



Local Fiscal Impact of
Implementing the Blueprint
for Maryland's Future

Annapolis, Maryland
January 2022

Local Fiscal Impact of Implementing the Blueprint for Maryland's Future

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

January 2022

Primary Staff for This Report

Hiram Burch
Scott Gates
Rachel Hise
David Romans
Michael Sousane

Other Staff Who Contributed to This Report

Kamar Merritt
April Noren

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

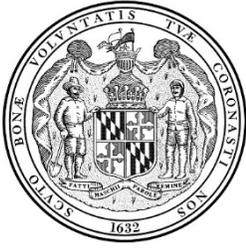
TTY: 410-946-5401 • 301-970-5401

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

Email: libr@mlis.state.md.us

Home Page: <http://dls.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 POLICY ANALYSIS
MARYLAND GENERAL ASSEMBLY

Victoria L. Gruber
Executive Director

Ryan Bishop
Executive Director

January 2022

The Honorable Bill Ferguson, President of the Senate
The Honorable Adrienne A. Jones, Speaker of the House of Delegates
Members of the General Assembly

Ladies and Gentlemen:

The Blueprint for Maryland's Future was enacted into law by Chapter 36 of 2021, with further revisions made to the law by Chapter 55 of 2021. Chapter 55 also required the Department of Legislative Services to conduct a study of the impact of the implementation of the Blueprint for Maryland's Future on county governments, including Baltimore City, and the capacity of counties to meet the local maintenance of effort requirement as the annual amounts increase in future years.

County governments are required to fund local boards of education at a minimum level, known as the maintenance of effort requirement. The Blueprint for Maryland's Future makes several changes to this requirement, most significantly by requiring counties to provide the local share of each major education aid formula beginning in fiscal 2023. Previously, counties were only required to fund the local share of the Foundation formula. For some counties, this change will require a significant increase in the local education appropriation, even after new State funding provided as part of the Blueprint to help counties that are already making a high education effort.

This report reviews the projected impact of implementing the Blueprint for Maryland's Future on counties over the 12-year implementation period and estimated local tax revenues available to meet the increased cost for some counties. This report was prepared by Hiram Burch, Scott Gates, Rachel Hise and Michael Sousane of the Office of Policy Analysis and reviewed by David Romans. Kamar Merritt prepared the manuscript.

Sincerely,

Handwritten signature of Victoria L. Gruber in black ink.

Victoria L. Gruber
Executive Director

Handwritten signature of Ryan Bishop in blue ink.

Ryan Bishop
Director

VLG:RB/RHH/km

Contents

Letter of Transmittal	iii
Chapter 1. Summary	1
Blueprint for Maryland’s Future	1
Blueprint for Maryland’s Future Local Funding Requirement and Trends in Local Effort	1
Projected Local Impact of Blueprint for Maryland’s Future	2
Analysis and Findings	3
Statewide Local Revenue Growth Projected to Outpace Increase in Local Board Appropriations	3
Local Revenue Growth is Projected to Exceed the Recent Trends in County Government Operating Spending	4
Tax Rates and Capacity Vary Considerably Statewide and Among the Five Most Impacted Jurisdictions	5
Tax Effort and Education Effort Also Vary Considerably Statewide and Among the Five Most Impacted Jurisdictions	6
Conclusions and Recommendation	8
Chapter 2. Local Funding Requirements	9
State and Local Funding for Public Schools	9
Local Education Funding Requirements	12
New Local Share Requirement	12
Education Effort Adjustment to Local Share Requirement	14
Additional Reductions to Local Share	15
DLS Projection of Local Appropriations and Student Enrollment	17
Total Local Education Effort	18

Chapter 3. Local Fiscal Impact	21
Increase in Local Board Appropriations	21
Fiscal 2023	23
Fiscal 2028	26
Fiscal 2034	27
Trends from Fiscal 2023 to 2034	29
Local Revenues and Blueprint Growth.....	30
Potential Impact on Property and Income Taxes	31
Share of Property and Income Tax Revenues.....	32
Public School Share of County Expenditures.....	34
Share of Total County Expenditures.....	34
Local Fiscal Trends.....	36
Appendix 1. Tax Rate Equivalent s	39
Appendix 2. Property Tax Limitation Measures	41

Chapter 1. Summary

Blueprint for Maryland's Future

Chapters 36 and 55 of 2021 implement the Blueprint for Maryland's Future based on the final recommendations made by the Commission on Innovation and Excellence in Education, also known as the Kirwan Commission, in the policy areas of (1) early childhood education; (2) high-quality and diverse teachers and leaders; (3) college and career readiness; (4) more resources to ensure all students are successful; and (5) governance and accountability. The Blueprint for Maryland's Future (Blueprint) legislation contains numerous provisions relating to education funding and funding formulas. The Blueprint substantially increases State and local funding of public schools.

Public schools in Maryland are funded by a combination of federal, State, and local sources. Most of the funding for public schools is shared between State and county government. Major funding formulas account for relative local wealth (among the 24 counties including Baltimore City) on a per pupil basis, such that the State provides more funding to local school systems in counties with low per pupil wealth.

Under the Blueprint, State funding for most existing education formulas is increased and new funding formulas are established for specific purposes, with full funding of the changes phased in at varying rates to full implementation by fiscal 2034. Local funding requirements are also altered substantially. The Department of Legislative Services (DLS) updated its fiscal projections for implementation of Chapters 36 and 55 during summer 2021. By fiscal 2034, when all elements of the Blueprint are fully phased in, State aid for education is estimated to increase by \$3.9 billion and local appropriations by approximately \$700 million over pre-Blueprint projected levels.

Chapter 55 requires DLS to conduct a study by January 2022, on the local fiscal impact of implementing the Blueprint and the capacity of counties (including Baltimore City) to provide the projected increases in local appropriations to meet the local funding requirements in future years.

Blueprint for Maryland's Future Local Funding Requirement and Trends in Local Effort

Prior to the Blueprint, the minimum local effort requirement for public schools was driven exclusively by the per pupil maintenance of effort (MOE) requirement, which requires that a county government appropriate the same level of local funding per student as in the prior year, with some counties subject to increased per pupil appropriations under the MOE escalator provision. Under the Blueprint, while the MOE requirement remains (though the escalator is repealed) the minimum effort requirement for an increasing number of counties will be driven by

the combined local share of several major aid formulas, despite provisions of the law providing significant local share relief to eligible counties.

The number of counties affected by the local share requirement increases from 5 in fiscal 2023 to 12 in fiscal 2028 and 16 in fiscal 2034. The growing number of counties is partly due to the phasing up of the Blueprint formulas over the 12-year implementation period. Another reason that the combined local share requirement exceeds per pupil MOE for some counties is the historical local appropriation trend. Counties that have consistently provided more funding than required by MOE are more likely to meet the combined local share requirement without the need for additional local appropriations.

Total local education funding effort is determined by dividing total local appropriations for public schools by local wealth for each county. Under the Blueprint, some counties realize considerable shifts in per pupil effort over the fiscal 2023 to 2034 period. Baltimore City and Caroline, Cecil, Garrett, Kent, and Talbot counties are the local jurisdictions most impacted by the Blueprint in terms of increased per pupil local appropriations relative to local wealth.

For more information about local education funding requirements and trends in local effort, see **Chapter 2** of this report.

Projected Local Impact of Blueprint for Maryland's Future

The Blueprint for Maryland's Future will require local governments to collectively increase their local appropriations above the level expected without the Blueprint. Local appropriations under the Blueprint are expected to exceed the projected pre-Blueprint level by about 2% in fiscal 2023, 3% by fiscal 2028, and then accelerate to 8% by fiscal 2034. The impacts are not uniform over the 12-year implementation period of the Blueprint, leading several counties to need to make significant increases in their local appropriation to the boards of education in the early years, later years, or both. Other county governments are forecast to spend about the same or slightly more than they would have otherwise.

A total of 14 jurisdictions are required to increase local funding over current practices in fiscal 2023 and 15 jurisdictions are required to increase local funding in fiscal 2034 over the pre-Blueprint level. Most counties will have a minor impact (less than 2.5% increase), including 5 counties with no impact in any fiscal year during the 12-year period (since their projected appropriations under current practices exceed the amount required under the Blueprint legislation). Over the 12-year period, the number of jurisdictions that will incur a major fiscal impact (*i.e.*, required local appropriation increases by 5% or more) grows from 4 in fiscal 2023 to 10 in fiscal 2034. The largest projected percentage increases in fiscal 2023 and 2034 are in Baltimore City and Caroline, Kent, and Talbot counties. In addition to these counties, Cecil and Prince George's counties are also required to increase their local appropriation annually through fiscal 2034.

While the statewide projected local appropriations under the Blueprint exceed the pre-Blueprint estimates, the average annual rate of growth in local appropriations for the 12-year period of fiscal 2022 to 2034 is a relatively modest 2.9%. Variation among jurisdictions is significant with a growth rate as high as 5.2% for Baltimore City and Talbot County and as low as 1.6% for Allegany County. The statewide growth rates trail the average annual growth in local government operating spending of 3.2% for the period from fiscal 2015 to 2020.

Chapter 3 of this report includes more information and uses several approaches to illustrate the local impacts including (1) the percent increase and per pupil increase in the local appropriation to the boards of education; (2) the increased share of local property and income taxes required to fund the local board appropriation; (3) the projected growth in local property and income tax revenue compared to increased local board appropriation; and (4) local board appropriation as share of total county expenditures.

Analysis and Findings

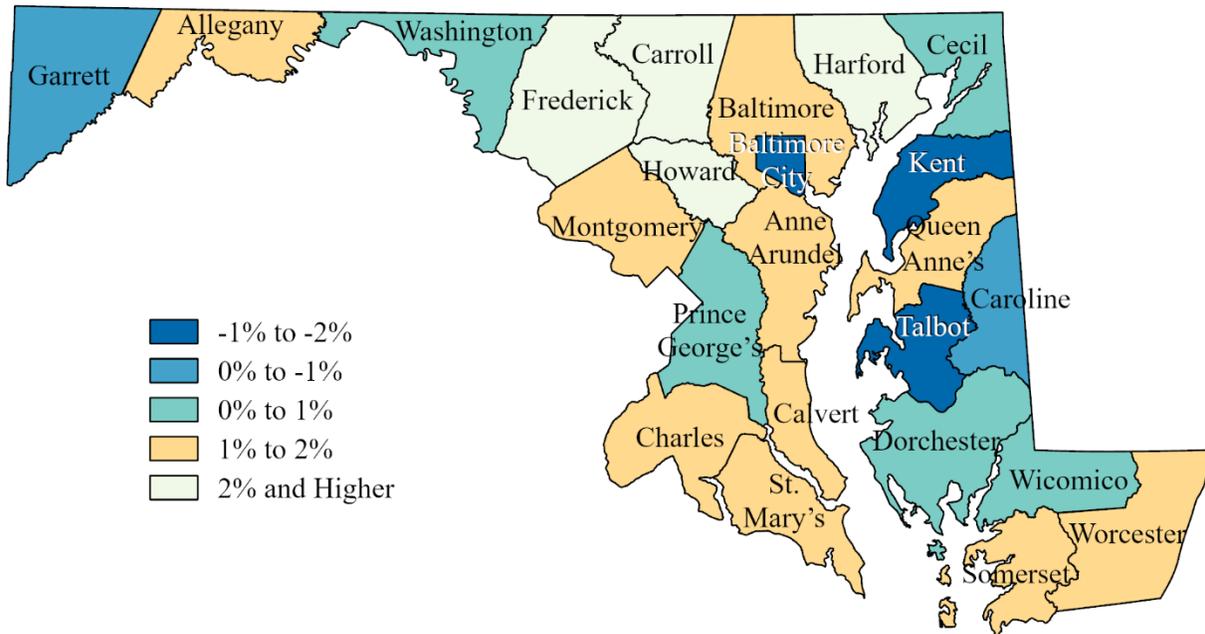
A number of jurisdictions will face fiscal stress at some point in the next 12 years to meet the Blueprint funding requirements. The ability of local governments to manage the additional spending demands will vary based on several factors.

Statewide Local Revenue Growth Projected to Outpace Increase in Local Board Appropriations

Revenue growth rates that approach or exceed the anticipated rate of growth in education spending over the next dozen years would allow local governments to implement the Blueprint with minimal financial stress. DLS compared its projection of the growth in local appropriations for education from fiscal 2022 to 2034 under the Blueprint to the revenue attainment from applying current income and property tax rates to the expected growth in net taxable income and county assessable base over the same period. At the statewide level, revenues from income and property taxes are expected to rise at an average annual rate of 3.9%, while local appropriations for education are expected to grow at a slower rate of 2.9%.

The trends vary greatly among jurisdictions, as shown in **Exhibit 1.1**. For many counties, the projected growth in local revenues over the next 12 years outpaces the required local education funding increases. Education spending growth is expected to outpace revenues in five jurisdictions (Caroline, Kent, Garrett, and Talbot counties and Baltimore City). The gaps are especially large for Baltimore City and Talbot County (1.6 percentage points) and Kent County (1.1 percentage points). This analysis includes income and property tax revenues, which account for 90% of local tax revenues (and much lower than 90% in some jurisdictions); the growth rates for other revenues may vary significantly from the growth rates for income and property tax revenues.

Exhibit 1.1
Percentage Gap between Local Revenue Growth and
Required Growth in Local Appropriation
Fiscal 2022-2034



Source: Department of Legislative Services

In the near term, many local governments should experience budget surpluses as income tax revenues statewide are far outpacing revenue estimates produced when a more severe economic downturn from the COVID-19 pandemic was anticipated. The allocation of hundreds of millions of federal dollars to local governments through the American Rescue Plan Act (ARPA) will also contribute to a strong financial position in fiscal 2023 and potentially several more years as the ARPA funds are authorized to be spent until fiscal 2026.

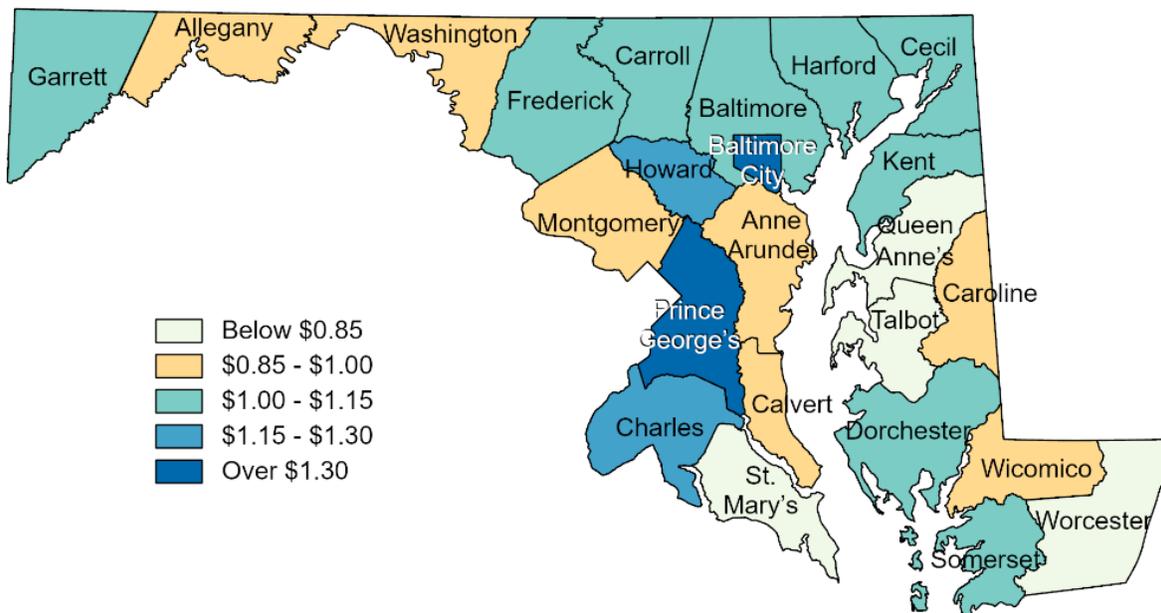
Local Revenue Growth is Projected to Exceed the Recent Trends in
County Government Operating Spending

Analysis of statewide spending trends by county governments and Baltimore City from fiscal 2015 through 2020 shows average annual operating expenditure growth of 3.2%. Excluding local board appropriations, local spending on operations rose at a slightly higher rate of 3.5% annually. If these trends continue, local revenue growth (from income and property taxes) will outpace spending on noneducation operating spending (3.9% vs. 3.5%), which could provide some relief for jurisdictions where local board appropriations outpace revenue growth.

Tax Rates and Capacity Vary Considerably Statewide and Among the Five Most Impacted Jurisdictions

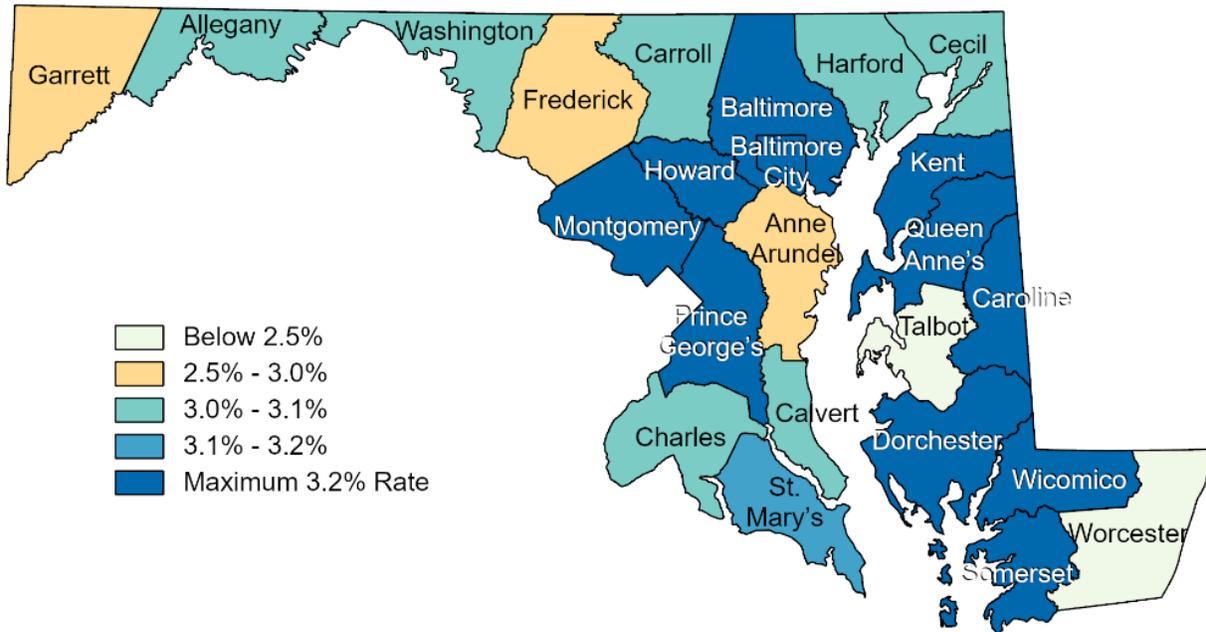
Exhibits 1.2 and 1.3 show the wide range of property and income tax rates across the State. Of the five jurisdictions with the largest projected impact on education spending under the Blueprint – Baltimore City and Caroline, Garrett, Kent, and Talbot counties – Baltimore City and Caroline and Kent counties are at the 3.2% maximum cap for the local income tax. This limits their ability (*i.e.*, capacity) to raise additional revenues from the local income tax by increasing the rate (revenues may still increase under the existing rate depending on the income of local residents). Baltimore City has the highest property tax rate in the State, further limiting its capacity to raise property taxes (again, revenues may still increase under the current rate based on growth in the assessable base). Talbot County has among the lowest income and property tax rates in the State. Talbot is one of five charter counties in the State that have amended their charters to limit property tax rates or revenues. Under State law, counties may exceed the charter limitations on local property taxes for the purpose of funding the approved budget of the local boards of education. Talbot is one of several counties that have utilized this authority since fiscal 2013. See **Appendix 1** for more information on property tax limitations and State law.

Exhibit 1.2
County Property Tax Rates
Fiscal 2022



Source: Department of Legislative Services

Exhibit 1.3
Local Income Tax Rates
Calendar 2022



Source: Department of Legislative Services

Tax Effort and Education Effort Also Vary Considerably Statewide and Among the Five Most Impacted Jurisdictions

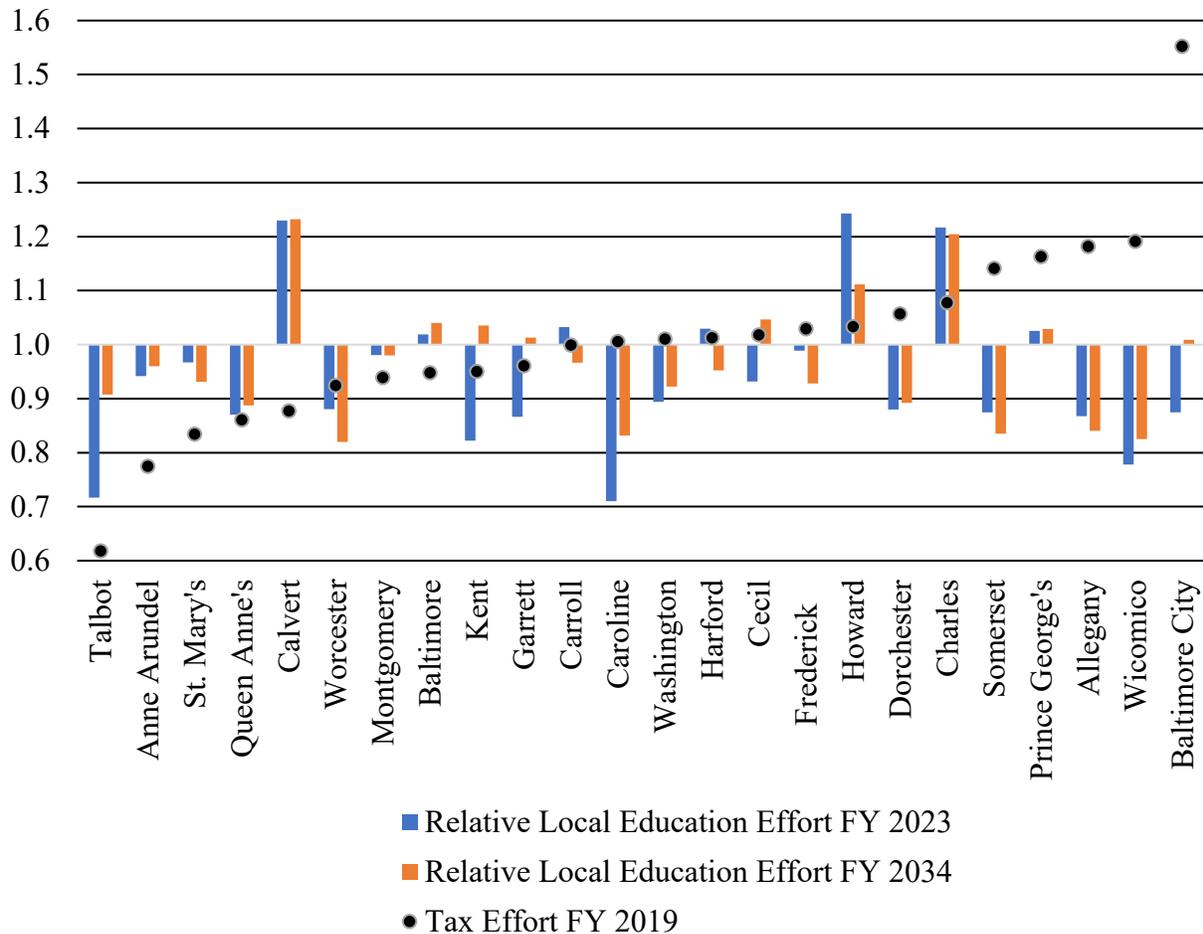
DLS examined jurisdictions' relative tax effort compared to education effort, including local funding increases required by the Blueprint in fiscal 2023 and 2034. Tax effort measures the extent to which the local income and property tax bases are actually taxed in each county, including municipalities.¹ **Exhibit 1.4** shows each county's tax effort in fiscal 2019 (the most recent actual data) from lowest to highest, ranging from approximately 0.6 to nearly 1.6. Exhibit 1.2 also shows projected education effort for each county in fiscal 2023 and 2034. For many counties (16) the change in the education effort index from fiscal 2023 to 2034 is positive, meaning that these counties are projected to have increased education effort at full Blueprint implementation; half (8) of these counties have below-average tax effort and 4 counties are near the average.

Among the 5 most impacted jurisdictions, Baltimore City has the highest tax effort in the State and below average education effort in fiscal 2023; by fiscal 2034 its education effort

¹ [Tax Capacity and Effort of Local Governments in Maryland Report, Fiscal 2019](#)

increases to slightly above average. Caroline County’s tax effort is slightly above the State average, and its education effort is the lowest in the State in fiscal 2023. Talbot County has the next lowest education effort among the 24 jurisdictions and the lowest tax effort in the State. Caroline and Talbot counties’ education effort increases significantly by fiscal 2034 but remains below average. Tax effort in Garrett and Kent counties is just below the statewide average; for both counties, education effort moves from below average to above average over the 12 years.

Exhibit 1.4
Comparison of Local Tax and Education Effort
Fiscal 2019 and Fiscal 2023 and 2034



Source: Department of Legislative Services

Conclusions and Recommendation

A number of jurisdictions will face significant fiscal stress at some point in the next 12 years to meet the Blueprint funding requirements. DLS has identified 5 jurisdictions that will have the greatest impact over the 12-year period – Baltimore City and Caroline, Garrett, Kent and Talbot counties. For 4 jurisdictions, there is a major impact (at least 5% more than the pre-Blueprint amount) beginning immediately in fiscal 2023. The number of jurisdictions with a major impact grows as the Blueprint implementation phases in, with 6 jurisdictions experiencing a major impact in fiscal 2028 and an estimated 10 jurisdictions in fiscal 2034. However, most counties are not projected to experience a major impact, and 5 counties will have no impact in any year.

Given the limited number of jurisdictions projected to have a major impact in the short term, and the more favorable revenue picture local jurisdictions have in contrast to predicted revenue downturns due to COVID-19 and the availability of federal COVID-19 funds, **DLS recommends that the fiscal impact of the Blueprint implementation should be monitored over the next five years with a follow-up local capacity study to be completed in fiscal 2028.**

For those jurisdictions projected to incur a major impact, favorable trends in revenue growth may provide immediate relief along with holding other operating spending growth at or below the recent trend. Revenue enhancements may be a consideration for those jurisdictions under the greatest stress. **Appendix 2** shows the income and property tax rate equivalents associated with the projected increase in local appropriations required by the Blueprint legislation in the 5 jurisdictions with the greatest fiscal impact if the *entire increase* were funded by raising either the income tax or the property tax.

It is important to note that this study relies on projections of both Blueprint expenditures and local revenues over a 12-year period. The State's revenues and expenditures are typically estimated over a 5-year period due to the myriad of assumptions that underpin such a forecast and the sensitivity of those assumptions to modest changes in economic conditions. Projections within, and especially beyond, this timeframe become less reliable with each additional year. Thus, these projected impacts are not etched in stone and future actual results will likely diverge, potentially considerably, by jurisdiction over the next 12 years. To the extent that future local wealth and enrollment (which drive the calculation of most Blueprint formulas) in any year are not in line with DLS projections, the formulas will "self-correct." If a county has lower wealth and/or higher enrollment than DLS projected, that jurisdiction will receive more State education aid with a commensurate reduction in required per pupil local share. Conversely, a jurisdiction that realizes greater wealth or lower enrollment than projected may receive less State education aid and be required to provide a larger per pupil local share.

Chapter 2. Local Funding Requirements

State and Local Funding for Public Schools

Public schools in Maryland are funded by a combination of federal, State, and local sources. In fiscal 2020, federal sources accounted for approximately 4.5% of funding, the State provided approximately 48.5% of funding, and local sources accounted for the remaining 47.0%. The federal government is presently providing considerably more funding than usual to address additional needs during the COVID-19 pandemic. Major funding formulas account for relative local wealth on a per pupil basis, such that the State provides more funding to local school systems in counties with low per pupil wealth. By fiscal 2034, when the Blueprint is fully phased in, though statewide local funding effort will increase substantially, State funding is projected to account for a considerably larger (52%) portion of total public schools funding.

Exhibit 2.1 shows the expected total local appropriations for fiscal 2023 through 2034 prior to the Blueprint. **Exhibit 2.2** shows expected total local appropriations for these years under the Blueprint. The difference in local appropriations is explored under **Chapter 3** of this report. For additional information on State and local funding under the Blueprint, see postings on the Department of Legislative Services website here [Education - General Assembly of Maryland Department of Legislative Services](#).

Exhibit 2.1
Pre-Blueprint Projections – Local Appropriations to Boards of Education
(\$ in Millions)

County	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034
Allegany	\$32.0	\$32.6	\$33.5	\$34.2	\$34.9	\$35.6	\$36.4	\$37.2	\$38.1	\$39.0	\$39.7	\$40.6
Anne Arundel	797.6	816.0	843.0	870.6	895.1	919.5	945.3	970.5	1,001.7	1,008.7	1,041.1	1,074.6
Baltimore City	294.7	296.3	300.2	307.3	311.1	314.4	319.2	325.7	331.2	336.8	342.5	345.5
Baltimore	906.5	925.1	939.3	952.4	963.4	974.7	986.2	1,003.0	1,026.0	1,051.5	1,078.5	1,106.7
Calvert	141.3	146.0	149.1	152.3	155.8	159.4	163.8	168.6	173.3	178.6	184.2	189.8
Caroline	16.0	16.4	16.9	17.3	17.6	17.8	18.2	18.4	18.8	19.2	19.7	20.1
Carroll	205.7	208.8	211.9	215.7	219.7	225.5	233.1	241.3	248.2	255.0	261.0	266.2
Cecil	90.4	92.0	93.5	95.5	97.3	99.3	102.0	105.4	108.5	111.4	114.1	117.1
Charles	208.6	214.6	219.7	225.5	231.1	237.1	244.4	252.5	261.1	269.6	277.6	286.2
Dorchester	21.7	22.4	23.2	23.9	24.5	25.1	25.8	26.8	27.7	28.7	29.0	29.4
Frederick	310.1	315.1	320.2	325.3	331.1	337.6	346.6	357.6	368.6	380.6	392.7	404.4
Garrett	30.1	30.8	31.3	32.4	33.1	34.1	35.2	35.8	36.5	37.3	38.1	38.9
Harford	292.9	296.9	301.4	304.8	308.9	312.9	319.1	327.3	335.7	344.8	354.4	365.6
Howard	660.6	674.9	688.9	701.9	714.3	727.0	741.9	758.4	776.3	792.6	807.2	818.9
Kent	19.5	19.6	19.7	19.7	20.2	20.8	21.6	22.4	22.9	23.5	23.8	24.2
Montgomery	1,814.7	1,837.7	1,855.6	1,869.0	1,902.9	1,944.9	1,989.6	2,039.8	2,096.4	2,154.4	2,210.1	2,270.0
Prince George's	855.1	874.9	890.9	908.0	924.2	940.0	959.0	984.4	1,013.0	1,042.4	1,072.8	1,104.1
Queen Anne's	63.7	65.2	66.7	68.4	70.7	72.3	74.6	77.4	79.9	82.6	85.1	88.0
St. Mary's	116.4	118.7	121.3	124.0	126.5	129.7	133.0	136.8	140.6	143.4	145.4	147.9
Somerset	10.7	10.9	11.2	11.6	11.9	12.1	12.5	12.7	13.1	13.4	13.7	14.0
Talbot	45.4	46.4	47.7	49.4	50.5	52.0	53.6	55.3	56.9	58.6	59.9	61.3
Washington	106.3	108.6	111.3	114.8	117.1	120.1	123.5	127.5	130.9	134.4	138.0	141.7
Wicomico	49.4	50.8	52.2	53.8	54.7	55.6	56.8	58.1	59.5	61.0	62.5	64.1
Worcester	100.1	102.6	103.7	106.3	107.8	110.1	112.2	115.0	118.4	121.9	125.7	129.6
Total	\$7,189.6	\$7,323.4	\$7,452.4	\$7,583.9	\$7,724.2	\$7,877.7	\$8,053.3	\$8,257.9	\$8,483.3	\$8,689.5	\$8,916.8	\$9,148.9

Source: Department of Legislative Services, August 2021

Exhibit 2.2
Blueprint Projections – Local Appropriations to Boards of Education under Chapters 36 and 55
(\$ in Millions)

County	FY 2023	FY 2024	FY 2025	FY2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034
Allegany	\$32.3	\$32.2	\$32.8	\$32.9	\$33.2	\$33.5	\$33.8	\$35.9	\$36.4	\$37.6	\$38.5	\$38.7
Anne Arundel	799.0	815.2	829.9	845.1	857.4	869.7	911.2	962.5	997.5	1,036.3	1,088.9	1,126.2
Baltimore City	359.8	373.5	380.8	402.3	418.9	436.9	457.2	481.1	496.9	514.5	538.0	542.5
Baltimore	906.1	924.2	938.3	951.3	961.9	972.9	1,013.2	1,063.8	1,094.5	1,127.0	1,181.6	1,217.7
Calvert	141.3	146.0	149.1	152.4	156.1	159.8	164.4	169.2	173.7	178.3	183.0	187.8
Caroline	17.0	17.3	17.5	18.8	19.4	20.4	21.2	22.7	23.3	24.3	25.7	26.4
Carroll	205.6	208.4	211.3	215.0	218.7	223.8	230.5	237.1	242.1	246.9	251.5	255.9
Cecil	90.6	92.0	93.6	98.0	102.1	106.6	111.7	117.9	121.7	125.8	132.9	138.1
Charles	208.5	214.5	219.6	225.4	230.7	236.3	242.7	249.7	256.9	264.0	271.1	278.3
Dorchester	21.7	22.1	22.6	22.8	23.6	24.3	25.3	26.3	26.8	27.3	28.1	28.4
Frederick	310.2	315.5	321.0	326.3	332.2	338.6	346.9	356.2	364.8	373.5	393.9	411.2
Garrett	30.1	30.7	31.2	32.2	33.7	35.4	37.6	40.4	42.1	43.7	45.7	47.0
Harford	293.1	297.6	302.8	306.9	311.7	316.1	322.5	330.5	337.9	345.5	353.1	361.0
Howard	660.2	674.1	687.7	700.2	711.7	723.2	736.0	750.2	765.5	780.4	795.1	809.7
Kent	19.5	20.2	20.6	21.9	23.0	24.2	25.5	27.3	28.3	29.4	30.5	31.2
Montgomery	1,814.3	1,837.4	1,855.4	1,868.6	1,878.1	1,909.7	1,999.2	2,104.1	2,175.6	2,254.0	2,349.3	2,412.2
Prince George's	899.1	938.8	944.1	976.7	994.3	1,014.8	1,041.6	1,066.7	1,102.0	1,139.2	1,210.2	1,263.5
Queen Anne's	64.0	65.3	66.8	68.5	70.4	71.8	73.9	76.7	78.9	82.1	86.1	88.8
St. Mary's	116.3	118.7	121.4	124.1	126.5	129.4	132.5	135.6	139.0	142.1	145.9	149.5
Somerset	10.7	10.6	10.7	10.9	11.0	11.0	11.6	12.3	12.5	13.0	13.1	13.1
Talbot	48.7	50.7	52.1	55.7	58.4	61.5	65.0	69.3	72.0	74.7	78.5	81.0
Washington	108.8	108.5	108.6	110.0	114.7	118.5	123.6	129.7	133.4	137.5	143.6	146.4
Wicomico	50.6	50.7	50.9	51.9	54.5	56.0	58.5	61.2	62.6	64.4	68.5	70.0
Worcester	100.1	102.7	104.0	106.7	108.4	110.7	112.6	115.2	118.0	120.9	123.9	126.8
Total	\$7,307.4	\$7,466.9	\$7,572.7	\$7,724.8	\$7,850.5	\$8,005.3	\$8,298.2	\$8,641.5	\$8,902.3	\$9,182.5	\$9,576.8	\$9,851.5

Source: Department of Legislative Services, August 2021

Local Education Funding Requirements

Each year, county government (including Baltimore City) is required to appropriate funds to the local board of education equivalent to at least the same per pupil level as in the prior year (maintenance of effort, or MOE), or its required local share – whichever is greater. Beginning with the fiscal 2022 appropriation, the per pupil MOE level each year is based upon the greater of (1) the prior year full-time equivalent (FTE) enrollment and (2) the three-year moving average of FTE enrollment. (To address the impact of the COVID-19 pandemic on enrollment, fall 2020 counts are not included in FTE enrollment.)

The Blueprint repeals, beginning in fiscal 2024, the requirement (known as the MOE escalator) that a county that is below the statewide five-year moving average education effort level must increase its per pupil MOE amount by the lesser of (1) the increase in local wealth per pupil; (2) the statewide average increase in local wealth per pupil; or (3) 2.5%. The Maryland State Department of Education must report by November 1, 2022, on the impact on school funding of repealing this requirement.

New Local Share Requirement

Under pre-Blueprint law, counties were required to fund the local share of the foundation program. Beginning in fiscal 2023, the local share requirement under the Blueprint continues to include the local share of the foundation formula but, in addition, counties must fund the local share of all other existing and new major aid programs that have a local share. This includes the compensatory education, English-language learner, and special education formulas; comparable wage index (beginning in fiscal 2024); full-day prekindergarten (beginning in fiscal 2023); and college and career ready, transitional supplemental instruction (through fiscal 2026), and career ladder grant programs. Counties that benefit from the compensatory education State funding floor are also required to fund the local share of the concentration of poverty grant program.

For some counties, the expanded local share requirement greatly exceeds the per pupil MOE amount that they have been required to fund for many years prior to the Blueprint. The local share of the foundation formula is less than per pupil MOE for every county, which means that the per pupil MOE level has effectively been the local funding requirement for education, and was projected to continue indefinitely in the future, prior to the Blueprint. The number of counties for which local share (plus local retirement costs, as discussed below) exceeds the per pupil MOE requirement is projected to grow from as few as 5 counties in fiscal 2023 to as many as 18 counties by fiscal 2030 and beyond, as shown in **Exhibit 2.3**.

Exhibit 2.3
Local Share Plus Local Retirement Exceeds Per Pupil
Maintenance of Effort – Projections

	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034
Allegany							√	√	√	√	√	√
Anne Arundel							√	√	√	√	√	√
Baltimore City	√	√	√	√	√	√	√	√	√	√	√	√
Baltimore							√	√	√	√	√	√
Calvert												
Caroline	√	√	√	√	√	√	√	√	√	√	√	√
Carroll												
Cecil			√	√	√	√	√	√	√	√	√	√
Charles												
Dorchester	√			√	√	√	√	√	√	√	√	
Frederick								√	√	√	√	√
Garrett				√	√	√	√	√	√	√	√	√
Harford												
Howard												
Kent		√	√	√	√	√	√	√	√	√	√	√
Montgomery							√	√	√	√	√	√
Prince George’s	√	√		√	√	√	√	√	√	√	√	√
Queen Anne’s								√	√	√	√	√
St. Mary’s								√	√	√	√	√
Somerset				√	√	√	√	√	√	√	√	√
Talbot	√	√	√	√	√	√	√	√	√	√	√	√
Washington				√	√	√	√	√	√	√	√	√
Wicomico		√		√	√	√	√	√	√	√	√	√
Worcester												
Total	5	6	5	11	11	12	15	18	18	18	18	16

Note: For this comparison, local share accounts for provisions that provide relief from the local share obligation

Source: Department of Legislative Services

One reason that the combined local share exceeds per pupil MOE for some counties is the historical local appropriation trend. Counties that have consistently provided more funding than required by MOE are more likely to meet the combined local share requirement without the need for additional local appropriations. MOE represents the minimum amount of local funding that must be provided for local school systems; it is a floor, not a ceiling. Based on local appropriation data from fiscal 2017 through 2022, **Exhibit 2.4** shows that 7 counties have exceeded MOE in at least 5 of the past 6 years. For 8 counties, the record is mixed with counties exceeding MOE in 3 or 4 of the past 6 years. Finally, 9 counties have *not* exceeded MOE in at least 4 years. Most of these counties are low-wealth counties, as will be discussed further in the next section.

Exhibit 2.4
Per Pupil Maintenance of Effort Funding Trend
Fiscal 2017-2022

<u>Tends to Exceed</u>	<u>Mixed</u>	<u>Tends Not to Exceed</u>
Anne Arundel	Baltimore Co.	Allegany
Carroll	Calvert	Baltimore City
Charles	Cecil	Caroline
Frederick	Kent	Dorchester
Harford	Montgomery	Garrett
Howard	Prince George's	Queen Anne's
St. Mary's	Talbot	Somerset
	Worcester	Washington
		Wicomico

Source: Department of Legislative Services

Education Effort Adjustment to Local Share Requirement

For some counties, the combined local share across these several major aid programs is subject to certain adjustments. Though the Blueprint maintains the requirement that local governments fund the local share of the foundation program and establishes required local shares for several existing and new funding formula programs, constituting considerable increases to the total local share requirement, the bill also includes a mechanism for establishing a maximum local share that a county must fund each year. This involves “local education effort,” which is determined for each county by dividing the county’s local share of major education aid by the county’s wealth. An “education effort index,” which is the local education effort divided by the “State average education effort” is then determined. A “maximum local share” is calculated for each county, which is the county’s local wealth multiplied by the State average education effort.

Each county with an education effort above 1.0 for two consecutive years receives relief based upon its “education effort adjustment,” which is the amount by which that calculated local share exceeds the maximum local share. This relief (which results in increases to State aid) is provided to counties within one of three tiers, based on whether the education effort is (1) greater than 1.0 but less than 1.15; (2) at least 1.15 but less than 1.27; or (3) at least 1.27.

State relief for the first tier is phased up from 20% of the education effort adjustment in fiscal 2023 to 50% by fiscal 2030. State relief for the second tier is phased up from 23% of the education effort adjustment in fiscal 2023 to 100% by fiscal 2030. State relief for the third tier is 100% beginning in fiscal 2023. However, the education adjustment for a county is only allowed to the degree that the per pupil MOE requirement is met each year. New State funding for the education effort adjustment to provide local share relief is projected to grow from \$139 million in fiscal 2023 to \$441 million by fiscal 2034. (Note fiscal 2023 estimates throughout this report are the Department of Legislative Services (DLS) projections from August 2021 and do not reflect fall 2021 enrollment or wealth data. The fiscal 2023 State budget for education aid formulas will include the most recent data.)

Additional Reductions to Local Share

A county may also be eligible for a reduction in the required local share of major aid formulas in three additional ways: (1) if a county receives State funds from the Guaranteed Tax Base (GTB) program, the local share may be reduced by the amount of GTB funds, except that for Baltimore City only the amount above \$10 million may be reduced from the local share; (2) if a county receives State funds to support the minimum funding floors of 15% for the foundation and 40% for the targeted programs; and (3) if a county has a Comparable Wage Index (CWI) of at least 0.13, the local share of CWI may be reduced by 50%. However, in all of these cases, the local share may not be reduced below the required per pupil MOE amount. For these three reductions, State funding provided through specified formulas (e.g., GTB, CWI) is used to offset the local share.

Overall, as shown in **Exhibit 2.5**, 8 counties are projected to receive reductions to the local share in fiscal 2023 totaling approximately \$150 million, increasing to an estimated 17 counties receiving more than \$500 million in local share relief by fiscal 2030 and beyond.

Exhibit 2.5
Estimated Local Share Relief
Assumes the Required Local Share Total May Not Cover Local Retirement
(\$ in Millions)

County	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034
Allegany	\$0.0	-\$0.5	-\$0.6	-\$2.1	-\$2.8	-\$3.8	-\$4.4	-\$4.3	-\$4.8	-\$4.7	-\$5.0	-\$5.3
Anne Arundel	0.0	0.0	0.0	0.0	0.0	-9.4	-9.4	-10.2	-10.1	-9.7	-10.0	-9.8
Baltimore City	-106.0	-119.8	-123.9	-136.9	-139.1	-145.7	-154.2	-168.2	-175.5	-178.3	-190.5	-208.5
Baltimore	0.0	0.0	0.0	0.0	0.0	-12.7	-15.1	-18.8	-18.3	-18.1	-18.9	-19.1
Calvert	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Caroline	-2.0	-2.3	-2.3	-2.1	-2.4	-2.3	-2.5	-2.5	-2.9	-2.8	-2.8	-3.2
Carroll	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cecil	0.0	0.0	0.0	0.0	0.0	-0.1	-0.4	-0.9	-1.0	-1.2	-1.5	-1.8
Charles	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Dorchester	-2.0	-2.3	-1.9	-2.7	-2.6	-2.7	-2.7	-2.9	-3.1	-3.2	-3.3	-3.3
Frederick	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Garrett	0.0	0.0	0.0	-0.4	-0.4	-0.4	-0.4	-0.4	-0.4	-0.5	-0.4	-0.4
Harford	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Howard	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Kent	-1.4	-1.3	-1.3	-1.4	-1.5	-1.6	-1.8	-2.2	-2.3	-2.4	-2.6	-2.8
Montgomery	0.0	0.0	0.0	0.0	-21.8	-62.7	-64.6	-67.4	-67.7	-67.9	-69.0	-68.1
Prince George's	-32.8	-63.0	-82.2	-104.5	-123.7	-145.7	-169.2	-206.8	-212.8	-213.2	-221.9	-225.8
Queen Anne's	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.4	-0.4	-0.4	-0.4	-0.4
St. Mary's	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Somerset	-0.4	-0.8	-0.9	-1.3	-1.4	-1.8	-1.7	-1.8	-2.0	-1.9	-2.1	-2.0
Talbot	-6.4	-6.3	-6.3	-6.2	-6.4	-6.4	-6.4	-6.5	-6.5	-6.6	-6.3	-5.8
Washington	0.0	-0.9	-2.7	-7.5	-7.1	-7.7	-8.1	-8.9	-9.5	-9.6	-10.0	-11.0
Wicomico	-3.3	-5.2	-5.6	-7.1	-6.6	-7.2	-7.2	-7.6	-8.2	-8.1	-7.8	-9.0
Worcester	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-4.3	-6.4	-8.2	-12.6	-13.8
Unallocated	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Statewide	-\$154.3	-\$202.4	-\$227.7	-\$272.3	-\$316.0	-\$410.0	-\$447.9	-\$514.1	-\$531.9	-\$536.8	-\$564.9	-\$589.9

Note: Local share relief includes the education effort adjustment and additional relief provisions.

Source: Department of Legislative Services, August 2021

DLS Projection of Local Appropriations and Student Enrollment

DLS projects local appropriations under the Blueprint by comparing total funding results derived from (1) prior year trends in per pupil funding, (2) per pupil MOE requirements, and (3) the combined local share of major formula programs. Making use of enrollment projections, total funding is projected to be the highest amount derived from that comparison in each year, while also accounting for assumptions with respect to local retirement obligations (as discussed further below). The prior year trends for some counties reflect funding above required per pupil MOE; thus, the projections of local appropriations account for the likelihood that some counties will continue to fund above required levels.

DLS enrollment projections make use of a combination of Maryland Department of Planning projections of student population growth for each county and prior year data and trends (also by county) for the particular enrollment inputs used in calculating State aid formulas. These include full-time equivalent enrollment, used for the foundation program and other programs; free and reduced-price meal counts, used for the compensatory education and new concentration of poverty grant programs; and counts of students eligible for other programs, including special education students, English-language learners, and students using special transportation. Given early warning systems under the Blueprint to identify students who are struggling to learn and the immediate interventions that will be available to put these students back on track toward achieving college and career readiness, a substantial decline in the number of students identified as being in need of a special education individualized education program (IEP) is anticipated. Therefore, the procedure for projection of the counts for special education formula funding has been modified to account for anticipated declines over several years.

None of the per pupil funding under the major formula programs for which a local share is required is intended to cover local retirement costs. The local share requirement under the Blueprint is designed to ensure that, through a combination of State and local funding, the full per pupil funding is provided for each major formula, which does not include local retirement. Local school boards have been required to pay a portion of teacher retirement costs (the normal cost) since fiscal 2012, phased in over four years; prior to that, the State paid 100% of teacher retirement costs. During the phase-in period, county governments (including Baltimore City) were required to appropriate the required local share of teacher retirement to the local school boards in addition to meeting the MOE requirement. Beginning in fiscal 2016, the county appropriation for teacher retirement from the prior year was folded into the per pupil MOE requirement.

Thus, presently, a portion of the annual per pupil MOE requirement represents the local share of teacher retirement costs. In projecting local appropriations, when comparing the per pupil MOE requirement (which includes funds for retirement) to the local share requirement, DLS added the local share of retirement costs to the local share total. Though counties are not specifically obligated to appropriate additional funds for teacher retirement, under the DLS assumption, every county is providing its local school system with funds to cover the school system's retirement expenditure obligation. Counties may, however, choose not to provide additional funds to cover

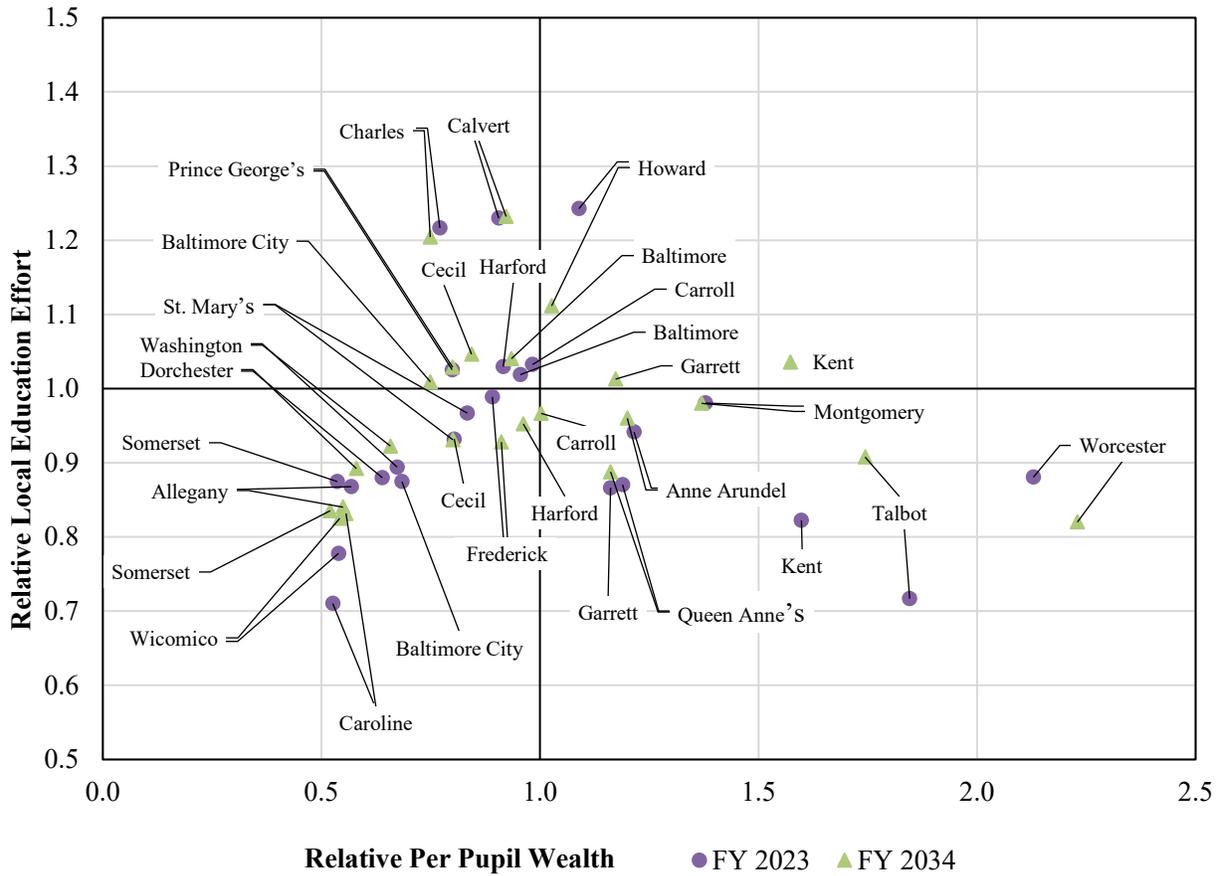
retirement costs as long as the MOE obligation is met. Such decisions would result in lower local appropriation totals than those assumed by DLS.

Total Local Education Effort

Total local education funding effort is determined by dividing total local appropriations for public schools by total local wealth. (This is a different calculation for effort than used in the education effort index discussed above.) **Exhibit 2.6** shows the projected per pupil relative local effort by county in fiscal 2023 and 2034 under the Blueprint, with both per pupil effort and per pupil wealth indexed to the statewide average (expressed for both as 1.0). Changes in local wealth and local effort on a per pupil basis vary by county. For example, Worcester County is shown to have more than twice the statewide average local wealth per pupil and is projected to exert less than the statewide average local effort, while Carroll County remains near the statewide average for both measures. The exhibit shows that some counties realize considerable shifts in per pupil effort over this period, as necessitated by the Blueprint legislation. Statewide local effort increases substantially from fiscal 2023 to 2034.

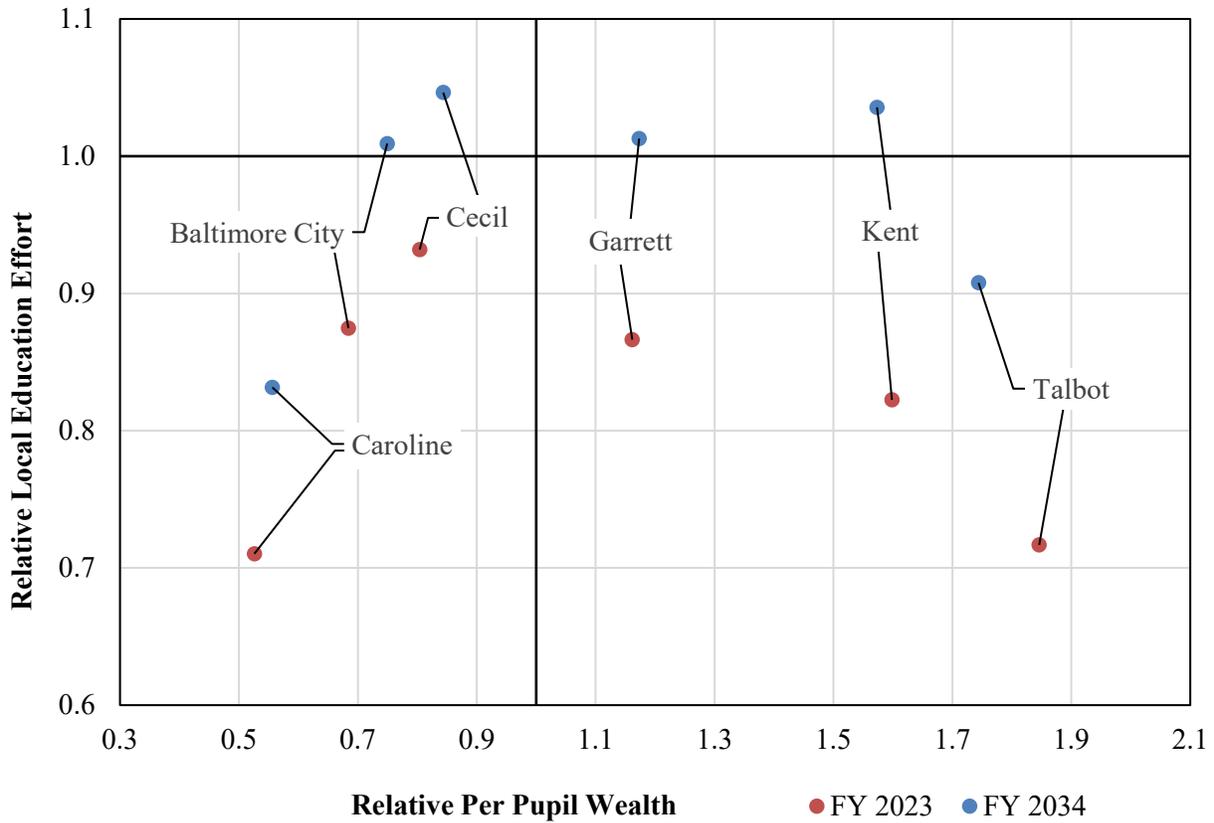
Exhibit 2.7 highlights the counties that are most impacted by the Blueprint in terms of increased per pupil local appropriations from fiscal 2023 to 2034. These 6 counties – including Baltimore City – will need to increase their local effort from below the statewide average to slightly above the average in most cases. Further, local per pupil wealth in these counties is not increasing to the degree that effort must increase, with local wealth being one proxy for the availability of local revenues to meet the increased local effort levels. The next chapter will discuss local revenues and explore possible sources of additional revenue.

Exhibit 2.6
Comparison of Relative Local Education Effort and Per Pupil Wealth
Fiscal 2023 and 2034



Source: Department of Legislative Services

Exhibit 2.7
Comparison of Relative Local Education Effort and
Per Pupil Wealth – Select Counties
Fiscal 2023 and 2024



Source: Department of Legislative Services

Chapter 3. Local Fiscal Impact

Increase in Local Board Appropriations

Under the Blueprint legislation, the required local appropriations to the boards of education will increase by \$119.6 million in fiscal 2023 and \$743.2 million by fiscal 2034. This represents a 1.7% increase (over the pre-Blueprint amount) in fiscal 2023 and an 8.1% increase in fiscal 2034. Due to the differences in the current funding practices among the counties, the overall impact varies by jurisdiction with 14 jurisdictions required to increase local funding over current practices in fiscal 2023 and 15 jurisdictions required to increase local funding in fiscal 2034. Of the affected jurisdictions, several will incur a major local funding increase (as defined by a 5% or greater increase in the annual local appropriation), while other jurisdictions will incur a moderate (2.5% to 5%) or minor (less than 2.5%) increase. Over the 12-year period, the number of jurisdictions that will incur a major fiscal impact increases from 4 in fiscal 2023 to 10 in fiscal 2034.

Exhibit 3.1 shows the increase in local appropriations needed to meet the requirements of the Blueprint legislation in fiscal 2023 (the first year of implementation), fiscal 2028, and fiscal 2034 (the first year of full implementation) both in dollars and as a total percentage increase above the expected local appropriation without the Blueprint. The exhibit also shows the required increase on a per pupil basis.

Exhibit 3.1
Projected Total Increase Above Expected Local Appropriations Due to Blueprint Legislation

County	Increase in Required Local Appropriation			Percent Above Pre-Blueprint Appropriation			Per Pupil Appropriation Above Pre-Blueprint		
	FY 2023	FY 2028	FY 2034	FY 2023	FY 2028	FY 2034	FY 2023	FY 2028	FY 2034
Allegany	\$340,642	\$0	\$0	1.1%	0.0%	0.0%	\$43	\$0	\$0
Anne Arundel	1,339,285	0	51,526,401	0.2%	0.0%	4.8%	16	0	571
Baltimore City	65,017,331	122,515,272	197,012,394	22.1%	39.0%	57.0%	891	1,766	2,973
Baltimore	0	0	111,088,110	0.0%	0.0%	10.0%	0	0	960
Calvert	0	465,110	0	0.0%	0.3%	0.0%	0	30	0
Caroline	983,723	2,607,020	6,353,084	6.2%	14.6%	31.6%	178	480	1,204
Carroll	0	0	0	0.0%	0.0%	0.0%	0	0	0
Cecil	175,262	7,291,471	20,984,542	0.2%	7.3%	17.9%	12	504	1,452
Charles	0	0	0	0.0%	0.0%	0.0%	0	0	0
Dorchester	0	0	0	0.0%	0.0%	0.0%	0	0	0
Frederick	125,422	951,053	6,741,376	0.0%	0.3%	1.7%	3	22	150
Garrett	0	1,337,774	8,092,822	0.0%	3.9%	20.8%	0	371	2,214
Harford	260,514	3,255,410	0	0.1%	1.0%	0.0%	7	89	0
Howard	0	0	0	0.0%	0.0%	0.0%	0	0	0
Kent	3,105	3,330,371	7,009,276	0.0%	16.0%	28.9%	2	1,913	3,957
Montgomery	0	0	142,191,284	0.0%	0.0%	6.3%	0	0	857
Prince George's	44,024,980	74,783,412	159,337,802	5.1%	8.0%	14.4%	331	545	1,124
Queen Anne's	255,304	0	816,698	0.4%	0.0%	0.9%	34	0	103
St. Mary's	0	0	1,618,009	0.0%	0.0%	1.1%	0	0	87
Somerset	0	0	0	0.0%	0.0%	0.0%	0	0	0
Talbot	3,348,582	9,497,542	19,717,658	7.4%	18.3%	32.2%	749	2,069	4,170
Washington	2,495,825	0	4,718,499	2.3%	0.0%	3.3%	114	0	212
Wicomico	1,185,997	348,761	5,979,519	2.4%	0.6%	9.3%	81	24	413
Worcester	9,183	560,754	0	0.0%	0.5%	0.0%	1	87	0
Total	\$119,565,154	\$226,943,950	\$743,187,474	1.7%	2.9%	8.1%			

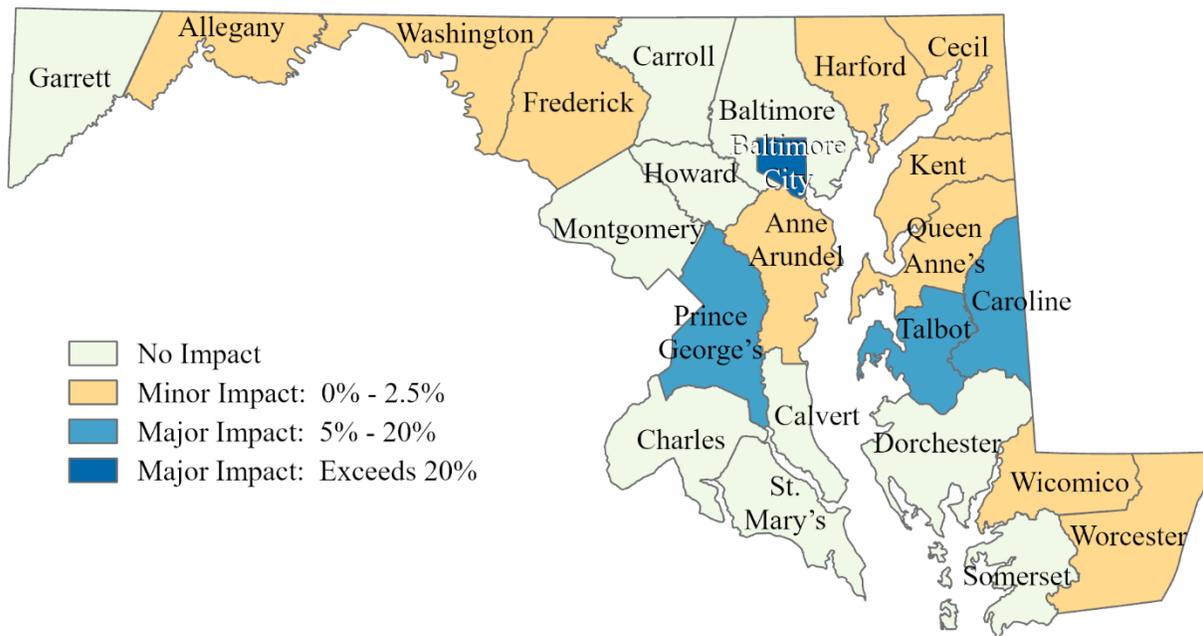
Source: Department of Legislative Services

Fiscal 2023

Major Impact Jurisdictions

In fiscal 2023, four jurisdictions will be required to significantly increase their local appropriations to meet Blueprint requirements. Baltimore City and Caroline, Prince George’s, and Talbot counties will each require local appropriations that are at least 5% greater than pre-Blueprint amounts, as shown in **Exhibit 3.2**. In fiscal 2023, Baltimore City will be required to increase its local appropriation by \$65.0 million, which represents a 22.1% increase over the pre-Blueprint amount and Prince George’s County will be required to increase its local appropriation by \$44.0 million, which represents a 5.1% increase. On a per pupil basis, the required increase totals \$891 in Baltimore City and \$331 in Prince George’s County.

Exhibit 3.2
Required Local Board Appropriation Under Blueprint Legislation
Percent Above Pre-Blueprint Amount
FY 2023



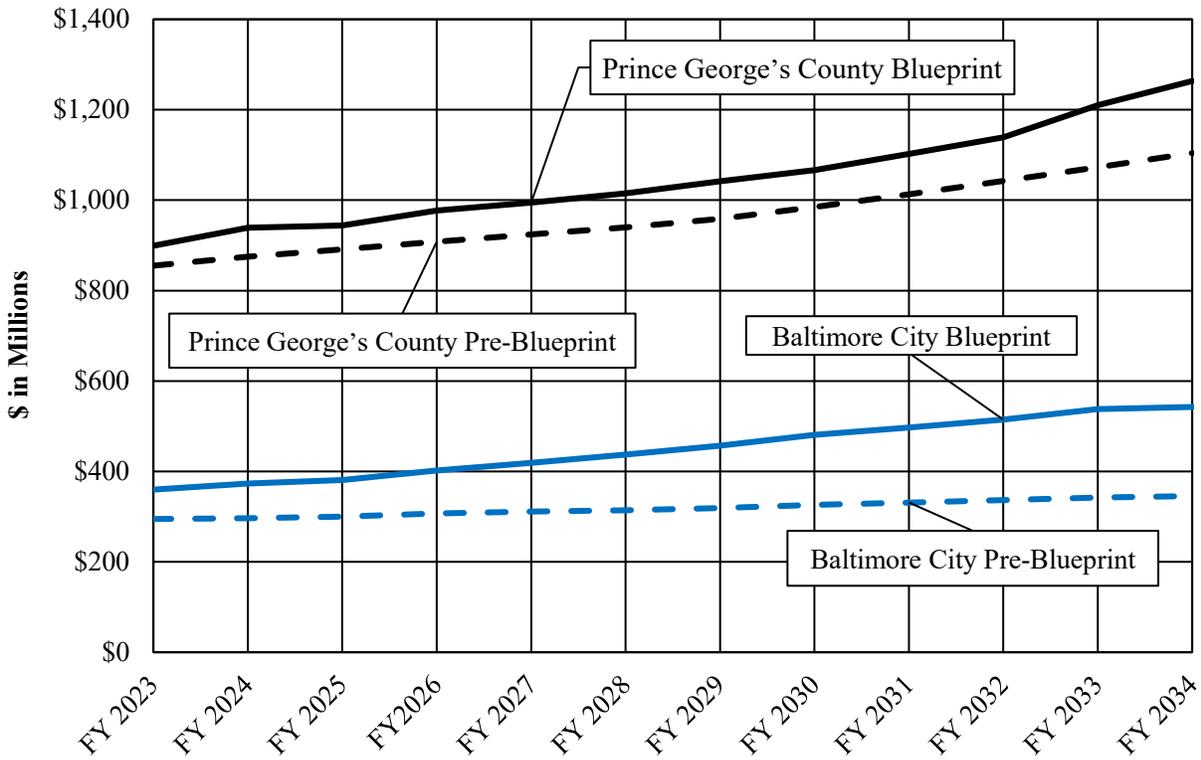
Source: Department of Legislative Services

The relative increases in local appropriations in fiscal 2023 are also significant in Talbot and Caroline counties. Talbot County will be required to increase its local appropriation by \$3.3 million, which represents a 7.4% increase over the pre-Blueprint amount and Caroline County will be required to increase its local appropriation by \$1.0 million, which represents a 6.2%

increase. On a per pupil basis, the required increase totals \$749 in Talbot County and \$178 in Caroline County.

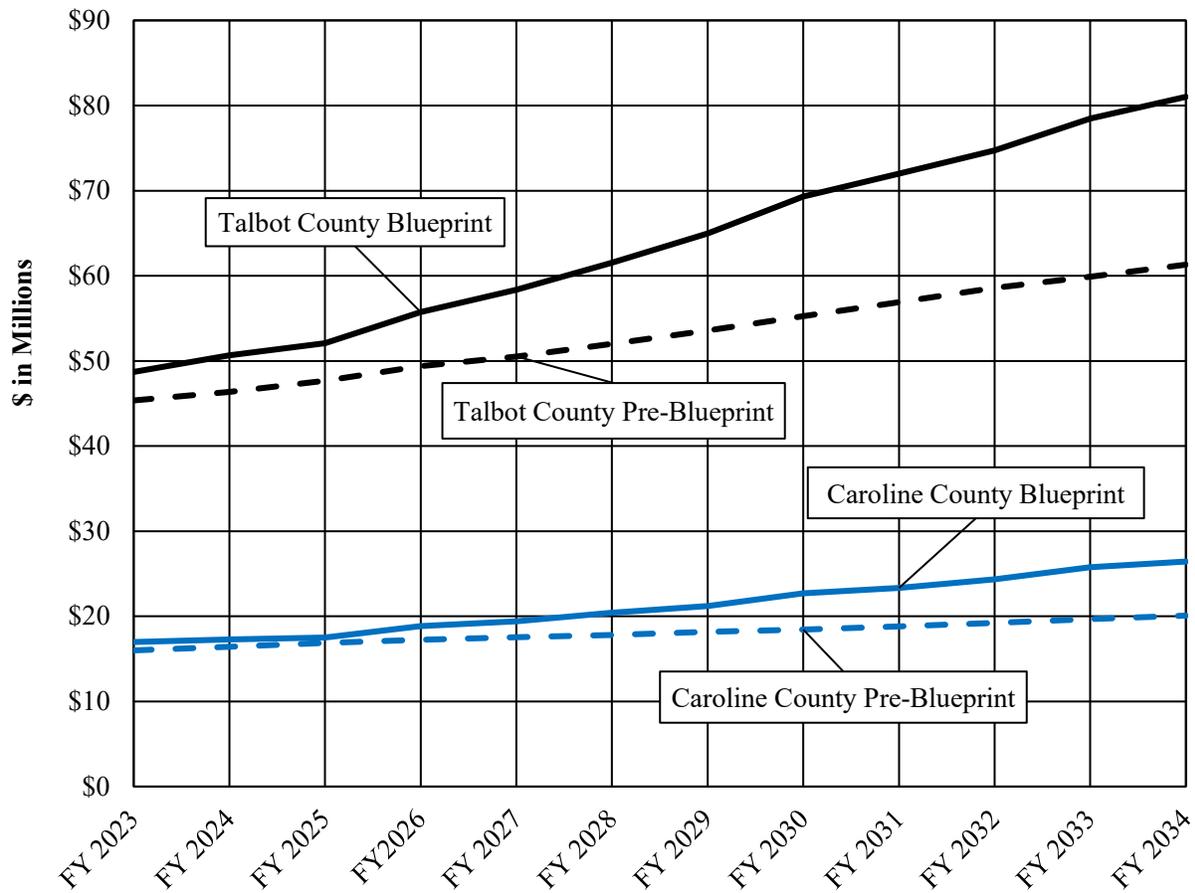
Exhibits 3.3 and **3.4** compare the growth in local appropriations under the Blueprint with the expected local appropriation under current practice (pre-Blueprint expected appropriations) in fiscal 2023 through 2034 for the major impact jurisdictions.

Exhibit 3.3
Projected Increase in Local Board Appropriation
Baltimore City and Prince George's County
Fiscal 2023-2034



Source: Department of Legislative Services

Exhibit 3.4
Projected Increase in Local Board Appropriation
Caroline and Talbot Counties
Fiscal 2023-2034



Source: Department of Legislative Services

Minor Impact Jurisdictions

Allegany, Anne Arundel, Cecil, Frederick, Harford, Kent, Queen Anne’s, Washington, Wicomico, and Worcester counties all require less than a 2.5% increase in local appropriations over pre-Blueprint expected appropriations in fiscal 2023.

No Impact Jurisdictions

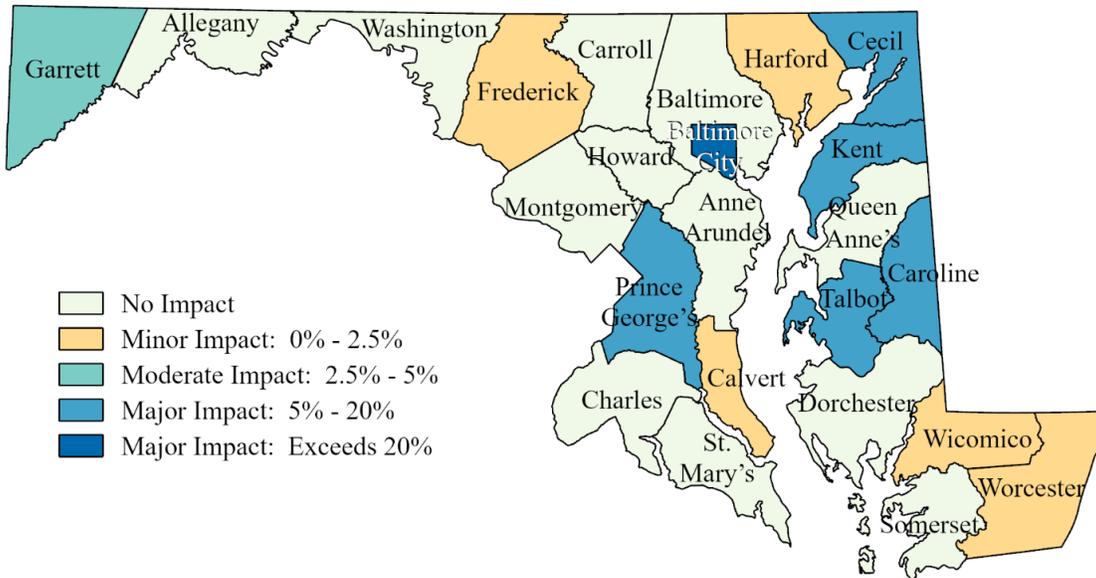
Baltimore, Calvert, Carroll, Charles, Dorchester, Garrett, Howard, Montgomery, St. Mary's, and Somerset counties will require no additional local appropriations in fiscal 2023 to meet the requirements of the Blueprint.

Fiscal 2028

Major Impact Jurisdictions

By fiscal 2028, six jurisdictions will require local appropriations that are at least 5% greater than pre-Blueprint amounts, as shown in **Exhibit 3.5**. Baltimore City will require the largest additional local appropriation totaling \$122.5 million or 39.0% above the pre-Blueprint amount. On a per pupil basis, the required increase totals \$1,766 per pupil. Caroline, Cecil, Kent, Prince George's, and Talbot counties also require significant increases above the expected pre-Blueprint levels. On a per pupil basis, the required increase totals \$480 in Caroline County, \$504 in Cecil County, \$1,913 in Kent County, \$545 in Prince George's County, and \$2,069 in Talbot County. This represents a 14.6% increase in Caroline County, a 7.3% increase in Cecil County, a 16.0% increase in Kent County, an 8.0% increase in Prince George's County, and an 18.3% increase in Talbot County.

Exhibit 3.5
Required Local Board Appropriation Under Blueprint Legislation
Percent Above Pre-Blueprint Amount
FY 2028



Source: Department of Legislative Services

Moderate Impact Jurisdictions

Only Garrett County will require a moderate level of additional local appropriations to meet the requirements of the Blueprint legislation in fiscal 2028. The county's local board appropriation will need to increase by an additional \$1.3 million, which represents a 3.9% or \$371 per pupil increase.

Minor Impact Jurisdictions

Five jurisdictions (Calvert, Frederick, Harford, Wicomico, and Worcester counties) will require only a minimal increase in their local appropriation as compared to the pre-Blueprint amount.

No Impact Jurisdictions

Twelve jurisdictions (Allegany, Anne Arundel, Baltimore, Carroll, Charles, Dorchester, Howard, Montgomery, Queen Anne's, St. Mary's, Somerset, and Washington counties) will require no additional local appropriations in fiscal 2028 to meet the requirements of the Blueprint legislation.

Fiscal 2034

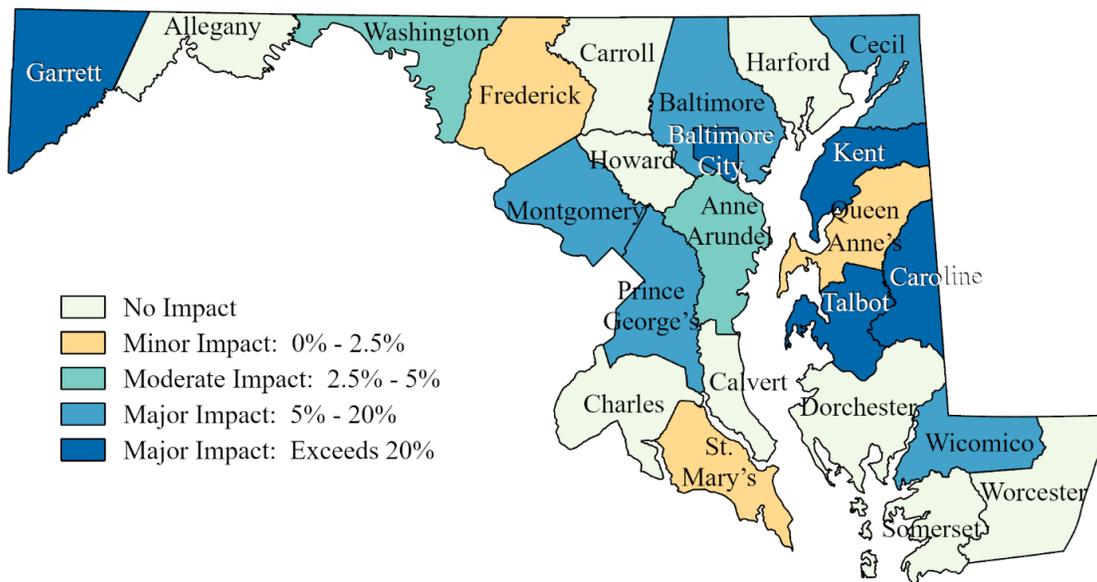
Major Impact Jurisdictions

By fiscal 2034, Baltimore City and Baltimore, Caroline, Cecil, Garrett, Kent, Montgomery, Prince George's, Talbot, and Wicomico counties will require local appropriations that are at least 5% greater than pre-Blueprint amounts, as shown in **Exhibit 3.6**. Of these jurisdictions, Baltimore City will require the largest additional local appropriation totaling \$197.0 million or 57% above the pre-Blueprint amount. On a per pupil basis, the required increase totals \$2,973.

Baltimore, Montgomery, and Prince George's counties also require significant increases above the expected pre-Blueprint levels. Baltimore County requires an additional \$111.1 million or a 10% increase resulting in an additional \$960 per pupil. Montgomery County requires an additional \$142.2 million or a 6.3% increase resulting in an additional \$857 per pupil. Prince George's County requires an additional \$159.3 million or a 14.4% increase resulting in an additional \$1,124 per pupil.

Relative to their student enrollment, Caroline, Cecil, Garrett, Kent, Talbot, and Wicomico counties will also require a significant increase in their local appropriations in fiscal 2034 to meet the requirements of the Blueprint legislation. In fiscal 2034, Caroline County requires a \$6.4 million or a 31.6% increase over the expected pre-Blueprint appropriation, Cecil County requires \$21.0 million or 17.9%, Garrett County requires \$8.1 million or 20.8%, Kent County requires \$7.0 million or 28.9%, Talbot County requires \$19.7 million or 32.2%, and Wicomico County requires \$6.0 million or 9.3%. For these smaller counties, the additional appropriations translate to a relatively large per pupil increase. For example, the per pupil increase in local appropriations totals \$1,204 in Caroline County, \$1,452 in Cecil County, \$2,214 in Garrett County, \$3,957 in Kent County, \$4,170 in Talbot County, and \$413 in Wicomico County.

Exhibit 3.6
Required Local Board Appropriation Under Blueprint Legislation
Percent Above Pre-Blueprint Amount
FY 2034



Source: Department of Legislative Services

Moderate Impact Jurisdictions

In fiscal 2034, Anne Arundel and Washington counties will require a moderate level of additional local appropriations to meet the requirements of the Blueprint legislation. Anne Arundel County will require about \$51.5 million or 4.8% more than pre-Blueprint amounts, which represents \$571 on a per pupil basis. Washington County will require an additional \$4.7 million or a 3.3% increase, which represents \$212 on a per pupil basis.

Minor Impact Jurisdictions

Frederick, Queen Anne's, and St. Mary's counties are projected to require a local appropriation that is at most 1.7% higher than the expected pre-Blueprint amount.

No Impact Jurisdictions

Nine jurisdictions (Allegany, Calvert, Carroll, Charles, Dorchester, Harford, Howard, Somerset, and Worcester counties) will not be required to increase their local appropriations in fiscal 2034, since their projected appropriations under current practices exceed the amount required under the Blueprint legislation.

Trends from Fiscal 2023 to 2034

Baltimore City and Caroline, Cecil, Kent, Prince George's, and Talbot counties will be required to increase their local appropriations annually through fiscal 2034 to meet the Blueprint funding requirement.

Some counties will not need to increase local appropriations significantly at the start of the Blueprint implementation (fiscal 2023) but will realize more significant impacts as the Blueprint legislation is implemented. For example, five counties (Baltimore, Calvert, Garrett, Montgomery, and St. Mary's) require no increase in their local appropriations over the first two to six fiscal years of Blueprint implementation but will require an increase in later fiscal years. The projected increase in Baltimore and Montgomery counties will not occur until fiscal 2029. In Calvert County, the projected increase begins in fiscal 2025 with a minimal amount and fades to zero in fiscal 2032. In Garrett County, the projected increase begins in fiscal 2027 with an additional \$0.6 million and grows to an additional \$8.1 million in fiscal 2034. In St. Mary's County, the required increase will be relatively small (less than \$100,000) in fiscal 2025 through 2027 but will increase to at least \$0.5 million in fiscal 2033 and 2034.

Other counties will realize ongoing increases in their required local appropriations with some jurisdictions incurring relatively significant increases while other jurisdictions incur relatively smaller increases. For example, in addition to the five counties listed above with no required additional appropriation in fiscal 2023, Baltimore City and Anne Arundel, Caroline, Cecil, Frederick, Kent, Prince George's, Talbot, Washington, and Wicomico counties will experience a significant increase in their local appropriation from fiscal 2023 to 2034. In most cases, the additional appropriations more than double. Many counties incur a significant increase in their local appropriations in large part because Blueprint funding levels phase in over time, rather than ramping up all at once.

Conversely, four counties (Allegany, Calvert, Harford, and Worcester) require additional local appropriations to meet Blueprint requirements in some fiscal years but are projected to require no additional local appropriations beyond their pre-Blueprint baseline in fiscal 2034. Allegany County is only projected to need additional local funds in fiscal 2023. Subsequently, Allegany County's pre-Blueprint local appropriations exceed what is required by the Blueprint legislation. The expected local appropriation amount in Calvert County will also exceed what is required under the Blueprint legislation in fiscal 2032, Harford County in fiscal 2033, and Worcester County in fiscal 2031.

Anne Arundel, Frederick, Queen Anne's, St. Mary's, Washington, and Wicomico counties have gaps in the fiscal years for which additional local appropriations are required. Anne Arundel County requires an additional \$1.3 million in fiscal 2023 and then does not again require additional appropriations until fiscal 2032 when it needs an additional \$27.6 million above the county's expected local appropriation. Frederick County will need additional local appropriations in fiscal 2023 through 2029 and then again in fiscal 2033 and 2034. Queen Anne's County will require additional local appropriations in fiscal 2023 through 2026 and again in fiscal 2033 and 2034. As noted above, St. Mary's County is expected to require a small increase in its local

appropriation in fiscal 2025 through 2027 and then again in fiscal 2033 and 2034. Washington County will require additional appropriations in fiscal 2023 and then again from fiscal 2029 onward. Lastly, Wicomico County needs to increase appropriations by \$1.2 million in fiscal 2023 and then will not need additional appropriations beyond what is currently anticipated until fiscal 2028.

Five counties (Carroll, Charles, Dorchester, Howard, and Somerset) will not be required to increase their local appropriations in any fiscal year during the 12-year period (fiscal 2023 through 2034), since their projected appropriations under current practices exceed the amount required under the Blueprint legislation.

Local Revenues and Blueprint Growth

At the statewide level, local revenues from income and property taxes are expected to increase at an average annual rate of 3.9% between fiscal 2022 and 2034. The projected growth rates range from 3.1% in Allegany County to 4.4% in Frederick County. Seven jurisdictions are expected to realize growth rates of at least 4.0% during the 12-year period. Three jurisdictions are expected to realize growth rates below 3.5%. In terms of public school funding, the required local school board appropriations under the Blueprint legislation are expected to increase by 2.9% over the same 12-year period. The projected growth rates range from 1.6% in Allegany County to 5.2% in Baltimore City and Talbot County. Five jurisdictions are projected to have growth rates above 4.0%, while four jurisdictions are projected to have growth rates below 2.0%. For many jurisdictions, the projected growth in local revenues over the next 12 years outpaces the required local education funding increases, as shown in **Exhibit 3.7**. The local education funding growth is expected to outpace local revenues in five jurisdictions (Baltimore City and Caroline, Garrett, Kent, and Talbot counties). The gaps are especially large for Baltimore City (1.6 percentage points), Talbot County (1.6 percentage points) and Kent County (1.1 percentage points).

Exhibit 3.7
Comparison in Local Revenue and Blueprint Growth
Fiscal 2022-2034

County	Local Revenues	Blueprint	Difference
Allegany	3.1%	1.6%	1.5%
Anne Arundel	4.1%	3.1%	1.1%
Baltimore City	3.6%	5.2%	-1.6%
Baltimore	3.7%	2.7%	1.1%
Calvert	3.8%	2.8%	1.0%
Caroline	3.8%	4.3%	-0.5%
Carroll	3.8%	1.8%	2.0%
Cecil	4.0%	3.8%	0.3%
Charles	3.9%	2.8%	1.2%
Dorchester	3.5%	2.6%	0.9%
Frederick	4.4%	2.2%	2.2%
Garrett	3.8%	4.2%	-0.4%
Harford	3.8%	1.7%	2.1%
Howard	4.1%	2.0%	2.1%
Kent	3.3%	4.4%	-1.1%
Montgomery	3.8%	2.7%	1.1%
Prince George's	4.3%	3.7%	0.6%
Queen Anne's	4.0%	3.0%	1.0%
St. Mary's	3.8%	2.2%	1.6%
Somerset	3.4%	1.9%	1.5%
Talbot	3.7%	5.2%	-1.6%
Washington	3.6%	2.7%	0.9%
Wicomico	3.7%	3.0%	0.6%
Worcester	4.0%	2.3%	1.7%
Total	3.9%	2.9%	1.0%

Source: Department of Legislative Services

Potential Impact on Property and Income Taxes

In jurisdictions that need to make additional local appropriations under the Blueprint legislation, local property and income taxes are two major sources of income that can be used to fund the increased local appropriations. Property and income taxes are the two largest own-source revenues for county governments, accounting for approximately 90% of local tax revenues. In fiscal 2020, county governments (including Baltimore City) collected \$8.9 billion in property taxes

and \$6.2 billion in income taxes. Tax collections are based on each jurisdiction's tax rate and local tax base (county assessable base for property taxes and net taxable income for income taxes). The larger the local tax base, the more revenue that can be derived with an increase in the local tax rate. An additional factor influencing local revenue attainment is the growth in the local tax base. Jurisdictions experiencing an above average growth in their tax base may be able to fund additional services within their existing tax rates. The following is a discussion of the potential effects on local property and income taxes resulting from the increased local funding requirements under the Blueprint legislation.

Share of Property and Income Tax Revenues

Local appropriations to the boards of education accounted for 44.5% of total local property and income tax revenues in fiscal 2020. The additional required local funding under the Blueprint legislation represents 0.7% of total local property and income tax revenues in fiscal 2023 and 2.9% in fiscal 2034. The respective increase in each jurisdiction varies considerably depending on both the required increase in the local appropriation and actual tax collections. As shown in **Exhibit 3.8**, the additional required local funding in Baltimore City represents 4.5% of estimated property and income tax collections in fiscal 2023, the highest percentage in the State. By fiscal 2034, the additional required local funding in Baltimore City will represent 9.3% of estimated property and income tax collections, the third highest in the State.

Exhibit 3.8
Total Local Appropriation Increase Under Blueprint Legislation
Percent of Total Local Property and Income Tax Revenue

County	FY 2023	FY 2028	FY 2034
Allegany	0.4%	0.0%	0.0%
Anne Arundel	0.1%	0.0%	2.1%
Baltimore City	4.5%	7.1%	9.3%
Baltimore	0.0%	0.0%	3.5%
Calvert	0.0%	0.1%	0.0%
Caroline	2.0%	4.5%	8.7%
Carroll	0.0%	0.0%	0.0%
Cecil	0.1%	2.8%	6.4%
Charles	0.0%	0.0%	0.0%
Dorchester	0.0%	0.0%	0.0%
Frederick	0.0%	0.1%	0.6%
Garrett	0.0%	1.4%	7.0%
Harford	0.0%	0.4%	0.0%
Howard	0.0%	0.0%	0.0%
Kent	0.0%	5.4%	9.5%
Montgomery	0.0%	0.0%	2.4%
Prince George's	2.0%	2.7%	4.5%
Queen Anne's	0.2%	0.0%	0.4%
St. Mary's	0.0%	0.0%	0.4%
Somerset	0.0%	0.0%	0.0%
Talbot	3.5%	8.2%	14.0%
Washington	1.0%	0.0%	1.3%
Wicomico	0.9%	0.2%	3.0%
Worcester	0.0%	0.2%	0.0%
Total	0.7%	1.1%	2.9%

Source: Department of Legislative Services

By fiscal 2034, the additional local appropriation in 6 counties (outside of Baltimore City) will account for at least 4.5% of total property and income tax collections. Talbot and Kent counties will incur the largest impact, with the additional required local appropriations accounting for 14.0% of total property and income tax collections in Talbot County and 9.5% in Kent County.

Public School Share of County Expenditures

Share of Total County Expenditures

County governments and Baltimore City spent \$35 billion on public services in fiscal 2020. On a per capita basis, county expenditures averaged \$5,773. Public schools continue to be the largest function of county government, accounting for 46.1% of total county spending in fiscal 2020, as shown in **Exhibit 3.9**. Public schools ranged from 37.6% of total spending in Baltimore City to 60.6% in Washington County. The smaller percentage of spending targeted to public schools in Baltimore City was, in part, a result of the greater need for public safety and public works services. Public safety accounted for 19.2% of Baltimore City's spending, the highest percentage in the State. In addition, public works functions accounted for 17.0% of total spending in the city, the second highest percentage in the State.

Public works is the second largest function of county governments, accounting for 12.24% of total spending. Garrett County, which spends a considerable amount for snow removal, led the State in the percentage of expenditures targeted to public works (17.1%), followed by Baltimore City (17.0%). Public safety is the third largest function of county governments, accounting for 12.22% of total spending. As noted above, Baltimore City led the State in the percentage expended on public safety with 19.2%. Baltimore City was followed by Prince George's County (15.3%) and Charles County (15.2%).

Exhibit 3.9
County Expenditures by Category
Fiscal 2020

County	Public Schools	Public Works	Public Safety	General Government	Community College	Health/ Social Services	Parks and Recreation	Debt Service	Other
Allegany	50.0%	12.0%	9.3%	4.0%	13.2%	5.3%	0.6%	1.5%	4.1%
Anne Arundel	49.3%	11.7%	12.3%	4.7%	4.9%	3.5%	2.2%	6.5%	5.0%
Baltimore City	37.6%	17.0%	19.2%	9.2%	0.0%	5.7%	2.0%	4.1%	5.2%
Baltimore	45.6%	14.2%	10.2%	3.8%	5.5%	2.9%	0.7%	6.8%	10.2%
Calvert	52.2%	8.4%	10.0%	5.6%	3.8%	3.2%	3.1%	3.9%	9.8%
Caroline	59.2%	2.6%	9.7%	2.9%	4.2%	4.5%	1.1%	10.8%	4.9%
Carroll	54.6%	7.5%	8.2%	7.2%	5.2%	3.4%	1.1%	5.4%	7.5%
Cecil	54.3%	7.9%	10.3%	3.9%	7.7%	6.6%	0.8%	4.6%	3.8%
Charles	52.9%	8.8%	15.2%	4.6%	4.9%	2.9%	1.4%	5.6%	3.7%
Dorchester	60.5%	6.1%	10.4%	4.9%	3.2%	5.7%	0.4%	2.8%	6.1%
Frederick	53.3%	9.4%	10.5%	4.5%	4.7%	4.5%	2.0%	6.0%	5.0%
Garrett	40.7%	17.1%	9.9%	5.9%	10.2%	7.5%	0.5%	1.7%	6.5%
Harford	51.8%	11.6%	10.7%	4.6%	5.5%	2.9%	1.5%	5.6%	5.8%
Howard	47.8%	10.6%	11.9%	7.2%	5.4%	3.3%	2.6%	7.2%	4.0%
Kent	42.6%	10.9%	13.6%	8.7%	2.5%	7.9%	2.5%	8.1%	3.2%
Montgomery	42.0%	12.2%	8.9%	7.8%	4.5%	4.5%	2.7%	8.5%	8.9%
Prince George's	45.4%	12.5%	15.3%	5.3%	2.8%	2.1%	4.4%	5.7%	6.3%
Queen Anne's	48.6%	9.7%	12.1%	5.7%	3.6%	5.3%	4.1%	5.9%	4.9%
St. Mary's	53.5%	8.3%	10.5%	11.3%	3.8%	3.3%	2.6%	3.1%	3.5%
Somerset	53.5%	10.8%	7.7%	6.0%	0.3%	6.4%	4.2%	6.0%	5.1%
Talbot	56.0%	9.5%	11.4%	5.5%	4.6%	5.2%	2.4%	2.3%	3.1%
Washington	60.6%	10.0%	10.0%	3.8%	7.3%	2.7%	0.9%	2.6%	2.1%
Wicomico	58.4%	6.2%	9.3%	3.2%	5.6%	7.3%	2.7%	6.2%	1.1%
Worcester	52.8%	8.1%	11.9%	6.2%	3.2%	6.0%	1.0%	4.5%	6.2%
Statewide	46.1%	12.2%	12.2%	6.2%	4.1%	3.9%	2.3%	6.2%	6.6%

Source: *Local Government Finances*, Department of Legislative Services

Local Fiscal Trends

The growth in public school expenditures remained below the average annual growth rates for the other major functions of county governments. As shown in **Exhibit 3.10**, public school expenditures increased at an average annual rate of 2.9% between fiscal 2015 and 2020, whereas public works expenditures increased by 4.0% and public safety expenditures increased by 5.0%. Total county expenditures increased by 3.6% during this period. Public schools accounted for 47.7% of total county expenditures in fiscal 2015 and 46.1% in fiscal 2020.

Exhibit 3.10
County Government Total Expenditures
Fiscal 2015-2020
(\$ in Millions)

	<u>FY 2015</u>	<u>FY 2020</u>	<u>Avg. Annual Increase</u>
Public Schools	\$13,977.8	\$16,123.7	2.9%
Public Works	\$3,524.6	\$4,279.3	4.0%
Public Safety	\$3,351.9	\$4,270.4	5.0%
Total Expenditures	\$29,275.6	\$34,953.4	3.6%
 Public Schools Share of Total Expenditures	 47.7%	 46.1%	

Source: *Local Government Finances*, Department of Legislative Services

When focusing on county operating expenditures, the county contributions to the local boards of education increased at an average annual rate of 2.8% between fiscal 2015 and 2020, as shown in **Exhibit 3.11**. This growth rate was below that for total county operating expenditures (3.2%) and the net county operating expenditures when excluding the local board contributions (3.5%). The local board contributions account for 37.5% of total county operating expenditures in fiscal 2015 and 36.8% in fiscal 2020.

Exhibit 3.11
County Government Operating Expenditures
Fiscal 2015-2020
(\$ in Millions)

	<u>FY 2015</u>	<u>FY 2020</u>	<u>Avg. Annual Increase</u>
Governmental Operations	\$15,545.9	\$18,219.6	3.2%
Board Appropriation	\$5,835.3	\$6,695.9	2.8%
Net Amount	\$9,710.6	\$11,523.7	3.5%
 Board Appropriation Share of Governmental Operations	 37.5%	 36.8%	

Source: *Local Government Finances*, Department of Legislative Services

Appendix 1. Tax Rate Equivalents

Local Property Tax Rate Equivalents Required Increase in Local Appropriations Major Impact Jurisdictions

County	FY 2023	FY 2028	FY 2034	Property Tax Rate FY 2022
Baltimore City	\$0.1522	\$0.2362	\$0.3126	\$2.2480
Caroline	0.0346	0.0753	0.1469	0.9800
Garrett	0.0000	0.0227	0.1131	1.0560
Kent	0.0001	0.0893	0.1616	1.0120
Talbot	0.0421	0.0972	0.1675	0.6565

Local Income Tax Rate Equivalents Required Increase in Local Appropriations Major Impact Jurisdictions

County	FY 2023	FY 2028	FY 2034	Income Tax Rate CY 2022
Baltimore City	0.4912%	0.7668%	0.9958%	3.20%
Caroline	0.1416%	0.3108%	0.6116%	3.20%
Garrett	0.0000%	0.1675%	0.8183%	2.65%
Kent	0.0005%	0.4724%	0.8030%	3.20%
Talbot	0.2037%	0.4780%	0.8012%	2.40%

Source: Department of Legislative Services

Appendix 2. Property Tax Limitation Measures

Five charter counties (Anne Arundel, Montgomery, Prince George's, Talbot, and Wicomico) have amended their charters to limit property tax rates or revenues. In Anne Arundel County, the total annual increase in property tax revenues is limited to the lesser of 4.5% or the increase in the Consumer Price Index (CPI). In Montgomery County, a real property tax rate that exceeds the real property tax rate approved for the previous year may only be adopted if approved by all members of the county council. In Prince George's County, the general property tax rate is capped at \$0.96 per \$100 of assessed value. Special taxing districts, such as the Maryland-National Capital Park and Planning Commission, are not included under the tax cap. In Wicomico County, the total annual increase in property tax revenues is limited to the lesser of 2% or the increase in CPI. In Talbot County, the total annual increase in property tax revenues is limited to 2%.

Counties may exceed the charter limitations on local property taxes for the purpose of funding the approved budget of the local boards of education. If a local property tax rate is set above the charter limit, the county governing body may not reduce funding provided to the local board of education from any other local source and must appropriate to the local board of education all of the revenues generated from any increase beyond the existing charter limit. This authority was adopted at the 2012 regular session to ensure that counties have the fiscal ability to meet education maintenance of effort requirements.

In fiscal 2013, Talbot County became the first jurisdiction to exercise this new authority by establishing a \$0.026 supplemental property tax rate for the local board of education. In fiscal 2016, Prince George's County became the second county to exercise this authority by enacting a \$0.04 supplemental property tax rate to fund its schools. In fiscal 2017, Talbot County again exceeded its charter limit by establishing a \$0.0086 supplemental property tax rate for public schools, and Montgomery County exceeded its charter limit through a unanimous vote by the county council. In fiscal 2018, Talbot County exceeded its charter limit by approving a \$0.0159 supplemental property tax rate for the board of education. In fiscal 2019, Talbot County's property tax rate exceeded the charter limit by \$0.025 with the additional revenue attributable to the rate increase above the tax cap appropriated to the board of education. In fiscal 2020, Anne Arundel County exceeded its charter limit for the first time, enacting a supplemental tax rate of \$0.034 for the county board of education. Talbot County also exceeded its charter limit in fiscal 2020, enacting a \$0.023 supplemental tax rate for the board of education. For fiscal 2022, Talbot County exceeded its charter limit by enacting a \$0.0036 supplemental tax rate for the board of education.