

THE BALANCE SHEET

A COUNTY BY COUNTY COMPARISON OF STATE AID
AND STATE TAX REVENUES COLLECTED
FISCAL 2015



DEPARTMENT OF LEGISLATIVE SERVICES 2017

The Balance Sheet

**A County by County Comparison of State Aid
And State Tax Revenues Collected**

Fiscal 2015

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

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DEPARTMENT OF LEGISLATIVE SERVICES
OFFICE OF POLICY ANALYSIS
MARYLAND GENERAL ASSEMBLY

Warren G. Deschenaux
Executive Director

September 2017

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

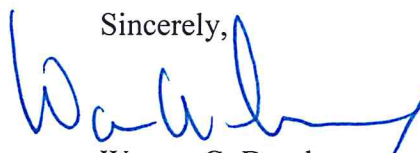
Ladies and Gentlemen:

Local governments in Maryland currently depend on State aid to help support vital public services such as education, transportation, public safety, and land preservation programs. State aid accounts for approximately 28% of total county revenues and 5% of total municipal revenues. Additionally, State aid to local governments continues to be one of the largest components of the State budget, accounting for 39% of general fund expenditures and 26% of all State-funded expenditures.

Each year the Department of Legislative Services prepares a *Balance Sheet* which features the distribution of State aid payments to local governments and the allocation of certain State tax revenues on a county-by-county basis. In this analysis, State aid has been aggregated for the county irrespective as to whether the State aid is provided to the county government, a municipal government, special taxing district, or 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 Benford Techie and reviewed by Stanford Ward and Hiram Burch; the manuscript was prepared by Nikki Burns. The Department of Legislative Services trusts that the study will be useful to members of the General Assembly and to other persons interested in matters relating to State aid.

Sincerely,

Warren G. Deschenaux
Executive Director

WGD/nb

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Executive Summary

The Balance Sheet provides a comparison of State revenues collected to State financial assistance received for each county. State financial assistance includes direct payments by the State to a local government as well as payments made by the State on behalf of a local government, such as teachers' retirement payments. State revenue collections represent most general fund tax revenues, certain special fund tax revenues, and lottery receipts allocated to counties, primarily by point of collection.

The Balance Sheet is not an analysis of the "fairness" of State aid distributions to local governments. Counties in which taxpayers contribute relatively more State revenues should not necessarily receive more State aid. In fact, several State aid formulas distribute aid inversely to local property and income wealth, whereby local governments with greater capacity to raise revenues from local sources receive less State aid. Such aid programs accounted for about 70% of the State aid to local governments included in this *Balance Sheet*.

It is also important to note that State residents are subject to the same State tax rates regardless of the locality in which they reside. Jurisdictions that generate more State tax revenues per capita typically have a greater proportion of residents with higher incomes, or have a larger overall tax base.

In fiscal 2015, State revenue collections allocated in *The Balance Sheet* totaled \$17.0 billion, while State aid payments to local governments totaled \$7.0 billion. The individual income tax accounted for 49.1% of

the State revenues allocated in the report, while the sales tax accounted for 26.0% of revenues.

On average, local governments received \$0.41 in State aid (direct aid and payments-on-behalf) for each \$1.00 in taxes paid by county residents and businesses. This illustrates that local governments received 41% 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 2006, ranging from a low of 37% in fiscal 2006 to a high of 47% in fiscal 2010. During the 10-year period ending in fiscal 2015, the "balance sheet index" as a percent of the statewide average increased in 6 jurisdictions, decreased in 9 jurisdictions, and remained relatively constant in 9 jurisdictions.

The ratios for 14 counties in fiscal 2015 matched or exceeded the statewide weighted average. State aid to revenue allocation ratios for Anne Arundel, Baltimore, Carroll, Harford, Howard, Kent, Montgomery, Queen Anne's, Talbot, and Worcester counties were below the statewide average. In terms of total State aid received as measured on a per capita basis, Anne Arundel, Kent, Montgomery, Talbot, Queen Anne's, and Worcester counties received the least amount of aid, whereas Baltimore City and Allegany, Caroline, Dorchester, Somerset, and Wicomico counties received the most.

Chapter 1. Balance Sheet Index

Introduction

The Balance Sheet compares on a county-by-county basis State aid to State revenue collections as allocated among the counties. In fiscal 2015, State revenue collections allocated in *The Balance Sheet* totaled \$17.0 billion, while State aid payments to local governments totaled \$7.0 billion. This illustrates that local governments received approximately 41% of the State revenues that were allocated on a county-by-county basis in the report. The remaining revenues funded State programs. The share of State revenues provided to local governments has fluctuated over the last 10 years, ranging from a low of 37% in fiscal 2006 to a high of 47% in fiscal 2010. **Exhibit 1.1** summarizes the county-by-county tax revenues and State aid allocations for fiscal 2015.

Explanation of Ratios

The Balance Sheet utilizes two aid-to-revenue ratios as shown in **Exhibit 1.2**. The first is the ratio of direct State aid to State revenues generated from a county, exclusive of State property tax receipts. For example, a ratio of 0.71 for Allegany County in 2015 indicates that for every dollar of State tax revenues allocated to Allegany County, the county received \$0.71 in direct State aid. The amount of direct grants received for each \$1.00 of taxes paid in fiscal 2015 ranged from \$0.13 in Talbot County to \$1.31 in Somerset County. Statewide, the weighted average for this measure was \$0.38, and the simple average (county mean) was \$0.49. The amount for Baltimore City includes State assumed functions.

The second ratio compares direct State aid and payments-on-behalf to total revenue allocations. Payments-on-behalf include State paid retirement costs for public school teachers, librarians, and community college faculty that the State makes on behalf of the local government. Again, using Allegany County as the example, in 2015 the county received \$0.75 in State assistance for every \$1.00 of State tax revenues allocated to the county. On this measure, State assistance received for each \$1.00 of taxes paid in fiscal 2015 varied from \$0.15 for Talbot County to \$1.31 for Somerset County. Statewide, the weighted average was \$0.41, and the simple average was \$0.52.

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 2015, for example, Allegany County's direct aid index was 1.87, indicating that Allegany County's ratio was 87% above the statewide average. Including payments-on-behalf lowers Allegany County's ratio to 1.84 or 84% above the statewide average. **Exhibit 1.3** shows each county's index value. Indexing county aid to revenue ratios by the statewide average enables comparison of the current *Balance Sheet* to previous years.

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

In addition to weighted and simple averages, Exhibits 1.2 through 1.7 show the standard deviation. Standard deviation measures how widely dispersed values are in a data set. The closer data points are to the average, the smaller the standard deviation; however, as data points become more spread out over the data set, the standard deviation increases. For example, the standard deviations for both measurements in Exhibit 1.2 are relatively small at 0.30 for direct aid and 0.29 for direct aid and payments-on-behalf. The standard deviation is useful in showing how the variation in the “balance sheet index” has changed over time. As illustrated in Exhibits 1.4 and 1.5, the variation among the counties has remained relatively stable over the 10-year period.

Findings

On average, local governments received \$0.38 in direct State aid for each \$1.00 in taxes paid by county residents and businesses. The ratios for 14 counties matched or exceeded this statewide weighted average. State aid to revenue allocation ratios for four of Maryland’s largest jurisdictions (Anne Arundel, Baltimore, Howard, and Montgomery counties) were considerably below the statewide average. Moreover, the simple average, or county mean, of \$0.49, calculated by summing the county ratios and dividing by 24, is somewhat higher than the statewide weighted average.

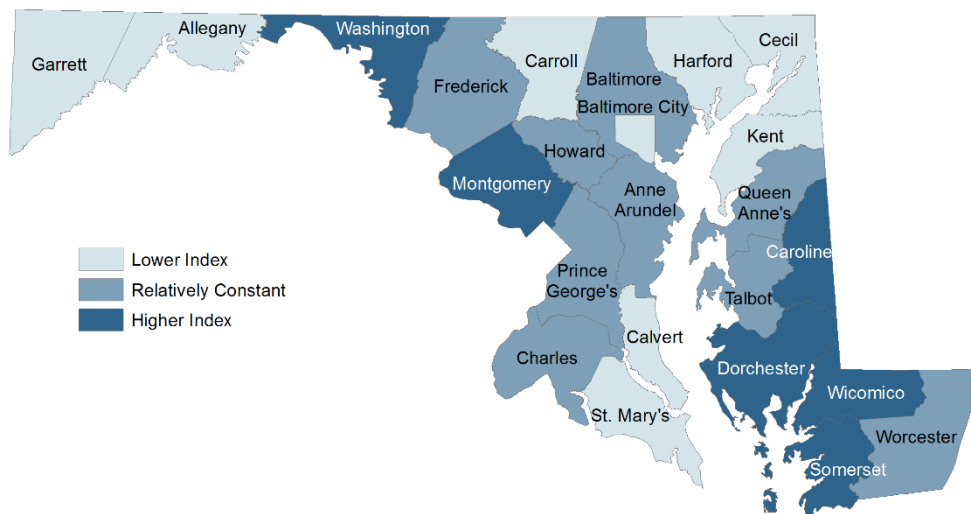
Likewise, on average local governments received \$0.41 in total State aid (direct aid and payments-on-behalf) for each \$1.00 in taxes paid. The ratios for 14 counties matched or exceeded the statewide average. As with the direct State aid ratio, State assistance to revenue allocation ratios for four 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 2015 (received the least amount of State aid in relation to the collection of allocated State tax revenues), while Baltimore City and Caroline and Somerset counties had the highest ratios (received the greatest amount of State aid in relation to the collection of allocated State tax revenues).

During this 10-year period, the “balance sheet index” increased in 6 counties and decreased in 8 counties and Baltimore City. For the remaining 9 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. The fluctuation in the “balance sheet index” is primarily due to the relative change in local wealth among the counties. In the last 10 years, both Garrett and Kent counties experienced the highest growth in their local per pupil wealth measure, which is one of the key factors in the allocation of State education aid. Due to the above average growth in local wealth, both counties have become less reliant on State aid as a local funding source. In contrast, Washington and Wicomico counties have experienced the lowest growth in

their local per pupil wealth measure. As a result, both counties have realized a significant increase in State aid during the 10-year period.

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



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

As shown in **Exhibit 1.9**, the five counties that generated the most State tax revenues in fiscal 2015 as measured on a per capita basis include Anne Arundel, Howard, Montgomery, Talbot, and Worcester. The counties that generated the least per capita State tax revenues include Allegany, Caroline, Cecil, Dorchester, and Somerset. 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 tax-base.

Jurisdictions that received the greatest amount of State aid in fiscal 2015 as measured on a per capita basis include Baltimore City and Allegany, Caroline, Somerset, and Wicomico counties. Jurisdictions receiving the least amount of State aid per capita include Anne Arundel, Kent, Montgomery, Talbot, and Worcester counties. As stated earlier, counties in which taxpayers contribute relatively more State revenues should not necessarily receive more State aid. In fact, several State aid formulas distribute aid inversely to local property and income wealth, whereby jurisdictions with greater capacity to raise revenues from local sources receive less State aid. Such aid programs accounted for about 70% of State aid to local governments included in this *Balance Sheet*.

Exhibit 1.1
Allocation of State Revenues and State Aid¹
Fiscal 2015

County	Allocation of Tax Revenues Excl. Property Tax	Allocation of Total Tax Revenues	Direct State Grants	Direct Grants and Payments- on-behalf
Allegany	\$137,990,239	\$142,477,882	\$98,008,806	\$107,512,630
Anne Arundel	1,742,593,827	1,833,085,468	399,498,826	467,084,806
Baltimore City	1,281,003,890	1,331,724,392	1,233,052,844	1,305,490,034
Baltimore	2,415,721,552	2,500,617,342	666,380,799	761,924,591
Calvert	226,074,482	239,253,321	88,540,284	103,654,140
Caroline	52,084,352	54,943,799	55,241,144	59,926,171
Carroll	458,768,663	479,004,692	148,388,380	171,430,246
Cecil	178,926,828	189,389,536	115,164,552	129,162,387
Charles	414,009,986	431,401,574	175,595,952	199,162,937
Dorchester	59,785,973	63,253,693	43,347,327	47,257,278
Frederick	664,216,077	693,334,162	252,088,423	287,272,927
Garrett	62,797,861	67,875,350	29,333,420	33,044,882
Harford	635,977,160	664,966,482	225,184,976	257,930,584
Howard	1,047,798,072	1,097,704,942	249,557,865	310,330,151
Kent	50,846,869	54,320,696	11,730,583	13,767,747
Montgomery	3,532,924,680	3,716,891,401	708,185,896	874,188,031
Prince George's	1,981,417,734	2,064,965,656	1,108,966,170	1,210,707,269
Queen Anne's	132,065,619	140,567,072	37,558,843	43,636,102
St. Mary's	267,424,671	281,012,008	103,770,823	117,861,549
Somerset	28,120,742	30,081,095	36,742,642	39,463,624
Talbot	133,161,272	142,663,492	17,163,546	21,089,340
Washington	337,098,756	350,334,892	183,008,570	202,267,993
Wicomico	216,221,635	222,757,771	147,607,341	160,603,915
Worcester	195,390,912	212,178,820	26,693,242	34,010,977
Total	\$16,252,421,853	\$17,004,805,539	\$6,160,811,254	\$6,958,780,311

¹ Includes State spending on functions in Baltimore City assumed by the State and excludes certain transportation aid and programs that cannot easily be allocated by county.

Source: Department of Legislative Services

Exhibit 1.2
State Financial Assistance Received for Each \$1.00 of Taxes Paid
Fiscal 2015

County	Direct State Grants	Direct Grants and Payments-on-behalf
Allegany	0.71	0.75
Anne Arundel	0.23	0.25
Baltimore City	0.96	0.98
Baltimore	0.28	0.30
Calvert	0.39	0.43
Caroline	1.06	1.09
Carroll	0.32	0.36
Cecil	0.64	0.68
Charles	0.42	0.46
Dorchester	0.73	0.75
Frederick	0.38	0.41
Garrett	0.47	0.49
Harford	0.35	0.39
Howard	0.24	0.28
Kent	0.23	0.25
Montgomery	0.20	0.24
Prince George's	0.56	0.59
Queen Anne's	0.28	0.31
St. Mary's	0.39	0.42
Somerset	1.31	1.31
Talbot	0.13	0.15
Washington	0.54	0.58
Wicomico	0.68	0.72
Worcester	0.14	0.16
Total (Weighted Avg.)	0.38	0.41
County Mean (Simple Avg.)	0.49	0.52
Standard Deviation	0.30	0.29

Source: Department of Legislative Services

Exhibit 1.3
State Financial Assistance Received as Indexed to the Statewide Average
Fiscal 2015

County	Direct State Grants	Direct Grants and Payments-on-behalf
Allegany	1.87	1.84
Anne Arundel	0.60	0.62
Baltimore City	2.54	2.40
Baltimore	0.73	0.74
Calvert	1.03	1.06
Caroline	2.80	2.67
Carroll	0.85	0.87
Cecil	1.70	1.67
Charles	1.12	1.13
Dorchester	1.91	1.83
Frederick	1.00	1.01
Garrett	1.23	1.19
Harford	0.93	0.95
Howard	0.63	0.69
Kent	0.61	0.62
Montgomery	0.53	0.57
Prince George's	1.48	1.43
Queen Anne's	0.75	0.76
St. Mary's	1.02	1.02
Somerset	3.45	3.21
Talbot	0.34	0.36
Washington	1.43	1.41
Wicomico	1.80	1.76
Worcester	0.36	0.39
Total (Weighted Avg.)	1.00	1.00
County Mean (Simple Avg.)	1.28	1.26
Standard Deviation	0.80	0.73

Source: Department of Legislative Services

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

County	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Allegany	0.71	0.80	0.87	0.89	0.90	0.87	0.79	0.77	0.77	0.71
Anne Arundel	0.21	0.23	0.24	0.25	0.24	0.24	0.23	0.24	0.24	0.23
Baltimore City	0.95	1.02	1.07	1.11	1.10	1.08	1.05	1.00	1.00	0.96
Baltimore	0.24	0.27	0.29	0.30	0.31	0.30	0.29	0.28	0.28	0.28
Calvert	0.46	0.49	0.52	0.51	0.51	0.49	0.45	0.42	0.41	0.39
Caroline	0.90	1.05	1.12	1.20	1.18	1.16	1.11	1.06	1.08	1.06
Carroll	0.36	0.39	0.41	0.43	0.42	0.41	0.39	0.36	0.35	0.32
Cecil	0.65	0.69	0.74	0.76	0.75	0.77	0.72	0.68	0.66	0.64
Charles	0.43	0.48	0.50	0.51	0.50	0.47	0.47	0.45	0.45	0.42
Dorchester	0.60	0.62	0.69	0.75	0.73	0.65	0.71	0.71	0.72	0.73
Frederick	0.33	0.36	0.41	0.44	0.44	0.42	0.42	0.40	0.40	0.38
Garrett	0.58	0.62	0.62	0.63	0.64	0.61	0.56	0.53	0.50	0.47
Harford	0.39	0.43	0.45	0.47	0.46	0.45	0.41	0.39	0.38	0.35
Howard	0.22	0.24	0.26	0.28	0.28	0.28	0.27	0.26	0.25	0.24
Kent	0.28	0.27	0.24	0.28	0.30	0.27	0.26	0.25	0.27	0.23
Montgomery	0.14	0.15	0.17	0.19	0.20	0.21	0.20	0.20	0.21	0.20
Prince George's	0.54	0.59	0.64	0.64	0.62	0.58	0.54	0.55	0.56	0.56
Queen Anne's	0.28	0.30	0.32	0.35	0.33	0.33	0.32	0.32	0.31	0.28
St. Mary's	0.42	0.45	0.48	0.50	0.47	0.46	0.42	0.41	0.40	0.39
Somerset	1.04	1.12	1.24	1.19	1.28	1.36	1.28	1.21	1.30	1.31
Talbot	0.11	0.12	0.11	0.12	0.12	0.12	0.11	0.12	0.12	0.13
Washington	0.39	0.46	0.52	0.55	0.56	0.56	0.56	0.55	0.56	0.54
Wicomico	0.45	0.51	0.58	0.63	0.67	0.70	0.68	0.67	0.71	0.68
Worcester	0.12	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.15	0.14
Total (Weighted Avg.)	0.35	0.38	0.41	0.43	0.43	0.42	0.40	0.39	0.39	0.38
County Mean (Simple Avg.)	0.45	0.49	0.53	0.55	0.55	0.54	0.52	0.50	0.50	0.49
Standard Deviation	0.25	0.28	0.30	0.31	0.31	0.32	0.30	0.29	0.30	0.30

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

Source: Department of Legislative Services

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

County	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Allegany	0.73	0.83	0.91	0.93	0.95	0.92	0.84	0.82	0.81	0.75
Anne Arundel	0.23	0.25	0.26	0.27	0.27	0.28	0.27	0.27	0.27	0.25
Baltimore City	0.96	1.03	1.09	1.12	1.12	1.11	1.08	1.03	1.02	0.98
Baltimore	0.26	0.29	0.31	0.33	0.34	0.33	0.32	0.31	0.31	0.30
Calvert	0.48	0.51	0.55	0.54	0.55	0.55	0.50	0.47	0.46	0.43
Caroline	0.91	1.06	1.14	1.21	1.21	1.19	1.14	1.09	1.11	1.09
Carroll	0.38	0.41	0.44	0.46	0.46	0.46	0.43	0.40	0.39	0.36
Cecil	0.66	0.71	0.76	0.78	0.78	0.81	0.76	0.72	0.69	0.68
Charles	0.44	0.50	0.53	0.54	0.54	0.52	0.52	0.49	0.49	0.46
Dorchester	0.61	0.63	0.71	0.76	0.76	0.68	0.74	0.73	0.74	0.75
Frederick	0.35	0.38	0.44	0.47	0.48	0.47	0.46	0.44	0.43	0.41
Garrett	0.58	0.62	0.63	0.64	0.65	0.63	0.59	0.54	0.52	0.49
Harford	0.40	0.45	0.48	0.50	0.50	0.49	0.45	0.42	0.41	0.39
Howard	0.25	0.27	0.30	0.32	0.33	0.33	0.32	0.30	0.30	0.28
Kent	0.30	0.29	0.26	0.30	0.33	0.31	0.29	0.27	0.29	0.25
Montgomery	0.17	0.18	0.20	0.22	0.25	0.25	0.25	0.24	0.24	0.24
Prince George's	0.55	0.61	0.67	0.66	0.66	0.62	0.59	0.58	0.59	0.59
Queen Anne's	0.29	0.31	0.34	0.37	0.36	0.36	0.36	0.35	0.34	0.31
St. Mary's	0.43	0.47	0.50	0.52	0.50	0.50	0.46	0.45	0.44	0.42
Somerset	1.05	1.12	1.24	1.20	1.29	1.37	1.29	1.22	1.30	1.31
Talbot	0.12	0.13	0.12	0.13	0.13	0.14	0.13	0.13	0.14	0.15
Washington	0.40	0.48	0.54	0.57	0.59	0.60	0.60	0.58	0.59	0.58
Wicomico	0.47	0.54	0.61	0.67	0.71	0.74	0.73	0.71	0.74	0.72
Worcester	0.13	0.15	0.16	0.15	0.17	0.17	0.17	0.17	0.17	0.16
Total (Weighted Avg.)	0.37	0.40	0.43	0.46	0.47	0.46	0.44	0.42	0.42	0.41
County Mean (Simple Avg.)	0.47	0.51	0.55	0.57	0.58	0.58	0.55	0.53	0.53	0.52
Standard Deviation	0.25	0.28	0.30	0.30	0.31	0.31	0.30	0.28	0.29	0.29

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

Source: Department of Legislative Services

Exhibit 1.6
State Financial Assistance Received as Indexed to the Statewide Average
Direct Aid
10-year Summary

County	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Allegany	2.02	2.09	2.11	2.08	2.09	2.08	1.98	1.97	1.96	1.87
Anne Arundel	0.60	0.61	0.59	0.57	0.56	0.57	0.58	0.61	0.61	0.60
Baltimore City	2.70	2.67	2.61	2.59	2.56	2.59	2.63	2.57	2.53	2.54
Baltimore	0.68	0.70	0.70	0.71	0.71	0.71	0.72	0.71	0.72	0.73
Calvert	1.30	1.27	1.27	1.18	1.18	1.19	1.12	1.09	1.05	1.03
Caroline	2.56	2.74	2.74	2.80	2.75	2.78	2.78	2.73	2.76	2.80
Carroll	1.02	1.03	1.00	0.99	0.98	0.98	0.97	0.93	0.90	0.85
Cecil	1.85	1.81	1.80	1.76	1.74	1.85	1.80	1.76	1.66	1.70
Charles	1.21	1.24	1.23	1.19	1.16	1.14	1.18	1.15	1.14	1.12
Dorchester	1.71	1.61	1.69	1.74	1.70	1.55	1.77	1.82	1.84	1.91
Frederick	0.94	0.95	1.00	1.03	1.02	1.01	1.04	1.03	1.01	1.00
Garrett	1.64	1.62	1.51	1.47	1.50	1.45	1.41	1.35	1.28	1.23
Harford	1.10	1.13	1.11	1.09	1.06	1.07	1.04	0.99	0.95	0.93
Howard	0.64	0.63	0.64	0.65	0.65	0.67	0.67	0.66	0.64	0.63
Kent	0.81	0.71	0.58	0.65	0.69	0.66	0.65	0.63	0.68	0.61
Montgomery	0.40	0.40	0.41	0.43	0.47	0.49	0.51	0.52	0.53	0.53
Prince George's	1.53	1.54	1.56	1.48	1.44	1.40	1.36	1.40	1.42	1.48
Queen Anne's	0.79	0.78	0.77	0.81	0.78	0.78	0.81	0.82	0.80	0.75
St. Mary's	1.18	1.17	1.16	1.15	1.09	1.10	1.06	1.05	1.03	1.02
Somerset	2.97	2.93	3.02	2.78	2.98	3.26	3.21	3.10	3.30	3.45
Talbot	0.31	0.31	0.27	0.27	0.27	0.29	0.29	0.30	0.32	0.34
Washington	1.10	1.20	1.27	1.29	1.30	1.34	1.41	1.40	1.42	1.43
Wicomico	1.27	1.33	1.41	1.47	1.55	1.67	1.70	1.73	1.79	1.80
Worcester	0.35	0.36	0.34	0.32	0.32	0.34	0.36	0.36	0.38	0.36
Total (Weighted Avg.)	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
County Mean (Simple Avg.)	1.28	1.28	1.28	1.27	1.27	1.29	1.29	1.28	1.28	1.28
Standard Deviation	0.73	0.74	0.75	0.73	0.74	0.77	0.77	0.75	0.77	0.80

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

Source: Department of Legislative Services

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

County	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Allegany	1.99	2.06	2.09	2.05	2.04	2.02	1.93	1.94	1.92	1.84
Anne Arundel	0.62	0.63	0.61	0.59	0.59	0.60	0.61	0.63	0.63	0.62
Baltimore City	2.60	2.57	2.50	2.47	2.40	2.43	2.46	2.43	2.40	2.40
Baltimore	0.70	0.71	0.71	0.73	0.73	0.72	0.73	0.73	0.74	0.74
Calvert	1.30	1.27	1.26	1.19	1.19	1.19	1.14	1.12	1.08	1.06
Caroline	2.47	2.64	2.62	2.67	2.59	2.60	2.61	2.58	2.62	2.67
Carroll	1.02	1.03	1.01	1.00	0.99	1.00	0.98	0.95	0.91	0.87
Cecil	1.78	1.75	1.75	1.71	1.68	1.78	1.74	1.71	1.63	1.67
Charles	1.20	1.23	1.22	1.18	1.16	1.14	1.18	1.15	1.14	1.13
Dorchester	1.66	1.57	1.64	1.67	1.64	1.49	1.68	1.73	1.75	1.83
Frederick	0.94	0.95	1.00	1.03	1.03	1.02	1.05	1.03	1.02	1.01
Garrett	1.56	1.55	1.44	1.40	1.41	1.37	1.34	1.29	1.23	1.19
Harford	1.10	1.13	1.11	1.10	1.07	1.07	1.04	1.00	0.96	0.95
Howard	0.67	0.67	0.69	0.70	0.70	0.73	0.73	0.72	0.70	0.69
Kent	0.81	0.71	0.60	0.66	0.70	0.67	0.66	0.64	0.68	0.62
Montgomery	0.45	0.45	0.46	0.48	0.53	0.55	0.57	0.57	0.57	0.57
Prince George's	1.50	1.52	1.53	1.45	1.41	1.36	1.34	1.38	1.38	1.43
Queen Anne's	0.80	0.78	0.78	0.81	0.78	0.78	0.82	0.83	0.80	0.76
St. Mary's	1.17	1.16	1.16	1.14	1.08	1.09	1.05	1.05	1.02	1.02
Somerset	2.83	2.79	2.86	2.63	2.77	3.00	2.94	2.88	3.07	3.21
Talbot	0.33	0.32	0.28	0.29	0.29	0.32	0.31	0.32	0.33	0.36
Washington	1.09	1.18	1.25	1.26	1.27	1.31	1.38	1.37	1.39	1.41
Wicomico	1.27	1.33	1.40	1.46	1.52	1.63	1.66	1.68	1.75	1.76
Worcester	0.36	0.37	0.36	0.34	0.36	0.37	0.39	0.39	0.41	0.39
Total (Weighted Avg.)	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
County Mean (Simple Avg.)	1.26	1.27	1.26	1.25	1.25	1.26	1.26	1.25	1.26	1.26
Standard Deviation	0.69	0.70	0.71	0.68	0.68	0.70	0.69	0.68	0.71	0.73

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

Source: Department of Legislative Services

Exhibit 1.8
Comparison of State Tax Revenues and State Aid – Fiscal 2015

County	<u>Share of Population</u>			<u>Share of State Tax Revenues</u>			<u>Share of State Grants to Local Governments</u>		
	Population	Percent of Total	Ranking	Total Revenues	Percent of Total	Ranking	Total Grants	Percent of Total	Ranking
Allegany	73,045	1.2%	16	\$142,477,882	0.8%	18	\$107,512,630	1.5%	15
Anne Arundel	559,966	9.4%	5	1,833,085,468	10.8%	4	467,084,806	6.7%	5
Baltimore City	623,353	10.4%	4	1,331,724,392	7.8%	5	1,305,490,034	18.8%	1
Baltimore	826,518	13.9%	3	2,500,617,342	14.7%	2	761,924,591	10.9%	4
Calvert	90,601	1.5%	15	239,253,321	1.4%	13	103,654,140	1.5%	16
Caroline	32,524	0.5%	21	54,943,799	0.3%	22	59,926,171	0.9%	17
Carroll	167,700	2.8%	9	479,004,692	2.8%	9	171,430,246	2.5%	11
Cecil	102,180	1.7%	13	189,389,536	1.1%	16	129,162,387	1.9%	13
Charles	154,567	2.6%	10	431,401,574	2.5%	10	199,162,937	2.9%	10
Dorchester	32,537	0.5%	20	63,253,693	0.4%	21	47,257,278	0.7%	18
Frederick	243,569	4.1%	8	693,334,162	4.1%	7	287,272,927	4.1%	7
Garrett	29,658	0.5%	22	67,875,350	0.4%	20	33,044,882	0.5%	22
Harford	249,839	4.2%	7	664,966,482	3.9%	8	257,930,584	3.7%	8
Howard	308,151	5.2%	6	1,097,704,942	6.5%	6	310,330,151	4.5%	6
Kent	19,793	0.3%	24	54,320,696	0.3%	23	13,767,747	0.2%	24
Montgomery	1,027,780	17.2%	1	3,716,891,401	21.9%	1	874,188,031	12.6%	3
Prince George's	900,647	15.1%	2	2,064,965,656	12.1%	3	1,210,707,269	17.4%	2
Queen Anne's	48,727	0.8%	18	140,567,072	0.8%	19	43,636,102	0.6%	19
St. Mary's	110,483	1.9%	12	281,012,008	1.7%	12	117,861,549	1.7%	14
Somerset	25,653	0.4%	23	30,081,095	0.2%	24	39,463,624	0.6%	20
Talbot	37,569	0.6%	19	142,663,492	0.8%	17	21,089,340	0.3%	23
Washington	149,459	2.5%	11	350,334,892	2.1%	11	202,267,993	2.9%	9
Wicomico	101,538	1.7%	14	222,757,771	1.3%	14	160,603,915	2.3%	12
Worcester	51,438	0.9%	17	212,178,820	1.2%	15	34,010,977	0.5%	21
Total	5,967,295	100.0%		\$17,004,805,539	100.0%		\$6,958,780,311	100.0%	

Source: Department of Legislative Services

Exhibit 1.9
Per Capita Allocation of State Tax Revenues and State Aid – Fiscal 2015

County	Population	<u>Share of State Tax Revenues</u>			<u>Share of State Grants to Local Governments</u>		
		Total Revenues	Per Capita Amount	Ranking	Total Grants	Per Capita Amount	Ranking
Allegany	73,045	\$142,477,882	\$1,951	20	\$107,512,630	\$1,472	5
Anne Arundel	559,966	1,833,085,468	3,274	5	467,084,806	834	21
Baltimore City	623,353	1,331,724,392	2,136	19	1,305,490,034	2,094	1
Baltimore	826,518	2,500,617,342	3,025	6	761,924,591	922	18
Calvert	90,601	239,253,321	2,641	13	103,654,140	1,144	12
Caroline	32,524	54,943,799	1,689	23	59,926,171	1,843	2
Carroll	167,700	479,004,692	2,856	8	171,430,246	1,022	16
Cecil	102,180	189,389,536	1,853	22	129,162,387	1,264	10
Charles	154,567	431,401,574	2,791	10	199,162,937	1,289	9
Dorchester	32,537	63,253,693	1,944	21	47,257,278	1,452	6
Frederick	243,569	693,334,162	2,847	9	287,272,927	1,179	11
Garrett	29,658	67,875,350	2,289	17	33,044,882	1,114	13
Harford	249,839	664,966,482	2,662	12	257,930,584	1,032	15
Howard	308,151	1,097,704,942	3,562	4	310,330,151	1,007	17
Kent	19,793	54,320,696	2,744	11	13,767,747	696	22
Montgomery	1,027,780	3,716,891,401	3,616	3	874,188,031	851	20
Prince George's	900,647	2,064,965,656	2,293	16	1,210,707,269	1,344	8
Queen Anne's	48,727	140,567,072	2,885	7	43,636,102	896	19
St. Mary's	110,483	281,012,008	2,543	14	117,861,549	1,067	14
Somerset	25,653	30,081,095	1,173	24	39,463,624	1,538	4
Talbot	37,569	142,663,492	3,797	2	21,089,340	561	24
Washington	149,459	350,334,892	2,344	15	202,267,993	1,353	7
Wicomico	101,538	222,757,771	2,194	18	160,603,915	1,582	3
Worcester	51,438	212,178,820	4,125	1	34,010,977	661	23
Total	5,967,295	\$17,004,805,539	\$2,850		\$6,958,780,311	\$1,166	

Source: Department of Legislative Services

Chapter 2. State Aid to Local Governments

Introduction

State aid is a major revenue source for local governments in Maryland, totaling \$7.2 billion in fiscal 2015. 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 2015, 86.7% of State aid went to support local school systems with county and municipal governments receiving 7.6% of the aid. Support for local school systems totaled \$6.1 billion in fiscal 2015, while county and municipal governments received \$531.8 million. The remaining 5.7% was allocated to local libraries, community colleges, and local health departments. These entities received \$401.9 million in fiscal 2015. In addition, State spending on the assumption of functions in Baltimore City has increased from \$135.0 million in fiscal 2005 to \$186.2 million in fiscal 2015. **Exhibit 2.1** compares the allocation of State aid by governmental entity in fiscal 2005 and 2015.

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

Entity	FY 2005	Percent of Total	FY 2015	Percent of Total
Public Schools	\$3,624.9	76.8%	\$6,103.0	86.7%
County/Municipal	799.7	16.9%	531.8	7.6%
Community Colleges	184.0	3.9%	290.3	4.1%
Health	60.9	1.3%	41.7	0.6%
Libraries	50.3	1.1%	69.9	1.0%
Subtotal¹	\$4,719.8	100.0%	\$7,036.6	100.0%
Assumed Functions	135.0		186.2	
Total	\$4,854.8		\$7,222.8	

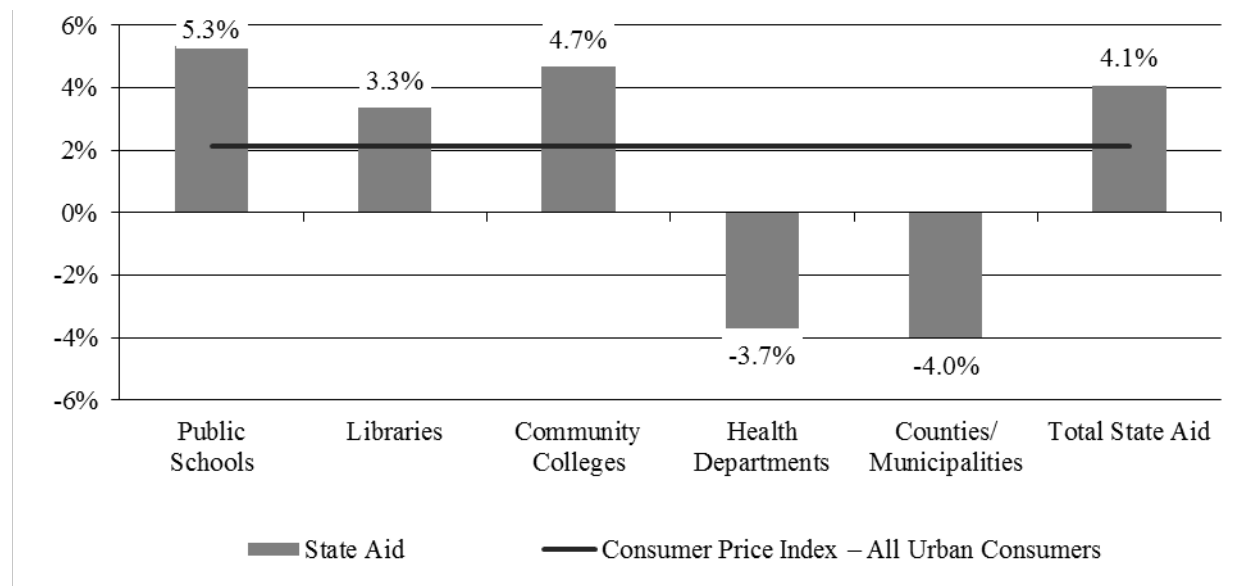
Source: Department of Legislative Services

¹ Includes \$77.6 million of State Aid that is not allocated by county.

Change in State Aid

Over the last 10 years, State aid to local governments has increased by \$2.3 billion, which represents a 4.1% 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 2005-2015



Reliance on State Aid

State aid is the largest revenue source for half of county governments in Maryland, representing 27.9% of total county revenues. In Anne Arundel, Baltimore, Calvert, Carroll, Garrett, Harford, Kent, Queen Anne's, and Worcester counties, State aid is the second largest revenue source after property taxes, while in Howard, 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 18.2% of total revenues in Worcester County but reaches 51.9% in Caroline County.

State aid is the fourth largest revenue source for municipalities, representing 5.3% of total revenues. As with counties, the reliance on State aid varies for municipalities, ranging from 2.0% of total revenues for municipalities in Talbot County to 30.9% 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.

Pretrial Complex 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 Pretrial Complex 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 (now known as the Baltimore City Pretrial Complex) 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 \$86.7 million in fiscal 2015 to operate the Baltimore City Pretrial Complex and \$59.4 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 2015, local community colleges received 23.3% of their operating funding from the State and 26.7% from county governments. In Baltimore City, the local community college is operated and funded by the State. Legislation enacted in 1990 established the city's community college as a State agency beginning in fiscal 1991. State funding for the Baltimore City Community College totaled \$40.1 million in fiscal 2015.

Allocation of State Financial Assistance

State financial assistance reported in *The Balance Sheet* for fiscal 2015 totals \$7.0 billion, representing \$6.0 billion in direct State grants, \$798.0 million in retirement payments made by the State on behalf of the counties. 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 Pretrial Complex, 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. Some State aid is excluded from the balance sheet including: (1) \$77.6 million that could not easily be allocated by county; and (2) \$188.0 million of primarily transportation grants that are funded with revenues that cannot be allocated by county and thus are excluded from the revenue portion of the Balance Sheet. State aid programs excluded from this analysis include local highway user revenues; local transportation grants for the elderly, disabled, and paratransit services; 911 emergency communications grants; and vehicle theft prevention grants. These programs account for approximately 2.6% of total State aid to local governments in fiscal 2015. This percentage is low relative to recent prior years, due primarily to a significant reduction in highway user revenues to local governments after fiscal 2008. **Exhibit 2.3** shows the programs and the amount of State aid excluded from *The Balance Sheet* analysis. **Exhibit 2.4** compares total State aid in fiscal 2015 with the amount of State aid allocated to the counties in *The Balance Sheet* analysis.

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

	<u>FY 2005</u>	<u>FY 2010</u>	<u>FY 2015</u>
Highway User Revenues	\$456.1	\$163.5	\$171.7
Elderly/Disabled Transportation	3.9	4.3	4.0
Paratransit Services	2.7	3.2	2.9
911 Emergency Communications	13.2	14.1	7.8
Vehicle Theft Prevention	2.0	1.4	1.5
Total	\$477.9	\$186.5	\$188.0
Percent of State Aid	9.8%	2.9%	2.6%

Source: Department of Legislative Services

Exhibit 2.4
Comparison of Total State Aid with the
Amount of State Aid Allocated in *The Balance Sheet*
Fiscal 2015

County	Total State Aid		State Aid in Balance Sheet		Percent of Total State Aid
	Amount	Per Capita	Amount	Per Capita	
Allegany	\$108,513,451	\$1,486	\$107,512,630	\$1,472	99.1%
Anne Arundel	471,618,137	842	467,084,806	834	99.0%
Baltimore City	1,443,713,219	2,316	1,305,490,034	2,094	90.4%
Baltimore	766,842,068	928	761,924,591	922	99.4%
Calvert	105,226,914	1,161	103,654,140	1,144	98.5%
Caroline	60,586,333	1,863	59,926,171	1,843	98.9%
Carroll	173,127,681	1,032	171,430,246	1,022	99.0%
Cecil	130,148,587	1,274	129,162,387	1,264	99.2%
Charles	200,360,906	1,296	199,162,937	1,289	99.4%
Dorchester	48,237,552	1,483	47,257,278	1,452	98.0%
Frederick	290,194,724	1,191	287,272,927	1,179	99.0%
Garrett	33,805,535	1,140	33,044,882	1,114	97.7%
Harford	260,130,392	1,041	257,930,584	1,032	99.2%
Howard	312,598,426	1,014	310,330,151	1,007	99.3%
Kent	14,354,818	725	13,767,747	696	95.9%
Montgomery	880,753,340	857	874,188,031	851	99.3%
Prince George's	1,216,758,351	1,351	1,210,707,269	1,344	99.5%
Queen Anne's	45,500,340	934	43,636,102	896	95.9%
St. Mary's	119,332,341	1,080	117,861,549	1,067	98.8%
Somerset	39,952,503	1,557	39,463,624	1,538	98.8%
Talbot	21,749,010	579	21,089,340	561	97.0%
Washington	203,972,971	1,365	202,267,993	1,353	99.2%
Wicomico	162,722,727	1,603	160,603,915	1,582	98.7%
Worcester	34,997,509	680	34,010,977	661	97.2%
Unallocated	77,604,135	13	0	0	
Total	\$7,222,801,970	\$1,210	\$6,958,780,311	\$1,166	96.3%

Source: Department of Legislative Services

In fiscal 2015, Baltimore City received the greatest amount of State aid (allocated in *The Balance Sheet* report) at \$1.31 billion, followed by Prince George's County at \$1.21 billion. On a per capita basis, these amounts translate into \$2,094 for Baltimore City (the greatest per capita amount for any jurisdiction) and \$1,344 for Prince George's County. Kent and Talbot counties, in contrast, received the least amount of State aid at \$13.8 million and \$21.1 million, respectively. On a per capita basis, Kent County received \$696, while Talbot County received \$561 – the least amount per capita for any jurisdiction. **Exhibit 2.5** shows the allocation of State aid by government entity, while **Exhibit 2.6** provides the allocation on a per capita basis by county.

Exhibit 2.5
Direct State Aid and Payments-on-behalf
Fiscal 2015

County	Education	Libraries	Community Colleges	Health	County/ Municipal	Retirement Payments	Assumed Functions	Total
Allegany	\$77,461,496	\$743,566	\$6,112,463	\$1,050,926	\$12,640,355	\$9,503,824	\$0	\$107,512,630
Anne Arundel	334,115,844	2,100,596	30,989,885	3,507,325	28,785,176	67,585,980	0	467,084,806
Baltimore City	912,672,321	6,052,829	0	7,448,751	120,697,047	72,437,190	186,181,896	1,305,490,034
Baltimore	598,215,207	5,326,500	41,217,296	4,812,353	16,809,443	95,543,792	0	761,924,591
Calvert	82,163,024	385,427	2,480,033	425,570	3,086,230	15,113,856	0	103,654,140
Caroline	48,910,853	269,917	1,622,008	597,446	3,840,920	4,685,027	0	59,926,171
Carroll	134,647,928	901,941	8,114,315	1,371,051	3,353,145	23,041,866	0	171,430,246
Cecil	101,860,072	719,312	5,844,496	898,571	5,842,101	13,997,835	0	129,162,387
Charles	162,500,683	920,218	8,419,548	1,108,607	2,646,896	23,566,985	0	199,162,937
Dorchester	37,883,123	252,314	1,214,424	487,575	3,509,891	3,909,951	0	47,257,278
Frederick	234,049,663	1,333,752	9,869,055	1,684,858	5,151,095	35,184,504	0	287,272,927
Garrett	21,340,054	114,153	3,754,518	494,747	3,629,948	3,711,462	0	33,044,882
Harford	205,722,014	1,450,044	11,210,760	1,935,591	4,866,567	32,745,608	0	257,930,584
Howard	225,192,306	838,404	16,403,685	1,358,560	5,764,910	60,772,286	0	310,330,151
Kent	9,978,284	80,741	583,554	382,647	705,357	2,037,164	0	13,767,747
Montgomery	633,011,687	2,813,185	45,917,948	3,388,360	23,054,716	166,002,135	0	874,188,031
Prince George's	1,009,900,473	6,759,078	26,867,659	5,599,065	59,839,895	101,741,099	0	1,210,707,269
Queen Anne's	34,078,166	138,123	1,882,657	464,787	995,110	6,077,259	0	43,636,102
St. Mary's	97,990,297	612,413	2,787,636	900,093	1,480,384	14,090,726	0	117,861,549
Somerset	29,301,987	267,688	728,374	478,674	5,965,919	2,720,982	0	39,463,624
Talbot	13,492,884	106,674	1,751,290	365,495	1,447,203	3,925,794	0	21,089,340
Washington	166,600,902	1,172,188	8,704,300	1,535,761	4,995,419	19,259,423	0	202,267,993
Wicomico	129,843,252	942,731	4,998,886	1,053,146	10,769,326	12,996,574	0	160,603,915
Worcester	19,485,647	144,418	2,075,906	393,250	4,594,021	7,317,735	0	34,010,977
Total	\$5,320,418,167	\$34,446,212	\$243,550,696	\$41,743,209	\$334,471,074	\$797,969,057	\$186,181,896	\$6,958,780,311

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

Source: Department of Legislative Services

Exhibit 2.6
Per Capita Direct State Aid and Payments-on-behalf
Fiscal 2015

County	Education	Libraries	Community Colleges	Health	County/ Municipal	Retirement Payments	Assumed Functions	Total
Allegany	\$1,060	\$10	\$84	\$14	\$173	\$130	\$0	\$1,472
Anne Arundel	597	4	55	6	51	121	0	834
Baltimore City	1,464	10	0	12	194	116	299	2,094
Baltimore	724	6	50	6	20	116	0	922
Calvert	907	4	27	5	34	167	0	1,144
Caroline	1,504	8	50	18	118	144	0	1,843
Carroll	803	5	48	8	20	137	0	1,022
Cecil	997	7	57	9	57	137	0	1,264
Charles	1,051	6	54	7	17	152	0	1,289
Dorchester	1,164	8	37	15	108	120	0	1,452
Frederick	961	5	41	7	21	144	0	1,179
Garrett	720	4	127	17	122	125	0	1,114
Harford	823	6	45	8	19	131	0	1,032
Howard	731	3	53	4	19	197	0	1,007
Kent	504	4	29	19	36	103	0	696
Montgomery	616	3	45	3	22	162	0	851
Prince George's	1,121	8	30	6	66	113	0	1,344
Queen Anne's	699	3	39	10	20	125	0	896
St. Mary's	887	6	25	8	13	128	0	1,067
Somerset	1,142	10	28	19	233	106	0	1,538
Talbot	359	3	47	10	39	104	0	561
Washington	1,115	8	58	10	33	129	0	1,353
Wicomico	1,279	9	49	10	106	128	0	1,582
Worcester	379	3	40	8	89	142	0	661
Total	\$892	\$6	\$41	\$7	\$56	\$134	\$31	\$1,166

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

Source: Department of Legislative Services

Chapter 3. Allocation of State Revenues

Introduction

The Balance Sheet analysis accounts for a majority of State tax revenues. State tax revenues allocated to local governments total \$17.0 billion in fiscal 2015. Major State tax revenues excluded from this analysis include motor vehicle fuel taxes, titling taxes, and corporate income taxes accruing to the Transportation Trust Fund. Point-of-collection data is currently unavailable for these revenue sources.

Revenue Allocation

The Balance Sheet allocates State tax revenues among local governments based on five methods: point of collection; county sales; population; utility revenues; and vehicle registration. As shown in **Exhibit 3.1**, most revenues (income, sales, property, transfer, and death taxes) are reported at the point of collection on a county-by-county basis. In the event that point-of-collection revenue data by county is not available, revenues are allocated using county-by-county receipts, sales, or population. Revenues from the tax on gross receipts of utilities are allocated on the basis of revenues earned by utility companies in each county. Revenues from beer, wine, and liquor taxes and the State lottery are allocated on the basis of sales. The corporate income tax, tobacco tax, insurance tax, abandoned property revenues, corporate filing fees, horse racing tax, video lottery terminal (VLT) revenues, revenues from new electronic bingo and tip jars, and tax on the net earnings of financial institutions and savings banks are allocated on the basis of county population. The Medevac surcharge is allocated based on the number of vehicle registrations in each county. **Exhibit 3.2** shows the allocation of State revenues by county in fiscal 2015, 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 \$8.3 billion or 49.1% total allocated revenue. The amount of allocated taxes on a per capita basis varies widely as illustrated in Exhibit 3.3. Worcester County generated the greatest amount of State revenues at \$4,125 per resident, followed by Talbot County at \$3,797 per resident. Howard and Montgomery counties are the next leading counties in terms of per capita revenue collections. In comparison, Somerset County generated the least State revenues at \$1,173 per resident. In terms of the individual income tax, Montgomery County generated the most per capita at \$2,176, followed by Howard County at \$2,142 per resident. In comparison, Somerset County contributed the least per capita at \$420, while Allegany and Caroline counties generated \$648 and \$693, respectively, per resident.

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

ability to generate State revenues. In comparison, Worcester County is the State's wealthiest jurisdiction on a per capita basis followed by Talbot County. Montgomery and 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

	Percent of Total Taxes Allocated		
Point of Collection	<u>FY 2005</u>	<u>FY 2010</u>	<u>FY 2015</u>
Individual Income Tax	47.7%	46.6%	49.1%
Sales Tax	26.8%	28.4%	26.0%
Property Tax	4.4%	5.9%	4.4%
Transfer Tax	2.0%	0.9%	0.9%
Death Taxes	1.6%	1.5%	1.5%
<i>Subtotal</i>	<i>82.5%</i>	<i>83.3%</i>	<i>82.0%</i>
County Sales			
Net Lottery Receipts	3.8%	3.7%	3.0%
Liquor Tax	0.1%	0.1%	0.1%
Beer Tax	0.1%	0.1%	0.1%
Wine Tax	< 0.1%	< 0.1%	< 0.1%
<i>Subtotal</i>	<i>4.1%</i>	<i>3.9%</i>	<i>3.2%</i>
Utility Revenues			
Gross Receipts Tax	1.1%	0.9%	0.8%
Population			
Corporate Income Tax	5.6%	5.2%	4.9%
Tobacco Tax	2.3%	3.1%	2.3%
Insurance Tax	2.0%	2.1%	1.9%
Abandoned Property	1.3%	0.6%	0.6%
Corporate Filing Fees	0.5%	0.6%	0.5%
Video Lottery Terminal Revenues	0.0%	0.0%	3.2%
Electronic Bingo/Tip Jars	0.0%	0.0%	0.1%
Horse Racing Tax	< 0.1%	< 0.1%	< 0.1%
Net Earnings Tax	0.0%	0.0%	< 0.1%
<i>Subtotal</i>	<i>11.9%</i>	<i>11.5%</i>	<i>13.6%</i>
Vehicle Registration			
Medevac Surcharge	0.4%	0.4%	0.4%
Total Taxes Allocated	100.0%	100.0%	100.0%

Source: Department of Legislative Services

Exhibit 3.2
Allocation of State Revenues
Fiscal 2015

County	Individual Income Tax	Corporate Income Tax	Gross Receipts Tax	Sales Tax	Insurance Tax	Transfer Tax
Allegany	\$47,346,949	\$10,252,191	\$1,975,783	\$53,537,972	\$4,028,156	\$447,444
Anne Arundel	905,645,912	78,593,722	12,809,536	511,162,077	30,880,007	18,680,302
Baltimore City	492,382,728	87,490,370	15,823,599	423,324,404	34,375,561	10,580,072
Baltimore	1,207,129,150	116,005,483	19,478,709	698,179,961	45,579,342	19,094,702
Calvert	130,399,414	12,716,254	1,597,812	46,601,676	4,996,303	2,142,325
Caroline	22,552,428	4,564,888	853,872	12,398,259	1,793,576	568,785
Carroll	247,655,240	23,537,442	3,407,322	119,488,694	9,248,021	3,922,533
Cecil	80,816,282	14,341,418	2,452,271	44,307,092	5,634,841	1,908,127
Charles	190,430,704	21,694,167	2,776,653	133,326,115	8,523,786	4,146,022
Dorchester	22,644,213	4,566,713	948,262	18,045,707	1,794,293	482,693
Frederick	351,127,958	34,185,994	6,924,152	183,366,140	13,431,909	6,858,310
Garrett	22,653,106	4,162,632	783,856	24,880,542	1,635,527	945,534
Harford	335,364,332	35,066,016	5,219,626	163,140,929	13,777,676	6,711,463
Howard	660,171,093	43,250,365	7,054,217	221,613,980	16,993,362	13,858,089
Kent	22,108,290	2,778,036	474,244	17,151,867	1,091,509	617,914
Montgomery	2,235,992,676	144,253,501	22,726,154	672,323,118	56,678,180	37,431,173
Prince George's	820,241,618	126,409,818	18,866,688	626,614,021	49,667,276	19,104,385
Queen Anne's	70,066,802	6,839,051	1,005,935	30,083,781	2,687,110	1,893,568
St. Mary's	140,082,565	15,506,781	1,943,513	64,295,303	6,092,720	2,458,295
Somerset	10,764,472	3,600,513	459,351	4,424,287	1,414,666	232,882
Talbot	61,641,502	5,272,976	640,442	46,854,856	2,071,788	1,796,995
Washington	135,738,232	20,977,236	3,076,207	123,905,274	8,242,099	2,753,889
Wicomico	73,831,152	14,251,311	2,577,089	86,789,047	5,599,437	1,306,686
Worcester	59,357,818	7,219,552	2,075,750	100,122,535	2,836,611	3,266,278
Total	\$8,346,144,637	\$837,536,431	\$135,951,041	\$4,425,937,635	\$329,073,754	\$161,208,466

Exhibit 3.2 (continued)
Allocation of State Revenues
Fiscal 2015

County	Death Taxes	Liquor Tax	Beer Tax	Wine Tax	Tobacco Tax	Horse Racing Tax	Net Lottery Receipts
Allegany	\$2,231,940	\$189,300	\$158,777	\$42,546	\$4,794,688	\$33,701	\$2,867,607
Anne Arundel	17,051,953	1,913,745	1,015,358	944,872	36,756,278	258,351	48,577,543
Baltimore City	10,128,478	2,125,101	973,096	594,871	40,917,013	287,596	79,403,495
Baltimore	54,243,746	2,459,377	1,139,904	988,235	54,252,803	381,330	82,985,445
Calvert	1,124,909	258,228	166,702	104,256	5,947,067	41,801	7,223,987
Caroline	448,532	70,586	60,150	19,500	2,134,882	15,006	1,991,827
Carroll	5,424,156	403,858	285,175	190,251	11,007,861	77,372	10,430,385
Cecil	1,700,418	443,337	242,787	141,969	6,707,115	47,143	5,963,714
Charles	1,464,585	469,427	210,778	109,117	10,145,808	71,312	19,119,319
Dorchester	1,759,807	88,357	65,858	26,122	2,135,735	15,012	2,651,452
Frederick	5,263,255	622,179	405,339	273,917	15,987,917	112,375	11,666,219
Garrett	384,825	107,521	73,469	32,357	1,946,757	13,683	965,138
Harford	6,012,761	556,212	381,691	260,528	16,399,481	115,268	18,104,506
Howard	6,630,750	697,573	333,361	394,016	20,227,092	142,171	13,851,514
Kent	854,481	75,649	41,662	34,467	1,299,216	9,132	1,514,711
Montgomery	98,265,434	1,623,144	893,128	1,044,107	67,463,681	474,186	53,263,863
Prince George's	27,242,326	2,245,993	1,101,021	577,408	59,118,646	415,531	107,057,930
Queen Anne's	5,603,514	150,607	104,768	72,399	3,198,450	22,481	3,420,769
St. Mary's	2,729,004	258,592	190,305	86,904	7,252,126	50,973	11,001,132
Somerset	139,327	38,552	35,154	12,618	1,683,868	11,836	1,788,152
Talbot	4,413,559	138,032	70,214	94,631	2,466,037	17,333	2,347,785
Washington	3,194,716	437,976	278,786	110,131	9,810,518	68,956	7,708,897
Wicomico	4,301,300	161,585	180,573	80,434	6,664,974	46,847	6,378,773
Worcester	2,840,324	395,899	258,949	122,411	3,376,400	23,732	6,208,485
Total	\$263,454,100	\$15,930,830	\$8,667,004	\$6,358,065	\$391,694,413	\$2,753,127	\$506,492,649

Exhibit 3.2 (continued)
Allocation of State Revenues
Fiscal 2015

County	Electronic Bingo/ Tip Jars	Video Lottery Terminals	Domestic Corporation Filing Fees	Medevac Surcharge	Abandoned Property	Subtotal	Property Tax	Total
Allegany	\$106,949	\$6,656,596	\$1,085,240	\$883,697	\$1,350,704	\$137,990,239	\$4,487,643	\$142,477,882
Anne Arundel	819,873	51,029,740	8,319,492	7,780,512	10,354,554	1,742,593,827	90,491,641	1,833,085,468
Baltimore City	912,681	56,806,201	9,261,241	4,090,716	11,526,669	1,281,003,890	50,720,502	1,331,724,392
Baltimore	1,210,144	75,320,642	12,279,691	9,709,414	15,283,473	2,415,721,552	84,895,790	2,500,617,342
Calvert	132,653	8,256,475	1,346,071	1,343,210	1,675,339	226,074,482	13,178,839	239,253,321
Caroline	47,620	2,963,914	483,214	515,900	601,414	52,084,352	2,859,447	54,943,799
Carroll	245,538	15,282,512	2,491,542	2,569,755	3,101,007	458,768,663	20,236,029	479,004,692
Cecil	149,607	9,311,670	1,518,102	1,351,484	1,889,451	178,926,828	10,462,708	189,389,536
Charles	226,309	14,085,701	2,296,423	2,055,599	2,858,160	414,009,986	17,391,588	431,401,574
Dorchester	47,639	2,965,099	483,407	463,952	601,655	59,785,973	3,467,720	63,253,693
Frederick	356,621	22,196,460	3,618,738	3,314,662	4,503,931	664,216,077	29,118,085	693,334,162
Garrett	43,424	2,702,736	440,633	477,703	548,418	62,797,861	5,077,490	67,875,350
Harford	365,801	22,767,845	3,711,892	3,401,260	4,619,872	635,977,160	28,989,323	664,966,482
Howard	451,179	28,081,822	4,578,242	3,771,104	5,698,143	1,047,798,072	49,906,870	1,097,704,942
Kent	28,980	1,803,737	294,067	302,907	366,000	50,846,869	3,473,827	54,320,696
Montgomery	1,504,822	93,661,661	15,269,868	11,050,895	19,005,089	3,532,924,680	183,966,721	3,716,891,401
Prince George's	1,318,680	82,076,022	13,381,036	9,325,113	16,654,222	1,981,417,734	83,547,922	2,064,965,656
Queen Anne's	71,344	4,440,495	723,944	779,572	901,030	132,065,619	8,501,453	140,567,072
St. Mary's	161,763	10,068,323	1,641,461	1,561,926	2,042,985	267,424,671	13,587,336	281,012,008
Somerset	37,560	2,337,760	381,130	284,255	474,360	28,120,742	1,960,354	30,081,095
Talbot	55,007	3,423,666	558,168	603,579	694,703	133,161,272	9,502,220	142,663,492
Washington	218,830	13,620,209	2,220,533	1,972,561	2,763,706	337,098,756	13,236,135	350,334,892
Wicomico	148,667	9,253,165	1,508,564	1,264,453	1,877,580	216,221,635	6,536,136	222,757,771
Worcester	75,313	4,687,548	764,221	807,924	951,161	195,390,912	16,787,908	212,178,820
Total	\$8,737,000	\$543,800,000	\$88,656,920	\$69,682,153	\$110,343,62	\$16,252,421,853	\$752,383,686	\$17,004,805,539

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

Exhibit 3.3
Per Capita Allocation of Selected State Revenues
Fiscal 2015

County	Individual Income Tax	Sales Tax	Transfer Tax	Death Taxes	Net Lottery Receipts	Property Tax	All Allocated Taxes
Allegany	\$648	\$733	\$6	\$31	\$39	\$61	\$1,951
Anne Arundel	1,617	913	33	30	87	162	3,274
Baltimore City	790	679	17	16	127	81	2,136
Baltimore	1,460	845	23	66	100	103	3,025
Calvert	1,439	514	24	12	80	145	2,641
Caroline	693	381	17	14	61	88	1,689
Carroll	1,477	713	23	32	62	121	2,856
Cecil	791	434	19	17	58	102	1,853
Charles	1,232	863	27	9	124	113	2,791
Dorchester	696	555	15	54	81	107	1,944
Frederick	1,442	753	28	22	48	120	2,847
Garrett	764	839	32	13	33	171	2,289
Harford	1,342	653	27	24	72	116	2,662
Howard	2,142	719	45	22	45	162	3,562
Kent	1,117	867	31	43	77	176	2,744
Montgomery	2,176	654	36	96	52	179	3,616
Prince George's	911	696	21	30	119	93	2,293
Queen Anne's	1,438	617	39	115	70	174	2,885
St. Mary's	1,268	582	22	25	100	123	2,543
Somerset	420	172	9	5	70	76	1,173
Talbot	1,641	1,247	48	117	62	253	3,797
Washington	908	829	18	21	52	89	2,344
Wicomico	727	855	13	42	63	64	2,194
Worcester	1,154	1,946	63	55	121	326	4,125
Total	\$1,399	\$742	\$27	\$44	\$85	\$126	\$2,850

Source: Department of Legislative Services

Exhibit 3.4
Local Wealth Calculation
Fiscal 2015

County	Population	Assessable Base	Income Base	Total Wealth Amount	Per Capita Wealth Amount	Ranking
Allegany	73,045	\$1,600,337,600	\$876,505,845	\$2,476,843,445	\$33,908	23
Anne Arundel	559,966	30,886,910,800	15,740,435,663	46,627,346,463	83,268	6
Baltimore City	623,353	14,363,772,500	8,296,655,508	22,660,428,008	36,352	22
Baltimore	826,518	31,786,139,300	21,125,266,456	52,911,405,756	64,017	14
Calvert	90,601	5,044,442,900	2,288,416,921	7,332,859,821	80,936	8
Caroline	32,524	1,073,301,700	438,993,378	1,512,295,078	46,498	20
Carroll	167,700	7,500,847,200	4,237,465,943	11,738,313,143	69,996	10
Cecil	102,180	3,916,212,500	1,807,773,925	5,723,986,425	56,019	16
Charles	154,567	6,650,471,000	3,210,666,929	9,861,137,929	63,798	15
Dorchester	32,537	1,205,949,500	432,224,951	1,638,174,451	50,348	18
Frederick	243,569	10,338,233,800	5,974,849,768	16,313,083,568	66,975	11
Garrett	29,658	1,966,588,200	413,844,923	2,380,433,123	80,263	9
Harford	249,839	10,779,728,200	5,938,050,507	16,717,778,707	66,914	12
Howard	308,151	17,843,471,000	11,134,155,005	28,977,626,005	94,037	4
Kent	19,793	1,209,881,300	437,703,684	1,647,584,984	83,241	7
Montgomery	1,027,780	66,243,497,400	39,729,557,135	105,973,054,535	103,109	3
Prince George's	900,647	30,755,329,500	14,841,280,221	45,596,609,721	50,627	17
Queen Anne's	48,727	3,088,295,600	1,208,010,438	4,296,306,038	88,171	5
St. Mary's	110,483	4,855,276,700	2,458,269,122	7,313,545,822	66,196	13
Somerset	25,653	600,310,900	204,216,654	804,527,554	31,362	24
Talbot	37,569	3,546,072,800	1,128,275,661	4,674,348,461	124,420	2
Washington	149,459	5,037,330,300	2,425,819,499	7,463,149,799	49,934	19
Wicomico	101,538	2,577,800,300	1,371,238,083	3,949,038,383	38,892	21
Worcester	51,438	5,961,945,300	1,001,765,477	6,963,710,777	135,381	1
Total	5,967,295	\$268,832,146,300	\$146,721,441,696	\$415,553,587,996	\$69,639	

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

Source: Department of Legislative Services

Chapter 4. Comparability

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

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

5. Chapter 4 of 2013 requires State education aid formulas that include a local wealth component to be calculated twice, once using a net taxable income (NTI) amount for each county based on tax returns filed by September 1, and once using an NTI amount based on tax returns filed by November 1. Each local school system receives the greater State aid amount that results from the two calculations, with the increase phased in over several years, beginning in fiscal 2015. In previous *Balance Sheet* reports, local wealth (shown in Exhibit 3.4) included September 1 NTI figures; beginning with this report, November NTI figures are used.