baltimore City Central Booking and Intake Facility originally opened in fiscal 1996. The State spent approximately \$80.2 million in fiscal 2013 to operate the Baltimore City Detention Center and \$52.7 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 in fiscal 2013, local community colleges received 21.9% of their operating funding from the State and 26.4% from county governments. In Baltimore City, the local community college is operated and funded by the State. Legislation enacted in 1990 established the city's community college as a State agency beginning in fiscal 1991. State funding for the Baltimore City Community College totaled \$40.5 million in fiscal 2013.

Allocation of State Financial Assistance

State financial assistance reported in *The Balance Sheet* for fiscal 2013 totals \$6.6 billion representing \$5.6 billion in direct State grants, \$809.3 million in retirement payments made by the State on behalf of the counties, and \$173.4 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 paratransit services; 911 emergency communications grants; and vehicle theft prevention grants. These programs account for approximately 2.6% of total State aid to local governments in fiscal 2013. This percentage is low relative to recent prior years, due primarily to a significant reduction in highway user revenues to local governments after fiscal 2008. **Exhibit 2.3** shows the programs and the amount of State aid excluded from *The Balance Sheet* analysis. **Exhibit 2.4** compares total State aid in fiscal 2013 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 2003</u>	<u>FY 2008</u>	<u>FY 2013</u>
Highway User Revenues	\$433.2	\$529.7	\$160.6
Elderly/Disabled Transportation	4.7	4.7	4.4
Paratransit Services	2.4	2.9	1.7
911 Emergency Communications	3.0	15.9	10.5
Vehicle Theft Prevention	0.8	2.2	1.5
Total	\$444.0	\$555.4	\$178.7
Percent of State Aid	10.5%	8.4%	2.6%

Source: Department of Legislative Services

Exhibit 2.4
Comparison of Total State Aid with the
Amount of State Aid Allocated in *The Balance Sheet*
Fiscal 2013

County	Total State Aid		State Aid in Balance Sheet		Percent of Total State Aid
	Amount	Per Capita	Amount	Per Capita	
Allegany	\$105,612,579	\$1,427	\$103,562,904	\$1,399	98.1%
Anne Arundel	445,012,825	808	441,583,697	802	99.2%
Baltimore City	1,379,964,046	2,221	1,249,454,667	2,011	90.5%
Baltimore	721,452,503	883	716,815,269	877	99.4%
Calvert	105,326,375	1,175	103,523,460	1,155	98.3%
Caroline	57,858,030	1,768	55,968,788	1,711	96.7%
Carroll	177,904,806	1,064	174,527,923	1,044	98.1%
Cecil	128,583,406	1,264	125,873,949	1,238	97.9%
Charles	192,083,703	1,276	190,930,221	1,268	99.4%
Dorchester	43,807,671	1,346	43,003,804	1,321	98.2%
Frederick	277,438,678	1,158	275,152,461	1,148	99.2%
Garrett	34,316,972	1,149	33,585,289	1,125	97.9%
Harford	259,190,445	1,043	256,500,882	1,032	99.0%
Howard	301,153,508	1,006	299,034,275	999	99.3%
Kent	15,277,867	757	14,092,020	698	92.2%
Montgomery	827,633,465	824	822,971,230	819	99.4%
Prince George's	1,119,999,652	1,271	1,114,322,801	1,265	99.5%
Queen Anne's	44,318,606	912	43,692,537	899	98.6%
St. Mary's	115,283,799	1,058	113,558,967	1,042	98.5%
Somerset	35,327,135	1,346	34,887,789	1,329	98.8%
Talbot	19,568,736	514	18,832,300	494	96.2%
Washington	189,928,919	1,273	188,501,505	1,264	99.2%
Wicomico	145,987,247	1,450	144,906,026	1,440	99.3%
Worcester	32,913,794	638	32,017,208	621	97.3%
Unallocated	62,046,297	11	0	0	0.0%
Total	\$6,837,991,064	\$1,162	\$6,597,299,972	\$1,121	96.5%

Source: Department of Legislative Services

In fiscal 2013, Baltimore City received the greatest amount of State aid (allocated in *The Balance Sheet* report) at \$1.2 billion followed by Prince George's County at \$1.1 billion. On a per capita basis, these amounts translate into \$2,011 for Baltimore City (the greatest per capita amount for any jurisdiction) and \$1,265 for Prince George's County. Kent and Talbot counties, in contrast, received the least amount of State aid at \$14.1 million and \$18.8 million, respectively. On a per capita basis, Kent County received \$698 while Talbot County received \$494 – the least amount per capita for any jurisdiction. **Exhibit 2.5** shows the allocation of State aid by government entity, while **Exhibit 2.6** provides the allocation on a per capita basis by county.

Exhibit 2.5
Direct State Aid and Payments-on-behalf
Fiscal 2013

County	Education	Libraries	Community Colleges	Health	County/ Municipal	Retirement Payments	Assumed Functions	Total
Allegany	\$76,136,827	\$767,076	\$6,006,143	\$908,719	\$9,833,844	\$9,910,295	\$0	\$103,562,904
Anne Arundel	315,035,132	2,113,638	29,752,618	3,141,951	22,773,692	68,766,666	0	441,583,697
Baltimore City	882,270,829	6,034,345	0	6,675,053	107,647,234	73,459,367	173,367,839	1,249,454,667
Baltimore	562,337,827	5,255,890	37,638,492	4,302,255	11,863,729	95,417,076	0	716,815,269
Calvert	82,163,395	367,424	2,225,545	369,812	2,018,929	16,378,355	0	103,523,460
Caroline	45,596,730	267,832	1,519,021	538,253	3,308,121	4,738,831	0	55,968,788
Carroll	139,427,825	941,217	7,637,684	1,231,995	1,596,929	23,692,273	0	174,527,923
Cecil	98,307,234	702,584	5,423,242	806,392	6,193,601	14,440,896	0	125,873,949
Charles	157,173,250	861,119	7,377,006	994,528	1,300,974	23,223,344	0	190,930,221
Dorchester	34,277,779	249,496	1,309,769	428,709	2,852,439	3,885,612	0	43,003,804
Frederick	226,344,058	1,298,246	9,180,905	1,512,159	2,153,672	34,663,421	0	275,152,461
Garrett	22,529,836	119,434	3,420,925	437,403	2,968,518	4,109,173	0	33,585,289
Harford	206,836,111	1,486,927	10,609,661	1,737,473	2,594,044	33,236,666	0	256,500,882
Howard	221,043,530	812,236	14,440,689	1,215,070	3,384,554	58,138,196	0	299,034,275
Kent	10,479,160	84,702	602,000	335,941	428,066	2,162,151	0	14,092,020
Montgomery	599,099,602	2,720,976	43,527,005	3,014,680	12,956,247	161,652,720	0	822,971,230
Prince George's	913,768,873	6,289,250	23,644,154	5,007,057	50,824,418	114,789,049	0	1,114,322,801
Queen Anne's	34,438,230	133,834	1,674,313	417,744	552,760	6,475,656	0	43,692,537
St. Mary's	94,324,889	590,466	2,506,129	808,576	900,666	14,428,241	0	113,558,967
Somerset	24,937,400	263,437	725,987	429,385	5,716,746	2,814,834	0	34,887,789
Talbot	12,560,898	105,790	1,458,724	328,705	564,965	3,813,218	0	18,832,300
Washington	157,766,554	1,158,055	8,065,305	1,381,306	1,409,895	18,720,390	0	188,501,505
Wicomico	120,538,709	896,727	4,862,120	947,374	4,820,088	12,841,008	0	144,906,026
Worcester	19,120,620	144,071	1,939,646	312,944	3,003,709	7,496,218	0	32,017,208
Unallocated	0	0	0	0	0	0	0	0
Total	\$5,056,515,298	\$33,664,772	\$225,547,083	\$37,283,484	\$261,667,840	\$809,253,656	\$173,367,839	\$6,597,299,972

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

Source: Department of Legislative Services

Exhibit 2.6
Per Capita Direct State Aid and Payments-on-behalf
Fiscal 2013

County	Education	Libraries	Community Colleges	Health	County/Municipal	Retirement Payments	Assumed Functions	Total
Allegany	\$1,029	\$10	\$81	\$12	\$133	\$134	\$0	\$1,399
Anne Arundel	572	4	54	6	41	125	0	802
Baltimore City	1,420	10	0	11	173	118	29	2,011
Baltimore	688	6	46	5	15	117	0	877
Calvert	917	4	25	4	23	183	0	1,155
Caroline	1,394	8	46	16	101	145	0	1,711
Carroll	834	6	46	7	10	142	0	1,044
Cecil	967	7	53	8	61	142	0	1,238
Charles	1,044	6	49	7	9	154	0	1,268
Dorchester	1,053	8	40	13	88	119	0	1,321
Frederick	945	5	38	6	9	145	0	1,148
Garrett	755	4	115	15	99	138	0	1,125
Harford	832	6	43	7	10	134	0	1,032
Howard	738	3	48	4	11	194	0	999
Kent	519	4	30	17	21	107	0	698
Montgomery	596	3	43	3	13	161	0	819
Prince George's	1,037	7	27	6	58	130	0	1,265
Queen Anne's	709	3	34	9	11	133	0	899
St. Mary's	865	5	23	7	8	132	0	1,042
Somerset	950	10	28	16	218	107	0	1,329
Talbot	330	3	38	9	15	100	0	494
Washington	1,058	8	54	9	9	125	0	1,264
Wicomico	1,198	9	48	9	48	128	0	1,440
Worcester	371	3	38	6	58	145	0	621
Unallocated	0	0	0	0	0	0	0	0
Total	\$859	\$6	\$38	\$6	\$44	\$138	\$29	\$1,121

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

Source: Department of Legislative Services

Chapter 3. Allocation of State Revenues

Introduction

The Balance Sheet analysis accounts for a majority of State tax revenues. State tax revenues allocated to local governments total \$15.6 billion in fiscal 2013. Major State tax revenues excluded from this analysis include motor vehicle fuel taxes, titling taxes, and corporate income taxes accruing to the Transportation Trust Fund. Point-of-collection data is currently unavailable for these revenue sources.

Revenue Allocation

The Balance Sheet allocates State tax revenues among local governments based on five methods: point of collection, county sales, population, utility revenues, and vehicle registration. As shown in **Exhibit 3.1**, most revenues (income, sales, property, transfer, and death taxes) are reported at the point of collection on a county-by-county basis. In the event that point-of-collection revenue data by county is not available, revenues are allocated using county-by-county receipts, sales, or population. Revenues from the tax on gross receipts of utilities are allocated on the basis of revenues earned by utility companies in each county. Revenues from beer, wine, and liquor taxes and the State lottery are allocated on the basis of sales. The corporate income tax, tobacco tax, insurance tax, abandoned property revenues, corporate filing fees, horse racing tax, video lottery terminal (VLT) revenues, revenues from new electronic bingo and tip jars, and tax on the net earnings of financial institutions and savings banks are allocated on the basis of county population. The Medevac surcharge is allocated based on the number of vehicle registrations in each county. **Exhibit 3.2** shows the allocation of State revenues by county in fiscal 2013, and **Exhibit 3.3** shows the per capita allocation of selected tax revenues by county.

The largest single revenue component allocated for this report is the individual income tax at \$7.4 billion or 47.7% of total allocated revenue. The amount of allocated taxes on a per capita basis varies widely as illustrated in Exhibit 3.3. Worcester County generated the greatest amount of State revenues at \$3,739 per resident followed by Talbot County at \$3,698 per resident. Howard and Montgomery counties are the next leading counties in terms of per capita revenue collections. In comparison, Somerset County generated the least State revenues at \$1,090 per resident. In terms of the individual income tax, Montgomery County generated the most per capita at \$2,005 followed by Howard County at \$1,942 per resident. In comparison, Somerset County contributed the least per capita at \$366 while Allegany and Caroline counties generate \$584 and \$625, respectively, per resident.

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

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

Exhibit 3.1
Allocation Basis for State Tax Revenues

Percent of Total Taxes Allocated

Point of Collection	<u>FY 2003</u>	<u>FY 2008</u>	<u>FY 2013</u>
Individual Income Tax	49.4%	50.2%	47.7%
Sales Tax	28.8%	27.2%	26.5%
Property Tax	3.1%	4.7%	4.7%
Transfer Tax	1.5%	1.1%	0.9%
Death Taxes	1.6%	1.8%	1.6%
Subtotal	84.2%	85.0%	81.4%
County Sales			
Net Lottery Receipts	4.4%	3.6%	3.4%
Liquor Tax	0.1%	0.1%	0.1%
Beer Tax	0.1%	0.1%	0.1%
Wine Tax	< 0.1%	< 0.1%	< 0.1%
Subtotal	4.7%	3.8%	3.6%
Utility Revenues			
Gross Receipts Tax	1.4%	1.0%	0.8%
Population			
Corporate Income Tax	3.0%	4.0%	5.6%
Tobacco Tax	2.9%	2.7%	2.6%
Insurance Tax	2.2%	2.1%	2.0%
Abandoned Property	0.7%	0.5%	0.7%
Corporate Filing Fees	0.1%	0.5%	0.5%
VLT Reveues	0.0%	0.0%	2.5%
Electronic Bingo/Tip Jars	0.0%	0.0%	0.1%
Horse Racing Tax	< 0.1%	< 0.1%	< 0.1%
Net Earnings Tax	0.0%	0.0%	< 0.1%
Subtotal	9.1%	9.9%	13.9%
Vehicle Registration			
Medevac Surcharge	0.5%	0.4%	0.3%
Total Taxes Allocated	100.0%	100.0%	100.0%

Source: Department of Legislative Services

Exhibit 3.2
Allocation of State Revenues
Fiscal 2013

County	Individual Income Tax	Corporate Income Tax	Gross Receipts Tax	Net Earnings Tax	Sales Tax	Insurance Tax	Transfer Tax
Allegany	\$43,190,444	\$10,916,081	\$1,793,191	\$1,369	\$42,965,822	\$3,880,580	\$349,438
Anne Arundel	809,122,674	81,191,853	11,625,743	10,179	465,034,532	28,863,059	16,909,690
Baltimore City	419,552,084	91,642,158	14,361,262	11,489	395,711,147	32,578,059	7,412,644
Baltimore	1,087,091,748	120,566,999	17,678,586	15,115	655,813,821	42,860,611	16,031,974
Calvert	117,147,597	13,219,295	1,450,150	1,657	41,384,051	4,699,354	1,895,036
Caroline	20,462,761	4,825,600	774,961	605	11,355,630	1,715,463	405,518
Carroll	219,273,462	24,662,950	3,092,434	3,092	111,117,494	8,767,483	2,923,770
Cecil	70,812,675	14,999,213	2,225,645	1,880	40,885,684	5,332,101	1,959,698
Charles	163,095,220	22,210,917	2,520,049	2,785	127,560,260	7,895,805	3,140,367
Dorchester	21,138,212	4,800,969	860,628	602	16,430,185	1,706,706	419,195
Frederick	309,979,230	35,336,114	6,284,257	4,430	167,397,673	12,561,708	6,160,729
Garrett	20,304,873	4,403,187	711,416	552	21,212,274	1,565,298	885,983
Harford	301,387,814	36,669,429	4,737,254	4,597	148,361,924	13,035,691	4,965,095
Howard	581,574,754	44,163,136	6,402,302	5,537	202,353,954	15,699,644	11,479,605
Kent	20,359,850	2,977,984	430,417	373	15,363,882	1,058,650	427,607
Montgomery	2,014,073,174	148,185,220	20,625,919	18,578	645,297,034	52,678,669	35,507,838
Prince George's	736,938,864	129,959,648	17,123,124	16,293	599,240,475	46,199,623	16,769,018
Queen Anne's	61,749,318	7,167,310	912,972	899	27,782,447	2,547,922	1,431,995
St. Mary's	125,647,248	16,074,567	1,763,904	2,015	58,213,396	5,714,381	1,766,105
Somerset	9,608,708	3,872,073	416,900	485	4,097,566	1,376,491	201,856
Talbot	56,250,826	5,619,100	581,256	704	44,040,139	1,997,545	1,574,249
Washington	122,476,431	22,002,661	2,791,919	2,758	113,955,709	7,821,771	1,746,176
Wicomico	64,859,974	14,844,495	2,338,927	1,861	79,631,540	5,277,100	986,995
Worcester	47,982,597	7,607,275	1,883,920	954	93,175,051	2,704,326	2,871,200
Total	\$7,444,080,537	\$867,918,236	\$123,387,137	\$108,810	\$4,128,381,691	\$308,538,040	\$138,221,782

Exhibit 3.2 (continued)
Allocation of State Revenues
Fiscal 2013

County	Death Taxes	Liquor Tax	Beer Tax	Wine Tax	Tobacco Tax	Horse Racing Tax	Net Lottery Receipts
Allegany	\$2,100,203	\$194,886	\$165,202	\$43,254	\$5,171,340	\$38,945	\$3,166,282
Anne Arundel	15,120,610	1,839,107	1,003,677	903,847	38,463,499	289,666	51,250,167
Baltimore City	13,969,832	2,169,711	1,079,051	594,440	43,414,184	326,949	87,187,875
Baltimore	60,279,838	2,340,520	1,179,039	922,072	57,116,921	430,144	84,398,182
Calvert	2,106,304	259,635	164,745	101,763	6,262,455	47,162	7,624,973
Caroline	477,011	74,020	65,593	19,577	2,286,060	17,216	2,195,748
Carroll	4,424,502	395,736	292,610	185,245	11,683,726	87,989	10,665,628
Cecil	1,463,901	456,303	255,320	133,919	7,105,666	53,512	6,160,609
Charles	1,768,465	459,602	213,938	107,496	10,522,110	79,241	18,191,593
Dorchester	1,262,909	78,086	67,938	24,853	2,274,392	17,128	2,514,199
Frederick	6,788,179	607,695	399,879	256,586	16,739,987	126,068	12,200,644
Garrett	330,915	106,284	73,445	31,549	2,085,948	15,709	983,644
Harford	3,470,016	556,139	397,922	249,789	17,371,627	130,825	18,293,674
Howard	8,507,731	658,249	340,798	367,504	20,921,665	157,560	14,972,164
Kent	2,637,557	73,723	43,894	33,166	1,410,778	10,624	1,361,434
Montgomery	95,254,196	1,580,808	887,316	1,027,081	70,200,665	528,677	53,752,215
Prince George's	11,031,170	2,257,127	1,133,584	571,855	61,566,557	463,654	110,814,821
Queen Anne's	1,794,857	148,135	108,012	70,327	3,395,412	25,571	3,501,805
St. Mary's	965,138	257,403	178,276	81,322	7,615,100	57,349	11,275,494
Somerset	397,833	42,085	36,104	13,584	1,834,340	13,814	1,865,453
Talbot	10,631,622	136,453	68,962	93,209	2,661,970	20,047	2,580,474
Washington	4,107,539	421,635	285,940	104,516	10,423,451	78,498	8,507,869
Wicomico	4,256,096	156,866	183,957	80,632	7,032,371	52,960	6,036,251
Worcester	2,001,295	566,120	269,821	118,013	3,603,839	27,140	6,458,921
Total	\$255,147,719	\$15,836,330	\$8,895,022	\$6,135,598	\$411,164,064	\$3,096,449	\$525,960,121

Exhibit 3.2 (continued)
Allocation of State Revenues
Fiscal 2013

County	Electronic Bingo/ Tip Jars	VLTs	Domestic Corporation Filing Fees	Medevac Surcharge	Abandoned Property	Subtotal	Property Tax	Total
Allegany	\$106,983	\$4,835,977	\$970,063	\$685,539	\$1,297,185	\$121,872,784	\$4,533,220	\$126,406,005
Anne Arundel	795,718	35,969,134	7,215,158	5,853,781	9,648,229	1,581,110,324	83,294,743	1,664,405,067
Baltimore City	898,136	40,598,766	8,143,830	3,109,747	10,890,065	1,173,651,430	42,579,375	1,216,230,805
Baltimore	1,181,612	53,412,878	10,714,252	7,296,909	14,327,275	2,233,658,496	87,416,704	2,321,075,200
Calvert	129,555	5,856,334	1,174,740	1,013,656	1,570,882	206,109,347	13,418,522	219,527,869
Caroline	47,293	2,137,809	428,830	400,820	573,438	48,263,952	3,043,546	51,307,499
Carroll	241,708	10,926,034	2,191,687	1,954,577	2,930,759	415,820,887	20,497,093	436,317,980
Cecil	146,999	6,644,862	1,332,913	1,040,396	1,782,394	162,793,692	11,257,193	174,050,885
Charles	217,677	9,839,749	1,973,785	1,547,456	2,639,378	373,985,894	17,700,650	391,686,544
Dorchester	47,052	2,126,897	426,641	347,683	570,511	55,114,787	3,690,880	58,805,667
Frederick	346,310	15,654,396	3,140,163	2,512,817	4,199,078	600,695,943	28,864,167	629,560,110
Garrett	43,153	1,950,674	391,292	366,320	523,242	55,985,757	5,672,898	61,658,655
Harford	359,377	16,245,074	3,258,649	2,616,206	4,357,519	576,468,621	28,977,901	605,446,522
Howard	432,819	19,564,891	3,924,581	2,823,491	5,248,015	939,598,399	48,499,997	988,098,396
Kent	29,186	1,319,289	264,640	234,534	353,881	48,391,470	3,546,695	51,938,165
Montgomery	1,452,284	65,648,139	13,168,560	8,277,248	17,609,217	3,245,772,837	175,754,895	3,421,527,732
Prince George's	1,273,665	57,573,954	11,548,935	6,975,424	15,443,427	1,826,901,217	85,395,433	1,912,296,650
Queen Anne's	70,243	3,175,219	636,927	596,686	851,709	115,967,765	8,930,829	124,898,594
St. Mary's	157,538	7,121,260	1,428,475	1,171,364	1,910,181	241,400,516	13,571,126	254,971,642
Somerset	37,948	1,715,383	344,094	222,164	460,128	26,557,010	2,060,962	28,617,972
Talbot	55,070	2,489,340	499,344	464,635	667,732	130,432,679	10,461,974	140,894,652
Washington	215,636	9,747,488	1,955,278	1,507,042	2,614,631	310,766,952	13,765,054	324,532,005
Wicomico	145,483	6,576,320	1,319,164	952,306	1,764,008	196,497,306	7,001,409	203,498,715
Worcester	74,555	3,370,130	676,025	623,393	903,991	174,918,566	17,940,749	192,859,315
Total	\$8,506,000	\$384,500,000	\$77,128,027	\$52,594,195	\$103,136,874	\$14,862,736,632	\$737,876,014	\$15,600,612,645

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

Exhibit 3.3
Per Capita Allocation of Selected State Revenues
Fiscal 2013

County	Individual Income Tax	Sales Tax	Transfer Tax	Death Taxes	Net Lottery Receipts	Property Tax	All Allocated Taxes
Allegany	\$584	\$581	\$5	\$28	\$43	\$61	\$1,708
Anne Arundel	1,470	845	31	27	93	151	3,024
Baltimore City	675	637	12	22	140	69	1,957
Baltimore	1,330	802	20	74	103	107	2,839
Calvert	1,307	462	21	24	85	150	2,449
Caroline	625	347	12	15	67	93	1,568
Carroll	1,311	665	17	26	64	123	2,609
Cecil	696	402	19	14	61	111	1,711
Charles	1,083	847	21	12	121	118	2,601
Dorchester	649	505	13	39	77	113	1,807
Frederick	1,294	699	26	28	51	120	2,628
Garrett	680	711	30	11	33	190	2,065
Harford	1,212	597	20	14	74	117	2,435
Howard	1,942	676	38	28	50	162	3,300
Kent	1,008	761	21	131	67	176	2,572
Montgomery	2,005	642	35	95	54	175	3,405
Prince George's	836	680	19	13	126	97	2,170
Queen Anne's	1,271	572	29	37	72	184	2,570
St. Mary's	1,153	534	16	9	103	125	2,339
Somerset	366	156	8	15	71	79	1,090
Talbot	1,476	1,156	41	279	68	275	3,698
Washington	821	764	12	28	57	92	2,175
Wicomico	644	791	10	42	60	70	2,022
Worcester	930	1,806	56	39	125	348	3,739
Total	\$1,265	\$702	\$23	\$43	\$89	\$125	\$2,651

Source: Department of Legislative Services

Exhibit 3.4
Local Wealth Calculation
Fiscal 2013

County	Population	Assessable Base	Income Base	Total Wealth Amount	Per Capita Wealth Amount	Ranking
Allegany	74,012	\$1,641,802,800	\$826,307,011	\$2,468,109,811	\$33,347	24
Anne Arundel	550,488	32,166,724,000	12,420,010,277	44,586,734,277	80,995	7
Baltimore City	621,342	15,526,552,300	6,886,844,294	22,413,396,594	36,073	22
Baltimore	817,455	34,123,332,300	15,944,609,811	50,067,942,111	61,249	15
Calvert	89,628	5,453,323,000	1,959,150,081	7,412,473,081	82,703	6
Caroline	32,718	1,195,623,100	397,887,048	1,593,510,148	48,704	20
Carroll	167,217	7,931,759,900	3,572,172,494	11,503,932,394	68,796	10
Cecil	101,696	4,279,130,000	1,578,118,513	5,857,248,513	57,596	16
Charles	150,592	7,093,649,700	2,844,699,576	9,938,349,276	65,995	12
Dorchester	32,551	1,309,782,200	380,355,660	1,690,137,860	51,923	18
Frederick	239,582	10,906,132,400	5,070,190,870	15,976,323,270	66,684	11
Garrett	29,854	2,023,651,200	372,174,427	2,395,825,627	80,251	8
Harford	248,622	11,125,271,000	4,996,436,766	16,121,707,766	64,844	14
Howard	299,430	18,125,281,200	8,609,295,560	26,734,576,760	89,285	5
Kent	20,191	1,269,008,700	291,928,636	1,560,937,336	77,309	9
Montgomery	1,004,709	67,533,317,300	27,588,380,358	95,121,697,658	94,676	3
Prince George's	881,138	34,732,863,600	12,995,879,375	47,728,742,975	54,167	17
Queen Anne's	48,595	3,430,343,800	973,075,897	4,403,419,697	90,615	4
St. Mary's	108,987	5,059,112,500	2,126,641,722	7,185,754,222	65,932	13
Somerset	26,253	683,526,600	193,241,788	876,768,388	33,397	23
Talbot	38,098	3,902,398,600	742,402,375	4,644,800,975	121,917	2
Washington	149,180	5,370,366,900	2,123,140,162	7,493,507,062	50,231	19
Wicomico	100,647	2,871,092,900	1,229,995,630	4,101,088,530	40,747	21
Worcester	51,578	7,048,044,600	820,157,652	7,868,202,252	152,550	1
Total	5,884,563	\$284,802,090,600	\$114,943,095,983	\$399,745,186,583	\$67,931	

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

Source: Department of Legislative Services

Chapter 4. Comparability

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

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