

# THE BALANCE SHEET

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



DEPARTMENT OF LEGISLATIVE SERVICES 2012

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# **The Balance Sheet**

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

**Fiscal 2009**

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

**January 2012**

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**DEPARTMENT OF LEGISLATIVE SERVICES**  
**OFFICE OF POLICY ANALYSIS**  
**MARYLAND GENERAL ASSEMBLY**

**Karl S. Aro**  
Executive Director

**Warren G. Deschenaux**  
Director

January 2012

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 30% of total county revenues and 8% 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 25% 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 Michael Sanelli and reviewed by Hiram Burch; the manuscript was prepared by Mindy McConville. The Department of Legislative Services trusts that the study will be useful to members of the General Assembly and to other persons interested in matters relating to State aid.

Sincerely,

Warren G. Deschenaux  
Director

WGD/mlm  
cc: Mr. Karl S. Aro



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## Executive Summary

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*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 2009, State revenue collections allocated in *The Balance Sheet* totaled \$13.5 billion, while State aid payments to local governments totaled \$6.1 billion. The individual income tax accounted for 48.1% of the State revenues allocated in the report

while the sales tax accounted for 28.8% of revenues.

On average, local governments received \$0.46 in State aid for each \$1.00 in taxes paid by county residents and businesses. This illustrates that local governments received 46% 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 1999; ranging from a low of 34% in fiscal 2000/2001 to a high of 46% in fiscal 2009. During this 10-year period, the "balance sheet index" as a percent of the statewide average increased in 4 jurisdictions, decreased in 10 jurisdictions, and remained relatively constant in 10 jurisdictions.

The ratios for 16 counties in fiscal 2009 matched or exceeded the statewide weighted average. State aid to revenue allocation ratios for Anne Arundel, Baltimore, Howard, Kent, Montgomery, Talbot, and Worcester counties were considerably below the statewide average. In terms of total State aid received as a percent of the statewide average, Anne Arundel, Kent, Montgomery, Talbot, and Worcester counties received the least amount of aid; whereas, Baltimore City and Allegany, Caroline, Cecil, Dorchester, and Somerset counties received the most.





# Chapter 1. Balance Sheet Index

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## Introduction

*The Balance Sheet* compares on a county-by-county basis State aid to State revenue collections as allocated among the counties. In fiscal 2009, State revenue collections allocated in *The Balance Sheet* totaled \$13.5 billion, while State aid payments to local governments totaled \$6.1 billion. This illustrates that local governments received approximately 46% 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 34% in fiscal 2000/2001 to a high of 46% in fiscal 2009. **Exhibit 1.1** summarizes the county-by-county tax revenues and State aid allocations for fiscal 2009.

## 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 0.89 for Allegany County in 2009 indicates that for every dollar of State tax revenues allocated to Allegany County, the county received \$0.89 in direct State aid. The amount of direct grants received for each \$1.00 of taxes paid in fiscal 2009 ranged from \$0.12 in Talbot County to \$1.20 in Caroline County. Statewide, the weighted average for this measure was \$0.43, and the simple average (county mean) was \$0.55. 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 2009 the county received \$0.93 in State assistance for every \$1.00 of State tax revenues allocated to it. On this measure, State assistance received for each \$1.00 of taxes paid in fiscal 2009 varied from \$0.13 for Talbot County to \$1.21 for Caroline County. Statewide, the weighted average was \$0.46, and the simple average was \$0.57.

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 2009 for example, Allegany County's direct aid index is 2.08, indicating that Allegany County's ratio was 108% above the statewide average. Including payments-on-behalf lowers Allegany County's ratio to 2.05 or 105% above the statewide average. **Exhibit 1.3** shows each county's ratio as a percent of the statewide average. Indexing county aid to revenue ratios by the statewide average enables comparison of the current *Balance Sheet* to previous years.

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

In addition to weighted and simple averages, Exhibits 1.2 and 1.3 show the standard deviation. Standard deviation measures how widely dispersed values are in a data set. The closer data points are to the average, the smaller the standard deviation; however, as data points become more spread out over the data set, the standard deviation increases. For example, the standard deviations for both measurements in Exhibit 1.2 are relatively small at approximately 0.30. 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 \$0.43 in direct State aid for each \$1.00 in taxes paid by county residents and businesses. The ratios for 16 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 \$0.55, calculated by summing the county ratios and dividing by 24, is somewhat higher than the statewide weighted average.

Likewise, on average local governments received \$0.46 in total State aid for each \$1.00 in taxes paid. Again, the ratios for 16 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 2009 (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).

In terms of total State aid received as a percent of the statewide average Montgomery, Talbot, and Worcester counties received the least amount of aid. One of these counties, Worcester, has seen a slight fluctuation over the 10-year period in the amount of aid received as a percent of the statewide average. The year-to-year change in Montgomery and Talbot counties, however, has been more noticeable. Due to the considerable amount of State aid provided to less affluent jurisdictions, several counties (Baltimore City, Allegany, Caroline, and Somerset) received more than 200% of the statewide average. Over the 10-year period, the amount of aid

received for these four jurisdictions as a percentage of average has varied somewhat more than the three counties with the lowest ratios. Baltimore City's aid index has varied from 247% in fiscal 2009 to 273% in fiscal 2003. In Allegany County, the index ranged from a low of 171% in fiscal 2000 to a high of 209% in fiscal 2008. In Caroline County, the index ranged from a low of 247% in fiscal 2006 to a high of 278% in fiscal 2000. In Somerset County, the index reached a high of 288% in fiscal 2001 and 2003 compared to a low of 263% in fiscal 2009.

During this 10-year period, the "balance sheet index" as a percent of the statewide average increased in 4 jurisdictions and decreased in 10 counties. For the remaining 10 counties the index value in the most recent years is similar to the value in the earlier years, but for several counties there were upward and downward trends for the intervening years.

### Change in "Balance Sheet Index" During 10-year Period

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

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 fourth in the amount of State aid that it receives. Baltimore City, the fourth most populous jurisdiction, receives the largest percentage of State aid, followed by Prince George's County, the second most populous jurisdiction.

As shown in **Exhibit 1.9**, the five counties that generated the most State tax revenues in fiscal 2009 as measured on a per capita basis include Anne Arundel, Howard, Montgomery, Talbot, and Worcester. The counties that generate the least per capita State tax revenues include Allegany, Caroline, Cecil, Dorchester, and Somerset. 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 2009 as measured on a per capita basis include Baltimore City and Allegany, Caroline, Prince George's, and Wicomico counties. Jurisdictions receiving the least amount of State aid 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 2009**

<b>County</b>	<b>Allocation of Tax Revenues Excluding Property Tax</b>	<b>Allocation of Total Tax Revenues</b>	<b>Direct State Grants</b>	<b>Direct Grants and Payments- on-behalf</b>
Allegany	\$115,078,305	\$118,910,742	\$102,923,690	\$110,822,530
Anne Arundel	1,337,747,208	1,416,294,598	329,200,226	383,461,547
Baltimore City	1,031,415,020	1,075,732,095	1,144,858,339	1,208,982,135
Baltimore	1,919,630,281	2,000,165,303	584,217,884	662,454,245
Calvert	178,847,995	191,586,650	90,623,637	103,490,851
Caroline	40,241,635	43,116,025	48,389,605	52,339,907
Carroll	368,020,945	388,060,290	156,765,138	176,682,693
Cecil	142,766,687	153,969,899	107,859,630	119,517,352
Charles	320,196,704	337,825,992	163,837,107	181,876,626
Dorchester	48,790,108	52,344,910	36,480,618	39,815,347
Frederick	503,098,197	533,078,050	221,364,025	249,049,971
Garrett	51,215,533	56,277,423	32,201,178	35,740,458
Harford	490,945,570	517,468,937	230,041,733	258,521,263
Howard	782,167,006	828,536,055	219,286,154	263,090,540
Kent	43,216,483	46,394,427	12,005,042	13,899,528
Montgomery	2,710,303,893	2,887,105,152	503,784,434	637,198,748
Prince George's	1,583,970,952	1,668,752,425	1,006,610,403	1,101,132,163
Queen Anne's	98,428,522	106,904,180	34,256,010	39,234,195
St. Mary's	203,309,149	215,005,504	100,650,289	111,934,776
Somerset	25,430,777	27,253,916	30,367,012	32,655,380
Talbot	114,044,019	123,444,073	13,316,996	16,416,313
Washington	278,679,315	294,423,665	154,228,158	168,667,542
Wicomico	189,062,137	196,356,328	119,669,812	130,596,190
Worcester	155,092,823	177,039,946	20,966,173	27,047,742
<b>Total</b>	<b>\$12,731,699,263</b>	<b>\$13,456,046,584</b>	<b>\$5,463,903,293</b>	<b>\$6,124,628,042</b>

Source: Department of Legislative Services

**Exhibit 1.2**  
**State Financial Assistance Received for Each \$1.00 of Taxes Paid**  
**Fiscal 2009**

<b>County</b>	<b>Direct State Grants</b>	<b>Direct Grants and Payments-on-behalf</b>
Allegany	0.89	0.93
Anne Arundel	0.25	0.27
Baltimore City	1.11	1.12
Baltimore	0.30	0.33
Calvert	0.51	0.54
Caroline	1.20	1.21
Carroll	0.43	0.46
Cecil	0.76	0.78
Charles	0.51	0.54
Dorchester	0.75	0.76
Frederick	0.44	0.47
Garrett	0.63	0.64
Harford	0.47	0.50
Howard	0.28	0.32
Kent	0.28	0.30
Montgomery	0.19	0.22
Prince George's	0.64	0.66
Queen Anne's	0.35	0.37
St. Mary's	0.50	0.52
Somerset	1.19	1.20
Talbot	0.12	0.13
Washington	0.55	0.57
Wicomico	0.63	0.67
Worcester	0.14	0.15
<b>Total (Weighted Avg)</b>	<b>0.43</b>	<b>0.46</b>
<b>County Mean (Simple Avg)</b>	<b>0.55</b>	<b>0.57</b>
<b>Standard Deviation</b>	<b>0.31</b>	<b>0.30</b>

Source: Department of Legislative Services

**Exhibit 1.3**  
**State Financial Assistance Received as a Percent of the Statewide Average**  
**Fiscal 2009**

<b>County</b>	<b>Direct State Grants</b>	<b>Direct Grants and Payments-on-behalf</b>
Allegany	2.08	2.05
Anne Arundel	0.57	0.59
Baltimore City	2.59	2.47
Baltimore	0.71	0.73
Calvert	1.18	1.19
Caroline	2.80	2.67
Carroll	0.99	1.00
Cecil	1.76	1.71
Charles	1.19	1.18
Dorchester	1.74	1.67
Frederick	1.03	1.03
Garrett	1.47	1.40
Harford	1.09	1.10
Howard	0.65	0.70
Kent	0.65	0.66
Montgomery	0.43	0.48
Prince George's	1.48	1.45
Queen Anne's	0.81	0.81
St. Mary's	1.15	1.14
Somerset	2.78	2.63
Talbot	0.27	0.29
Washington	1.29	1.26
Wicomico	1.47	1.46
Worcester	0.32	0.34
<b>Total (Weighted Avg)</b>	<b>1.00</b>	<b>1.00</b>
<b>County Mean (Simple Avg)</b>	<b>1.27</b>	<b>1.25</b>
<b>Standard Deviation</b>	<b>0.73</b>	<b>0.68</b>

Source: Department of Legislative Services



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

<b>County</b>	<b>10 Fiscal Year Summary</b>									
	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
Allegany	0.54	0.56	0.64	0.70	0.67	0.65	0.71	0.80	0.87	0.89
Anne Arundel	0.21	0.21	0.24	0.24	0.22	0.22	0.21	0.23	0.24	0.25
Baltimore City	0.86	0.87	0.98	1.05	0.98	0.94	0.95	1.02	1.07	1.11
Baltimore	0.20	0.20	0.23	0.24	0.23	0.24	0.24	0.27	0.29	0.30
Calvert	0.35	0.38	0.44	0.46	0.46	0.45	0.46	0.49	0.52	0.51
Caroline	0.89	0.88	0.95	1.03	0.97	0.90	0.90	1.05	1.12	1.20
Carroll	0.35	0.34	0.35	0.37	0.35	0.35	0.36	0.39	0.41	0.43
Cecil	0.56	0.56	0.63	0.65	0.62	0.62	0.65	0.69	0.74	0.76
Charles	0.35	0.35	0.39	0.40	0.39	0.40	0.43	0.48	0.50	0.51
Dorchester	0.56	0.59	0.65	0.65	0.61	0.57	0.60	0.62	0.69	0.75
Frederick	0.29	0.29	0.31	0.32	0.31	0.31	0.33	0.36	0.41	0.44
Garrett	0.67	0.65	0.70	0.70	0.67	0.59	0.58	0.62	0.62	0.63
Harford	0.35	0.34	0.37	0.39	0.38	0.37	0.39	0.43	0.45	0.47
Howard	0.18	0.18	0.21	0.22	0.22	0.22	0.22	0.24	0.26	0.28
Kent	0.33	0.29	0.34	0.35	0.30	0.28	0.28	0.27	0.24	0.28
Montgomery	0.11	0.12	0.14	0.16	0.15	0.15	0.14	0.15	0.17	0.19
Prince George's	0.41	0.42	0.47	0.52	0.49	0.50	0.54	0.59	0.64	0.64
Queen Anne's	0.28	0.29	0.27	0.31	0.29	0.27	0.28	0.30	0.32	0.35
St. Mary's	0.38	0.37	0.39	0.40	0.39	0.40	0.42	0.45	0.48	0.50
Somerset	0.86	0.93	1.04	1.11	1.05	0.96	1.04	1.12	1.24	1.19
Talbot	0.09	0.09	0.11	0.10	0.12	0.12	0.11	0.12	0.11	0.12
Washington	0.35	0.35	0.37	0.38	0.36	0.36	0.39	0.46	0.52	0.55
Wicomico	0.38	0.38	0.41	0.45	0.44	0.44	0.45	0.51	0.58	0.63
Worcester	0.09	0.09	0.10	0.10	0.11	0.12	0.12	0.14	0.14	0.14
<b>Total (Weighted Avg)</b>	<b>0.30</b>	<b>0.31</b>	<b>0.35</b>	<b>0.37</b>	<b>0.35</b>	<b>0.34</b>	<b>0.35</b>	<b>0.38</b>	<b>0.41</b>	<b>0.43</b>
<b>County Mean (Simple Avg)</b>	<b>0.40</b>	<b>0.41</b>	<b>0.45</b>	<b>0.47</b>	<b>0.45</b>	<b>0.43</b>	<b>0.45</b>	<b>0.49</b>	<b>0.53</b>	<b>0.55</b>
<b>Standard Deviation</b>	<b>0.23</b>	<b>0.24</b>	<b>0.26</b>	<b>0.28</b>	<b>0.26</b>	<b>0.24</b>	<b>0.25</b>	<b>0.28</b>	<b>0.30</b>	<b>0.31</b>

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**

<b>County</b>	<b>10 Fiscal Year Summary</b>									
	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
Allegany	0.58	0.59	0.67	0.73	0.69	0.67	0.73	0.83	0.91	0.93
Anne Arundel	0.24	0.24	0.26	0.27	0.24	0.23	0.23	0.25	0.26	0.27
Baltimore City	0.90	0.91	1.01	1.08	1.00	0.95	0.96	1.03	1.08	1.12
Baltimore	0.23	0.23	0.25	0.27	0.26	0.26	0.26	0.29	0.31	0.33
Calvert	0.40	0.42	0.47	0.50	0.48	0.47	0.48	0.51	0.55	0.54
Caroline	0.95	0.93	0.99	1.07	0.99	0.92	0.91	1.06	1.14	1.21
Carroll	0.39	0.37	0.38	0.39	0.37	0.37	0.38	0.41	0.44	0.46
Cecil	0.62	0.61	0.66	0.69	0.64	0.64	0.66	0.71	0.76	0.78
Charles	0.39	0.38	0.42	0.43	0.42	0.42	0.44	0.50	0.53	0.54
Dorchester	0.61	0.63	0.67	0.68	0.63	0.59	0.61	0.63	0.71	0.76
Frederick	0.33	0.32	0.33	0.35	0.33	0.33	0.35	0.38	0.44	0.47
Garrett	0.72	0.69	0.72	0.72	0.67	0.60	0.58	0.62	0.63	0.64
Harford	0.39	0.38	0.40	0.42	0.40	0.39	0.40	0.45	0.48	0.50
Howard	0.22	0.22	0.24	0.25	0.25	0.25	0.25	0.27	0.30	0.32
Kent	0.36	0.32	0.37	0.38	0.32	0.30	0.30	0.29	0.26	0.30
Montgomery	0.15	0.15	0.17	0.19	0.19	0.18	0.17	0.18	0.20	0.22
Prince George's	0.45	0.45	0.50	0.55	0.51	0.52	0.55	0.61	0.67	0.66
Queen Anne's	0.32	0.32	0.29	0.34	0.31	0.29	0.29	0.31	0.34	0.37
St. Mary's	0.42	0.41	0.41	0.43	0.41	0.42	0.43	0.47	0.50	0.52
Somerset	0.91	0.97	1.07	1.14	1.06	0.97	1.05	1.12	1.25	1.20
Talbot	0.11	0.11	0.13	0.12	0.14	0.14	0.12	0.13	0.12	0.13
Washington	0.40	0.38	0.40	0.41	0.34	0.38	0.40	0.48	0.54	0.57
Wicomico	0.42	0.42	0.44	0.49	0.47	0.46	0.47	0.54	0.61	0.67
Worcester	0.12	0.11	0.12	0.13	0.13	0.13	0.13	0.15	0.16	0.15
<b>Total (Weighted Avg)</b>	<b>0.34</b>	<b>0.34</b>	<b>0.37</b>	<b>0.40</b>	<b>0.37</b>	<b>0.37</b>	<b>0.37</b>	<b>0.40</b>	<b>0.43</b>	<b>0.46</b>
<b>County Mean (Simple Avg)</b>	<b>0.44</b>	<b>0.44</b>	<b>0.47</b>	<b>0.50</b>	<b>0.47</b>	<b>0.45</b>	<b>0.47</b>	<b>0.51</b>	<b>0.55</b>	<b>0.57</b>
<b>Standard Deviation</b>	<b>0.24</b>	<b>0.25</b>	<b>0.26</b>	<b>0.28</b>	<b>0.26</b>	<b>0.24</b>	<b>0.25</b>	<b>0.28</b>	<b>0.30</b>	<b>0.30</b>

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

Source: Department of Legislative Services

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

<b>County</b>	<b>10 Fiscal Year Summary</b>									
	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
Allegany	1.77	1.81	1.84	1.89	1.90	1.87	2.02	2.09	2.11	2.08
Anne Arundel	0.69	0.69	0.70	0.66	0.63	0.63	0.60	0.61	0.59	0.57
Baltimore City	2.85	2.84	2.83	2.85	2.79	2.74	2.70	2.67	2.60	2.59
Baltimore	0.65	0.65	0.66	0.66	0.67	0.68	0.68	0.70	0.70	0.71
Calvert	1.16	1.23	1.26	1.26	1.30	1.30	1.30	1.27	1.27	1.18
Caroline	2.92	2.88	2.75	2.81	2.76	2.60	2.56	2.74	2.74	2.80
Carroll	1.15	1.11	1.01	1.00	0.99	1.02	1.02	1.03	1.00	0.99
Cecil	1.86	1.83	1.81	1.78	1.76	1.79	1.85	1.81	1.81	1.76
Charles	1.15	1.14	1.14	1.09	1.13	1.17	1.21	1.24	1.23	1.19
Dorchester	1.86	1.93	1.87	1.76	1.75	1.66	1.71	1.61	1.69	1.74
Frederick	0.97	0.93	0.89	0.87	0.88	0.90	0.94	0.95	1.00	1.03
Garrett	2.23	2.13	2.02	1.92	1.91	1.72	1.64	1.62	1.51	1.47
Harford	1.14	1.11	1.08	1.05	1.07	1.08	1.10	1.13	1.11	1.09
Howard	0.59	0.60	0.62	0.60	0.64	0.64	0.64	0.63	0.64	0.65
Kent	1.07	0.94	0.98	0.96	0.87	0.82	0.81	0.71	0.58	0.65
Montgomery	0.36	0.38	0.41	0.42	0.43	0.43	0.40	0.40	0.41	0.43
Prince George's	1.36	1.36	1.35	1.41	1.40	1.45	1.53	1.54	1.56	1.48
Queen Anne's	0.92	0.93	0.77	0.86	0.83	0.78	0.79	0.78	0.77	0.81
St. Mary's	1.26	1.22	1.12	1.08	1.11	1.15	1.18	1.17	1.16	1.15
Somerset	2.85	3.03	3.01	3.03	2.99	2.77	2.97	2.93	3.02	2.78
Talbot	0.29	0.29	0.32	0.27	0.36	0.36	0.31	0.31	0.27	0.27
Washington	1.17	1.13	1.08	1.03	1.02	1.04	1.10	1.20	1.27	1.29
Wicomico	1.25	1.25	1.18	1.24	1.25	1.27	1.27	1.33	1.41	1.47
Worcester	0.29	0.29	0.29	0.28	0.33	0.34	0.35	0.36	0.34	0.32
<b>Total (Weighted Avg)</b>	<b>1.00</b>	<b>1.00</b>	<b>1.00</b>	<b>1.00</b>	<b>1.00</b>	<b>1.00</b>	<b>1.00</b>	<b>1.00</b>	<b>1.00</b>	<b>1.00</b>
<b>County Mean (Simple Avg)</b>	<b>1.32</b>	<b>1.32</b>	<b>1.29</b>	<b>1.28</b>	<b>1.28</b>	<b>1.26</b>	<b>1.28</b>	<b>1.28</b>	<b>1.28</b>	<b>1.27</b>
<b>Standard Deviation</b>	<b>0.77</b>	<b>0.79</b>	<b>0.77</b>	<b>0.78</b>	<b>0.76</b>	<b>0.71</b>	<b>0.73</b>	<b>0.74</b>	<b>0.75</b>	<b>0.73</b>

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

Source: Department of Legislative Services

**Exhibit 1.7**  
**State Financial Assistance Received as a Percent of the Statewide Average**  
**Direct Aid and Payments-on-behalf**

<b>10 Fiscal Year Summary</b>										
<b>County</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
Allegany	1.71	1.75	1.79	1.84	1.86	1.84	1.99	2.06	2.09	2.05
Anne Arundel	0.70	0.71	0.71	0.67	0.64	0.64	0.62	0.63	0.61	0.59
Baltimore City	2.66	2.68	2.70	2.73	2.67	2.61	2.60	2.57	2.49	2.47
Baltimore	0.67	0.67	0.68	0.68	0.69	0.70	0.70	0.71	0.71	0.73
Calvert	1.18	1.23	1.26	1.26	1.29	1.29	1.30	1.27	1.26	1.19
Caroline	2.78	2.75	2.65	2.70	2.64	2.50	2.47	2.64	2.62	2.67
Carroll	1.14	1.11	1.01	1.00	0.99	1.02	1.02	1.03	1.01	1.00
Cecil	1.81	1.79	1.77	1.73	1.71	1.74	1.78	1.75	1.75	1.71
Charles	1.14	1.13	1.13	1.09	1.12	1.16	1.20	1.23	1.22	1.18
Dorchester	1.80	1.87	1.81	1.70	1.69	1.61	1.66	1.57	1.64	1.67
Frederick	0.98	0.94	0.89	0.87	0.89	0.91	0.94	0.95	1.00	1.03
Garrett	2.11	2.03	1.93	1.83	1.80	1.64	1.56	1.55	1.44	1.40
Harford	1.13	1.11	1.08	1.05	1.07	1.07	1.10	1.13	1.11	1.10
Howard	0.64	0.65	0.66	0.64	0.68	0.68	0.67	0.67	0.69	0.70
Kent	1.07	0.94	0.98	0.97	0.87	0.81	0.81	0.71	0.60	0.66
Montgomery	0.43	0.44	0.47	0.48	0.50	0.48	0.45	0.45	0.46	0.48
Prince George's	1.33	1.33	1.33	1.38	1.38	1.42	1.50	1.52	1.53	1.45
Queen Anne's	0.93	0.94	0.78	0.86	0.83	0.78	0.80	0.78	0.78	0.81
St. Mary's	1.24	1.21	1.11	1.08	1.11	1.15	1.17	1.16	1.16	1.14
Somerset	2.69	2.88	2.87	2.88	2.84	2.65	2.83	2.79	2.87	2.63
Talbot	0.33	0.33	0.35	0.30	0.38	0.37	0.33	0.32	0.28	0.29
Washington	1.16	1.12	1.07	1.03	0.91	1.04	1.09	1.18	1.25	1.26
Wicomico	1.25	1.24	1.17	1.23	1.25	1.26	1.27	1.33	1.40	1.46
Worcester	0.34	0.33	0.32	0.32	0.35	0.36	0.36	0.37	0.36	0.34
<b>Total (Weighted Avg)</b>	<b>1.00</b>	<b>1.00</b>	<b>1.00</b>	<b>1.00</b>	<b>1.00</b>	<b>1.00</b>	<b>1.00</b>	<b>1.00</b>	<b>1.00</b>	<b>1.00</b>
<b>County Mean (Simple Avg)</b>	<b>1.30</b>	<b>1.30</b>	<b>1.27</b>	<b>1.26</b>	<b>1.26</b>	<b>1.24</b>	<b>1.26</b>	<b>1.27</b>	<b>1.26</b>	<b>1.25</b>
<b>Standard Deviation</b>	<b>0.71</b>	<b>0.73</b>	<b>0.72</b>	<b>0.72</b>	<b>0.70</b>	<b>0.70</b>	<b>0.69</b>	<b>0.70</b>	<b>0.71</b>	<b>0.68</b>

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 2009**

County	<i>Share of Population</i>			<i>Share of State Tax Revenues</i>			<i>Share of State Grants</i>		
	Population	Percent of Total	Ranking	State Tax Revenues	Percent of Total	Ranking	State Grants	Percent of Total	Ranking
Allegany	72,658	1.3%	16	\$118,910,742	0.9%	18	\$110,822,530	1.8%	15
Anne Arundel	515,328	9.1%	5	1,416,294,598	10.5%	4	383,461,547	6.3%	5
Baltimore City	638,091	11.3%	4	1,075,732,095	8.0%	5	1,208,982,135	19.7%	1
Baltimore	788,454	13.9%	3	2,000,165,303	14.9%	2	662,454,245	10.8%	3
Calvert	88,560	1.6%	15	191,586,650	1.4%	14	103,490,851	1.7%	16
Caroline	33,279	0.6%	20	43,116,025	0.3%	23	52,339,907	0.9%	17
Carroll	169,794	3.0%	9	388,060,290	2.9%	9	176,682,693	2.9%	10
Cecil	99,949	1.8%	13	153,969,899	1.1%	16	119,517,352	2.0%	13
Charles	141,444	2.5%	11	337,825,992	2.5%	10	181,876,626	3.0%	9
Dorchester	32,017	0.6%	21	52,344,910	0.4%	21	39,815,347	0.7%	18
Frederick	226,525	4.0%	8	533,078,050	4.0%	7	249,049,971	4.1%	8
Garrett	29,658	0.5%	22	56,277,423	0.4%	20	35,740,458	0.6%	20
Harford	241,393	4.3%	7	517,468,937	3.8%	8	258,521,263	4.2%	7
Howard	277,187	4.9%	6	828,536,055	6.2%	6	263,090,540	4.3%	6
Kent	20,269	0.4%	24	46,394,427	0.3%	22	13,899,528	0.2%	24
Montgomery	953,685	16.9%	1	2,887,105,152	21.5%	1	637,198,748	10.4%	4
Prince George's	830,514	14.7%	2	1,668,752,425	12.4%	3	1,101,132,163	18.0%	2
Queen Anne's	47,465	0.8%	18	106,904,180	0.8%	19	39,234,195	0.6%	19
St. Mary's	101,664	1.8%	12	215,005,504	1.6%	12	111,934,776	1.8%	14
Somerset	26,131	0.5%	23	27,253,916	0.2%	24	32,655,380	0.5%	21
Talbot	36,112	0.6%	19	123,444,073	0.9%	17	16,416,313	0.3%	23
Washington	145,450	2.6%	10	294,423,665	2.2%	11	168,667,542	2.8%	11
Wicomico	93,859	1.7%	14	196,356,328	1.5%	13	130,596,190	2.1%	12
Worcester	49,169	0.9%	17	177,039,946	1.3%	15	27,047,742	0.4%	22
<b>Total</b>	<b>5,658,655</b>	<b>100.0%</b>		<b>\$13,456,046,584</b>	<b>100.0%</b>		<b>\$6,124,628,042</b>	<b>100.0%</b>	

Source: Department of Legislative Services

**Exhibit 1.9**  
**Per Capita Allocation of State Tax Revenues and State Aid – Fiscal 2009**

<i>Allocation of State Tax Revenues</i>					<i>State Grants to Local Governments</i>		
<b>County</b>	<b>Population</b>	<b>Total Revenues</b>	<b>Per Capita Amount</b>	<b>Ranking</b>	<b>Total State Grants</b>	<b>Per Capita Amount</b>	<b>Ranking</b>
Allegany	72,658	\$118,910,742	\$1,637	20	\$110,822,530	\$1,525	3
Anne Arundel	515,328	1,416,294,598	2,748	5	383,461,547	744	20
Baltimore City	638,091	1,075,732,095	1,686	19	1,208,982,135	1,895	1
Baltimore	788,454	2,000,165,303	2,537	6	662,454,245	840	18
Calvert	88,560	191,586,650	2,163	12	103,490,851	1,169	11
Caroline	33,279	43,116,025	1,296	23	52,339,907	1,573	2
Carroll	169,794	388,060,290	2,285	10	176,682,693	1,041	16
Cecil	99,949	153,969,899	1,540	22	119,517,352	1,196	10
Charles	141,444	337,825,992	2,388	7	181,876,626	1,286	6
Dorchester	32,017	52,344,910	1,635	21	39,815,347	1,244	8
Frederick	226,525	533,078,050	2,353	8	249,049,971	1,099	14
Garrett	29,658	56,277,423	1,898	18	35,740,458	1,205	9
Harford	241,393	517,468,937	2,144	13	258,521,263	1,071	15
Howard	277,187	828,536,055	2,989	4	263,090,540	949	17
Kent	20,269	46,394,427	2,289	9	13,899,528	686	21
Montgomery	953,685	2,887,105,152	3,027	3	637,198,748	668	22
Prince George's	830,514	1,668,752,425	2,009	17	1,101,132,163	1,326	5
Queen Anne's	47,465	106,904,180	2,252	11	39,234,195	827	19
St. Mary's	101,664	215,005,504	2,115	14	111,934,776	1,101	13
Somerset	26,131	27,253,916	1,043	24	32,655,380	1,250	7
Talbot	36,112	123,444,073	3,418	2	16,416,313	455	24
Washington	145,450	294,423,665	2,024	16	168,667,542	1,160	12
Wicomico	93,859	196,356,328	2,092	15	130,596,190	1,391	4
Worcester	49,169	177,039,946	3,601	1	27,047,742	550	23
<b>Total</b>	<b>5,658,655</b>	<b>\$13,456,046,584</b>	<b>\$2,378</b>		<b>\$6,124,628,042</b>	<b>\$1,082</b>	

Source: Department of Legislative Services



## Chapter 2. State Aid to Local Governments

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### Introduction

State aid is a major revenue source for local governments in Maryland, totaling \$6.7 billion in fiscal 2009. 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 2009, over 80% of State aid went to support local school systems with county and municipal governments receiving 11.4% of the aid. Local school systems received \$5.4 billion in State operational grants in fiscal 2009, while county and municipal governments received \$738.2 million. The remaining 6% was distributed to local libraries, community colleges, and local health departments. These entities received \$375.6 million in fiscal 2009. In addition, the State assumption of functions in Baltimore City has increased from \$94.9 million in fiscal 1999 to \$183.7 million in fiscal 2009. **Exhibit 2.1** compares the allocation of State aid by governmental entity in fiscal 1999 and 2009.

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

<b>Entity</b>	<b>FY 1999</b>	<b>Percent of Total</b>	<b>FY 2009</b>	<b>Percent of Total</b>
Public Schools	\$2,544.9	75.9%	\$5,379.2	82.8%
County/Municipal	594.6	17.7%	738.2	11.4%
Community Colleges	129.0	3.8%	254.7	3.9%
Health	44.9	1.3%	57.4	0.9%
Libraries	38.9	1.2%	63.5	1.0%
<b>Subtotal</b>	<b>\$3,352.3</b>	<b>100.0%</b>	<b>\$6,493.0</b>	<b>100.0%</b>
Assumed Functions	94.9		183.7	
<b>Total</b>	<b>\$3,447.2</b>		<b>\$6,676.7</b>	

Source: Department of Legislative Services

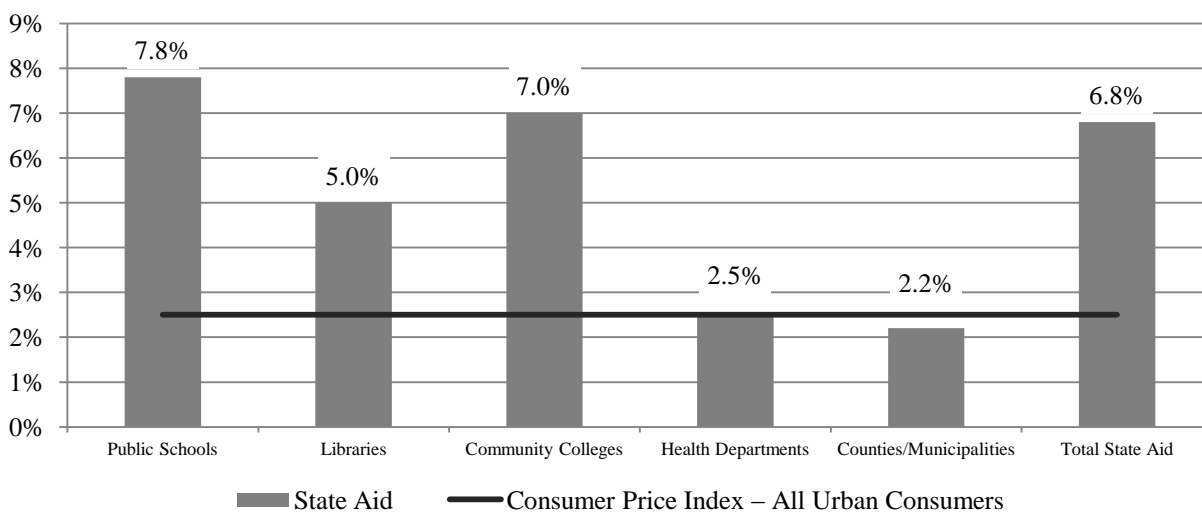
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## Change in State Aid

Over the last 10 years, State aid to local governments has increased by \$3.1 billion, which represents a 6.8% 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 1999-2009**



## Reliance on State Aid

State aid is the largest revenue source for most county governments in Maryland, representing 29.4% of total county revenues. In Anne Arundel, Howard, Kent, Queen Anne's, and Worcester counties, State aid is the second largest revenue source after property taxes; while in Montgomery and Talbot counties, State aid is the third largest revenue source after both property and income taxes. The dependence on State aid varies across the State, with less affluent jurisdictions relying on State aid as their primary revenue source while more affluent jurisdictions rely more heavily on local property and income taxes. For example, State aid accounts for 16.1% of total revenues in Montgomery County but reaches 55.4% in Caroline County.

State aid is the third largest revenue source for municipalities, representing 7.7% of total revenues. As with counties, the reliance on State aid varies for municipalities, ranging from 3.1% of total revenues for municipalities in Talbot County to 26.6% 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 \$90.2 million in fiscal 2009 to operate the Baltimore City Detention Center and \$53.1 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 2009, local community colleges receive 23.3% of their operating funding from the State and 34.2% from county governments. In Baltimore City, the local community college is operated and funded by the State. Legislation enacted in 1990 established the city's community college as a State agency beginning in fiscal 1991. State funding for the Baltimore City Community College totals \$40.4 million in fiscal 2009.

## Allocation of State Financial Assistance

State financial assistance reported in *The Balance Sheet* for fiscal 2009 totals \$6.1 billion representing \$5.3 billion in direct State grants, \$660.7 million in retirement payments made by the State on behalf of the counties, and \$183.7 million for assumed functions. Direct State grants include funds for police protection, fire and rescue services, Program Open Space, public schools, community colleges, libraries, and public health services. State payments-on-behalf include teachers' retirement costs for certain board of education, community college, and library employees. Assumed functions include State appropriations for the Baltimore City Community College, the Baltimore City Detention Center, and the Baltimore City Central Booking and Intake Facility.

The amounts shown for each county include State grants to the municipalities located within the county. State aid programs funded from tax revenues not covered in *The Balance Sheet*, primarily those programs funded from Transportation Trust Fund revenues, have been excluded from this report. State aid programs excluded from this analysis include local highway user revenues; local transportation grants for the elderly, disabled, and para-transit services; 911 emergency communications grants; and vehicle theft prevention grants. These programs account for approximately 7.6% of total State aid to local governments in fiscal 2009. **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 2009 with the amount of State aid allocated to the counties in *The Balance Sheet* analysis.

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

	<u>FY 1999</u>	<u>FY 2004</u>	<u>FY 2009</u>
Highway User Revenues	\$401.8	\$378.0	\$466.8
Elderly/Disabled Transportation	2.5	4.2	5.3
Para-transit Services	2.9	2.5	3.6
911 Emergency Communications	8.8	12.7	14.3
Vehicle Theft Prevention	2.5	1.1	2.1
<b>Total</b>	<b>\$418.5</b>	<b>\$398.5</b>	<b>\$492.2</b>
Percent of State Aid	12.5%	9.4%	7.6%

Source: Department of Legislative Services

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**Exhibit 2.4**  
**Comparison of Total State Aid with the**  
**Amount of State Aid Allocated in *The Balance Sheet***  
**Fiscal 2009**

County	Total State Aid		State Aid in Balance Sheet		Percent of Total State Aid
	Amount	Per Capita	Amount	Per Capita	
Allegany	\$117,535,610	\$1,618	\$110,822,530	\$1,525	94.3%
Anne Arundel	412,084,895	800	383,461,547	744	93.1%
Baltimore City	1,396,643,335	2,189	1,208,982,135	1,895	86.6%
Baltimore	699,962,235	888	662,454,245	840	94.6%
Calvert	110,084,673	1,243	103,490,851	1,169	94.0%
Caroline	57,327,721	1,723	52,339,907	1,573	91.3%
Carroll	188,953,798	1,113	176,682,693	1,041	93.5%
Cecil	126,519,577	1,266	119,517,352	1,196	94.5%
Charles	193,445,801	1,368	181,876,626	1,286	94.0%
Dorchester	45,963,448	1,436	39,815,347	1,244	86.6%
Frederick	267,135,580	1,179	249,049,971	1,099	93.2%
Garrett	41,280,926	1,392	35,740,458	1,205	86.6%
Harford	273,980,397	1,135	258,521,263	1,071	94.4%
Howard	277,483,355	1,001	263,090,540	949	94.8%
Kent	16,889,174	833	13,899,528	686	82.3%
Montgomery	681,142,107	714	637,198,748	668	93.5%
Prince George's	1,136,735,448	1,369	1,101,132,163	1,326	96.9%
Queen Anne's	44,406,337	936	39,234,195	827	88.4%
St. Mary's	118,988,984	1,170	111,934,776	1,101	94.1%
Somerset	35,883,229	1,373	32,655,380	1,250	91.0%
Talbot	20,711,345	574	16,416,313	455	79.3%
Washington	180,149,760	1,239	168,667,542	1,160	93.6%
Wicomico	139,034,487	1,481	130,596,190	1,391	93.9%
Worcester	34,011,446	692	27,047,742	550	79.5%
Unallocated	60,336,989	11	0	0	0.0%
<b>Total</b>	<b>\$6,676,690,657</b>	<b>\$1,180</b>	<b>\$6,124,628,042</b>	<b>\$1,082</b>	<b>91.7%</b>

Source: Department of Legislative Services

In fiscal 2009, 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 \$1,895 for Baltimore City (the greatest per capita amount for any jurisdiction) and \$1,326 for Prince George's County. Kent and Talbot counties, on the other hand, received the least amount of State aid at \$13.9 million and \$16.4 million, respectively. On a per capita basis, Kent County received \$686 while Talbot County received \$455 – the least amount per capita for any jurisdiction. **Exhibit 2.5** shows the allocation of State aid, while **Exhibit 2.6** breaks these numbers down on a per capita basis by county.

**Exhibit 2.5**  
**Direct State Aid and Payments-on-behalf**  
**Fiscal 2009**

County	Education	Libraries	Community Colleges	Health	County/ Municipal	Retirement Payments	Assumed Functions	Total
Allegany	\$86,804,656	\$769,544	\$5,920,167	\$1,398,025	\$8,031,298	\$7,898,840	\$0	\$110,822,530
Anne Arundel	282,269,439	1,991,199	29,872,865	4,835,552	10,231,171	54,261,321	0	383,461,547
Baltimore City	849,912,979	6,585,530	0	10,259,729	94,405,881	64,123,796	183,694,220	1,208,982,135
Baltimore	519,981,897	5,421,822	38,748,111	6,621,610	13,444,444	78,236,361	0	662,454,245
Calvert	86,178,357	446,167	2,220,895	569,609	1,208,609	12,867,214	0	103,490,851
Caroline	42,950,584	279,673	1,424,161	827,958	2,907,229	3,950,302	0	52,339,907
Carroll	144,025,522	1,038,377	7,413,605	1,895,527	2,392,107	19,917,555	0	176,682,693
Cecil	99,322,571	731,603	5,142,870	1,241,318	1,421,268	11,657,722	0	119,517,352
Charles	152,343,706	853,129	7,179,433	1,531,062	1,929,777	18,039,519	0	181,876,626
Dorchester	31,443,774	248,416	1,284,519	659,747	2,844,162	3,334,729	0	39,815,347
Frederick	206,093,884	1,134,855	8,620,714	2,328,220	3,186,352	27,685,946	0	249,049,971
Garrett	25,419,399	164,141	3,373,545	673,024	2,571,069	3,539,280	0	35,740,458
Harford	211,311,911	1,627,197	10,579,515	2,674,340	3,848,770	28,479,530	0	258,521,263
Howard	197,578,198	762,866	13,822,269	1,870,216	5,252,605	43,804,386	0	263,090,540
Kent	10,310,389	103,569	585,355	517,052	488,677	1,894,486	0	13,899,528
Montgomery	433,533,645	2,609,967	43,263,124	4,636,690	19,741,008	133,414,314	0	637,198,748
Prince George's	924,880,350	6,522,188	23,678,967	7,696,956	43,831,942	94,521,760	0	1,101,132,163
Queen Anne's	31,040,483	133,027	1,671,045	643,319	768,136	4,978,185	0	39,234,195
St. Mary's	95,112,175	658,777	2,325,280	1,247,133	1,306,924	11,284,487	0	111,934,776
Somerset	23,731,123	263,278	804,896	658,385	4,909,330	2,288,368	0	32,655,380
Talbot	10,638,203	100,974	1,299,669	505,962	772,188	3,099,317	0	16,416,313
Washington	141,094,862	1,135,274	7,785,078	2,127,305	2,085,639	14,439,384	0	168,667,542
Wicomico	110,597,796	811,409	4,568,187	1,458,604	2,233,816	10,926,378	0	130,596,190
Worcester	17,278,020	136,825	1,841,549	481,861	1,227,918	6,081,569	0	27,047,742
<b>Total</b>	<b>\$4,733,853,923</b>	<b>\$34,529,807</b>	<b>\$223,425,819</b>	<b>\$57,359,204</b>	<b>\$231,040,320</b>	<b>\$660,724,749</b>	<b>\$183,694,220</b>	<b>\$6,124,628,042</b>

\*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 2009**

<b>County</b>	<b>Education</b>	<b>Libraries</b>	<b>Community Colleges</b>	<b>Health</b>	<b>County/ Municipal</b>	<b>Retirement Payments</b>	<b>Assumed Functions</b>	<b>Total</b>
Allegany	\$1,195	\$11	\$81	\$19	\$111	\$109	\$0	\$1,525
Anne Arundel	548	4	58	9	20	105	0	744
Baltimore City	1,332	10	0	16	148	100	288	1,895
Baltimore	659	7	49	8	17	99	0	840
Calvert	973	5	25	6	14	145	0	1,169
Caroline	1,291	8	43	25	87	119	0	1,573
Carroll	848	6	44	11	14	117	0	1,041
Cecil	994	7	51	12	14	117	0	1,196
Charles	1,077	6	51	11	14	128	0	1,286
Dorchester	982	8	40	21	89	104	0	1,244
Frederick	910	5	38	10	14	122	0	1,099
Garrett	857	6	114	23	87	119	0	1,205
Harford	875	7	44	11	16	118	0	1,071
Howard	713	3	50	7	19	158	0	949
Kent	509	5	29	26	24	93	0	686
Montgomery	455	3	45	5	21	140	0	668
Prince George's	1,114	8	29	9	53	114	0	1,326
Queen Anne's	654	3	35	14	16	105	0	827
St. Mary's	936	6	23	12	13	111	0	1,101
Somerset	908	10	31	25	188	88	0	1,250
Talbot	295	3	36	14	21	86	0	455
Washington	970	8	54	15	14	99	0	1,160
Wicomico	1,178	9	49	16	24	116	0	1,391
Worcester	351	3	37	10	25	124	0	550
<b>Total</b>	<b>\$837</b>	<b>\$6</b>	<b>\$39</b>	<b>\$10</b>	<b>\$41</b>	<b>\$117</b>	<b>\$32</b>	<b>\$1,082</b>

\*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

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### Introduction

*The Balance Sheet* analysis accounts for a majority of State tax revenues. State tax revenues allocated to local governments total \$13.5 billion in fiscal 2009. 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, 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 2009, and **Exhibit 3.3** shows the per capita allocation of selected tax revenues by county.

The largest single revenue component allocated for this report is the individual income tax at \$6.5 billion or 48.1% of total allocated revenue. The amount of allocated taxes on a per capita basis varies widely as illustrated in Exhibit 3.3. Worcester County generates the greatest amount of State revenues at \$3,601 per resident followed by Talbot County at \$3,418 per resident. Montgomery and Howard counties are the next leading counties in terms of per capita revenue collections. In comparison, Somerset County generates the least State revenues at \$1,043 per resident. In terms of the individual income tax, Montgomery County generates the most per capita at \$1,778 followed by Howard County at \$1,715 per resident. In comparison, Somerset County contributes the least per capita at \$392 while Baltimore City and Caroline County generate \$586 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 Baltimore City have the lowest per capita wealth amount which results in a below average ability



to generate State revenues. In comparison, Worcester County is the State's wealthiest jurisdiction on a per capita basis followed by Talbot County. Montgomery and Howard counties have the third and fourth highest per capita wealth, respectively. The high wealth ranking for Worcester County is due exclusively to the large amount of residential and commercial development in Ocean City. The county's per capita income tax base is below the statewide average. 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**

<b>Allocation Basis</b>	<b>Percent of Total Taxes Allocated</b>		
<b>Point of Collection</b>	<b><u>Fiscal 1999</u></b>	<b><u>Fiscal 2004</u></b>	<b><u>Fiscal 2009</u></b>
Individual Income Tax	51.6%	48.2%	48.1%
Sales Tax	27.8%	28.2%	28.8%
Property Tax	3.0%	4.5%	5.4%
Transfer Tax	1.1%	1.7%	0.8%
Death Taxes	1.8%	1.5%	1.6%
<b>Subtotal</b>	<b>85.2%</b>	<b>84.2%</b>	<b>84.7%</b>
<b>County Sales</b>			
Net Lottery Receipts	4.2%	4.1%	3.5%
Liquor Tax	0.1%	0.1%	0.1%
Beer Tax	0.1%	0.1%	0.1%
Wine Tax	0.0%	< 0.1%	< 0.1%
<b>Subtotal</b>	<b>4.5%</b>	<b>4.4%</b>	<b>3.7%</b>
<b>Utility Revenues</b>			
Gross Receipts Tax	<b>1.8%</b>	<b>1.3%</b>	<b>0.9%</b>
<b>Population</b>			
Corporate Income Tax	3.7%	3.2%	4.1%
Tobacco Tax	1.6%	2.6%	3.0%
Insurance Tax	2.1%	2.3%	2.0%
Abandoned Property	0.5%	1.0%	0.5%
Corporate Filing Fees	0.1%	0.5%	0.6%
Horse Racing Tax	0.0%	< 0.1%	< 0.1%
Net Earnings Tax	0.0%	0.0%	< 0.1%
<b>Subtotal</b>	<b>8.0%</b>	<b>9.6%</b>	<b>10.2%</b>
<b>Vehicle Registration</b>			
Medevac Surcharge	<b>0.4%</b>	<b>0.5%</b>	<b>0.4%</b>
<b>Total Taxes Allocated</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Department of Legislative Services

**Exhibit 3.2**  
**Allocation of State Revenues – Fiscal 2009**

<b>County</b>	<b>Individual Income Tax</b>	<b>Corporate Income Tax</b>	<b>Gross Receipts Tax</b>	<b>Net Earnings Tax</b>	<b>Sales Tax</b>	<b>Insurance Tax</b>	<b>Transfer Tax</b>
Allegany	\$44,474,418	\$7,071,584	\$1,815,388	\$360	\$45,800,630	\$3,513,367	\$426,070
Anne Arundel	707,150,606	50,155,318	11,769,651	2,554	412,034,138	24,918,608	11,481,722
Baltimore City	373,632,675	62,103,470	14,539,031	3,163	380,179,601	30,854,794	6,411,657
Baltimore	945,472,829	76,737,847	17,897,419	3,908	611,403,674	38,125,575	12,699,893
Calvert	106,551,404	8,619,277	1,468,101	439	37,967,305	4,282,305	1,610,693
Caroline	19,498,574	3,238,945	784,554	165	8,177,226	1,609,201	339,087
Carroll	192,341,980	16,525,537	3,130,714	842	110,780,924	8,210,363	2,389,934
Cecil	65,079,695	9,727,734	2,253,195	495	39,795,587	4,833,019	1,510,877
Charles	147,888,449	13,766,317	2,551,243	701	113,771,133	6,839,503	2,974,377
Dorchester	19,472,953	3,116,118	871,282	159	15,816,886	1,548,177	583,123
Frederick	273,516,946	22,046,994	6,362,046	1,123	145,075,039	10,953,582	4,985,190
Garrett	19,612,627	2,886,524	720,223	147	20,751,780	1,434,108	843,133
Harford	266,662,994	23,494,052	4,795,894	1,197	133,865,549	11,672,522	4,097,249
Howard	475,268,652	26,977,774	6,481,552	1,374	203,533,367	13,403,336	8,093,246
Kent	15,938,174	1,972,721	435,744	100	14,537,283	980,104	431,962
Montgomery	1,695,274,795	92,819,281	20,881,234	4,727	603,530,215	46,115,295	27,349,825
Prince George's	664,896,695	80,831,420	17,335,081	4,117	568,992,353	40,159,379	16,121,886
Queen Anne's	54,642,030	4,619,625	924,273	235	25,213,031	2,295,163	1,165,776
St. Mary's	107,046,763	9,894,650	1,785,738	504	54,401,690	4,915,947	1,840,485
Somerset	10,243,147	2,543,251	422,061	130	4,064,224	1,263,561	201,499
Talbot	50,456,623	3,514,672	588,451	179	43,154,924	1,746,190	1,471,864
Washington	114,303,905	14,156,209	2,826,479	721	113,037,421	7,033,213	1,828,219
Wicomico	63,919,180	9,135,013	2,367,879	465	86,660,359	4,538,538	1,261,640
Worcester	43,810,936	4,785,470	1,907,240	244	81,317,037	2,377,560	2,814,249
<b>Total</b>	<b>\$6,477,157,048</b>	<b>\$550,739,805</b>	<b>\$124,914,472</b>	<b>\$28,049</b>	<b>\$3,873,861,376</b>	<b>\$273,623,411</b>	<b>\$112,933,655</b>

**Exhibit 3.2 (continued)**  
**Allocation of State Revenues – Fiscal 2009**

<b>County</b>	<b>Death Taxes</b>	<b>Liquor Tax</b>	<b>Beer Tax</b>	<b>Wine Tax</b>	<b>Tobacco Tax</b>	<b>Horse Racing Tax</b>	<b>Net Lottery Receipts</b>
Allegany	\$948,339	\$191,426	\$165,999	\$39,966	\$5,211,688	\$49,357	\$2,810,301
Anne Arundel	12,653,591	1,579,098	1,010,641	794,397	36,963,975	350,068	48,248,375
Baltimore City	7,523,679	2,066,008	1,159,204	494,690	45,769,645	433,462	86,183,248
Baltimore	52,662,005	2,054,126	1,227,402	803,587	56,555,037	535,605	75,989,589
Calvert	1,581,960	227,961	164,814	87,607	6,352,322	60,160	6,630,761
Caroline	680,929	64,116	63,749	15,059	2,387,070	22,607	2,095,984
Carroll	5,947,929	352,711	316,191	159,595	12,179,158	115,343	9,335,388
Cecil	1,932,233	903,586	257,586	133,850	7,169,244	67,896	5,531,276
Charles	941,359	433,291	230,368	87,781	10,145,640	96,084	15,388,501
Dorchester	1,493,250	79,743	68,275	23,434	2,296,548	21,749	2,223,059
Frederick	5,100,611	537,404	374,489	219,209	16,248,417	153,881	9,309,681
Garrett	650,920	99,077	70,497	27,719	2,127,339	20,147	859,390
Harford	2,999,776	488,714	396,826	213,622	17,314,885	163,981	16,124,634
Howard	5,279,295	556,900	332,307	307,839	19,882,353	188,296	12,056,683
Kent	5,354,509	64,255	44,513	29,599	1,453,876	13,769	1,196,954
Montgomery	74,063,743	1,383,584	876,370	932,125	68,406,895	647,849	45,605,871
Prince George's	6,715,001	2,161,755	1,184,615	481,481	59,571,960	564,177	96,869,768
Queen Anne's	1,180,115	134,228	108,285	65,120	3,404,618	32,243	2,871,402
St. Mary's	1,486,335	225,627	183,697	75,735	7,292,260	69,061	10,369,100
Somerset	2,077,765	43,875	35,783	10,640	1,874,351	17,751	1,744,853
Talbot	6,475,650	126,701	70,207	84,975	2,590,279	24,531	2,360,562
Washington	2,120,977	385,029	292,807	89,595	10,432,987	98,806	6,869,662
Wicomico	4,791,344	163,765	192,776	78,837	6,732,415	63,759	5,766,311
Worcester	5,115,794	384,971	267,124	106,832	3,526,844	33,401	6,764,644
<b>Total</b>	<b>\$209,777,109</b>	<b>\$14,707,950</b>	<b>\$9,094,524</b>	<b>\$5,363,296</b>	<b>\$405,889,807</b>	<b>\$3,843,986</b>	<b>\$473,206,000</b>

**Exhibit 3.2 (continued)**  
**Allocation of State Revenues – Fiscal 2009**

<b>County</b>	<b>Domestic Corporation Filing Fees</b>	<b>Medevac Surcharge</b>	<b>Abandoned Property</b>	<b>Subtotal</b>	<b>Property Tax</b>	<b>Total</b>
Allegany	\$966,343	\$677,373	\$915,697	\$115,078,305	\$3,832,437	\$118,910,742
Anne Arundel	6,853,804	5,286,068	6,494,594	1,337,747,208	78,547,390	1,416,294,598
Baltimore City	8,486,537	3,532,397	8,041,756	1,031,415,020	44,317,075	1,075,732,095
Baltimore	10,486,348	7,038,682	9,936,756	1,919,630,281	80,535,022	2,000,165,303
Calvert	1,177,838	948,941	1,116,107	178,847,995	12,738,655	191,586,650
Caroline	442,607	402,354	419,410	40,241,635	2,874,390	43,116,025
Carroll	2,258,241	1,836,210	2,139,886	368,020,945	20,039,345	388,060,290
Cecil	1,329,310	981,461	1,259,641	142,766,687	11,203,212	153,969,899
Charles	1,881,189	1,418,171	1,782,595	320,196,704	17,629,288	337,825,992
Dorchester	425,822	346,022	403,505	48,790,108	3,554,802	52,344,910
Frederick	3,012,757	2,345,971	2,854,857	503,098,197	29,979,853	533,078,050
Garrett	394,448	343,679	373,775	51,215,533	5,061,890	56,277,423
Harford	3,210,499	2,400,941	3,042,236	490,945,570	26,523,367	517,468,937
Howard	3,686,555	2,624,135	3,493,342	782,167,006	46,369,049	828,536,055
Kent	269,575	237,898	255,447	43,216,483	3,177,944	46,394,427
Montgomery	12,683,902	7,709,047	12,019,135	2,710,303,893	176,801,259	2,887,105,152
Prince George's	11,045,741	6,568,692	10,466,831	1,583,970,952	84,781,473	1,668,752,425
Queen Anne's	631,279	542,903	598,194	98,428,522	8,475,658	106,904,180
St. Mary's	1,352,120	1,088,182	1,281,255	203,309,149	11,696,355	215,005,504
Somerset	347,539	211,025	329,325	25,430,777	1,823,139	27,253,916
Talbot	480,285	442,811	455,114	114,044,019	9,400,054	123,444,073
Washington	1,934,468	1,435,734	1,833,082	278,679,315	15,744,350	294,423,665
Wicomico	1,248,314	958,652	1,182,889	189,062,137	7,294,191	196,356,328
Worcester	653,942	606,866	619,669	155,092,823	21,947,123	177,039,946
<b>Total</b>	<b>\$75,259,466</b>	<b>\$49,984,214</b>	<b>\$71,315,095</b>	<b>\$12,731,699,263</b>	<b>\$724,347,321</b>	<b>\$13,456,046,584</b>

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

**Exhibit 3.3**  
**Per Capita Allocation of Selected State Revenues – Fiscal 2009**

<b>County</b>	<b>Individual Income Tax</b>	<b>Sales Tax</b>	<b>Transfer Tax</b>	<b>Death Taxes</b>	<b>Net Lottery Receipts</b>	<b>Property Tax</b>	<b>All Allocated Taxes</b>
Allegany	\$612	\$630	\$6	\$13	\$39	\$53	\$1,637
Anne Arundel	1,372	800	22	25	94	152	2,748
Baltimore City	586	596	10	12	135	69	1,686
Baltimore	1,199	775	16	67	96	102	2,537
Calvert	1,203	429	18	18	75	144	2,163
Caroline	586	246	10	20	63	86	1,296
Carroll	1,133	652	14	35	55	118	2,285
Cecil	651	398	15	19	55	112	1,540
Charles	1,046	804	21	7	109	125	2,388
Dorchester	608	494	18	47	69	111	1,635
Frederick	1,207	640	22	23	41	132	2,353
Garrett	661	700	28	22	29	171	1,898
Harford	1,105	555	17	12	67	110	2,144
Howard	1,715	734	29	19	43	167	2,989
Kent	786	717	21	264	59	157	2,289
Montgomery	1,778	633	29	78	48	185	3,027
Prince George's	801	685	19	8	117	102	2,009
Queen Anne's	1,151	531	25	25	60	179	2,252
St. Mary's	1,053	535	18	15	102	115	2,115
Somerset	392	156	8	80	67	70	1,043
Talbot	1,397	1,195	41	179	65	260	3,418
Washington	786	777	13	15	47	108	2,024
Wicomico	681	923	13	51	61	78	2,092
Worcester	891	1,654	57	104	138	446	3,601
<b>Total</b>	<b>\$1,145</b>	<b>\$685</b>	<b>\$20</b>	<b>\$37</b>	<b>\$84</b>	<b>\$128</b>	<b>\$2,378</b>

Source: Department of Legislative Services

**Exhibit 3.4**  
**Local Wealth Calculation – Fiscal 2009**

County	Population	Assessable Base	Income Base	Total Wealth Amount	Per Capita Wealth Amount	Ranking
Allegany	72,658	\$1,269,182,800	\$823,205,503	\$2,092,388,303	\$28,798	24
Anne Arundel	515,328	29,037,779,100	11,865,278,754	40,903,057,854	79,373	6
Baltimore City	638,091	12,038,457,400	6,629,528,333	18,667,985,733	29,256	23
Baltimore	788,454	29,154,633,900	16,347,611,682	45,502,245,582	57,711	14
Calvert	88,560	4,781,887,300	1,877,416,802	6,659,304,102	75,195	7
Caroline	33,279	1,000,651,900	401,935,422	1,402,587,322	42,146	20
Carroll	169,794	7,238,926,100	3,444,915,210	10,683,841,310	62,922	12
Cecil	99,949	3,742,411,100	1,535,182,919	5,277,594,019	52,803	16
Charles	141,444	6,491,080,000	2,511,193,556	9,002,273,556	63,645	11
Dorchester	32,017	1,150,511,000	395,746,236	1,546,257,236	48,295	19
Frederick	226,525	10,678,358,900	4,804,222,062	15,482,580,962	68,348	8
Garrett	29,658	1,576,674,800	368,234,432	1,944,909,232	65,578	10
Harford	241,393	9,339,669,400	4,763,077,221	14,102,746,621	58,422	13
Howard	277,187	16,959,267,300	7,745,106,553	24,704,373,853	89,125	4
Kent	20,269	1,022,348,400	346,462,279	1,368,810,679	67,532	9
Montgomery	953,685	67,798,638,400	26,937,339,939	94,735,978,339	99,337	3
Prince George's	830,514	30,027,891,800	11,772,819,555	41,800,711,355	50,331	17
Queen Anne's	47,465	2,956,907,600	990,637,844	3,947,545,444	83,168	5
St. Mary's	101,664	3,955,135,200	1,768,492,296	5,723,627,496	56,299	15
Somerset	26,131	568,731,600	214,536,913	783,268,513	29,975	22
Talbot	36,112	3,181,797,900	885,824,491	4,067,622,391	112,639	2
Washington	145,450	4,849,175,600	2,225,204,055	7,074,379,655	48,638	18
Wicomico	93,859	2,582,290,000	1,359,106,385	3,941,396,385	41,993	21
Worcester	49,169	6,975,221,600	914,541,641	7,889,763,241	160,462	1
<b>Total</b>	<b>5,658,655</b>	<b>\$258,377,629,100</b>	<b>\$110,927,620,083</b>	<b>\$369,305,249,183</b>	<b>\$65,264</b>	

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

Source: Department of Legislative Services

## Chapter 4. Comparability

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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 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.