

THE BALANCE SHEET

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



DEPARTMENT OF LEGISLATIVE SERVICES 2011

The Balance Sheet

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

Fiscal 2008

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

January 2011

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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 2011

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 27% 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 local government the State financial assistance received for each dollar of State revenue generated. It also features a 10-year summary of county-by-county State financial assistance received for each dollar of revenues funding State aid expenditures. The report also includes information on the allocation of State revenues, per capita comparisons of State revenue allocations and State aid, and a summary of certain changes affecting the comparability of the current analysis with previous reports.

The study was prepared by Michael Sanelli and reviewed by Hiram Burch; the manuscript was prepared by 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

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 2008, State revenue collections allocated in *The Balance Sheet* totaled \$13.8 billion, while State aid payments to local governments totaled \$6.0 billion. The individual income tax accounted for just over 50% of the State revenues allocated in

the report while sales taxes accounted for over 27.2% of revenues.

On average, local governments received \$0.43 in State aid for each \$1.00 in taxes paid by county residents and businesses. This illustrates that local governments received 43% 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 1998; ranging from a low of 34% in fiscal 2000/2001 to a high of 43% in fiscal 2008. During this 10-year period, the "balance sheet index" as a percent of the statewide average increased in 6 jurisdictions, decreased in 8 jurisdictions, and remained relatively constant in 10 jurisdictions.

The ratios for 16 counties in fiscal 2008 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, Prince George's, 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 2008, State revenue collections allocated in *The Balance Sheet* totaled \$13.8 billion, while State aid payments to local governments totaled \$6.0 billion. This illustrates that local governments received approximately 43% 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 43% in fiscal 2008. **Exhibit 1.1** summarizes the county-by-county tax revenues and State aid allocations for fiscal 2008.

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 0.87 for Allegany County in 2008 indicates that for every dollar of State tax revenues allocated to Allegany County, the county received \$0.87 in direct State aid. The amount of direct grants received for each \$1.00 of taxes paid in fiscal 2008 ranged from \$0.11 in Talbot County to \$1.24 in Somerset County. Statewide, the weighted average for this measure was \$0.41, and the simple average (county mean) was \$0.53. 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 2008 the county received \$0.91 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 2008 varied from \$0.12 for Talbot County to \$1.25 for Somerset County. Statewide, the weighted average was \$0.43, and the simple average was \$0.55.

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 2008 for example, Allegany County's direct aid index is 2.11, indicating that Allegany County's ratio was 111% above the statewide average. Including payments-on-behalf lowers Allegany County's ratio to 2.09 or 109% above the statewide average. **Exhibit 1.3** shows each county's ratio as a percent of the statewide average. Indexing county aid to revenue ratios by the statewide average enables comparison of the current *Balance Sheet* to previous years.

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

In addition to weighted and simple averages, Exhibits 1.2 and 1.3 show the standard deviation. Standard deviation measures how widely dispersed values are in a data set. The closer data points are to the average, the smaller the standard deviation; however, as data points become more spread out over the data set, the standard deviation increases. For example, the standard deviations for both measurements in Exhibit 1.2 are relatively small at 0.30. 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 \$0.41 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 \$0.53, calculated by summing the county ratios and dividing by 24, is somewhat higher than the statewide weighted average.

Likewise, on average local governments received \$0.43 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 2008 (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. Two of these counties, Montgomery and Worcester, have 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 Talbot County, however, has been more noticeable. Due to the considerable amount of State aid provided to less affluent jurisdictions, several counties (Baltimore City, Caroline, and Somerset) received more than 200% of the statewide average. Over the 10-year period, the amount of aid received for

these three jurisdictions as a percentage of average has varied somewhat more than the three counties with the lowest ratios. Baltimore City's aid index has varied from 249% in fiscal 2008 to 273% in fiscal 2003. 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 265% in fiscal 2005.

During this 10-year period, the "balance sheet index" as a percent of the statewide average increased in 6 jurisdictions and decreased in 8 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 City
Calvert	Caroline	Baltimore
Charles	Carroll	Cecil
Prince George's	Dorchester	Frederick
Somerset	Garrett	Harford
Wicomico	Kent	Howard
	Queen Anne's	Montgomery
	St. Mary's	Talbot
		Washington
		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 2008 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, Baltimore City, Caroline, Cecil, 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 2008 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 2008

County	Allocation of Tax Revenues Excluding Property Tax	Allocation of Total Tax Revenues	Direct State Grants	Direct Grants and Payments- on-behalf
Allegany	\$115,693,384	\$118,109,090	\$100,403,216	\$107,488,893
Anne Arundel	1,365,370,882	1,436,164,156	329,355,852	379,391,159
Baltimore City	1,062,973,082	1,100,642,189	1,135,756,819	1,193,961,403
Baltimore	2,028,049,646	2,106,299,365	585,045,545	654,183,664
Calvert	182,422,614	193,838,330	94,787,476	106,536,675
Caroline	42,274,143	44,802,399	47,489,099	51,057,061
Carroll	377,205,591	395,140,896	155,487,527	173,968,689
Cecil	144,354,098	154,450,265	106,948,818	117,419,018
Charles	318,468,161	333,954,355	160,747,615	177,708,886
Dorchester	52,349,311	55,350,285	36,259,054	39,400,369
Frederick	525,261,862	552,055,444	214,679,418	240,586,170
Garrett	52,215,793	56,712,219	32,322,050	35,495,311
Harford	507,732,369	531,264,918	230,576,629	256,094,181
Howard	798,994,945	840,493,148	210,545,498	251,273,917
Kent	51,011,659	53,720,106	12,234,787	13,914,850
Montgomery	2,878,988,494	3,038,558,658	484,129,422	603,916,396
Prince George's	1,573,593,405	1,647,222,934	1,009,427,795	1,098,510,107
Queen Anne's	105,435,506	112,903,332	33,530,585	38,116,673
St. Mary's	201,218,568	211,352,900	96,113,192	106,247,005
Somerset	24,654,408	26,239,008	30,548,522	32,694,241
Talbot	123,568,942	131,863,694	13,659,429	16,337,356
Washington	288,831,344	301,796,845	150,762,838	164,058,290
Wicomico	196,507,479	202,990,220	114,030,884	123,716,204
Worcester	156,224,391	175,133,110	21,933,857	27,556,962
Total	\$13,173,400,077	\$13,821,057,866	\$5,406,775,927	\$6,009,633,480

Source: Department of Legislative Services

Exhibit 1.2
State Financial Assistance Received for Each \$1.00 of Taxes Paid
Fiscal 2008

County	Direct State Grants	Direct Grants and Payments-on-behalf
Allegany	0.87	0.91
Anne Arundel	0.24	0.26
Baltimore City	1.07	1.08
Baltimore	0.29	0.31
Calvert	0.52	0.55
Caroline	1.12	1.14
Carroll	0.41	0.44
Cecil	0.74	0.76
Charles	0.50	0.53
Dorchester	0.69	0.71
Frederick	0.41	0.44
Garrett	0.62	0.63
Harford	0.45	0.48
Howard	0.26	0.30
Kent	0.24	0.26
Montgomery	0.17	0.20
Prince George's	0.64	0.67
Queen Anne's	0.32	0.34
St. Mary's	0.48	0.50
Somerset	1.24	1.25
Talbot	0.11	0.12
Washington	0.52	0.54
Wicomico	0.58	0.61
Worcester	0.14	0.16
Total (Weighted Avg)	0.41	0.43
County Mean (Simple Avg)	0.53	0.55
Standard Deviation	0.30	0.30

Source: Department of Legislative Services

Exhibit 1.3
State Financial Assistance Received as a Percent of the Statewide Average
Fiscal 2008

County	Direct State Grants	Direct Grants and Payments-on-behalf
Allegany	2.11	2.09
Anne Arundel	0.59	0.61
Baltimore City	2.60	2.49
Baltimore	0.70	0.71
Calvert	1.27	1.26
Caroline	2.74	2.62
Carroll	1.00	1.01
Cecil	1.81	1.75
Charles	1.23	1.22
Dorchester	1.69	1.64
Frederick	1.00	1.00
Garrett	1.51	1.44
Harford	1.11	1.11
Howard	0.64	0.69
Kent	0.58	0.60
Montgomery	0.41	0.46
Prince George's	1.56	1.53
Queen Anne's	0.77	0.78
St. Mary's	1.16	1.16
Somerset	3.02	2.87
Talbot	0.27	0.28
Washington	1.27	1.25
Wicomico	1.41	1.40
Worcester	0.34	0.36
Total (Weighted Avg)	1.00	1.00
County Mean (Simple Avg)	1.28	1.26
Standard Deviation	0.75	0.71

Source: Department of Legislative Services

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

County	10 Fiscal Year Summary									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Allegany	0.57	0.54	0.56	0.64	0.70	0.67	0.65	0.71	0.80	0.87
Anne Arundel	0.22	0.21	0.21	0.24	0.24	0.22	0.22	0.21	0.23	0.24
Baltimore City	0.88	0.86	0.87	0.98	1.05	0.98	0.94	0.95	1.02	1.07
Baltimore	0.21	0.20	0.20	0.23	0.24	0.23	0.24	0.24	0.27	0.29
Calvert	0.35	0.35	0.38	0.44	0.46	0.46	0.45	0.46	0.49	0.52
Caroline	0.93	0.89	0.88	0.95	1.03	0.97	0.90	0.90	1.05	1.12
Carroll	0.37	0.35	0.34	0.35	0.37	0.35	0.35	0.36	0.39	0.41
Cecil	0.58	0.56	0.56	0.63	0.65	0.62	0.62	0.65	0.69	0.74
Charles	0.36	0.35	0.35	0.39	0.40	0.39	0.40	0.43	0.48	0.50
Dorchester	0.59	0.56	0.59	0.65	0.65	0.61	0.57	0.60	0.62	0.69
Frederick	0.32	0.29	0.29	0.31	0.32	0.31	0.31	0.33	0.36	0.41
Garrett	0.76	0.67	0.65	0.70	0.70	0.67	0.59	0.58	0.62	0.62
Harford	0.37	0.35	0.34	0.37	0.39	0.38	0.37	0.39	0.43	0.45
Howard	0.19	0.18	0.18	0.21	0.22	0.22	0.22	0.22	0.24	0.26
Kent	0.32	0.33	0.29	0.34	0.35	0.30	0.28	0.28	0.27	0.24
Montgomery	0.11	0.11	0.12	0.14	0.16	0.15	0.15	0.14	0.15	0.17
Prince George's	0.42	0.41	0.42	0.47	0.52	0.49	0.50	0.54	0.59	0.64
Queen Anne's	0.28	0.28	0.29	0.27	0.31	0.29	0.27	0.28	0.30	0.32
St. Mary's	0.41	0.38	0.37	0.39	0.40	0.39	0.40	0.42	0.45	0.48
Somerset	0.93	0.86	0.93	1.04	1.11	1.05	0.96	1.04	1.12	1.24
Talbot	0.10	0.09	0.09	0.11	0.10	0.12	0.12	0.11	0.12	0.11
Washington	0.37	0.35	0.35	0.37	0.38	0.36	0.36	0.39	0.46	0.52
Wicomico	0.41	0.38	0.38	0.41	0.45	0.44	0.44	0.45	0.51	0.58
Worcester	0.09	0.09	0.09	0.10	0.10	0.11	0.12	0.12	0.14	0.14
Total (Weighted Avg)	0.32	0.30	0.31	0.35	0.37	0.35	0.34	0.35	0.38	0.41
County Mean (Simple Avg)	0.42	0.40	0.41	0.45	0.47	0.45	0.43	0.45	0.49	0.53
Standard Deviation	0.25	0.23	0.24	0.26	0.28	0.26	0.24	0.25	0.28	0.30

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

County	10 Fiscal Year Summary									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Allegany	0.62	0.58	0.59	0.67	0.73	0.69	0.67	0.73	0.83	0.91
Anne Arundel	0.26	0.24	0.24	0.26	0.27	0.24	0.23	0.23	0.25	0.26
Baltimore City	0.93	0.90	0.91	1.01	1.08	1.00	0.95	0.96	1.03	1.08
Baltimore	0.25	0.23	0.23	0.25	0.27	0.26	0.26	0.26	0.29	0.31
Calvert	0.40	0.40	0.42	0.47	0.50	0.48	0.47	0.48	0.51	0.55
Caroline	1.00	0.95	0.93	0.99	1.07	0.99	0.92	0.91	1.06	1.14
Carroll	0.41	0.39	0.37	0.38	0.39	0.37	0.37	0.38	0.41	0.44
Cecil	0.64	0.62	0.61	0.66	0.69	0.64	0.64	0.66	0.71	0.76
Charles	0.40	0.39	0.38	0.42	0.43	0.42	0.42	0.44	0.50	0.53
Dorchester	0.65	0.61	0.63	0.67	0.68	0.63	0.59	0.61	0.63	0.71
Frederick	0.36	0.33	0.32	0.33	0.35	0.33	0.33	0.35	0.38	0.44
Garrett	0.81	0.72	0.69	0.72	0.72	0.67	0.60	0.58	0.62	0.63
Harford	0.42	0.39	0.38	0.40	0.42	0.40	0.39	0.40	0.45	0.48
Howard	0.23	0.22	0.22	0.24	0.25	0.25	0.25	0.25	0.27	0.30
Kent	0.37	0.36	0.32	0.37	0.38	0.32	0.30	0.30	0.29	0.26
Montgomery	0.15	0.15	0.15	0.17	0.19	0.19	0.18	0.17	0.18	0.20
Prince George's	0.47	0.45	0.45	0.50	0.55	0.51	0.52	0.55	0.61	0.67
Queen Anne's	0.32	0.32	0.32	0.29	0.34	0.31	0.29	0.29	0.31	0.34
St. Mary's	0.46	0.42	0.41	0.41	0.43	0.41	0.42	0.43	0.47	0.50
Somerset	0.99	0.91	0.97	1.07	1.14	1.06	0.97	1.05	1.12	1.25
Talbot	0.13	0.11	0.11	0.13	0.12	0.14	0.14	0.12	0.13	0.12
Washington	0.42	0.40	0.38	0.40	0.41	0.34	0.38	0.40	0.48	0.54
Wicomico	0.46	0.42	0.42	0.44	0.49	0.47	0.46	0.47	0.54	0.61
Worcester	0.12	0.12	0.11	0.12	0.13	0.13	0.13	0.13	0.15	0.16
Total (Weighted Avg)	0.36	0.34	0.34	0.37	0.40	0.37	0.37	0.37	0.40	0.43
County Mean (Simple Avg)	0.47	0.44	0.44	0.47	0.50	0.47	0.45	0.47	0.51	0.55
Standard Deviation	0.26	0.24	0.25	0.26	0.28	0.26	0.24	0.25	0.28	0.30

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

Source: Department of Legislative Services

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

County	10 Fiscal Year Summary									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Allegany	1.79	1.77	1.81	1.84	1.89	1.90	1.87	2.02	2.09	2.11
Anne Arundel	0.69	0.69	0.69	0.70	0.66	0.63	0.63	0.60	0.61	0.59
Baltimore City	2.78	2.85	2.84	2.83	2.85	2.79	2.74	2.70	2.67	2.60
Baltimore	0.65	0.65	0.65	0.66	0.66	0.67	0.68	0.68	0.70	0.70
Calvert	1.10	1.16	1.23	1.26	1.26	1.30	1.30	1.30	1.27	1.27
Caroline	2.92	2.92	2.88	2.75	2.81	2.76	2.60	2.56	2.74	2.74
Carroll	1.16	1.15	1.11	1.01	1.00	0.99	1.02	1.02	1.03	1.00
Cecil	1.81	1.86	1.83	1.81	1.78	1.76	1.79	1.85	1.81	1.81
Charles	1.12	1.15	1.14	1.14	1.09	1.13	1.17	1.21	1.24	1.23
Dorchester	1.87	1.86	1.93	1.87	1.76	1.75	1.66	1.71	1.61	1.69
Frederick	1.00	0.97	0.93	0.89	0.87	0.88	0.90	0.94	0.95	1.00
Garrett	2.39	2.23	2.13	2.02	1.92	1.91	1.72	1.64	1.62	1.51
Harford	1.16	1.14	1.11	1.08	1.05	1.07	1.08	1.10	1.13	1.11
Howard	0.59	0.59	0.60	0.62	0.60	0.64	0.64	0.64	0.63	0.64
Kent	1.02	1.07	0.94	0.98	0.96	0.87	0.82	0.81	0.71	0.58
Montgomery	0.35	0.36	0.38	0.41	0.42	0.43	0.43	0.40	0.40	0.41
Prince George's	1.32	1.36	1.36	1.35	1.41	1.40	1.45	1.53	1.54	1.56
Queen Anne's	0.88	0.92	0.93	0.77	0.86	0.83	0.78	0.79	0.78	0.77
St. Mary's	1.30	1.26	1.22	1.12	1.08	1.11	1.15	1.18	1.17	1.16
Somerset	2.92	2.85	3.03	3.01	3.03	2.99	2.77	2.97	2.93	3.02
Talbot	0.31	0.29	0.29	0.32	0.27	0.36	0.36	0.31	0.31	0.27
Washington	1.18	1.17	1.13	1.08	1.03	1.02	1.04	1.10	1.20	1.27
Wicomico	1.28	1.25	1.25	1.18	1.24	1.25	1.27	1.27	1.33	1.41
Worcester	0.28	0.29	0.29	0.29	0.28	0.33	0.34	0.35	0.36	0.34
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)	1.33	1.32	1.32	1.29	1.28	1.28	1.26	1.28	1.28	1.28
Standard Deviation	0.78	0.77	0.79	0.77	0.78	0.76	0.71	0.73	0.74	0.75

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

County	10 Fiscal Year Summary									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Allegany	1.72	1.71	1.75	1.79	1.84	1.86	1.84	1.99	2.06	2.09
Anne Arundel	0.71	0.70	0.71	0.71	0.67	0.64	0.64	0.62	0.63	0.61
Baltimore City	2.58	2.66	2.68	2.70	2.73	2.67	2.61	2.60	2.57	2.49
Baltimore	0.68	0.67	0.67	0.68	0.68	0.69	0.70	0.70	0.71	0.71
Calvert	1.12	1.18	1.23	1.26	1.26	1.29	1.29	1.30	1.27	1.26
Caroline	2.77	2.78	2.75	2.65	2.70	2.64	2.50	2.47	2.64	2.62
Carroll	1.15	1.14	1.11	1.01	1.00	0.99	1.02	1.02	1.03	1.01
Cecil	1.76	1.81	1.79	1.77	1.73	1.71	1.74	1.78	1.75	1.75
Charles	1.11	1.14	1.13	1.13	1.09	1.12	1.16	1.20	1.23	1.22
Dorchester	1.80	1.80	1.87	1.81	1.70	1.69	1.61	1.66	1.57	1.64
Frederick	1.00	0.98	0.94	0.89	0.87	0.89	0.91	0.94	0.95	1.00
Garrett	2.24	2.11	2.03	1.93	1.83	1.80	1.64	1.56	1.55	1.44
Harford	1.16	1.13	1.11	1.08	1.05	1.07	1.07	1.10	1.13	1.11
Howard	0.64	0.64	0.65	0.66	0.64	0.68	0.68	0.67	0.67	0.69
Kent	1.02	1.07	0.94	0.98	0.97	0.87	0.81	0.81	0.71	0.60
Montgomery	0.43	0.43	0.44	0.47	0.48	0.50	0.48	0.45	0.45	0.46
Prince George's	1.30	1.33	1.33	1.33	1.38	1.38	1.42	1.50	1.52	1.53
Queen Anne's	0.89	0.93	0.94	0.78	0.86	0.83	0.78	0.80	0.78	0.78
St. Mary's	1.28	1.24	1.21	1.11	1.08	1.11	1.15	1.17	1.16	1.16
Somerset	2.73	2.69	2.88	2.87	2.88	2.84	2.65	2.83	2.79	2.87
Talbot	0.35	0.33	0.33	0.35	0.30	0.38	0.37	0.33	0.32	0.28
Washington	1.17	1.16	1.12	1.07	1.03	0.91	1.04	1.09	1.18	1.25
Wicomico	1.27	1.25	1.24	1.17	1.23	1.25	1.26	1.27	1.33	1.40
Worcester	0.34	0.34	0.33	0.32	0.32	0.35	0.36	0.36	0.37	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)	1.30	1.30	1.30	1.27	1.26	1.26	1.24	1.26	1.27	1.26
Standard Deviation	0.71	0.71	0.73	0.72	0.72	0.70	0.70	0.69	0.70	0.71

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

Source: Department of Legislative Services

Exhibit 1.8
Comparison of State Tax Revenues and State Aid – Fiscal 2008

County	Share of Population			Share of State Tax Revenues			Share of State Grants		
	Population	Percent of Total	Ranking	State Tax Revenues	Percent of Total	Ranking	State Grants	Percent of Total	Ranking
Allegany	72,665	1.3%	16	\$118,109,090	0.9%	18	\$107,488,893	1.8%	14
Anne Arundel	511,875	9.1%	5	1,436,164,156	10.4%	4	379,391,159	6.3%	5
Baltimore City	640,150	11.4%	4	1,100,642,189	8.0%	5	1,193,961,403	19.9%	1
Baltimore	787,119	14.0%	3	2,106,299,365	15.2%	2	654,183,664	10.9%	3
Calvert	88,119	1.6%	15	193,838,330	1.4%	14	106,536,675	1.8%	15
Caroline	32,973	0.6%	20	44,802,399	0.3%	23	51,057,061	0.8%	17
Carroll	169,373	3.0%	9	395,140,896	2.9%	9	173,968,689	2.9%	10
Cecil	99,400	1.8%	13	154,450,265	1.1%	16	117,419,018	2.0%	13
Charles	140,672	2.5%	11	333,954,355	2.4%	10	177,708,886	3.0%	9
Dorchester	31,762	0.6%	21	55,350,285	0.4%	21	39,400,369	0.7%	18
Frederick	224,978	4.0%	8	552,055,444	4.0%	7	240,586,170	4.0%	8
Garrett	29,648	0.5%	22	56,712,219	0.4%	20	35,495,311	0.6%	20
Harford	240,316	4.3%	7	531,264,918	3.8%	8	256,094,181	4.3%	6
Howard	274,038	4.9%	6	840,493,148	6.1%	6	251,273,917	4.2%	7
Kent	19,872	0.4%	24	53,720,106	0.4%	22	13,914,850	0.2%	24
Montgomery	941,491	16.7%	1	3,038,558,658	22.0%	1	603,916,396	10.0%	4
Prince George's	832,699	14.8%	2	1,647,222,934	11.9%	3	1,098,510,107	18.3%	2
Queen Anne's	46,831	0.8%	18	112,903,332	0.8%	19	38,116,673	0.6%	19
St. Mary's	100,401	1.8%	12	211,352,900	1.5%	12	106,247,005	1.8%	16
Somerset	26,220	0.5%	23	26,239,008	0.2%	24	32,694,241	0.5%	21
Talbot	36,077	0.6%	19	131,863,694	1.0%	17	16,337,356	0.3%	23
Washington	144,999	2.6%	10	301,796,845	2.2%	11	164,058,290	2.7%	11
Wicomico	93,343	1.7%	14	202,990,220	1.5%	13	123,716,204	2.1%	12
Worcester	49,221	0.9%	17	175,133,110	1.3%	15	27,556,962	0.5%	22
Total	5,634,242	100.0%		\$13,821,057,866	100.0%		\$6,009,633,480	100.0%	

Source: Department of Legislative Services

Exhibit 1.9
Per Capita Allocation of State Tax Revenues and State Aid – Fiscal 2008

County	Population	Allocation of State Tax Revenues			State Grants to Local Governments		
		Total Revenues	Per Capita Amount	Ranking	Total State Grants	Per Capita Amount	Ranking
Allegany	72,665	\$118,109,090	\$1,625	21	\$107,488,893	\$1,479	3
Anne Arundel	511,875	1,436,164,156	2,806	5	379,391,159	741	20
Baltimore City	640,150	1,100,642,189	1,719	20	1,193,961,403	1,865	1
Baltimore	787,119	2,106,299,365	2,676	7	654,183,664	831	18
Calvert	88,119	193,838,330	2,200	13	106,536,675	1,209	9
Caroline	32,973	44,802,399	1,359	23	51,057,061	1,548	2
Carroll	169,373	395,140,896	2,333	11	173,968,689	1,027	16
Cecil	99,400	154,450,265	1,554	22	117,419,018	1,181	11
Charles	140,672	333,954,355	2,374	10	177,708,886	1,263	6
Dorchester	31,762	55,350,285	1,743	19	39,400,369	1,240	8
Frederick	224,978	552,055,444	2,454	8	240,586,170	1,069	13
Garrett	29,648	56,712,219	1,913	18	35,495,311	1,197	10
Harford	240,316	531,264,918	2,211	12	256,094,181	1,066	14
Howard	274,038	840,493,148	3,067	4	251,273,917	917	17
Kent	19,872	53,720,106	2,703	6	13,914,850	700	21
Montgomery	941,491	3,038,558,658	3,227	3	603,916,396	641	22
Prince George's	832,699	1,647,222,934	1,978	17	1,098,510,107	1,319	5
Queen Anne's	46,831	112,903,332	2,411	9	38,116,673	814	19
St. Mary's	100,401	211,352,900	2,105	15	106,247,005	1,058	15
Somerset	26,220	26,239,008	1,001	24	32,694,241	1,247	7
Talbot	36,077	131,863,694	3,655	1	16,337,356	453	24
Washington	144,999	301,796,845	2,081	16	164,058,290	1,131	12
Wicomico	93,343	202,990,220	2,175	14	123,716,204	1,325	4
Worcester	49,221	175,133,110	3,558	2	27,556,962	560	23
Total	5,634,242	\$13,821,057,866	\$2,453		\$6,009,633,480	\$1,067	

Source: Department of Legislative Services

Chapter 2. State Aid to Local Governments

Introduction

State aid is a major revenue source for local governments in Maryland, totaling \$6.6 billion in fiscal 2008. 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 2008, over 80% of State aid went to support local school systems with county and municipal governments receiving 14.1% of the aid. Local school systems received \$5.2 billion in State operational grants in fiscal 2008, while county and municipal governments received \$906.8 million. The remaining 6% was distributed to local libraries, community colleges, and local health departments. These entities received \$372.8 million in fiscal 2008. In addition, the State assumption of functions in Baltimore City has increased from \$85.6 million in fiscal 1998 to \$177.1 million in fiscal 2008. **Exhibit 2.1** compares the allocation of State aid by governmental entity in fiscal 1998 and 2008.

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

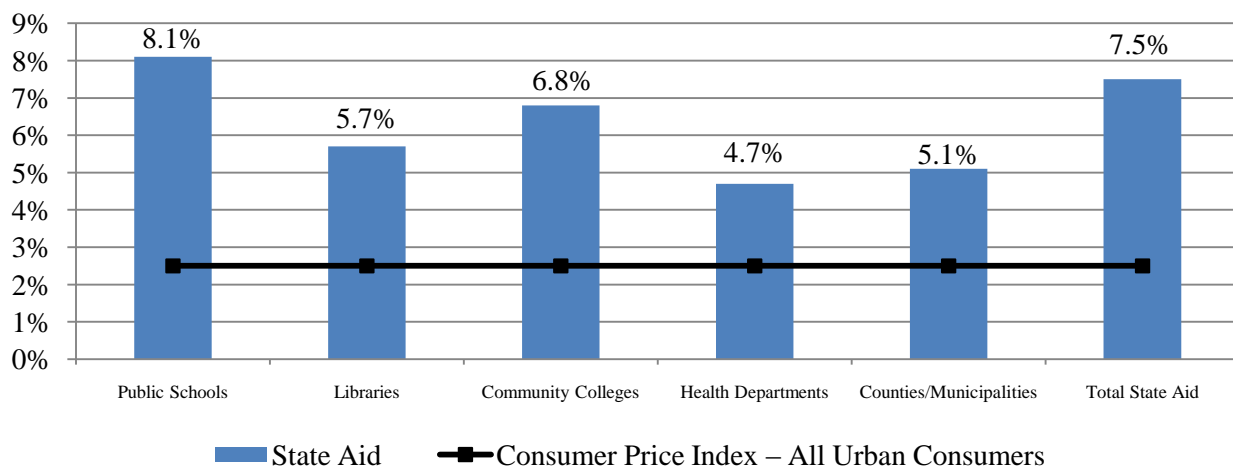
Entity	FY 1998	Percent of Total	FY 2008	Percent of Total
Public Schools	\$2,379.8	75.9%	\$5,166.3	80.1%
County/Municipal	549.2	17.5%	906.8	14.1%
Community Colleges	125.6	4.0%	241.7	3.7%
Health	42.5	1.4%	67.0	1.0%
Libraries	37.0	1.2%	64.1	1.0%
Subtotal	\$3,134.1	100.0%	\$6,445.9	100.0%
Assumed Functions	85.6		177.1	
Total	\$3,219.7		\$6,623.0	

Source: Department of Legislative Services

Change in State Aid

Over the last 10 years, State aid to local governments has increased by \$3.3 billion, which represents a 7.5% 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 1998-2008



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% of total revenues in Montgomery County but over 50% in Somerset 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% of total revenues for municipalities in Talbot County to over 25% for municipalities in Caroline and Somerset counties, where State aid is the largest revenue source.

State Assumed Functions in Baltimore City

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

Detention Center and Central Booking and Intake Facility

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

Legislation enacted in 1991 authorized the State to assume the costs and operation of the Baltimore City Detention Center and provided for State operation of a central booking and intake facility in Baltimore City by fiscal 1995. The city's Central Booking and Intake Facility originally opened in fiscal 1996. The State spent approximately \$89.4 million in fiscal 2008 to operate the Baltimore City Detention Center and \$47.2 million to operate the Baltimore City Central Booking and Intake Facility. To partially offset the costs to operate these two facilities, State funding for Baltimore City under the police aid formula was discontinued; however, legislation enacted in 1996 provided a small grant to Baltimore City under the police aid formula beginning in fiscal 1997.

Baltimore City Community College

Community colleges are considered units of local government. Generally, the State makes financial contributions to local community colleges through several formula grants. Statewide, local community colleges receive around 24% of their operating funding from the State and 31% from county governments. In Baltimore City, the local community college is operated and funded by the State. Legislation enacted in 1990 established the city's community college as a State agency beginning in fiscal 1991. State funding for the Baltimore City Community College totals \$40.4 million in fiscal 2008.

Allocation of State Financial Assistance

State financial assistance reported in *The Balance Sheet* for fiscal 2008 totals \$6.0 billion representing \$5.2 billion in direct State grants, \$602.9 million in retirement payments made by the State on behalf of the counties, and \$177.1 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 8.6% of total State aid to local governments **Exhibit 2.3** shows the programs and the amount of State aid excluded from *The Balance Sheet* analysis in fiscal 2008. **Exhibit 2.4** compares total State aid in fiscal 2008 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 1998</u>	<u>FY 2003</u>	<u>FY 2008</u>
Highway User Revenues	\$370.1	\$433.2	\$529.7
Elderly/Disabled Transportation	2.4	4.7	4.7
Para-Transit Services	2.8	2.4	2.9
911 Emergency Communications	6.4	3.0	15.9
Vehicle Theft Prevention	2.0	0.8	2.2
Total	\$383.7	\$444.1	\$555.4
Percent of State Aid	12.2%	10.8%	8.6%

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 2008

County	Total State Aid		State Aid in Balance Sheet		Percent of Total State Aid
	Amount	Per Capita	Amount	Per Capita	
Allegany	\$115,461,945	\$1,589	\$107,488,893	\$1,479	93.1%
Anne Arundel	413,010,608	807	379,391,159	741	91.9%
Baltimore City	1,410,918,802	2,204	1,193,961,403	1,865	84.6%
Baltimore	696,674,165	885	654,183,664	831	93.9%
Calvert	112,972,698	1,282	106,536,675	1,209	94.3%
Caroline	56,115,552	1,702	51,057,061	1,548	91.0%
Carroll	188,076,778	1,110	173,968,689	1,027	92.5%
Cecil	126,482,833	1,272	117,419,018	1,181	92.8%
Charles	187,809,027	1,335	177,708,886	1,263	94.6%
Dorchester	44,999,766	1,417	39,400,369	1,240	87.6%
Frederick	261,140,911	1,161	240,586,170	1,069	92.1%
Garrett	41,756,985	1,408	35,495,311	1,197	85.0%
Harford	272,376,691	1,133	256,094,181	1,066	94.0%
Howard	268,671,774	980	251,273,917	917	93.5%
Kent	16,929,552	852	13,914,850	700	82.2%
Montgomery	647,398,333	688	603,916,396	641	93.3%
Prince George's	1,140,109,618	1,369	1,098,510,107	1,319	96.4%
Queen Anne's	43,955,602	939	38,116,673	814	86.7%
St. Mary's	114,516,658	1,141	106,247,005	1,058	92.8%
Somerset	37,021,118	1,412	32,694,241	1,247	88.3%
Talbot	21,631,383	600	16,337,356	453	75.5%
Washington	178,569,930	1,232	164,058,290	1,131	91.9%
Wicomico	133,249,088	1,428	123,716,204	1,325	92.8%
Worcester	34,808,760	707	27,556,962	560	79.2%
Unallocated	58,345,249	10	0	0	0.0%
Total	\$6,623,003,826	\$1,175	\$6,009,633,480	\$1,067	90.7%

Source: Department of Legislative Services

In fiscal 2008, 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 \$1,865 for Baltimore City (the greatest per capita amount for any jurisdiction) and \$1,319 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 \$16.3 million, respectively. On a per capita basis, Kent County received \$700 while Talbot County received \$453 – the least amount per capita for any jurisdiction. **Exhibit 2.5** shows the allocation of State aid, while **Exhibit 2.6** breaks these numbers down on a per capita basis by county.

Exhibit 2.5
Direct State Aid and Payments-on-behalf
Fiscal 2008

County	Education	Libraries	Community Colleges	Health	County/ Municipal	Retirement Payments	Assumed Functions	Total
Allegany	\$82,884,681	\$827,414	\$5,917,957	\$1,624,785	\$9,148,379	\$7,085,677	\$0	\$107,488,893
Anne Arundel	266,227,742	2,024,053	28,631,730	5,649,414	26,822,913	50,035,307	0	379,391,159
Baltimore City	834,709,501	6,864,429	0	11,965,435	105,134,449	58,204,584	177,083,005	1,193,961,403
Baltimore	507,914,921	5,357,459	38,522,088	7,750,843	25,500,234	69,138,119	0	654,183,664
Calvert	83,403,608	423,182	2,283,358	669,247	8,008,081	11,749,199	0	106,536,675
Caroline	41,888,938	357,036	1,338,660	961,649	2,942,816	3,567,962	0	51,057,061
Carroll	140,536,396	1,115,771	7,193,334	2,209,991	4,432,035	18,481,162	0	173,968,689
Cecil	97,207,642	785,482	5,051,641	1,449,339	2,454,714	10,470,200	0	117,419,018
Charles	145,043,896	838,570	6,862,730	1,788,504	6,213,915	16,961,271	0	177,708,886
Dorchester	30,755,528	245,476	1,186,481	766,789	3,304,780	3,141,315	0	39,400,369
Frederick	197,384,566	1,248,749	8,074,284	2,715,681	5,256,138	25,906,752	0	240,586,170
Garrett	25,199,572	159,665	3,106,420	781,348	3,075,045	3,173,261	0	35,495,311
Harford	208,269,540	1,543,805	9,975,803	3,119,976	7,667,505	25,517,552	0	256,094,181
Howard	183,996,528	844,480	12,892,653	2,189,930	10,621,907	40,728,419	0	251,273,917
Kent	10,095,836	299,420	507,532	599,846	732,153	1,680,063	0	13,914,850
Montgomery	399,642,711	2,818,182	40,297,562	5,454,048	35,916,919	119,786,974	0	603,916,396
Prince George's	910,800,031	6,667,998	22,494,033	8,998,851	60,466,882	89,082,312	0	1,098,510,107
Queen Anne's	29,699,985	127,714	1,659,418	748,908	1,294,560	4,586,088	0	38,116,673
St. Mary's	89,462,311	626,436	2,260,311	1,453,444	2,310,690	10,133,813	0	106,247,005
Somerset	23,514,907	287,479	749,841	764,671	5,231,624	2,145,719	0	32,694,241
Talbot	10,412,058	99,912	1,244,867	589,008	1,313,584	2,677,927	0	16,337,356
Washington	135,449,901	1,373,324	7,479,046	2,477,239	3,983,328	13,295,452	0	164,058,290
Wicomico	104,502,829	815,405	4,484,976	1,699,030	2,528,644	9,685,320	0	123,716,204
Worcester	17,112,582	204,000	1,829,951	563,307	2,224,017	5,623,105	0	27,556,962
Total	\$4,576,116,210	\$35,955,441	\$214,044,676	\$66,991,283	\$336,585,312	\$602,857,553	\$177,083,005	\$6,009,633,480

*County/Municipal category excludes funding for 911 grants, vehicle theft grants, transportation grants, and highway user revenues.

*Assumed Functions includes State expenditures for the Baltimore City Detention Center, Central Booking Facility, and Community College.

Source: Department of Legislative Services

Exhibit 2.6
Per Capita Direct State Aid and Payments-on-behalf
Fiscal 2008

County	Education	Libraries	Community Colleges	Health	County/ Municipal	Retirement Payments	Assumed Functions	Total
Allegany	\$1,141	\$11	\$81	\$22	\$126	\$98	\$0	\$1,479
Anne Arundel	520	4	56	11	52	98	0	741
Baltimore City	1,304	11	0	19	164	91	277	1,865
Baltimore	645	7	49	10	32	88	0	831
Calvert	946	5	26	8	91	133	0	1,209
Caroline	1,270	11	41	29	89	108	0	1,548
Carroll	830	7	42	13	26	109	0	1,027
Cecil	978	8	51	15	25	105	0	1,181
Charles	1,031	6	49	13	44	121	0	1,263
Dorchester	968	8	37	24	104	99	0	1,240
Frederick	877	6	36	12	23	115	0	1,069
Garrett	850	5	105	26	104	107	0	1,197
Harford	867	6	42	13	32	106	0	1,066
Howard	671	3	47	8	39	149	0	917
Kent	508	15	26	30	37	85	0	700
Montgomery	424	3	43	6	38	127	0	641
Prince George's	1,094	8	27	11	73	107	0	1,319
Queen Anne's	634	3	35	16	28	98	0	814
St. Mary's	891	6	23	14	23	101	0	1,058
Somerset	897	11	29	29	200	82	0	1,247
Talbot	289	3	35	16	36	74	0	453
Washington	934	9	52	17	27	92	0	1,131
Wicomico	1,120	9	48	18	27	104	0	1,325
Worcester	348	4	37	11	45	114	0	560
Total	\$812	\$6	\$38	\$12	\$60	\$107	\$31	\$1,067

*County/Municipal category excludes funding for 911 grants, vehicle theft grants, transportation grants, and highway user revenues.

*Assumed Functions includes State expenditures for the Baltimore City Detention Center, Central Booking Facility, and Community College.
Source: Department of Legislative Services

Chapter 3. Allocation of State Revenues

Introduction

The Balance Sheet analysis accounts for a majority of State tax revenues. State tax revenues allocated to local governments total \$13.8 billion in fiscal 2008. Major State tax revenues excluded from this analysis include motor vehicle fuel taxes, titling taxes, and corporation income taxes accruing to the Transportation Trust Fund. Point-of-collection data is currently unavailable for these revenue sources.

Revenue Allocation

The Balance Sheet allocates State tax revenues among local governments based on five methods: point of collection, county sales, population, utility revenues, and vehicle registration. As shown in **Exhibit 3.1**, most revenues (income, sales, property, transfer, and death taxes) are reported at the point of collection on a county-by-county basis. In the event that point-of-collection revenue data by county is not available, revenues are allocated using county-by-county receipts, sales, or population. Revenues from the tax on gross receipts of utilities are allocated on the basis of revenues earned by utility companies in each county. Revenues from beer, wine, and liquor taxes and the State lottery are allocated on the basis of sales. The corporate income tax, tobacco tax, insurance tax, abandoned property revenues, corporate filing fees, horse racing tax, and tax on the net earnings of financial institutions and savings banks are allocated on the basis of county population. The Medevac surcharge is allocated based on the number of vehicle registrations in each county. **Exhibit 3.2** shows the allocation of State revenues by county in fiscal 2008, and **Exhibit 3.3** shows the per capita allocation of selected tax revenues by county.

It is important to note, however, that the sales tax collection by county data has limitations with regards to accuracy; primarily, the actual allocation of sales tax collection may differ somewhat from that which is reported. For example, when larger businesses with many locations across the State remit sales tax collections, they may attribute collections to one “primary” location or they may simply allocate collections evenly across all locations. In either case, the actual collections for any one establishment may not be completely accurate. Another situation affecting the allocation of sales tax collections is the cross border purchasing of retail goods. Some jurisdictions in Maryland serve as a regional retail destination by which a portion of the sales taxes collected within a jurisdiction are paid by residents in neighboring counties. Due to this situation, the sales tax burden for residents in certain jurisdictions will be understated, while in other jurisdictions, the amount may be overstated.

The largest single revenue component allocated for this report is the individual income tax at \$6.9 billion or 50.2% of total allocated revenue. The amount of allocated taxes on a per

capita basis varies widely as illustrated in Exhibit 3.3. Talbot County generates the greatest amount of State revenues at \$3,655 per resident followed by Worcester County at \$3,558 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 \$1,001 per resident. In terms of the individual income tax, Montgomery County generates the most per capita at \$1,977 followed by Howard County at \$1,799 per resident. In comparison, Somerset County contributes the least per capita at \$429 while Baltimore City and Allegany County generate \$637 and \$640, 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, Somerset County and Baltimore City have the lowest per capita wealth amount which results in a below average ability to generate State revenues. In comparison, Worcester County is the State's wealthiest jurisdiction on a per capita basis followed by Talbot County. Montgomery and Howard counties have the third and fourth highest per capita wealth, respectively. The high wealth ranking for Worcester County is due exclusively to the large amount of residential and commercial development in Ocean City. The county's per capita income tax base is below the statewide average.

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

Allocation Basis	Percent of Total Taxes Allocated		
	<u>FY 1998</u>	<u>FY 2003</u>	<u>FY 2008</u>
Point of Collection			
Individual Income Tax	52.0%	49.4%	50.2%
Sales Tax	27.3%	28.8%	27.2%
Property Tax	3.0%	3.1%	4.7%
Transfer Tax	1.0%	1.5%	1.1%
Death Taxes	1.8%	1.6%	1.8%
Subtotal	85.1%	84.2%	85.0%
County Sales			
Net Lottery Receipts	4.5%	4.4%	3.6%
Liquor Tax	0.1%	0.1%	0.1%
Beer Tax	0.1%	0.1%	0.1%
Wine Tax	0.0%	< 0.1%	< 0.1%
Subtotal	4.8%	4.7%	3.8%
Utility Revenues			
Gross Receipts Tax	1.8%	1.4%	1.0%
Population			
Corporate Income Tax	3.4%	3.0%	4.0%
Tobacco Tax	1.6%	2.9%	2.7%
Insurance Tax	2.2%	2.2%	2.1%
Abandoned Property	0.3%	0.7%	0.5%
Corporate Filing Fees	0.1%	0.1%	0.5%
Horse Racing Tax	0.0%	< 0.1%	< 0.1%
Net Earnings Tax	0.1%	0.0%	< 0.1%
Subtotal	7.8%	9.1%	9.8%
Vehicle Registration			
Medevac Surcharge	0.4%	0.5%	0.4%
Total Taxes Allocated	100.0%	100.0%	100.0%

Source: Department of Legislative Services

Exhibit 3.2
Allocation of State Revenues – Fiscal 2008

County	Individual Income Tax	Corporate Income Tax	Gross Receipts Tax	Net Earnings Tax	Sales Tax	Insurance Tax	Transfer Tax
Allegany	\$46,514,950	\$7,114,939	\$1,939,839	\$190	\$43,078,503	\$3,695,588	\$593,623
Anne Arundel	740,720,251	50,119,858	12,576,505	1,341	397,511,424	26,032,880	16,898,591
Baltimore City	407,771,107	62,679,809	15,535,737	1,677	366,572,590	32,556,676	10,447,691
Baltimore	1,054,366,793	77,070,169	19,124,354	2,062	599,500,160	40,031,208	17,419,055
Calvert	109,217,254	8,628,106	1,568,744	231	37,413,119	4,481,546	2,464,221
Caroline	21,305,785	3,228,527	838,338	86	7,909,993	1,676,937	704,117
Carroll	202,872,057	16,584,031	3,345,336	444	107,979,066	8,613,953	3,795,267
Cecil	69,364,301	9,732,677	2,407,660	260	37,165,777	5,055,274	2,226,900
Charles	148,813,186	13,773,794	2,726,141	368	107,583,476	7,154,281	4,366,685
Dorchester	22,876,368	3,109,953	931,011	83	15,767,719	1,615,348	816,430
Frederick	288,089,588	22,028,553	6,798,189	589	148,342,428	11,441,906	6,288,298
Garrett	21,219,996	2,902,962	769,596	78	19,995,213	1,507,835	1,260,954
Harford	278,188,721	23,530,362	5,124,671	629	129,583,674	12,221,964	6,406,881
Howard	492,934,629	26,832,226	6,925,887	718	200,116,196	13,936,993	10,803,728
Kent	19,534,762	1,945,752	465,616	52	14,485,610	1,010,648	777,823
Montgomery	1,861,024,707	92,185,388	22,312,722	2,466	590,498,836	47,882,242	32,505,337
Prince George's	673,138,585	81,533,101	18,523,467	2,181	537,513,580	42,349,311	20,225,731
Queen Anne's	60,296,700	4,585,422	987,635	123	24,727,341	2,381,726	1,694,067
St. Mary's	106,546,649	9,830,689	1,908,157	263	52,487,584	5,106,183	2,474,109
Somerset	11,248,165	2,567,312	450,994	69	3,941,251	1,333,494	318,620
Talbot	60,169,429	3,532,453	628,791	94	42,293,736	1,834,800	2,169,610
Washington	124,069,341	14,197,469	3,020,245	380	109,223,631	7,374,343	2,741,170
Wicomico	70,516,471	9,139,610	2,530,206	244	88,304,381	4,747,228	1,853,294
Worcester	49,334,211	4,819,437	2,037,988	129	77,735,095	2,503,276	3,976,240
Total	\$6,940,134,007	\$551,672,599	\$133,477,831	\$14,758	\$3,759,730,383	\$286,545,638	\$153,228,442

Exhibit 3.2 (continued)
Allocation of State Revenues – Fiscal 2008

County	Death Taxes	Liquor Tax	Beer Tax	Wine Tax	Tobacco Tax	Horse Racing Tax	Net Lottery Receipts
Allegany	\$1,762,492	\$191,956	\$179,454	\$40,672	\$4,858,331	\$54,504	\$3,119,935
Anne Arundel	13,110,051	1,549,689	1,046,170	778,568	34,223,604	383,943	51,827,474
Baltimore City	10,256,151	2,055,161	1,218,532	478,729	42,799,981	480,158	90,109,566
Baltimore	57,258,260	2,062,184	1,290,261	788,762	52,626,225	590,395	78,682,546
Calvert	1,972,781	218,595	167,811	84,376	5,891,575	66,096	7,037,601
Caroline	725,897	59,482	66,899	14,093	2,204,552	24,732	2,256,030
Carroll	5,713,745	328,336	289,595	150,431	11,324,160	127,042	9,889,006
Cecil	1,302,468	788,829	265,771	132,403	6,645,814	74,557	5,657,084
Charles	2,194,251	422,443	235,287	83,314	9,405,231	105,514	16,573,747
Dorchester	1,278,440	81,353	70,842	24,032	2,123,585	23,824	2,464,095
Frederick	7,591,366	529,380	396,158	212,579	15,041,872	168,750	10,211,418
Garrett	347,729	97,197	74,323	29,011	1,982,245	22,238	899,632
Harford	9,862,583	468,492	402,721	202,864	16,067,359	180,254	16,879,544
Howard	6,466,689	535,835	338,161	295,205	18,321,989	205,548	11,713,998
Kent	9,288,405	66,331	44,658	28,088	1,328,628	14,905	1,272,022
Montgomery	86,406,302	1,370,431	895,775	918,441	62,947,429	706,185	47,523,562
Prince George's	11,674,798	2,055,155	1,224,889	450,959	55,673,672	624,584	100,718,537
Queen Anne's	2,456,043	137,376	111,172	65,674	3,131,088	35,127	3,072,979
St. Mary's	1,169,146	219,763	187,794	71,136	6,712,741	75,308	10,767,021
Somerset	185,693	43,495	39,473	10,838	1,753,051	19,667	1,856,808
Talbot	6,395,548	132,479	73,268	84,723	2,412,083	27,060	2,440,075
Washington	4,645,048	374,112	305,929	88,789	9,694,532	108,760	7,818,981
Wicomico	2,992,311	169,219	207,185	79,145	6,240,848	70,014	6,276,893
Worcester	1,801,180	376,928	278,268	108,741	3,290,882	36,919	8,042,446
Total	\$246,857,377	\$14,334,222	\$9,410,393	\$5,221,571	\$376,701,475	\$4,226,083	\$497,111,000

Exhibit 3.2 (continued)
Allocation of State Revenues – Fiscal 2008

County	Domestic Corporation		Medevac Surcharge	Abandoned Property		Subtotal	Property Tax	Total
	Filing Fees	Abandoned Property						
Allegany	\$944,714		\$694,606	\$909,087		\$115,693,384	\$2,415,706	\$118,109,090
Anne Arundel	6,654,861		5,531,779	6,403,893		1,365,370,882	70,793,274	1,436,164,156
Baltimore City	8,322,557		3,678,263	8,008,697		1,062,973,082	37,669,107	1,100,642,189
Baltimore	10,233,294		7,156,540	9,847,376		2,028,049,646	78,249,719	2,106,299,365
Calvert	1,145,631		962,501	1,102,427		182,422,614	11,415,716	193,838,330
Caroline	428,680		417,482	412,514		42,274,143	2,528,256	44,802,399
Carroll	2,202,010		1,872,146	2,118,968		377,205,591	17,935,305	395,140,896
Cecil	1,292,294		998,469	1,243,559		144,354,098	10,096,167	154,450,265
Charles	1,828,869		1,441,674	1,759,899		318,468,161	15,486,194	333,954,355
Dorchester	412,936		355,929	397,364		52,349,311	3,000,974	55,350,285
Frederick	2,924,927		2,381,240	2,814,623		525,261,862	26,793,582	552,055,444
Garrett	385,452		350,417	370,916		52,215,793	4,496,426	56,712,219
Harford	3,124,336		2,480,801	3,006,511		507,732,369	23,532,549	531,264,918
Howard	3,562,754		2,575,992	3,428,396		798,994,945	41,498,203	840,493,148
Kent	258,355		241,392	248,612		51,011,659	2,708,447	53,720,106
Montgomery	12,240,276		7,789,722	11,778,671		2,878,988,494	159,570,164	3,038,558,658
Prince George's	10,825,877		6,641,367	10,417,612		1,573,593,405	73,629,529	1,647,222,934
Queen Anne's	608,847		558,298	585,887		105,435,506	7,467,826	112,903,332
St. Mary's	1,305,308		1,100,636	1,256,083		201,218,568	10,134,332	211,352,900
Somerset	340,885		216,566	328,029		24,654,408	1,584,600	26,239,008
Talbot	469,035		454,411	451,347		123,568,942	8,294,752	131,863,694
Washington	1,885,125		1,469,459	1,814,033		288,831,344	12,965,501	301,796,845
Wicomico	1,213,548		999,099	1,167,782		196,507,479	6,482,741	202,990,220
Worcester	639,920		626,944	615,787		156,224,391	18,908,719	175,133,110
Total	\$73,250,491		\$50,995,735	\$70,488,072		\$13,173,400,077	\$647,657,789	\$13,821,057,866

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

Exhibit 3.3
Per Capita Allocation of Selected State Revenues – Fiscal 2008

County	Individual Income Tax	Sales Tax	Transfer Tax	Death Taxes	Net Lottery Receipts	Property Tax	All Allocated Taxes
Allegany	\$640	\$593	\$8	\$24	\$43	\$33	\$1,625
Anne Arundel	1,447	777	33	26	101	138	2,806
Baltimore City	637	573	16	16	141	59	1,719
Baltimore	1,340	762	22	73	100	99	2,676
Calvert	1,239	425	28	22	80	130	2,200
Caroline	646	240	21	22	68	77	1,359
Carroll	1,198	638	22	34	58	106	2,333
Cecil	698	374	22	13	57	102	1,554
Charles	1,058	765	31	16	118	110	2,374
Dorchester	720	496	26	40	78	94	1,743
Frederick	1,281	659	28	34	45	119	2,454
Garrett	716	674	43	12	30	152	1,913
Harford	1,158	539	27	41	70	98	2,211
Howard	1,799	730	39	24	43	151	3,067
Kent	983	729	39	467	64	136	2,703
Montgomery	1,977	627	35	92	50	169	3,227
Prince George's	808	646	24	14	121	88	1,978
Queen Anne's	1,288	528	36	52	66	159	2,411
St. Mary's	1,061	523	25	12	107	101	2,105
Somerset	429	150	12	7	71	60	1,001
Talbot	1,668	1,172	60	177	68	230	3,655
Washington	856	753	19	32	54	89	2,081
Wicomico	755	946	20	32	67	69	2,175
Worcester	1,002	1,579	81	37	163	384	3,558
Total	\$1,232	\$667	\$27	\$44	\$88	\$115	\$2,453

Source: Department of Legislative Services

Exhibit 3.4
Local Wealth Calculation – Fiscal 2008

County	Population	Assessable Base	Income Base	Total Wealth Amount	Per Capita Wealth Amount	Ranking
Allegany	72,665	\$1,156,793,300	\$774,967,993	\$1,931,761,293	\$26,584	22
Anne Arundel	511,875	24,929,982,000	11,288,575,894	36,218,557,894	70,757	6
Baltimore City	640,150	10,527,778,400	6,151,954,657	16,679,733,057	26,056	23
Baltimore	787,119	25,314,875,200	15,820,386,193	41,135,261,393	52,261	14
Calvert	88,119	4,130,894,900	1,757,755,371	5,888,650,271	66,826	7
Caroline	32,973	849,348,800	381,579,151	1,230,927,951	37,331	21
Carroll	169,373	6,242,336,800	3,292,976,783	9,535,313,583	56,298	11
Cecil	99,400	3,233,790,900	1,463,777,488	4,697,568,388	47,259	16
Charles	140,672	5,404,804,200	2,428,763,995	7,833,568,195	55,687	12
Dorchester	31,762	980,268,800	371,678,497	1,351,947,297	42,565	19
Frederick	224,978	8,969,845,700	4,533,670,646	13,503,516,346	60,021	8
Garrett	29,648	1,378,236,500	345,100,654	1,723,337,154	58,127	10
Harford	240,316	8,117,253,500	4,526,488,895	12,643,742,395	52,613	13
Howard	274,038	14,608,999,300	7,356,424,261	21,965,423,561	80,155	4
Kent	19,872	880,794,300	305,401,889	1,186,196,189	59,692	9
Montgomery	941,491	58,713,165,900	25,382,980,055	84,096,145,955	89,322	3
Prince George's	832,699	25,365,595,700	11,355,236,449	36,720,832,149	44,099	17
Queen Anne's	46,831	2,483,554,700	964,091,499	3,447,646,199	73,619	5
St. Mary's	100,401	3,326,703,600	1,662,346,909	4,989,050,509	49,691	15
Somerset	26,220	481,711,300	194,521,561	676,232,861	25,791	24
Talbot	36,077	2,710,113,300	838,752,759	3,548,866,059	98,369	2
Washington	144,999	4,107,409,200	2,103,502,539	6,210,911,739	42,834	18
Wicomico	93,343	2,266,989,000	1,303,990,940	3,570,979,940	38,257	20
Worcester	49,221	5,829,080,500	912,170,318	6,741,250,818	136,959	1
Total	5,634,242	\$222,010,325,800	\$105,517,095,396	\$327,527,421,196	\$58,132	

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

Source: Department of Legislative Services

Chapter 4. Comparability

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

1. State funding of employers' Social Security contributions for county teachers and librarians, formerly classified as a payment-on-behalf, has been reclassified as direct aid. Prior to 1987 the State made the Social Security payments directly to the federal government (*i.e.*, a payment-on-behalf). Now the counties make the payments and until fiscal 1994 were reimbursed by the State. Reclassifying the State Social Security payments as direct aid makes it difficult to compare the "Direct State Aid" columns in Exhibits 1.2 and 1.3 of this report to those columns in reports prior to 1989. Beginning with the 1989 *Balance Sheet* report, the ratios in Exhibits 1.4 through 1.7 have been recomputed to reflect this change.
2. The State funds various health services in the counties. They include addiction, mental health, community health, and developmentally disabled services. Both local health departments and private providers deliver the services. Prior to 1989 the health component of direct State aid included State funding of addiction and mental health services provided through the local health departments, not private organizations. Beginning in 1989, State spending for State health programs implemented at the local level is not reported as direct State aid; therefore, the health component of direct State aid in *The Balance Sheet* includes only State aid distributed through the local health formula. This affects the comparison of the ratios in Exhibits 1.2 and 1.3 with reports published prior to fiscal 1989. Beginning with the 1989 *Balance Sheet* report, the ratios in Exhibits 1.4 through 1.7 have been recomputed to reflect this change.
3. In previous *Balance Sheet* reports, the State funding of regional libraries through the library network program was classified as State aid to the jurisdictions with regional libraries. Beginning with the fiscal 1990 published report, this funding is not considered 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.